

Bury Council

Buy Back & Acquisitions  
Policy & Procedures

2024 - 2028

July 2024

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## 1.0 Introduction

- 1.1 There is a chronic shortage of social and affordable housing in England with over 1.2 million families on social housing waiting lists and more than 96,000 living in unsustainable, unsuitable or temporary accommodation. The housing shortage has led to a significant increase in rents and property prices, acutely impacting low income and vulnerable households.
- 1.2 The Right to Buy (RTB) scheme has been a principal factor in the reduction of social and affordable housing in the borough. Since the introduction of the scheme in 1980, the Council has lost around 5,500 social rented homes.
- 1.3 Interest in the RTB scheme has fluctuated over the years in response to Government policy restrictions and promotions which have made the scheme either less or more financially attractive. There are no indications at present that the scheme will be revised or cancelled and, as such, new and existing social and affordable housing remains exposed to the application of RTB.

## 2.0 Policy Framework

- 2.1 This Policy replaces the Council's Right to Buy, Buy Back Policy 2016, which dealt exclusively with the re-purchase of property that had previously been sold under the RTB legislation.
- 2.2 The Buy Back & Acquisitions Policy & Procedure incorporates the principles of the former Right to Buy, Buy Back Policy but, has a much broader remit. It focuses on increasing the supply of good quality social and affordable housing in the borough to help meet the housing needs of Bury residents and reduce homelessness, and sets out a formal approach with guidelines for:
  - the re-purchase of properties previously sold under the RTB scheme,
  - the acquisition of long-term empty properties in the borough,

- procurement of existing housing that meets the needs of specific client groups and,
- New-build housing on private developments.

2.3 The implementation of this Policy will enable a consistent approach to the acquisition of property, ensuring that all transactions deliver value for money and meet the Council's wider strategic objectives.

## 2.4 *Scope and Objectives*

2.4.1 The aim of this Policy is to:

- a) Increase the supply of good quality social and affordable housing in the borough, including accommodation for those with additional support needs.
- b) Formalise procedures for buy backs and a range of residential property acquisitions, to enable the Council to act within timescales as and when opportunities arise.
- c) Provide a framework for assessing viability and value for money.
- d) Ensure appropriate reinvestment of RTB receipts to help reduce the impact of RTB sales.
- e) Maximise rental income.
- f) Reduce the number of empty properties in the borough.

2.5 It is acknowledged that this Policy will not compensate for the loss of social housing since the introduction of the RTB scheme but, it gives the Council the opportunity to expand and improve its housing portfolio.

2.6 This Policy does not apply to the compulsory purchase of properties that may be included in regeneration schemes or, the re-purchase of shared ownership properties.

## 3.0 Policy Approach and Process

### 3.1 *Legal Powers and Context*

- 3.1.1 The Councils key statutory powers for the provision of housing are contained within Section 9 of the Housing Act 1985. This legislation allows local authorities to build houses on land obtained for the purpose, convert buildings into houses and/or acquire houses. Although there is no express power to purchase houses for conversion into flats, houses may be purchased to 'provide housing accommodation' which, under Section 56 of the Act, includes flats (and under Section 9 (2) property acquired under sub-section 9 (1) can be 'altered'). In addition, the Council has the power to purchase land to build housing using income from its Housing Revenue Account (HRA) under Section 17 of the Act.
- 3.1.2 The Local Government Act 1972 permits the Council to acquire property for any of its functions or for the benefit, improvement and development of the borough. The Local Government Act 2000 introduced additional 'wellbeing' powers which enable the Council to do anything which it considers is likely to achieve the promotion or improvement of the economic, social or environmental wellbeing of the borough. This includes the power to incur expenditure and acquire property for specific projects or capital programmes.
- 3.1.3 The Housing (Right of First Refusal) (England) Regulations 2005 gives the Council a contractual right to purchase properties previously sold under the RTB legislation within a specific 10-year period. All properties (freehold or leasehold) sold under the RTB scheme in Bury since the 18 January 2005 are bound by the Right of First Refusal covenant. If an owner of a property bound by the covenant wishes to sell their property within 10 years of purchase, they must first offer the property back to the Council, regardless of whether there has been a previous offer made within the 10-year period, unless it is exempt (see Appendix 2).

