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Report of: Executive Director, Place

Report to: Cabinet Member for Neighbourhoods and
Community Safety

Date of Decision: 29 March 2021

Subject: Acquisition Strategy

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
- Expenditure and/or savings over £500,000	<input type="checkbox"/>	
- Affects 2 or more Wards	<input type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? Neighbourhoods and Community Safety)		
Which Scrutiny and Policy Development Committee does this relate to? Safer and Stronger Communities		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? (811)		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-		
<i>"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."</i>		

Purpose of Report:

In 2015 the Cabinet Member for Homes and Neighbourhoods approved an Acquisition Strategy to support the Council Housing Stock Increase Programme. The following changes since then mean that the 2015 Strategy is now outdated and requires revision:

- Change to funding regime
- Wider range of work streams
- Updated evidence base
- Homelessness changes

This report presents an updated Acquisition Strategy for approval, which sets out the principles, approach, and governance for the acquisitions element of the Stock Increase Programme.

Recommendations:

- That the Acquisition Strategy attached to this report at Appendix 1 is approved for immediate implementation
- That the amendment to the Council's Allocations Policy to enable owners to sell their properties to the Council and remain as secure tenants and to enable landlords to sell their apartments to the Council with a small proportion of sitting tenants, as set out at Appendix 2 to this report, is agreed.
- That the Allocations Policy amendment be implemented with immediate effect

Background Papers:

Appendix 1- Acquisition Strategy

Appendix 2- Amendment to the Council's Allocations Policy

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: <i>(Karen Jones)</i>
		Legal: <i>(Stephen Tonge)</i>
		Equalities: <i>(Louise Nunn)</i>
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	EMT member who approved submission:	<i>(Mick Crofts)</i>
3	Cabinet Member consulted:	<i>(Cllr Wood)</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Danielle Kitchen</i>	Job Title: <i>Strategic Housing Officer</i>
	Date: 29/03/2021	

1. PROPOSAL

- 1.1 In February 2014, Cabinet approved the development of a mixed programme of acquisitions and new build to renew the Council's housing stock. Officers were authorised to identify properties for acquisition and prepare associated strategies. In April 2015 the Cabinet Member for Homes and Neighbourhoods approved an Acquisition Strategy to support the programme.
- 1.2 In October 2019 a report was presented to the Cabinet Member for Neighbourhoods and Community Safety providing an update on the progress of the programme and the approved broad principles for increasing delivery to 3100 homes. This report seeks Cabinet Member approval for an updated Acquisition Strategy (attached to this report as Appendix 1) for the Council Housing Stock Increase Programme (SIP) in line with those principles.
- 1.3 This strategy sets out the principles, approach, and governance for SIP acquisitions, which include the acquisition of homes and land for the purpose of affordable housing to help meet the needs of Sheffield's residents.
- 1.4 A new strategy is required for several reasons:

Change to Funding Regime

One of the principles for increasing SIP delivery, as set out in the 2019 report to the Cabinet Member, was based on the ability to increase borrowing as a result of the government issuing a Determination removing the Housing Revenue Account (HRA) borrowing cap in October 2018. This increases the opportunities for Council Housing Acquisitions. An updated Strategy is required to guide this process.

Wider Range of Work Streams

The Acquisition Strategy 2015 focused on general acquisitions of individual existing residential properties. Since then, further workstreams have been identified. The New Homes Delivery Plan, approved by Cabinet in November 2018, aims to provide an increased level of new build properties for affordable housing. In 2019 a report on the SIP highlighted a range of workstreams including new build development on allocated sites, acquiring homes for sale that meet gaps in provision,

purchasing 'off plan' from private sector developers and through acquiring s106 properties from private developers.

The Acquisition Strategy, Financial Modelling and Processes have been refreshed to reflect this wider range of activity for the Council, including land, multiple dwellings, and new build acquisitions.

Updated Evidence Base

The Acquisition Strategy 2015 is largely based on evidence from the 2013 Strategic Housing Market Assessment (SHMA). An updated SHMA was recently completed by Centre for Regional Economic Social Research (CRESR) on behalf of the Council in July 2019. The report provides detailed evidence on the structure and operation of the local housing market. It estimates the need for 902 additional affordable dwellings per annum for Sheffield as a whole. This is a significant increase from 2013 SHMA where the estimated need was 725 dwellings per annum. The SIP will address part of this need and the rest will be addressed through other forms of provision. A proactive approach to acquisitions as part of the SIP is required to help meet the city's affordable housing shortfall.

