

Committee Name and Date of Committee Meeting

Cabinet – 16 October 2023

Report Title

Housing Acquisitions Policy

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Ian Spicer, Strategic Director of Adult Care, Housing and Public Health

Report Author(s)

Sarah Watts, Strategic Housing Manager

sarah.watts@rotherham.gov.uk

Garry Newton, Housing Development Intelligence Co-ordinator

garry.newton@rotherham.gov.uk

Ward(s) Affected

Borough-Wide

Report Summary

The report seeks Cabinet approval of a new Housing Acquisitions Policy (Appendix 1). The report sets out the objectives and principles that are reflected in the Policy, how acquisitions will be identified and prioritised, and how newly acquired homes will meet local housing needs.

The report also seeks Cabinet approval for delegation, which will allow the Council to acquire up to an additional 100 homes as part of the Housing Delivery Programme. This is in addition to the strategic acquisition opportunities approved in previous Cabinet reports.

Recommendations

That Cabinet

1. Notes that since January 2018 the Council has completed 484 homes for rent and shared ownership.

2. Notes that, of these, 83 were “strategic acquisitions” of new homes from developers as part of Section 106 planning agreements, and none were acquisitions of homes available on the open market.
3. Approves the Housing Acquisitions Policy at Appendix 1 to increase the number of housing acquisitions.
4. Delegates authority to the Assistant Director of Housing, in consultation with the Cabinet Member for Housing, to acquire up to 100 homes by 31 March 2026, in line with the Housing Acquisitions Policy and subject to available budget. This is in addition to any acquisitions already approved by Cabinet.

List of Appendices Included

- Appendix 1 Housing Acquisition Policy
- Appendix 2 Strategic Acquisition Indicative Assessment Matrix
- Appendix 3 Initial Equalities Screening (Part A)
- Appendix 4 Equality Analysis (Part B)
- Appendix 5 Carbon Impact Assessment

Background Papers

- Rotherham Housing Strategy 2022-25
- Cabinet Report – Housing Development Programme 2023/24 (January 2023)
- Cabinet Report – Housing Development Programme 2023/24 (July 2023)
- Strategic Housing Market Assessment 2019
- Rotherham Data Hub

Consideration by any other Council Committee, Scrutiny or Advisory Panel

None

Council Approval Required

No

Exempt from the Press and Public

No

Housing Acquisitions Policy

1. Background

- 1.1 In 2018, the Council embarked on an ambitious housing development programme and has since delivered 484 new council homes.
- 1.2 The latest Council Housing Delivery Report, considered by Cabinet in July 2023, restated the Council's ambition to deliver hundreds of new homes for rent and shared ownership by 2026.
- 1.3 As set out in the July Housing Delivery Programme Report, between 1 January 2018 to 31 May 2023, the Council completed 366 homes for rent and 118 homes for shared ownership. The Council has also built 125 new homes for market sale.
- 1.4 Delivery so far has been via a Council build programme, conversions of existing Council stock, and "strategic acquisitions" of new build homes from developers as part of Section 106 planning agreements. 83 homes have been secured through strategic acquisitions and further forthcoming strategic acquisitions were identified in the Housing Development Report to Cabinet on 10 July 2023.
- 1.5 On the back of these achievements, the Council can accelerate housing growth through acquisitions on the open market. These acquisitions can be quick and can increase the number of Council homes in areas popular with those on the Housing Register. Cabinet has previously authorised up to 30 "opportunity" or "ad hoc" acquisitions of homes available on the open market, but a policy is required to promote this approach, ensure acquisitions compliment the wider development pipeline and to secure properties which best meet local needs.
- 1.6 The Council is regularly approached by homeowners, landlords and developers offering the Council opportunities to acquire properties, both new and old. Other local authorities routinely acquire properties on the open market to add to their council housing stock, some at considerable scale.

2. Key Issues

- 2.1 Acquisitions can be quicker and involve less risk than constructing new homes. They can also enable the Council to bring ex council homes sold through the Right to Buy (RTB) scheme back into use as affordable housing. A proactive acquisitions programme can also assist in addressing empty homes and quality issues. Acquisitions also present a route to secure additional affordable housing provision in areas where development is unlikely or not feasible. These benefits support the following priorities in the Rotherham Housing Strategy 2022-25:

- Affordable housing to meet local need
- Investing in existing homes

- Bringing empty homes back into use

2.2 Acquisitions also provide a route to increase the availability of accommodation to prevent and address homelessness in line with the Homelessness Prevention and Rough Sleeper Strategy 2023- 2026 - Priority 3 – ‘Increase access to affordable housing options’.