3.1.4 This covenant is binding on successors in title, meaning that it still applies if the original secure tenant sells the property to a new owner and the new owner wants to sell within ten years of the original purchase date. The Council does not have a duty to buy back properties.

### 3.2 *Acquisition Criteria*

3.2.1 The Council may consider purchasing the following types of property if the acquisition is financially viable and offers sustainable, strategic and social benefits to both the Council and wider community:

1.	Properties previously sold by the Council under the RTB legislation that are bound by the Right of First Refusal covenant.
2.	Properties previously sold by the Council under the RTB legislation that are not bound by the Right of First Refusal covenant.
3.	Empty properties that have generally been empty for a minimum of six months (these may or may not be properties previously sold by the Council under the RTB legislation). The Council will prioritise long-term problematic empty properties in the first instance, where available, in accordance with its Empty Property Strategy.
4.	New build properties on private housing developments for the provision of social and affordable housing.
5.	Properties that meet the needs of specific client groups such as people with additional support needs, where the acquisition has economic benefits in reducing revenue and capital costs (these may or may not be properties previously sold by the Council under the RTB legislation).

3.2.3 The Council will generally only consider acquiring property that meet one or more of the following objectives:

- a) To increase the Council’s social and affordable housing stock to help meet housing need in the borough.
- b) The acquisition contributes towards the provision of Council services and/or delivery of corporate objectives.
- c) There is a direct link to improving the economic, social and environmental wellbeing of the community.
- d) There are economic benefits in reducing revenue budgets and capital costs.
- e) Strategic acquisition for regeneration, development or redevelopment purposes.
- f) Remove blight associated with long-term empty properties and the negative impact on communities and Council resources.
- g) Revenue income generation/capital growth.

3.2.4 Owing to shortages within the housing stock, the Council will prioritise the acquisition of properties previously sold under the RTB legislation which are particularly suitable for the elderly, physically disabled, mentally ill or the intellectually disabled where possible.

3.2.5 The table below describes the factors the Council will take into consideration when reviewing all potential acquisitions, prior to undertaking a financial appraisal:

<b>Pre-Acquisition Suitability Assessment</b>	
<b>Financial/Funding</b>	<p>The level of available capital funding/HRA capacity (where appropriate).</p> <p>The availability of additional revenue including section 106 reserves, grant subsidy, RTB receipts arising from RTB sales and other available funding sources.</p> <p>Whether the acquisition has economic benefits in reducing revenue and capital costs/generates savings to Council budgets.</p> <p>Income generation - comparable rents/management charges.</p> <p>Market/rental value - present condition and value</p>

	<p>following refurbishment (assessed by a RICS qualified surveyor).</p> <p>Total scheme costs including refurbishment and additional acquisition costs (e.g. RICS valuation/negotiation and legal fees).</p> <p>The purchase price (plus a maximum 5% uplift in value to enable scope for negotiation if required).</p>
<b>Viability/Wider Benefits</b>	<p>All potential acquisitions must demonstrate a robust financial business case in terms of the purchase and refurbishment costs to meet the Decent Homes Standard (DHS), together with ongoing maintenance liabilities against rental income over the term of the HRA Business Plan where appropriate.</p> <p>Supports sustainable neighbourhoods and community cohesion.</p> <p>Confirmation that the acquisition is offered for sale with vacant possession and is free of encumbrances (e.g. outstanding legal charges).</p> <p>The acquisition supports the principles of the Bury Housing Strategy and overarching Let's do It Strategy.</p>
<b>Locality/Management</b>	<p>The location/proximity of the property to existing housing stock for management purposes (generally within 5 miles of HRA stock).</p> <p>Whether the property is in an area that has become associated with crime related problems/anti-social behaviour where acquisition would result in safer communities and help improve the natural environment.</p> <p>Whether the property is located within an area of high deprivation but is in demand and can easily be let.</p> <p>Whether the acquisition would remove blight in the locality.</p>
<b>Housing Need/Property Characteristics</b>	<p>Housing need/demand in the locality/housing waiting lists.</p> <p>Size, type and construction, to ensure all acquisitions are fit for purpose and meet local needs.</p>