Homelessness changes

Significant changes have affected the number of people facing homelessness both nationally and locally. Despite improved collaboration across services in Sheffield to help people find lasting solutions, housing options and support for vulnerable households is under increasing pressure. This includes an increased pressure for 1 bed affordable accommodation.

- 1.5 The updated strategy sets out priorities for SIP acquisitions. It sets out the rationale for acquiring properties and the criteria on which acquisitions are based. Both the financial and strategic need for acquiring a property will be assessed as part of the acquisition appraisal.
- 1.6 The updated strategy will build on the success of the previous strategy and provide for a wider range of housing for different cohorts as outlined in the SIP Report 2019. It includes all work streams associated with residential acquisitions to ensure that they fulfil the strategic priorities of the SIP. It will ensure that the supporting strategic/policy framework, processes, and governance arrangements are in place to support effective and evidence-based decision-making.
- 1.7 An effective strategy will allow the Council Housing Service to provide

affordable housing by acquiring properties which meet the most acute needs across the city. A number of strategic priorities have been identified in the Strategy. These are centred around the following three aims:

1. Improve the balance of SCC stock across the city. To achieve this a number of strategic priorities are outlined below. These will be prioritised within the appraisal process:

- Tenures and property types identified for each Housing Market Area based on evidence from the SHMA.
- Smaller affordable properties. These are particularly in demand due to increased homelessness in the city and the need to meet the requirements of young people and the Council's Corporate Parenting responsibilities towards care leavers.
- 4 bed properties. Particularly needed due to the Council's low level of stock and low turnover on these properties
- Accessible homes. There is a city-wide shortfall of bungalows and age friendly homes.

2. Improve the quality of housing and housing management

- Homes that we acquire will be at or will be modernised to meet the government decent homes standard and achieve an SAP rating of C where possible.
- The types of homes and locations we can offer will be expanded. Opportunities to acquire apartments in blocks where the Council owns the freehold will be sought. Consideration for acquiring leasehold flats in private blocks will be given where we understand the risks and opportunities.
- Acquisitions of individual properties will be considered where neighbourhood management issues arise and where strong housing management and leadership is needed.
- We will also consider acquiring homes in areas where the Council does not currently hold much stock. This will allow the Council to expand the types of homes and locations that it is able to offer.
- Acquisitions which support regeneration schemes will be prioritised. The specific role of acquisitions in delivering regeneration masterplans or neighbourhood action plans will be agreed on an area-by-area basis.

3. Provide appropriate housing for vulnerable people

- Assist owner-occupiers who are on a low income as classified in the Private sector Housing Assistance Policy and assist those who are most vulnerable to housing hazard and in unsuitable private accommodation
- Consider purchasing owner occupied properties where owners are struggling to run, adapt or improve their home
- Consider the potential for owners who sell their home to the Council in these circumstances to continue to occupy the home as a council tenant. This acquisition will be in line with National Local Authority Accountancy Guidelines for determining existing use value.
- Broaden the type of homes we offer, for example a property particularly suitable for adaptations where these are required for a household to live independently.

1.8 A balanced programme will be achieved through our financial, monitoring process which will enable the SIP to be understood as a whole, rather than on a scheme by scheme or property by property basis.

1.9 Properties will generally pay back over 30 years. Properties which meet a strategic priority will be able to payback over the lifetime of the property.

1.10 The Council will seek acquisitions in areas that either match the property shortfalls or which could be converted to match the property shortfalls, for example converting houses into 1-bedroom apartments.

1.11 Acquisition of property to provide access to housing development land will be included within the overall new development viability appraisal and will follow the Council's Capital Approval process for the Council new build programme.

1.12 As part of the HRA Business Planning process, provision has been made for RTB risk for any general needs properties that are built/ acquired. The Council is protected for 15 years by the cost floor rule, which prevents the sale of Council homes for less than they cost to build or acquire by reducing the discount available to the tenant, but after 15 years the properties would be subject to the appropriate discount available to the tenant. However, the risk of financial loss to the council through RTB is considered and evaluated through the initial viability assessment, which can take account of this risk (by assessing the likelihood of RTB sale and average level of debt at the point of sale).