2.3 It is proposed that the Council aims to increase the number of housing acquisitions to compliment the wider development programme and assist in delivering hundreds of new homes by March 2026.

Housing need

2.4 Rotherham has a shortfall of affordable housing as identified in the Strategic Housing Market Assessment 2019.

2.5 As of 31 March 2023, there were 6,572 households on the Housing Register, and this number is increasing.

2.6 The Council operates a choice-based lettings scheme, so families and individuals on the Housing Register can bid for Council properties across the Borough, but these homes are in high demand. An average of 51.5 bids were made per Council home let during 2022.

2.7 The demand for Council housing across the Borough is high, and the level of demand is expected to rise due to the ongoing cost of living crisis, and as housing market and economic conditions shift. This will bring challenges around affordability and access to safe, good quality housing at an affordable rent level, limiting the housing options for many individuals and families.

2.8 The current and forecast demand for mainstream Care Leavers, recent Unaccompanied Asylum Seeking Children (UASC) and 16-17 year old homeless indicates a gap in available appropriate housing stock to meet this need.

2.9 As a result of Right to Buy, the Council has lost 802 homes since April 2018.

2.10 The Housing Acquisition Policy will enable the Council to take advantage of opportunities which present to assist in maintaining Council stock levels to help meet these demands.

Assessment principles

2.11 Demand and need varies between wards, so the assessment of potential property acquisitions will ensure that priorities are matched with need by assessing the location, type, and size of homes.

- 2.12 Opportunities will be quickly assessed using the Housing Acquisitions Assessment Matrix to select the most suitable homes. The Indicative Assessment Matrix (appendix 2) requires some further refinement but is underpinned by local housing intelligence and evidence such as the Strategic Housing Market Assessment, Housing Need Profiles, and demand data from the Rotherham Datahub / Joint Strategic Needs Assessment (JSNA).
- 2.13 Consideration will be given to the price, location, type and size of a property, and its potential to meet a specific need, as well as understanding the Council's ability to maintain and manage the homes as part of the wider Council Housing Portfolio. Recent new homes delivery and future pipelines will also be considered, so priority can be given to acquisition opportunities in areas where there may be less ability to provide housing by other means.
- 2.14 Given the significant housing need in Rotherham, it is proposed that the primary objective of the policy is to increase the levels of Council housing stock across the Borough particularly where new build delivery is less likely, and in a way that is affordable and provides value for money to the Council and tenants. While acquisitions can deliver secondary benefits such as improving quality and regeneration, directly targeting these objectives would require a much larger and longer-term programme. This could be considered once the Council has demonstrated that an initial proactive acquisitions programme can be delivered and at a time when additional funds are available.

Methods of acquisition

- 2.15 The Council already acquires new homes, referred to as strategic acquisitions, as part of Section 106 planning agreements. These types of acquisitions are guided by the Supplementary Planning Document No. 8: Affordable Housing and will be covered by the Housing Acquisitions Policy to ensure they are assessed against the same criteria.
- 2.16 Alongside strategic acquisitions of properties secured through Section 106, the proposed Policy sets out the routes through which further acquisitions can be sought, including:
- Exercising the Right of First Refusal (ROFR): this is existing legislation which means the Council is given the option to purchase any home sold through the Right to Buy scheme when the property is resold within the first ten years.
 - Empty homes: The Council's Empty Homes Officer has access to Council Tax data that enables identification of specific locations which could be used to target these properties.
 - Open market: online search engines and relationships with local agents would assist in early identification of homes on the open market which meet the Council's specific house type, size and location requirements.

- Disposals from Housing Associations that are offered to the Council: The Council is offered properties on an infrequent basis due to low demand and/or cost of refurbishment. The Council will consider these offers in areas of strategic importance.
- Ad hoc Section 106 acquisitions: Occasionally the Council is offered the opportunity to acquire homes secured as part of Section 106 acquisitions over and above the strategic acquisitions that are negotiated during the early planning stage.

