

## **ANNEX**

### **Buying back homes sold under the Right to Buy**

This annex sets out a proposed policy framework for the Council to buy back properties which have been sold under the Right to Buy.

Scrutiny is invited to consider and comment upon the draft principles as outlined in this annex

#### **1.0 Introduction**

- 1.1 The Right to Buy was introduced by the Housing Act 1980 and amended by the Housing Act 1985.
- 1.2 Qualifying Council tenants can buy their current home under the Right to Buy and can qualify for up to 70% discount or a maximum of £82,800. Most tenants of Registered Providers can only buy their home under the Right to Acquire which has a much lower discount (a flat rate £10,000 in Manchester).
- 1.3 The Housing Act 2004 also introduced a requirement for owners wishing to sell their property, within ten years of purchasing under Right to Buy, to offer the property back to the Council before placing it on the open market. The Housing (Right of First Refusal) (England) Regulations 2005 set out the procedures that owners wishing to sell their property are required to follow.
- 1.4 If the Council does not wish to exercise this statutory right it has the right to nominate another Social Landlord to accept the offer if it wishes to do so. If a third party is nominated then there is a requirement to notify the seller of the nomination. The right of first refusal is binding on successors in title meaning that this right of first refusal applies even when the original secure tenant has sold the property to a new owner and the new owner then wants to sell within ten years of the original purchase under the Right to Buy.

#### **2.0 Background**

- 2.1 After the Government increased the discount available to purchasers of Right to Buy houses in 2015 a significant number of affordable homes have been lost in the city. A total of 421 social and affordable homes were lost under the Right to Buy and Right to Acquire in 2018/2019.
  - 356 (85%) were Right to Buy or Preserved Right to Buy (Council tenants kept their RTB status when the Council transferred the stock to Housing Associations and many continue to exercise it) with only 63 (15%) being sold under the Right to Acquire.

- 2.2 Should Right to Buy purchases continue at such a rate it would significantly reduce the affordable housing options for those in need on the Council's housing register.
- 2.3 By buying back properties previously sold under Right to Buy we can seek to support the Affordable Housing Policy by counteracting some of this impact and adding to the number of homes available to those in need.
- 2.4 Currently there are just over 15,000 people registered to be rehoused on Manchester Move. Of these approximately 40% are classed as in housing need.
- 2.5 Over the last few years there has also been a substantial reduction in the number of homes becoming available for social rent. 3,620 homes became vacant and were re-let during 2013/14 but this has reduced year on year and fell to around 2,500 at the end of 2018/19.
- 2.6 In addition, there has been a significant increase in the average number of bids for each property rising from 44 in 2014/15 to 142 in quarter one 2018/19.
- 2.7 In March 2012 the Government offered local authorities the ability to retain a greater proportion of RTB receipts. In return local authorities have to use this resource to fund new social housing (either acquiring or building). To date c. £4m has been used to fund the 35% equity stake in the project with registered providers to buy large family housing to rehouse homeless families out of temporary accommodation. Under this proposal a further amount could be utilised to support the buy back policy.

### **3.0 Proposed Principles**

- 3.1 The proposed approach is to be applied to all former Council properties offered back to the Council, not only those offered in accordance with the 'Right of First Refusal'.
- 3.2 The Council has limited capital resources. Therefore, to maximise the number of Right to Buy repurchases we will, in the first instance, nominate a RP to buy the property.
- 3.3 In the areas managed by a PFI contractor we will ask the current housing manager (Your Housing, Jigsaw and Onward) to consider buying back the property and manage it outside the PFI contract.
- 3.4 In the Northwards area (where most of the sales, and offers to buy back, occur) we will seek a RP partner (or several) who is willing to own and manage properties in north Manchester.
- 3.5 The Council may wish to consider providing grant funding to RPS where their financial appraisal shows that the rental income and will not cover the costs of

acquiring and maintaining the property for a 30 year period, as required in their business plan.

- 3.6 In considering this approach we will need to discuss with the RPs whether it is viable for them to buy property in north Manchester and for Northwards Housing to manage it. Northwards would collect the rent, carry out repairs and maintenance and take a (small) fee from the rent collected. The RP would own the asset and receive a sufficient amount of rent to service any borrowing. Further financial modelling will be carried out to determine whether this is a viable solution,
- 3.7 Initial discussions with RPs confirm their interest in acquiring Right to Buy properties identified by the Council as long as the financial appraisal confirms that the rental income will cover the future costs and repay any borrowing.
- 3.8 There are circumstances where those who have acquired properties have found themselves in financial difficulty. Under this proposed approach in exceptional circumstance we will consider whether we acquire such properties allowing the owner to remain in the property as a tenant. The exceptional circumstances may include financial considerations and ill health. requests from owners to sell back their property and stay in it and rent it. This would only be agreed in exceptional circumstances where failure to buy back might lead to the property being repossessed and the owner becoming homeless or where the individual circumstances of the owner, such as ill health, means they are not able to continue to manage and maintain their home.
- 3.9 By introducing this policy we are looking to:
- Maximise the supply of social housing within Manchester;
  - Reinvest Right to Buy receipts in a way which makes a more direct connection with reducing the impact of Right to Buy;
  - Avoid properties being sold and then used in the private rented sector; and
  - In exceptional circumstances, provide solutions for old, vulnerable or other households who can no longer maintain their property or wish to move to right size.
- 3.10 It is acknowledged that this policy does not increase the overall quantum of housing but it will add to the stock of affordable homes in the city. However, it should be noted that any property acquired will still be subject to the Right to Buy or Right to Acquire depending on whether the acquisition is by the City Council or by a Registered Provider (RP).

#### **4.0 Conclusion**

- 4.1 If the Executive endorse this approach, a policy will be bought back to a future meeting of the Executive which will set out more fully how the housing

management, tenancy arrangements and nomination rights process will operate (particularly in North Manchester where a large proportion of the social housing stock is owned and maintained by the Council's ALMO, Northwards Housing), along with the detailed financial and legal implications associated with the proposed policy.