- 1.13 Acquisitions in high value areas present a higher risk. Therefore, in higher value areas the Council will consider acquisitions where the risk is reduced. For example, properties that will be suitable for specialist housing needs and therefore be excepted from RTB by Schedule 5 of the Housing Act 1985. These include homes for those with learning disabilities, shared specialist young people accommodation and older persons accommodation with warden facilities. Shared Ownership homes are outside RTB as the lease is not a secure tenancy.
- 1.14 The Housing Growth Steering Group will act as the steering group for properties to be acquired. This includes single acquisitions, clusters, and the acquisition of land. Acquisitions of all types will be reported quarterly to the group.
- 1.15 The strategy, the baseline evidence and recent acquisitions will be reviewed on an annual basis to ensure that priorities remain relevant and are being delivered.
- 1.16 Owners Becoming Tenants

It is proposed that the Council should be able to acquire properties from owner occupiers in the following circumstances:

1. The owner occupier needs to sell their home, and
2. It would be preferable and/or appropriate that they remain in occupation of the property after it is acquired by the Council, and
3. They would benefit from a secure tenancy by the Council

It is anticipated that such acquisitions will be rare and these situations will only arise in exceptional circumstances where the owner occupiers' specific circumstances can be supported by compelling evidence establishing their need to sell but also to remain in the property as a secure tenant.

It is difficult to accurately predict the types of "needs" circumstances that may present to the Council that would engage this ground for acquisition. Consequently, it is not possible to draft policy criteria to regulate and determine what such "needs" should be to qualify for acquisition. It can however set out general principles and more prescribed qualifying criteria which are outlined in the strategy under appendix B.

Any purchase price the Council makes for a property should reflect the fact that the owner will be gaining a secure tenancy and immediately occupying the property as a tenant upon completion of the acquisition. The offer would be in line with National Local Authority Accountancy Guidelines for determining "Existing Use Value – Social Housing".

Currently, this would mean a purchase price offer equivalent to a maximum 41% of market value.

This is a significant reduction from private market value and should provide sufficient disincentive to those owners who may otherwise have viewed this option as a form of “equity release”.

From the longer-term perspective of the HRA Business Plan, such acquisitions releases borrowing and match funding for use elsewhere in the programme to increase the overall number of acquisitions and maintain the Council’s stock at a higher level.

Any decision to allow home owners to become Council tenants immediately following sale of their home to the Council requires an amendment to the Council’s Allocations s Policy. The proposed amendment is attached at Appendix 2.

1.17 Sitting Tenants

Acquiring properties from commercial landlords will generally be conditional upon the Council acquiring with vacant possession. The Council will tolerate a small proportion of sitting tenants within an apartment block in certain circumstances. This will be where the housing type particularly meets need and where the Council has explored and understand the risks. This will only be considered in areas where we are not planning to demolish or significantly remodel.

2. HOW DOES THIS DECISION CONTRIBUTE?

2.1 The proposal contributes towards the corporate plan:

2.2 An in-touch organisation

This strategy will focus resources towards the most acute needs across the city. It relies on up to date evidence of the types and location to meet needs for social housing across the city.

2.3 Thriving Neighbourhoods and Communities

Providing additional good quality affordable homes which meet people’s needs. Expanding on the types and locations will create mixed communities.

2.4 Better Health and Wellbeing

Providing additional good quality homes will improve health and wellbeing for residents who may have been previously living in unsuitable homes.

2.5 **Tackling Inequalities**

By targeting priority housing, it will be possible to address some of the inequalities that exist within the city and help to ensure that more residents will be able to access suitable housing. The strategy supports the delivery of additional affordable housing that will allow more households, including families with children, to live in appropriate, healthy homes in neighbourhoods close to essential facilities and services.

3. **HAS THERE BEEN ANY CONSULTATION?**

- 3.1 There is no requirement to consult on the Acquisition Strategy. A consultation was however carried out on the SHMA, a significant piece of primary research which informs the strategy. Within which, the Council consulted the residents of Sheffield about their current and future housing needs. In addition, tenants and residents are consulted regularly on the annual HRA Business Plan, to which the SIP contributes. The proposed changes to the Allocation Scheme proposed by this Report are not considered as “major changes” and as such may be lawfully undertaken without the need for statutory consultation.