Delivery model

- 2.17 The delivery of the programme would be aligned with the Council's existing void and relet procedures for Council Housing, ensuring Decent Homes works are carried out in line with the Capital Programme and utilising the Council's existing contract arrangements for capital works and repairs and maintenance.
- 2.18 The Council will aim to undertake all essential major works, such as kitchen and bathroom replacement or rewiring, during the relet period. This will help to avoid additional costs and resources associated with working on an occupied property and minimise disruption to occupants in future years.
- 2.19 There may be occasions where properties are acquired that contain non-standard components that do not meet the Council's standard specification for Council homes. This could include conservatories, canopies and high specification kitchen and bathroom fittings. Officers will aim to reduce waste and environmental costs associated with removing non-standard components, but this will need to be balanced with the need to ensure the cost of future repairs is affordable and that the Council's repairs and maintenance function can service components.
- 2.20 The technical specification and assessment process is under development and will ensure acquisitions are managed in line with the wider council stock portfolio.

Delivery target

- 2.21 The Council can already acquire homes from the open market with delegations having been established through the Housing Delivery Programme report. The delegation was first introduced in the 2020 programme report and has been refreshed annually since. The most recent delegation provides authority to acquire up to 30 "opportunity acquisitions". As outlined above, to date no "opportunity acquisitions" have been completed.
- 2.22 Previous opportunities were assessed based on the most urgent type of need (1 bed, 4 bed and adapted accommodation). Very few opportunities have met the criteria for acquisition, with one ex-RTB acquisition pending

completion, despite receiving 68 requests under the Right of First Refusal since the start of 2022.

2.23 A clearer policy with a broader scope and explicit level of ambition will enable the Council to deliver a much bigger impact on meeting housing need. An ambition of 100 additional acquisitions by 31 March 2026 is proposed (subject to identifying further budget provision). This reflects an assessment of feasible delivery based on the fact the Council receives approximately 40 Right to Buy Right of First Refusal opportunities each year and what officers believe can be achieved through a more proactive approach via other routes.

2.24 Cabinet is therefore asked to support a new delegation to the Assistant Director of Housing, in consultation with the Cabinet Member for Housing, to acquire 100 homes in line with the new Policy up until 31 March 2026, and in addition to those acquisitions already approved by Cabinet.

3. Options considered and recommended proposal

3.1 It is recommended that the Policy is approved by Cabinet to help increase the overall number of Council homes available in Rotherham to contribute towards delivering hundreds of new homes.

3.2 The alternative is to continue without a comprehensive policy and utilising the existing delegation. Combined with allocating more officer resource to this area of work, this approach could deliver some of the benefits outlined in this report, but not to the same extent or degree. There is a risk that in some areas Council rented homes will remain limited and local people may struggle to access the type of home to meet their needs. This is therefore not recommended.

4. Consultation on proposal

4.1 Consultation has taken place with officers across the Housing Service to ensure the Policy does not have a negative impact on service provision.

4.2 The Strategic Housing and Development Service work with leads from across all directorates to ensure housing need data reflects all service requirements.

4.3 There is no requirement to carry out public consultation on the Acquisition Policy. However, the data used to underpin the Policy and the wider development programme has been based on Borough wide studies and data sets which also included resident consultation to better understand local housing need.

5. Timetable and Accountability for Implementing this Decision

5.1 The Assistant Director of Housing will have responsibility for implementing the Policy and programme of acquisitions.

- 5.2 Officers anticipate a modest number of acquisitions during 2023/24 and in the first quarter of 2024/25, with activity increasing from mid-2024.
- 5.3 Each acquisition will be documented in the form of an Officer Decision Record.
- 5.4 Activity will be reported to Cabinet as part of the Annual Housing Development Report.