	<p>Whether the property has been specifically built or adapted and is suitable for occupation by people with protected characteristics e.g. the elderly, physically disabled, mentally ill or the intellectually disabled.</p> <p>The length of time an empty property has been empty (minimum six months, to enable qualification for grant subsidy)/impact on Council resources.</p> <p>Whether the Right of First Refusal applies to the acquisition.</p>
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### 3.3 *Exceptional Circumstances*

- 3.3.1 The Council may consider purchasing empty properties that have been empty for less than six months if the acquisition is financially viable and strategically beneficial to both the Council and wider community.
- 3.3.2 Properties which are deemed to be of defective construction under the provisions of the Housing Defects Act 1984 may only be considered if they have been improved to the BRE Licensed Repair Standard or, in exceptional circumstances e.g. the property cannot be sold on the open market and is in danger of becoming a long-term empty property.
- 3.3.3 The Council may consider acquiring property that is not within 5 miles of HRA stock, if the acquisition is financially viable and strategically beneficial to the Council.
- 3.3.4 It is unlikely that the Council would consider acquiring property in areas of low demand.
- 3.3.5 Where the Council acquires a property under this Policy, the owner and their immediate family (if applicable) would not typically be allowed to remain in the property as tenants. However, in exceptional circumstances, the Council may consider acquiring a tenanted property if it is financially viable and cost effective.

### **3.4 Refusals/Rejections**

3.4.1 The Council will not consider acquiring property if any of the following apply:

- There is insufficient funding available.
- The acquisition is financially unviable and/or, does not meet the non-financial criteria.
- Refurbishment costs are excessive and/or unfeasible.
- The type of property/occupancy is unsuitable e.g. park homes.
- There are outstanding legal claims on the property and/or land belonging to the property that cannot be discharged during the conveyancing process.

## **4.0 Funding**

4.1 Property acquired under this Policy can be funded through RTB capital receipts, revenue income and/or prudential borrowing from the HRA, accumulated commuted sums from section 106 planning agreements (where available), grant subsidy where applicable or, a combination of all of these funding streams where permitted, and/or other available funding sources from time to time.

4.2 The financial resources available to support this Policy may be dependent on the capacity of the HRA and, will be considered within the overall capital budget.

## **5.0 Financial Considerations and Risk**

5.1 The timing and frequency of potential acquisitions is beyond the Council's control, which limits scope for budgeting.

5.2 Delayed decision making and process may result in aborted sale costs.

- 5.3 All potential acquisitions will be subject to a land registry search to confirm ownership and ensure there are no outstanding legal charges and, pre-acquisition suitability assessment as described in section 3.2.5 in the first instance. If the outcome is negative, the acquisition will be rejected.
- 5.4 If the outcome is positive, a robust financial appraisal will be undertaken with Finance to determine the Net Present Value (NPV) and productivity of the projected investment, to ensure the acquisition is viable. This appraisal will take into account gross acquisition and refurbishment costs, compared to the net revenue income from future rents and service charges where applicable. An acquisition will only be approved if it is strategically beneficial to the Council and cost effective. The financial appraisal process is the mechanism by which any proposed acquisition is transparently and robustly justified.
- 5.5 The maximum the Council will spend on each acquisition depends upon the availability of funds and the outcome of the financial appraisal. The actual purchase price must not exceed the open market value (plus a 5% uplift to enable scope for negotiation if required). Administration and legal fees will also be considered, and the Council and the owner of a property must meet their own legal expenses.
- 5.6 Property acquired under this Policy whether new build or existing dwellings may be subject to RTB, unless they were acquired outside the HRA or, exempt (see Appendix 3). The application of the cost floor rule offers some protection to the Council as it could, potentially, reduce the RTB discount amount (see Appendix 5).
- 5.7 Council tenants with secure tenancies are entitled to purchase properties under the RTB legislation on more than one occasion but, any discount they received from a previous purchase, whether the purchase was through Bury Council or another public sector landlord, would be deducted from the subsequent discount amount.