4. **RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

4.1 Equality of Opportunity Implications

We want Sheffield to be an inclusive city and fair access to a range of good quality and safe affordable housing will ensure that all communities in Sheffield will prosper as the city grows. There are some areas in the city with low levels of social stock where access to affordable housing needs to improve. We must therefore increase the provision, range, and location of affordable homes available in the city.

4.2 Tackling Inequalities

By targeting priority housing it will be possible to address some of the inequalities that exist within the city and help to ensure that more residents will be able to access suitable housing. The strategy supports the delivery of additional affordable housing that will allow more households, including families with children, to live in appropriate, healthy homes in neighbourhoods close to essential facilities and services

4.3 Financial and Commercial Implications

The acquisition strategy does not identify any additional spending as in the main the council is reimbursed. The financial implications have already been considered in the following approvals:

- The 2014 Cabinet report to approve the development of a mixed programme of acquisitions and new build to renew the Council's housing stock;
- The 2019 report to the Cabinet Member to increase the SIP target to 3100 homes;
- The annual HRA Business Plan Cabinet Reports.

There are no further financial implications

4.4 Legal Implications

The proposed updated Acquisition Strategy appended to this Report at Appendix 1 and the associated modifications to the Council's statutory Allocation Scheme set out in this Report at Appendix 2 are permissible under the law. The proposed changes to the Allocation Scheme are not "major changes" and are not subject to the duty to undertake prior statutory consultation.

In relation to the concept of purchasing a property from owner occupiers and then granting to them a secure tenancy of that property, although not unlawful per se, advice has been given as to its feasibility and its net operational merit when taking into account:

- i. the provisions of the Private Sector Housing Assistance Policy to support owner occupiers by way of equity loan;
- ii. any future modification to the qualification criteria for acceptance onto the Allocation Scheme as to "capital/income caps" – i.e. that by virtue of selling the property to the Council the vendor immediately and automatically becomes too wealthy to qualify for a grant of a secure tenancy. Note that currently no such criteria exists but although the Allocation Scheme permits home owners entry to the scheme it prohibits them from bidding for a property due to their home ownership. This aspect of the Acquisition Strategy appears potentially contra to the policy intention of the Allocation Scheme.

- iii. this aspect of the strategy does not create a vacant property to let and so its contribution to SIP is not immediate, may take a generation to achieve if succession rights are exercised and may never be achieved if RTB exercised.
- iv. it may be perceived (or even subject to abuse) as a Council backed alternative to commercial “equity release” schemes providing the additional attractions of succession rights and RTB which are not available in commercial schemes.

For the above reasons the legal advice is that any policy drafted to further the strategic aims for this aspect will need to be scrutinised to ensure it is consistent with the Private Sector Housing Assistance Policy and Allocation Scheme policy intentions. And that safeguards are in place to avoid abuse.

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1 The alternative option is choosing not to update the acquisition strategy. Opportunities for acquisitions would be appraised based on the 2015 strategy which is informed by out of date evidence. The strategic priorities are also outdated.

The strategy would not cover new build properties, land acquisitions or acquisitions for specialist provision. These would be assessed on separate principles and guidance.

6. REASONS FOR RECOMMENDATIONS

- Sheffield has a shortfall in affordable housing of 902 units p/a as identified in the Strategic Housing Market Assessment. This strategy will help to deliver additional good quality affordable homes to meet this need;
- The Council has committed to an ambitious SIP and this strategy is needed to ensure that properties meet the needs of residents;
- The strategy will encourage acquisitions of a range of types and locations which will expand the current offer the Council is able to make. This will broaden affordable housing opportunities for the people of Sheffield and create mixed communities;
- The strategy will focus resources towards the most acute needs across the city, meeting strategic priorities including supporting young people and care leavers, older people and reducing homelessness;

- The strategy will ensure that opportunities for acquisitions are assessed quickly both for the financial case and the strategic one. This will create a balanced programme and will remove the scheme by scheme assessment.

Appendix 1-Acquisition Strategy

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Acquisition Strategy

1. Introduction

1.1. This strategy sets out the principles, approach and governance for the acquisitions element of the Council's Stock Increase Programme. The programme will include the acquisition of homes and land for the purpose of affordable housing to help meet the needs of Sheffield's residents.

1.2. This strategy sets out priorities for acquisitions, which the Council wishes to achieve through its Stock Increase Programme. It provides a set rationale for the Council acquiring properties as part of this and the criteria on which such acquisitions are based. Both the financial and strategic need for acquiring a property will be assessed as part of the acquisition appraisal. Where possible, the Council will seek opportunities to create a financial return to support the wider HRA business plan.