6. Financial and Procurement Advice and Implications

- 6.1 The Policy indicates strategic acquisition opportunities will only be pursued if there is funding available at the time it is offered, so will be contained within budget.
- 6.2 The 2023/24 budget allocation for Housing Growth is £22.8m. This is to fund both Council Build and acquisitions programmes in year.
- 6.3 The Housing Revenue Account (HRA) Business Plan model is a tool to assess the affordability of proposals, it does not provide approval for specific capital project budgets. The budgets for specific projects are approved via separate Cabinet reports on the Housing Growth programme or through the Council's Financial Monitoring reports to Cabinet.
- 6.4 The HRA Business Plan model includes 30 "opportunity acquisitions" at an average cost of £170k per unit. Current indications show that the potential average cost to acquire and bring the property into use would be circa £180k per unit. The additional 100 units would require a budget of £18m spread over three years that could be identified either through reallocation of funding from within the existing programme for housing growth or through new capital funding being earmarked for acquisitions as part of future updates to the HRA Business Plan.
- 6.5 These additional units are not included in the current HRA Business Plan model so have not been assessed for affordability or against the availability of funding at this time.
- 6.6 The current budgets would need to be re-profiled via usual Capital Governance processes to enable purchase of additional properties.
- 6.7 There are no direct procurement implications associated with the recommendations detailed in this report. Property acquisitions fall outside the scope of procurement legislation.

7. Legal Advice and Implications

- 7.1 There are no substantive legal issues arising from the contents of this report.
- 7.2 The Council has the power to acquire property on the open market provided it is in furtherance of its duties. The report has set out a structure

for ensuring that this is the case so there is no reason to believe that the proposed acquisitions would be ultra vires.

7.3 With regard to the buying back of former Council homes under the Right of First Refusal, this is what the legislation was drafted to permit, so the right clearly exists. The difficulty in utilising this right has historically been in being able to act within the timescales specified in the legislation, in particular, being able to obtain valuation advice. However, assuming that the structure for these acquisitions is put in place, this will assist in complying with deadlines. In addition, the time taken for any assessment of value by the District Valuer is excluded from the timescales set by the relevant legislation.

8. Human Resources Advice and Implications

8.1 There are no Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 The acquisition of homes will be assessed based on known housing need. The Policy will allow for adapted homes to be prioritised where they are not being delivered through more traditional delivery routes, to meet the need of those on the housing register with disabilities or health issues, especially those with complex needs, and transitioning to adulthood. Accommodation will also be considered that will create opportunities for providing supported, shared dispersed accommodation for Care Leavers.

9.2 The acquisition of family-sized homes will also be prioritised through this Policy to meet the high demand for affordable housing for families on the Housing Register. This will help to ensure children are able to live in homes that are safe and secure. It can also help with other issues such as the prevention of overcrowding or allowing families to access larger homes where they are able to support fostering opportunities or for those being supported through a Pathway to Care.

10. Equalities and Human Rights Advice and Implications

10.1 The Council wants to ensure local people have access to safe, quality and affordable accommodation.

10.2 There are some areas of the borough with low levels of Council homes and where access to affordable housing needs to improve.

10.3 Homes acquired through this Policy will be let as part of the Council's choice-based lettings scheme and in line with the Council Allocations Policy.

10.4 For example, the Council has just under 20,000 tenancies, and 31% of these tenancies has a household member with a disability. The acquisition of bungalows or adapted properties may help households currently living in

an unsuitable property or may help a household live independently for longer.

- 10.5 Surveys will be carried out with the occupants of new homes, and equality and diversity results analysed and compared with other relevant data sets such as the Housing Register. This will allow the Council to understand whether any protected characteristic groups are over or under-represented in new build homes and take appropriate action if required.

11. Implications for CO2 Emissions and Climate Change

- 11.1 All acquisition opportunities will be considered for energy improvements as part of their refurbishment, which includes budget to bring the property up to a minimum EPC rating C. This is in line with existing Council homes. If these properties remained in the private sector, there would be no guarantee that these improvements would be made to the property.
- 11.2 Acquisitions will enable the Council to make better use of homes that already exist, and in doing so, CO2 emissions resulting from the Development Programme will be significantly lower in comparison to creating homes through the new build workstream. Though the ability to retrofit existing homes may be more difficult and costly.

12. Implications for Partners

- 12.1. The Council has an existing partnership with Equans and Mears through the housing repairs and maintenance contracts, and any acquisition may need improvements to bring to a lettable standard. These improvements will be provided by one of Equans or Mears.