5.8 Property acquired by the Council under this Policy will be added to the housing stock and allocated to eligible applicants on the Council's housing waiting lists at a social or affordable rent (up to 80% of market rent and capped at Local Housing Allowance rates where appropriate unless otherwise agreed), to maximise rental income and ensure affordability. Rental income/service charge (if applicable) and the proceeds of any future sales under the RTB scheme will be paid into the HRA where applicable.

## **6.0 Governance and Accountability**

6.1 The decision to approve an acquisition will be made in accordance with the Council's constitution and Scheme of Delegation, following approval from the Housing Growth Sub-Group and confirmation from Finance that the acquisition is financially viable and cost-effective.

6.2 All acquisitions must have the necessary budgetary and delegated approvals in place before any transaction can be completed. Acquisitions with a value greater than £250,000 will require Cabinet approval.

6.3 Appendix 1 summarises the process and procedure for the acquisition of property under this Policy.

## **7.0 Monitoring and Review**

7.1 The Housing Strategy, Policy & Performance Team will record and monitor all acquisitions in relation to this Policy.

7.2 This Policy will be reviewed and updated every 2 years or earlier if there is a change in policy and/or legislation.

## Appendices

### **8.0 Appendix 1 – Buy Back & Acquisitions Process and Procedures**

#### *8.1 Acquisition of Properties Sold Under the RTB Legislation*

- 8.1.1 The Council will apply the following procedure when considering offers arising from the Right of First Refusal, in accordance with the legislation prescribed by the Housing Act 2004:
- 8.1.2 The owner of a property must submit a formal offer notice (request to purchase) in writing/e-mail to the Council. The Council will acknowledge receipt of the notice within five working days where possible.
- 8.1.3 On receipt of a formal offer notice (request to purchase) the Council will issue an application form to the owner for completion, to capture the property details and any relevant information. The offer will automatically be rejected if sufficient funding is not available or, the acquisition is financially unviable and/or, does not meet the non-financial criteria set out within this Policy.
- 8.1.4 Once the Council has received the completed application form, it will have a period of eight weeks in which to accept or decline the offer.
- 8.1.5 During this period, the Council will determine whether the acquisition is viable in accordance with this Policy. The assessment will include a land registry search to confirm ownership and ensure that there are no outstanding legal charges against the property which cannot be discharged during the conveyancing process and pre-acquisition suitability assessment in the first instance, followed by a RICS valuation (undertaken by a RICS qualified surveyor) and visual inspection by the Council's New Works Repairs Team, to establish the condition of the property and the cost of any necessary repairs/refurbishment to meet the Decent Homes Standard. If the outcome is

positive, a robust financial appraisal (based on acquisition costs and future maintenance liabilities against rental income over the term of the HRA Business Plan) will be undertaken and approved by Finance prior to any decision being made.

8.1.6 If the Council rejects the offer at any point, a rejection notice will be issued to the owner of the property.

8.1.7 If the Council accepts the offer, an acceptance notice will be issued to the owner of the property.

8.1.8 If the Council has not accepted or rejected an offer within eight weeks of receipt, the owner may sell the property on the open market.