Why this strategy is needed

1.3. The quality of our homes and the environment in which we live have a significant impact on our health and personal sense of wellbeing.

1.4. Sheffield is a growing city with a £12.6bn economy. The city offers a wide range of housing options within which most of the population have suitable homes. However, this is not the case for all and some households find this more challenging than others.

1.5. Our younger generation is disproportionately disadvantaged in their ability to access housing, with sufficient savings being a barrier. Care leavers move into independent living at a younger age than most and experience difficulty in accessing independent homes due to limited resources and experience. It is a priority for us to ensure that the inability to access safe housing is not barrier for these young people as they transition into adulthood.

1.6. Our older and disabled communities also often find their housing choices more limited due to the elevated cost of specialist age friendly or adapted homes both to rent and buy.

1.7. Significant changes have affected the number of people facing homelessness both nationally and locally. Despite improved

collaboration across services in Sheffield to help people find lasting solutions, housing options and support for vulnerable households are under increasing pressure.

1.8. We want Sheffield to be an inclusive city and fair access to a range of good quality and safe affordable housing will ensure that all communities in Sheffield will prosper as the city grows. There are some areas in the city with low levels of social housing stock where access to affordable housing is limited. We must therefore increase the provision, range, and location of affordable homes available in the city.

1.9. In 2019 the Council completed a Strategic Housing Market Assessment (SHMA), which demonstrated a significant shortfall of Affordable housing in the city. It is estimated that 902 additional affordable homes are required each year for the next five years in order to meet the city's need.

1.10. The anticipated level of affordable homes that can be achieved through the planning policy S106 contributions is not likely to meet the cities affordable housing need. The Council has therefore embarked on a Stock Increase Programme. The current Stock Increase Programme aims to provide 3,100 affordable homes by 2029. Acquisitions fall under four workstreams, which are expanded upon in point 5.5. All of which are central to the delivery of this target. This is because acquisitions are generally a quicker way of delivering affordable homes than new build projects. Acquisitions of new and second-hand homes also enable the Council to provide affordable homes in areas where it does not currently own much housing stock or land.

1.11. This strategy aims to focus resources towards high priority properties by establishing an agreed set of principles and parameters. By doing this the Council aims to:

- 1) Improve the balance of SCC stock across the city
- 2) Improve the quality of housing and housing management
- 3) Provide appropriate housing for vulnerable people

2. Improve the balance of Council housing stock across the city

2.1. Affordable housing is needed right across the city. However, some neighbourhoods have a greater shortfall than others. Much of the affordable housing delivery since 2013 has been in lower value areas

which don't always represent the greatest shortfalls. To address this acquisitions in neighbourhoods with low levels of affordable housing (both Council and Housing Association owned dwellings) will be prioritised and delivered where it is viable to do so within a balanced programme.

2.2. Recommendations on tenures and types needed for each Housing Market Area (HMA) will be used to guide acquisitions. In addition to the local shortfall shown in the HMAs, the Council has additional strategic priorities which apply across the city.

- Smaller affordable properties: Demand for 1 bed/studio properties has increased since the 2019 SHMA was produced. A recent increase in rough sleeping and homelessness has put pressure on smaller properties for supported accommodation. We also know that younger people generally need smaller more affordable properties and providing safe and affordable homes for care leavers as they move into independent living. These cases are a priority for the Council.
- 4 beds: The Council owns only a small number of 4 bed properties, and low turnover of these homes limits options for larger households.
- Accessible homes: Our evidence shows a citywide shortfall of bungalows and other age friendly homes. We also have evidence of need for adapted or adaptable accommodation.

2.3. Properties which help the Council meet strategic priorities, including recommendations from our analysis of the SHMA and other sources, will be prioritised.

3. Improve the quality of housing and housing management

3.1. The proactive acquisition of second-hand private homes will enable the Council to invest and improve the quality of homes in an area and ensure that more homes are supporting safe and healthy living. Homes that we acquire will be at or will be modernised to meet the government decent homes standard and achieve an SAP rating of C where possible.