13. Risks and Mitigation

13.1	Risk	Mitigation
	Unable to identify 100 homes to acquire over the three-year period.	<p>Properties will be identified from several sources.</p> <p>The Council has received 68 Right of First Refusal requests since January 2022.</p> <p>Target marketing can be carried out to increase opportunities if necessary. There are currently 92 homes advertised on Rightmove, valued between £130,000 and £150,000 across Rotherham.</p>
	Impact on first-time buyers	The Council will only pursue homes on the open market after other avenues have been exhausted, e.g. Right of First Refusal and empty properties, which are identified prior to being marketed for sale. The 'one-off' nature of these acquisitions over a three-

	year period should not have a negative effect on the availability of homes for first-time buyers. According to Hometrack, there were 3,090 second hand house sales in Rotherham in 2022. Therefore, over three years, 100 strategic acquisitions would equate to around 1% of the total annual sales turnover.
Insufficient resources to manage the process.	Review of Strategic Housing and Development resources has taken place, and recruitment is progressing in support of the wider Development Programme.
Internal staff capacity – Housing, Legal, Procurement, Asset Management etc	Explore different partnering arrangements to reduce client-side resource pressures, including pre-contract service agreements whereby the contractor carries out early feasibility work at risk. Ongoing dialogue between services regarding forward planning and resource requirements, and HRA contributions to staffing costs in key supporting services.
A property purchase becomes lengthy/complex.	The Assessment Matrix gives consideration to purchases which may come with a complex chain or are in probate which could impact on the length of the process. In these cases, any acquisition is unlikely to be progressed.
Risk of complaint if a particular property is not acquired.	The Policy provides a framework to guide the decision-making process but does not impart any obligations upon the Council. Complaints would be dealt with as per Council procedure and the Assessment Matrix would form part of the evidence.
Funding availability / eligibility	Continual dialogue with external funding bodies. Investment of time in robust business case preparation to ensure overall costs remain within approved HRA Business Plan affordability modelling and Capital Programme approvals. Regular meetings with Finance colleagues to monitor programme.
Impact of acquisitions on local market values	A limited, phased, borough-wide programme of acquisitions over a 3-year period is to help mitigate against the risk of prices becoming inflated as a result of the Council acquiring property.
Failed purchase	The assessment criteria should help reduce the risk of pursuing complex sales arrangements. However as is the case with open market acquisitions, the sale/purchase arrangement is between the owner and the

	<p>Council and does not become binding until contracts are exchanged. Both parties will incur respective costs should the sale/purchase not complete. This is clearly set out in the Policy, and the budget has been set with this in mind.</p>
<p>Any home acquired will be subject to Right to Buy scheme</p>	<p>All Council homes built or acquired after April 2012 will be subject to a Cost Floor period of 15 years. This will protect the Council from any significant financial loss on the acquisition during this period. The Cost Floor is the calculation of the sale price and allows the Council to include the costs of:</p> <ul style="list-style-type: none"> a) The construction of the dwelling, including site development works and acquisition of land. b) The acquisition of the dwelling. c) Those works initially required following the acquisition of the dwelling by the landlord to put it into good repair, or to deal with any defect (exceptions apply where the property was acquired under Part XVI of the Act). d) Those works of repair or maintenance; or works to deal with any defect affecting the property (except works within paragraph c) above). Costs can only be included in the Cost Floor where the aggregate of these costs exceeds the sum of £5,500; the figure that is included in the costs is the amount in excess of £5,500 (i.e., the first £5,500 of relevant costs cannot be included in the Cost Floor calculation). <p>Therefore, if a Right to Buy application is received for a property acquired through this policy within 15 years of the acquisition date, the tenant will have to pay either the cost floor calculation (cost of acquisition plus any works) or the full market valuation at that time, whichever is the lowest figure. After 15 years, tenant's discounts will be applied.</p>

14. Accountable Officers

James Clark, Assistant Director of Housing

Approvals obtained on behalf of Statutory Officers: -

	Named Officer	Date
Chief Executive	Sharon Kemp	02/10/23
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	28/09/23
Assistant Director of Legal Services (Monitoring Officer)	Phil Horsfield	28/09/23

Report Authors:

Sarah Watts, Strategic Housing Manager

sarah.watts@rotherham.gov.uk

Garry Newton, Housing Development Intelligence Co-ordinator

garry.newton@rotherham.gov.uk

This report is published on the Council's [website](#).