

Report To: Full Council

Date of Meeting: 10th May 2016

Lead Member / Officer: Barbara Smith / Jamie Groves, Head of Facilities, Assets and Housing

Report Author: Geoff Davies Lead Officer – Community Housing

Title: Business case to Suspend the Right to Buy

1. What is the report about?

To present to Council the business case to submit the attached application to Welsh Government for approval to suspend the right to buy for council homes in Denbighshire.

2. What is the reason for making this report?

At Full Council on 26th January 2016 a motion was approved to develop a business case to submit to Welsh Government for approval to suspend the Right to Buy.

The Minister has the power to issue a directive to suspend the Right to Buy for council tenants and the associated rights for housing association tenants, if it can be proved that the “Housing Pressure Condition” exists. This means that the supply of homes for social rent is insufficient to meet demand.

In addition to proving the housing pressure condition, we are required to outline plans to increase our housing stock during the period of the suspension.

3. What are the Recommendations?

That the attached report be submitted to Welsh Government with a request that the Minister approve the suspension of the Right to Buy in Denbighshire for a period of 5 years.

4. Report details.

The loss of homes to right to buy has significantly reduced the Council’s housing stock by over 4000 homes and we continue to lose homes. In 2015 / 2016 we have lost 8 council homes to the right to buy and whilst we intend to increase our stock during future years any similar loss of homes will significantly reduce the additional gain of new homes.

Significant investment has been allocated in the HRA to allow the council to drive regeneration schemes through land acquisition and to once again build

new high quality council homes. This significant investment is at risk if further homes continue to be lost through right to buy.

As with other Councils in Wales, we are no longer subject to the Housing Revenue Account (HRA) subsidy system and we now have a financially healthy and well planned HRA and have confidence and certainty over our ability to invest in building new council homes for social rent.

A ratio of 11 applicants on our housing waiting list compared to every vacancy proves that the “housing pressure condition” exists in the county. This is a significantly greater ratio than Swansea and Carmarthenshire who were the first two councils in Wales to suspend the right to buy. Other councils are looking to follow and Flintshire and Ynys Mon have submitted their applications.

The application attached as appendix 1 will be submitted to Welsh Government Officials for discussion prior to submission to the Minister for approval of the directive.

In summary the application argues the need for suspension on the basis that:

- We can prove the “housing pressure condition” exists with 10 applicants for every vacancy in council stock.
- The median average earning in the county has not recovered to pre-2007 levels which highlights the need for increasing the supply of social rent homes.
- The Housing Stock Business Plan has allocated £14,822,146 to increase the stock of new council homes over the next 4 years. This is significant investment that is at risk if significant gains in the stock available to meet housing demand is not achieved.
- Estimates anticipate up to 14 new council homes per year will be provided in the first 2 years with further targets to be agreed. Good progress has already been achieved in acquiring land for potential development.

Our local Registered Social Landlord partners have confirmed support for our application and have indicated that they require the suspension to also apply to their stock subject to their formal consultation and governance approval process. This will be ratified before formal submission of our application to Welsh Government.

We have consulted with Denbighshire tenants and included information on other affordable home ownership options for those who aspire to own their own home.

5. How does the decision contribute to the Corporate Priorities?

Two of the themes of the Council's Housing Strategy 2016-2021 is "More homes to meet local need and demand" and "Creating a supply of affordable homes" both of which include a number of actions to increase the supply of homes in order to be able to meet the demand for housing.

6. What will it cost and how will it affect other services?

The cost of suspension will be the loss of future capital receipts from the sale of council owned homes, however the council's policy is to use the most of the proceeds from sales to repay debt, with 25% usable to invest in new homes. However, number and value of sales in recent years has not been financially significant in respect of the funding of the Housing Stock Business Plan and so suspending Right to Buy will not adversely impact the financial strength of the Plan.

The risk of allowing further sales will undermine the investment allocated in the HRA for new homes as it would not be sustainable to continue to invest whilst losing homes at discounted rates.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision

This proposal will not have a disproportionate effect on any protected groups as this is intended to support an increase in housing stock to enable the Council to meet housing need.

Homes adapted for disabled people or designated for older people are not eligible for the right to buy.

8. What consultations have been carried out?

The Council has consulted with all our tenants who currently have the right to buy. We received 75 responses which is 3% return and compares favourably with the Swansea and Carmarthenshire with less than 1% returns.

55% of responses were in favour of the suspension and this compares to Swansea (41%) and Carmarthenshire (56%).

The Denbighshire Tenants and Residents Federation (DTARF) have been consulted and have confirmed their support for the proposal.

Our neighbouring councils Conwy and Flintshire have confirmed support and Denbighshire Citizens Advice Bureau have confirmed support for ending of the Right to Buy.

9. Chief Finance Officer Statement

There are no costs associated with this proposal other than the reduction in income from capital receipts. The HRA has significant resources allocated to future housing provision and is well managed to ensure that adequate budget provision is within the HSBP without capital receipts being an issue.

Any continuing sales will undermine the purpose of the significant new build investment to meet housing demand.

10. What risks are there and is there anything we can do to reduce them?

The main risks are an increase in right to buy applications in the short term as knowledge of the suspension proposal becomes known.

11. Power to make the Decision

Authority to issue a directive regarding suspension of the right to buy lies with Welsh Government.