8.1.9 The legislation prescribes that the Council must acquire property at market value. The open market value of any property will be determined by a Red Book valuation undertaken by the Council's Land & Property Team or an independent RICS qualified surveyor on behalf of the Council.

8.1.10 The purchase price will be negotiated between the owner of a property and the Council's Land & Property Team or, an independent RICS qualified surveyor on behalf of the Council, to ensure impartiality and alleviate bias. Once the price has been agreed and the financial appraisal has been approved, an operational decision form will be completed for sign off by the Executive Director of Finance in conjunction with the Director of Housing, following approval from the Housing Growth Sub-Group.

8.1.11 Once the acquisition has been approved, the Council's Legal Services will be instructed (via operational decision) to progress the sale with the owner's solicitor/legal representatives.

8.1.12 The Council must enter into a binding contract with the owner within twelve weeks or, no later than four weeks following receipt of written notification from the owner that they are ready to complete, whichever is later. If these timescales are not met, the Council will lose its statutory right to re-purchase

the property for the following twelve months and the owner is free to sell the property on the open market if they choose to.

8.1.13 In cases where RTB discount is repayable, this will be deducted from the purchase price together with any housing related debt including Council Tax (see Appendix 4).

8.1.14 The Council reserves the right to withdraw its offer to re-purchase at any time prior to exchange of contracts. Failure to agree terms of re-purchase will result in the Council withdrawing its offer and it will not be liable for any costs which an owner may have incurred.

8.1.15 The Council may nominate another social landlord/registered provider to purchase a property if it falls within a regeneration area being developed by that particular landlord/registered provider.

8.1.16 There is no obligation for the Council to purchase properties under the RTB legislation. Therefore, property owners do not have the right to appeal the Council's decision.

All offer notices and general enquiries should be directed to [strategichousing@bury.gov.uk](mailto:strategichousing@bury.gov.uk) or Housing Strategy, Policy & Performance Team, Town Hall, Knowsley Street, Bury BL9 0SW. Complaints regarding the application of this procedure will be dealt with under the Council's Complaints Policy.

The Council will apply the same procedure when considering the acquisition of properties sold under the RTB legislation that are not bound by the Right of First Refusal covenant.

## *8.2 Other Property Acquisitions*

8.2.1 The Council will apply the following procedures when considering other acquisitions that meet the criteria set out within this Policy:

- 8.2.2 All projects involving the acquisition of property with a value up to £250,000, will be referred to the Director of Housing/Housing Growth Sub-Group for approval.
- 8.2.3 Appropriately qualified Council officers will determine whether the acquisition is viable in accordance with this Policy. The assessment will include a land registry search to confirm ownership and ensure there are no outstanding legal charges that cannot be discharged during the conveyancing process, a pre-acquisition suitability assessment and a RICS valuation and visual inspection to establish market value and the cost of any necessary repairs/refurbishment required to meet the Decent Homes Standard where appropriate, as per 8.1.5 above. If the outcome is positive, a robust financial appraisal (based on acquisition costs and future maintenance liabilities against rental income over the term of the HRA Business Plan where appropriate) will be undertaken and approved by Finance prior to a decision being made.
- 8.2.4 Each purchase will be considered on a case by case basis. The criteria set out within this Policy will be applied, to ensure that all acquisitions are aligned to the key priorities of the Council.
- 8.2.5 The purchase price will be negotiated between the owner of a property and the Council's Land & Property Team or, an independent RICS surveyor on behalf of the Council. Once the price has been agreed and the financial appraisal has been approved, an operational decision form will be completed for sign off by the Executive Director of Finance in conjunction with the Director of Housing, following approval from the Housing Growth Sub-Group. Acquisitions with a value greater than £250,000 will require Cabinet approval in accordance with the Council's constitution.
- 8.2.6 Once the acquisition has been approved, the Council's Legal Services will be instructed (via operational decision) to progress the sale with the owner's solicitor.