- 3.2. Improving the quality of housing management in an area or generally increasing the Council's presence as a landlord may at times be challenging. We will continue to acquire apartments in blocks where the Council owns the freehold as this will consolidate our landlord responsibilities and enable greater impact of housing management. Acquisition of flats in other blocks in areas where we don't hold much stock will also be considered, including leasehold purchases where we understand the risks and opportunities. This will allow the Council to expand the types of homes and locations that it is able to offer.
- 3.3. Individual properties might on occasion cause neighbourhood management issues, for example a long-term empty home that has become a focus for anti-social behaviour. Sufficient flexibility in the acquisition programme will be retained to ensure the Council has the capacity to purchase properties when neighbourhood management issues arise and where strong housing management and leadership is needed. This will be considered on a case by case basis.
- 3.4. Acquisitions which support regeneration schemes will be prioritised. The specific role of acquisitions in delivering regeneration masterplans or neighbourhood action plans will be agreed on an area-by-area basis.

4. Providing appropriate housing for vulnerable people

- 4.1. While most of Sheffield's existing homes meet the needs of our residents, there are some households living in poor quality accommodation in need of improvements or adaptations.
- 4.2. The evidence suggests that poor quality housing is more prevalent in the private sector than in the social sector. In Sheffield, 15% of private sector housing has a Category 1 Hazard compared to just 4% of the social housing stock¹.
- 4.3. Maintenance of properties in the private sector is the owners' responsibility. However, there may be times when the Council needs to intervene to support people that do not have the necessary resources or capacity to improve the condition or suitability of their home. The Council has in place a Private Sector Housing Assistance Policy to help certain owner occupiers on low incomes to improve their living conditions.

¹ Sheffield Private Sector Housing Condition Survey (BRE, 2015)

4.4. In addition to this as part of the acquisition programme, the Council will consider the purchase of homes offered by owner occupiers, who are struggling to run, adapt or improve their home including households affected by regeneration improvements. The priority being those who are most vulnerable to housing hazards including low income households, older and disabled people, those with an existing health condition and households with children who are under 5 years.

4.5. We will also consider the potential for owners who sell their home to the Council in these circumstances to continue to occupy the home as a council tenant.

4.6. It is proposed that the Council should be able to acquire properties from owner occupiers in the following circumstances:

- a. The owner occupier needs to sell their home, and
- b. It would be preferable and/or appropriate that they remain in occupation of the property after it is acquired by the Council, and
- c. They would benefit from a secure tenancy by the Council

4.7. It is anticipated that such acquisitions will be rare and these situations will only arise in exceptional circumstances where the owner occupiers' specific circumstances can be supported by compelling evidence establishing their need to sell but also to remain in the property as a secure tenant. Policy guidance can be seen at Appendix B

4.8. Any purchase price offer the Council makes for a property should reflect the fact that the owner will be gaining a secure tenancy and immediately occupying the property as a tenant upon completion of the acquisition. The offer would be in line with National Local Authority Accountancy Guidelines for determining "Existing Use Value – Social Housing". Currently, this would mean a purchase price offer equivalent to a maximum 41% of market value.

This is a significant reduction from private market value and should provide sufficient disincentive to those owners who may otherwise have viewed this option as a form of "equity release".

It is likely, then, that only those owners whose personal circumstances would require a move to social housing would pursue this option. It is also likely that such owners might soon seek, or already be seeking, rehousing via the Council's Allocation Policy housing register. By offering this solution the Council would acquire a property whilst simultaneously sustain vulnerable households in their home, avoiding the disruption of rehousing or possible homelessness.

- 4.9. From the longer-term perspective of the HRA Business Plan, such acquisitions releases borrowing and match funding for use elsewhere in the programme to increase the overall number of acquisitions and maintain the Council's stock at a higher level.
- 4.10. Any decision to allow home owners to become Council tenants immediately following sale of their home to the Council requires an amendment to the Council's Allocations s Policy. The proposed amendment is attached at Appendix 2.
- 4.11. The acquisition programme will also be used to broaden the type of homes that the Council are able to offer. For example, where we know of households that need an adapted home to help them live independently or where we have a specific client group whose needs cannot be met in the Council's existing stock.

