

Report sponsor: Rachel North - Strategic
Director Communities and Place
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Development Officer

Purchase of a residential development to provide 10 new affordable homes

Purpose

- 1.1 This report seeks approval to purchase a housing scheme to be funded from the Housing Revenue Account (HRA) capital programme and Right to Buy receipts (RtB).
- 1.2 The Council has been offered the opportunity to purchase 10 newly converted homes on a self-contained development in the Abbey ward.
- 1.3 These homes would form part of the Council's affordable housing stock and would be managed by Derby Homes (DH), the Council's Arm's Length Management Organisation.

Recommendations

- 2.1 To agree the principle of acquiring the development as detailed in the report, funded through the HRA capital programme and RtB receipts at the price not exceeding the formal (RICS approved) valuation.
- 2.2 To delegate authority to the Strategic Director for Communities and Place following consultation with the Strategic Director of Corporate Resources to enter into all necessary agreements required to secure the acquisition of the properties.
- 2.3 To agree to the development being incorporated within the Councils housing stock and being managed by Derby Homes.

Reasons

- 3.1 The acquisitions will provide new affordable homes which will meet the needs of households on the waiting list.
- 3.2 To ensure the purchase of the development is undertaken in accordance with Council procedures ensuring due diligence throughout.
- 3.3 To ensure that the properties, once acquired and construction completed, are correctly managed and maintained.

Supporting information

4.1 As part of its acquisition programme, the Council has actively searched for and identified this opportunity to acquire a development of 10 newly converted homes. These homes will provide additional affordable rented housing within the city.

4.2 The development consists of:

- 2 x 1 Bedroom Studio's
- 7 x 1 Bedroom Flats
- 1 x 2 Bedroom Duplex Apartment

There is to be designated parking to the rear in a gated yard.

4.3 Homefinder data shows that there remains strong demand for 1 and 2 bed properties.

4.4 There are several amenities in proximity to the properties including 3 supermarkets, 2 hardware stores and a primary school.

4.5 The site has detailed planning permission and the properties are near to completion. However, the site does not meet the planning threshold for the provision of affordable homes so the purchase of these properties would be additional affordable provision within the city.

4.6 The valuation to support the acquisition has been undertaken and approved by the Council's internal property team.

Public/stakeholder engagement

5.1 Officers have consulted with housing management at Derby Homes who would manage and allocate the new homes. Derby Homes is supportive of the scheme with an evidenced demand for the property types.

5.2 Statutory consultation was undertaken as part of the planning process.

Other options

6.1 An option would be not to proceed with the purchase of the 10 newly converted homes. However, not doing so would compromise the Council's ability to meet its affordable development targets and provide much needed affordable housing. It also fails to minimise the potential repayment of RtB receipts to the Ministry of Housing Communities and Local Government (MHCLG).

6.2 An option would be to not proceed with the purchases and let the open market manage the development. Due to the size of the site there is no planning obligation to provide any affordable homes on the development and there would be no additionality of affordable homes to rent within the city.

Financial and value for money issues

- 7.1 The Council has the capacity within its latest HRA business plan to acquire the development. RtB receipts can be applied at 30% of the acquisition cost in accordance with Agreement - Section 11(6) of the Local Government Act 2003.
- 7.2 The costings for the development are shown in the confidential version of this report.
- 7.3 For the purposes of the appraisal, HRA capital has been taken to be borrowing at the typical rate. The acquisition will achieve the required financial parameters.
- 7.4 The dwellings will be protected from any financial loss from subsequent RtB applications by the cost floor rules, meaning that the property cannot be sold for less than the value of the cumulative total spend for 15 years from the date of acquisition.
- 7.5 Following acquisition of the property, an "Exemption from Regulations" application will be submitted to MHCLG. Ordinarily, if a property is sold under RtB the Council only retains a portion of the capital receipt, with the balance being passed to central government. If the application is accepted the Council will retain 100% of the capital receipt.

Legal implications

- 8.1 The purchase process will be subject to the Council's standard due diligence and will be undertaken by the Council's in-house Legal Service or if this is not possible due to capacity constraints by external lawyers, appointed under EM Lawshare arrangements.
- 8.2 The Council's Contract Procedure Rules makes it clear that land transactions such as this are exempted from the Contract Procedure Rules, this is in line with the Regulation 10(1)(a) Public Contract Regulations, as such there is no requirement to undertake a procurement exercise.
- 8.3 There are no state aid implications arising out of this transaction: the Council is acting as a market economic operator, i.e. these properties are being purchased on the open market and the valuation exercise has confirmed that the Council is paying a market value for them.

Climate implications

- 9.1 These newly converted properties have been refurbished in accordance with Building Regulations and will therefore include necessary levels of thermal efficiency and energy saving controls.

Other significant implications

- 10.1 These homes will provide additional affordable homes for those in identified housing need in the city.

This report has been approved by the following people:

Role and Title	Name	Date of Request	Date of Sign Off
Legal – Principal Lawyer	Sophia Brown	22.12.2020 – LM	23.12.2020
Finance – Head of Finance - Communities and Place	Amanda Fletcher	22.12.2020 – LM	08.01.2021
Service Director – Director of City Development & Growth	David Fletcher	04.01.2021 – LM	08.01.2021
Report Sponsor - Strategic Director of Communities and Place	Rachel North	14.01.2021 – LM	18.02.2021