

Brighton & Hove City Council

Housing Committee

Agenda Item 74

Subject: Develop a Policy to Incentivise Households to Relinquish Council Tenancies as an Alternative to Right to Buy

Date of meeting: 15th March 2023

Report of: Executive Director of Housing, Neighbourhoods & Communities

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 The Housing Committee Work Plan 2019-2023 includes a priority to 'Develop a policy to incentivise households to relinquish council tenancies as an alternative to Right to Buy'.
- 1.2 This is a scoping report which considers ways Council tenants, and the Council could potentially benefit from the offer of a cash incentive to buy their own home, as an alternative to Right to Buy (RTB) or move to the private rented sector.

2. Recommendations

- 2.1 That Housing Committee note this report.
- 2.2 That Housing Committee agree to a full report coming back to a future Housing Committee which will consider options for a policy.

3. Context and background information

- 3.1 Whilst the Right to Buy (RTB) provides tenants with an opportunity to own their own home, given the shortage of much needed council homes and the current pressures on the service, the sale of council-owned property is an undesirable outcome for the Council.

- 3.2 RTB applications completed by BHCC.

20/21	24
21/22	48
22/23 (end Q3)	34

- 3.3 The purpose of a cash incentive scheme would be to meet the aim of increasing the Council's capacity to meet existing housing need, by giving

existing council tenants a financial incentive to vacate their property and purchase a home on the open market or rent in the private sector. We will also review whether this can be extended to other forms of tenure, including shared ownership homes developed by our partners in the city.

- 3.4 The Council is authorised to implement a cash incentive scheme by virtue of Section 129 of the Housing Act 1988, as amended by The Regulatory Reform (Schemes under Section 129 of the Housing Act 1998) (England) Order 2003.
- 3.5 In order to build a picture of how successful an incentive scheme may be, part of the initial scoping has been to research local authorities which offer a similar scheme. We have started to investigate how they operate, including:
- Their successful uptake of the scheme
 - Any identified risks
 - How they may promote or market their scheme; and
 - What the financial implications have been
- 3.6 At the time of writing, five organisations – a combination of local authorities and Housing Associations – have been identified as operating a similar scheme. All of these incentivise tenants to buy on the open market but not to rent in the private rented sector.
- 3.7 Of those contacted, three organisations have responded.

Local Authority 1

Incentives offered by one local authority varied depending on the size of the property. from £35k for a four-bedroom property to £15k for a one-bedroom property. With an additional maximum £7,000 if the property has development potential. 15 applications from a stock of 2,171 have been received of which six completed purchases. The funding for the cash incentive scheme has a set at budget.

Local Authority 2

- 3.8 The second local authority to respond also offered a variable grant. This is dependent on the size of the property. The grant available to those purchasing a share in a property is 25% lower than the above. They stipulate that properties can only be purchased within fixed value limits. £270k for a property with up to three bedrooms. £295k for a property with more than three bedrooms
- 3.9 They report that the scheme has been in operation for four years, over this period there have been five applications, three of which have completed. All three had moved out of the area, the cash incentive would not have sufficiently covered the cost of a property in area. RTB applications remained considerably more common.

Local Authority 3

- 3.10 The third local authority to respond has had the most success from their scheme. They offer the highest cash incentive and have completed 239 since 2018/19. This was equal to the number of RTBs within the same period. Grants of up to £120k are available. The amount of grant a tenant can qualify for depends on:
- the size of their current home
 - total length of the tenancy
 - the outcome of a means tested financial appraisal which demonstrates the grant towards the purchase, as well as the ability to demonstrate mortgage repayments are affordable.
- 3.11 This local authority found they had many RTB applicants converting to a home purchase grant.
- 3.12 To ensure that a robust policy is developed that meets the Council's Priorities, a full cost benefit analysis will need to be undertaken that will inform the level of grant that could be affordable for the Council, whilst providing enough of an incentive for the tenant to purchase their own home, instead of exercising their right to buy.
- 3.13 In addition to this cost benefit analysis, consideration will need to be given to the amount of capital receipt that can be retained from the sale of homes under the right to buy and reinvested in new affordable homes across the City. This has proven to be a good source of financing that has unlocked a number of new developments to come forward.
- 3.14 Further due diligence will also be required, this will involve further discussions with other housing providers including local authorities and housing associations.

4. Analysis and consideration of alternative options

- 4.1 Given the variation in the initial research, it is not clear at this stage that offering incentives to relinquish a council tenancy would have a significant impact on BHCC's RTB applications or completions.
- 4.2 Brighton & Hove is a high-value, highly desired private property market, this would need to be considered in the amount offered via an incentive grant, to make it a viable alternative to RTB.
- 4.3 Any progress would be dependent on a budget being identified.

5. Community engagement and consultation

- 5.1 To be considered as part of a full report

6. Conclusion

- 6.1 If agreed by Housing Committee, a full report will come back to a future Housing Committee which will consider options for a cash incentive policy.

7. Financial implications

- 7.1 There are no direct financial implications arising as a result of the recommendations in this report. However, if a policy was to be developed and presented back to a future Housing Committee, a budget would need to be identified. This would be funded from HRA resources. Implications of this would form part of the full report.

Name of finance officer consulted: Craig Garoghan **Date consulted** (06/03/23).

8. Legal implications

- 8.1 By virtue of section 129 Housing Act 1988, as amended, the council has the power to operate a cash incentive scheme. Given that at this stage, the report is only seeking authority to explore the options for a such a scheme, there are no significant legal implications to draw to Members' attention.

Name of lawyer consulted: Liz Woodley **Date consulted** (20/02/23):

9. Equalities implications

- 9.1 None identified.