5. Our Approach

- 5.1. The Council will be guided by the evidence of need across the city including the SHMA and other strategic assessments.
- 5.2. The Council will be proactive in its search for new acquisitions and potential opportunities will be identified and pursued. It will be flexible in its approach to acquisition opportunities as these can often arise unexpectedly and require quick mobilisation.
- 5.3. Officers have developed an appraisal framework that permits swift decisions and allows the Council to compete in a market where competition is strong. This assessment will initially consider the strength of the financial and strategic case and subsequently enable swift decisions to be made about further surveying and conveyancing activity. A balanced programme will be delivered with properties generally paying back over 30 years. Properties which are a strategic priority will be able to payback over the lifetime of the property.
- 5.4 As part of the HRA Business Planning process, provision has been made for RTB risk for any general needs properties that are built/ acquired. The Council is protected for 15 years by the cost floor rule, which prevents the sale of Council homes for less than they cost to build or acquire by reducing the discount available to the tenant. After 15 years the properties would be subject to the full discount available to the tenant. However, the risk of financial loss to the council through RTB can be mitigated through the initial viability assessment, which can take account of this risk (by assessing the likelihood of RTB sale and average level of debt at the point of sale).

5.5 However, acquisitions in high value areas present a higher risk. Therefore, in higher value areas the Council will consider acquisitions where the risk is reduced. For example properties that will be suitable for specialist housing needs and therefore be exempted from RTB by Schedule 5 of the Housing Act 1985. These include homes for those with learning disabilities, specialist young people accommodation and older persons accommodation. Shared Ownership homes are also exempt from RTB.

5.6 Acquisition of property which is needed to provide access to housing development land will be included within the overall new development viability appraisal and will follow the process for the SCC capital new build programme.

5.7 The Councils approach will involve single and multiple properties and will include:

General Acquisitions

Acquiring existing residential properties across the City, bringing them up to the required standard and enabling their use as Council homes

Specialist Provision

Identifying and securing suitable properties (new or with conversion potential) that can be used for long and short term supported housing provision in the short and long term or which has had, or is suitable for, significant disabled adaptations

New Build Properties

Acquiring new homes direct from developers 'off plan' in order to deliver new Council homes (s106 discounted and or Open Market Value)

Land and Property Acquisitions

Acquiring land or property as part of land and asset assembly in order to deliver new Council homes in areas of the City where there is housing need but currently no or limited Council owned land

5.8 The Council will seek acquisitions in areas that either match the property shortfalls or which could be converted to match the property shortfalls, for example converting houses into 1-bedroom apartments.

5.9 The Council will also seek discounted properties through block purchases in areas where the market value is high. The Council will

not generally seek to acquire properties in areas where it is planning to build homes to meet the shortfalls. However, it may respond to specific opportunities that arise.

5.10 Acquiring properties from commercial landlords will generally be conditional upon the Council acquiring the properties with vacant possession. The Council will tolerate a small proportion of sitting tenants within an apartment block in certain circumstances. This will be where the housing type particularly meets need and where the Council has explored and understand the risks. This will only be considered in areas where we are not planning to demolish or significantly remodel.

6. Principles

6.1. To ensure a coherent approach a clear set of principles to guide delivery have been identified. We have set out clear criteria to guide the acquisition process, ensuring that both financial and strategic issues are considered. These principles are outlined in appendix A.

7. Governance and Finance

7.1. The Housing Growth Group acts as the steering group for the stock increase programme and will oversee the acquisition programme.

7.2. The appraisal framework used to guide acquisitions recognises that some assets will be acquired for investment reasons (good financial return) where the property will pay back with the 30-year business plan. It also recognises that other assets will be acquired for strategic reasons (high priority affordable homes) and will pay back over the life of the asset. Some assets will also have a combination of investment and strategic potential.

8. Monitoring and Review

8.1. The strategy, the baseline evidence and recent acquisitions will be reviewed on an annual basis to ensure that priorities remain relevant and are being delivered.