8.2.7 A project manager will be appointed to deliver and monitor all acquisitions.

8.2.8 The Council reserves the right to withdraw its offer to purchase at any time prior to exchange of contracts. Failure to agree terms of purchase will result in the Council withdrawing its offer and it will not be liable for any costs that an owner may have incurred.

8.2.9 All projects with a value exceeding £250,000 will be referred to the Regeneration Board and the Cabinet for approval.

8.2.10 There is no obligation for the Council to purchase properties under this Policy. Therefore, property owners do not have the right to appeal the Council's decision.

Acquisitions will be prioritised in accordance with this Policy. Each transaction will be considered on a case by case basis, depending on whether funding is available, and the acquisition is cost-effective. The criteria set out within this Policy will be applied to ensure that all acquisitions are aligned to the key priorities of the Council.

General enquiries should be directed to [strategichousing@bury.gov.uk](mailto:strategichousing@bury.gov.uk) or Housing Strategy, Policy & Performance Team, Town Hall, Knowsley Street, Bury BL9 0SW. Complaints regarding the application of this procedure will be dealt with under the Council's Complaints Policy.

## **9.0 Appendix 2 - Right of First Refusal (Disposal Exemptions)**

9.1 A property is exempt from the Right of First Refusal if any of the following apply:

- The owner of a property passes sole responsibility to a joint owner.
- The owner of a property passes the property to a spouse or former spouse.

- The owner of a property passes the property to a family member - the family member must have lived with the owner for at least 12 months before the property can be passed to them.
- The owner leaves the property to someone as part of a will or, it is subject to intestacy, when a will has not been made.
- The property is subject to the Matrimonial Causes Act 1973, which could include cases of divorce.

## 10.0 Appendix 3 - RTB Exemptions

10.1 In order to be eligible for the RTB scheme, tenants must be occupying a property on a secure tenancy, and it must be their main or only home. If the tenancy status is not secure, the application will automatically be denied. There is nothing within the regulations that limits the number of times a secure tenant can exercise their RTB.

10.2 Tenants will not be eligible for the RTB scheme if:

- They live in a property which is particularly suitable for occupation by elderly persons (e.g. sheltered housing), physically disabled, mentally ill or the intellectually disabled, taking into account its location, size, design and other features.
- They live in a property let by the Council or other registered provider which has not received grants from public funds.
- They live in a property that was let to them or the previous tenant for occupation by a person aged 60 or over, whether they were the tenant or not.
- They work for the local authority and their home is part of their conditions of service.
- They are an introductory tenant or have a tenancy or licence to occupy for homeless people, secured under Section 193 of the Housing Act 1996.
- They live in houses and flats on land bought for development, and which are being used as temporary housing before the land is developed.
- They have any legal problems with debt or outstanding possession orders.

- They have committed anti-social behaviour (a landlord can apply to the court for an order to suspend the RTB for a specified period on the grounds of anti-social behaviour).
- Their property was first let (to them or someone else) before the 1 January 1990.

10.3 This list is not exhaustive but, it covers the main areas.

#### *10.4 Elderly Person Dwellings*

All 3 of the following criteria must be met before an application can be denied under this ruling:

The property was let for occupation by a person aged 60 or over. This can be either the tenant(s) or another person

**and**

The property is an individual dwelling which is particularly suitable for an elderly person

**and**

The property was first let before the 1 January 1990.

If All of the above criteria are met the application will be denied under Part C of the RTB2.

Unlike other types of exempt dwellings, if a RTB application is denied on the basis that it meets the criteria set out for elderly persons' dwellings, the applicant will be entitled to appeal the decision within 56 days.

#### *10.5 Dwellings for Disabled Persons*

All 4 of the following criteria must be met before an application can be denied under this ruling.