Appendix A: Principles for residential acquisitions to support the SIP

1. Acquisitions will be considered if within the city boundary
2. Acquisition of residential dwellings may include a single dwelling or multiple, new build or second-hand homes
3. Acquisition of land will be considered where this directly supports the Council's stock increase program
4. Acquisitions will only progress where the priority criteria have been met and the financial case exists
5. Acquisitions will be considered where the owner is in financial hardship or has a specific vulnerability
6. Acquisitions will be at or able to meet decent homes standard and an SAP rating C where possible, homes will also comply with building regulations
7. The tenure and types of residential acquisitions should be guided by the housing recommendations identified by the Council for each of Sheffield's Housing Market Areas and other housing market assessments such as the Specialist Accommodation Assessment
8. The highest strategic priority properties are listed below:
 - A property which has had, or is particularly suitable for, significant disabled adaptations which would meet the needs of an identified applicant with disabilities.
 - A property is suitable for specialist short term housing needs, such as TA, medium term supported housing or long term such LD
 - A property that is currently in high demand properties such as 4 beds or 1 beds
 - Bungalows
 - Location where social stock (including both SCC and HA properties) has less than 10% stock
9. The NPV will be at least 30 years or sooner unless the property is a strategic priority in which case it will pay back over the lifetime of the asset.
10. Any type of residential property will be sought if the acquisition supports Council regeneration activity and improves the quality of homes in the area
11. All property will be considered where this would free up land or create access to land to support the Council's stock increase program.

Appendix B: Policy Guidance

Example Scenario

A person suffering from disability or impairment and who requires intensive or full time care and support in order to live as independently as possible may inherit a home from a recently deceased parent that s/he has lived in for many years and is adapted for their needs. S/he wishes to stay in occupation as they have solid local networks and enjoy the property. This person may have no other assets or means of income save state benefits and not be able to maintain inherited mortgage payment or other household upkeep. More likely than not s/he would have to sell the property and move to supported accommodation.

The Council should be able to acquire properties from owner occupiers in circumstances set out in the 2021 Acquisition Strategy. Prescribed qualifying criteria shall be:

1. The Council is satisfied on all the evidence that the owner occupier has compelling health, welfare and/or emotional needs that:
 - a. would not be addressed or sufficiently mitigated by any assistance available under the Council's Private Sector Assistance Policy (which shall include the owner occupier not being eligible or able to qualify for help under that Policy), and
 - b. would be addressed or mitigated by the Council acquiring their home and them becoming a secure tenant of the Council.
2. That both before and immediately upon the Council's acquisition of the property the owner occupier shall be eligible and qualify for Council housing as a secure tenant under the Council's statutory Allocation Policy in operation at that time. This assessment to include the effect of receipts from the sale of the property to the Council.
3. The owners occupiers relative priority for allocation under the Allocation Policy both before the acquisition and that predicted to arise following acquisition will also be a weighting factor determining the Council's decision to acquire a property on this basis or not.
4. The Council's need for particular size properties and matters relating to the owner occupiers' eligibility for particular size rental properties shall also be included in the analysis and weighing of any decision. The Council should be able to prioritise its need to acquire a certain property over the invocation of an exceptions policy as to eligibility on property size.

5. Decisions on this will be on a case by case basis and taken by the Director of Housing who shall be furnished with a full report and supporting evidence.

Appendix 2-Amendment to Allocations Policy

Detail of Allocations Policy changes

This section details the amended wording required in the Allocations Policy in order to implement the proposals set out as recommendations in the report. (New wording is shown in Italics.)

New section

At Section 7, insert a new paragraph between 7.2 and 7.3 with text as detailed below:

7.3 Letting to Owners selling their properties to the Council and remaining as Tenants

Owner-occupiers/Property owners may request that the Council acquires their property as part of the Stock Increase Programme but that they/or their existing tenants remain living in the property as a secure tenant.

The request will not be considered if the owner/occupier is not eligible or would not qualify to join the housing register or be offered a Council tenancy because of their immigration status or due to the qualification criteria. A secure tenancy will not be granted if the prospective tenant would not qualify to join the Housing Register due to their behaviour as per the criteria set out at Section 3.5. and due to any other qualifying criteria the Council may determine should be introduced.

If the prospective tenant owes a debt to the Council, this will not prevent the purchase should the owner agree for the amount owed to be deducted from the purchase price. The criteria set out in Section 5.4-5.5 will apply to these lettings in most cases, however the Council will retain discretion over this.

If the prospective tenant is eligible and qualifies for a tenancy and meets these requirements the acquisition will be considered in line with the approved Acquisition Strategy.

If the acquisition is agreed the Council will grant a secure tenancy of the property which will commence on the date the purchase is completed.

Amend other sections as a result of adding the new section above

Sections 7.3 to 7.15 will have their numbers amended to 7.4-7.16 to accommodate the addition of the above new section above. References to these sections will also be amended throughout the Policy document.

Amend Section 4.26 to include the following additional bullet point:

- *To waive the requirements at Section 7.3 in exceptional circumstances.*