The property must have features that are substantially different from those of ordinary dwelling houses

**and**

is designed for people who are physically disabled

**and**

is one of a group of dwellings which it is the practice of the landlord to let for occupation by people who are physically disabled

**and**

is in close proximity to a social service or special facility provided wholly or partly for the purpose of assisting the occupants.

### *10.6 Dwellings for People Suffering From a Mental Disorder*

Both of the following criteria must be met before an application can be denied under this ruling.

The property is one of a group of dwellings which it is the practice of the landlord to let for occupation by people who are suffering or have suffered from a mental disorder as defined in the Mental Health Act 1983

**and**

Has a social service or special facility provided wholly or partly for the purpose of assisting the occupants.

### *10.7 Property Scheduled for Demolition*

A property is exempt from the RTB if it is designated for demolition.

Once a property has become subject to an Initial Demolition Notice, a RTB cannot be completed.

Once a Final Demolition Notice has been served on a property, the RTB comes to an end and the application is cancelled.

## 11.0 Appendix 4 - RTB Discounts and Re-Payment of RTB Discount

### 11.1 RTB Discounts

The Housing Act 1980 (amended in 1985) gave public sector tenants the Right to Buy (RTB) their home (with some exceptions – Appendix 3) from their landlord with a discount off the open market value if they have been a secure tenant for three years or more. The three years or more does not have to be continuous or in any particular property, it can be within another local authority area or, with other public sector landlords. The amount of discount awarded depends upon the type of property and length of time that a tenant has been a public sector tenant:

### 11.2 RTB Discount - Houses

Tenants are entitled to a 35% discount if they have been a public sector tenant for a minimum of three years. After five years, the discount increases by 1% each year, up to a maximum of 70% or £96,000 across England and £127,900 in London boroughs (whichever is lower).

### 11.3 RTB Discount – Flats

Tenants are entitled to a 50% discount if they have been a public sector tenant for a minimum three years. After 5 years, the discount increases by 2% each year, up to a maximum of 70% or £96,000 across England and £127,900 in London boroughs (whichever is lower).

Tenants of registered providers do not have the RTB. In some circumstances, they may be able to buy their homes under the Right to Acquire legislation which has a much lower discount rate of between £9,000 and £16,000.

### 11.4 Re-payment of RTB Discount

Owners wishing to sell a property that was purchased under the RTB within the first five years of ownership will have to repay some, or all of the discount they received when they purchased the property. The level of repayment decreases each year:

- 100% of the discount must be repaid if the property is sold within the first year.
- 80% of the discount must be repaid if the property is sold within the second year.
- 60% of the discount must be repaid if the property is sold within the third year.
- 40% of the discount must be repaid if the property is sold within the fourth year.
- 20% of the discount must be repaid if the property is sold within the fifth year.

The amount of discount to be repaid is calculated by the Council's Legal Services, following an assessment of the market value of the property.

## **12.0 Appendix 5 – The Cost Floor Rule**

The cost floor is the accumulative total spent on a property during the last ten financial years (from the date a RTB application is received).

This spend includes renovation costs (e.g. new bathrooms and kitchens), improvement costs (e.g. cladding works) and the costs of building the property or acquiring it from another owner.

The relevant costs are split into the following categories:

- Cost of acquiring the site where the property is located (if the Council bought and built the property).
- Cost of building or acquiring the property.
- Cost of repairs, maintenance and improvements (ignoring the first £5,500).
- Any related administration/professional costs incurred in relation to the categories above.

The total amounts incurred in the above categories are added together (excluding the first £5,500 as stated in relation to repairs, maintenance and improvements). This total figure is the cost floor.

If the cost floor figure is higher than the market value of the property, the Council must sell the property at market value irrespective of the amount of discount the tenant may be entitled to.

If the cost floor figure is lower than the market value, but higher than the discounted sale price (the market value less any discount to which the tenant is entitled), the Council must sell the property at cost floor.

If the cost floor figure is lower than the discounted sale price it is ignored, and the Council must sell the property at the discounted sale price.

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