



Derby City Council

COUNCIL CABINET
6 September 2017

ITEM 10

Report of the Cabinet Member for Housing and
Urban Renewal

**Purchase of residential scheme to provide affordable housing funded through the
Housing Revenue Account**

SUMMARY

- 1.1 The report seeks approval to purchase a new build housing scheme off plan, in the Normanton Ward of Derby, to be funded from the Housing Revenue Account (HRA) new build and acquisitions budget.
- 1.2 It is proposed that the scheme will be incorporated into the council's affordable housing portfolio to be managed by Derby Homes.

RECOMMENDATION

- 2.1 To approve the purchase subject to contract of the scheme referred to in Supporting Information and to delegate authority to the Strategic Director for Communities and Place to enter into all necessary agreements required to secure the acquisition of the properties
- 2.2 To approve the scheme to provide affordable homes and their inclusion within the management portfolio of Derby Homes.

REASONS FOR RECOMMENDATION

- 3.1 The purchase of the schemes will provide new affordable dwellings. These dwellings will provide New Homes Bonus at the affordable housing rate under the current regime.
- 3.2 To ensure the properties are properly managed and maintained as part of the Council's housing stock.



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Report of the Strategic Director for Communities and Place

SUPPORTING INFORMATION

- 4.1 As part of the Council's HRA development programme Officers regularly check on-line property websites to identify new build sites or land development opportunities that would provide suitable affordable housing within the city. These sites are ones where the number of properties are below the threshold where an S106 planning agreement would require the provision of affordable homes on the site and are referred to as "windfalls"
- 4.2 Using this method a completed new build site has been identified in the Normanton ward of Derby that consists of 5 x 3 bedroom properties within a self-contained development that will provide a suitable property type and size for affordable housing.
- 4.3 The owner of the site would prefer to sell all 5 properties as a single transaction rather than separate purchases on the open market, although the properties were being individually marketed by Ashley Adams.
- 4.4 The purchase would attract stamp duty. There would also be surveying and legal costs relating to the purchase to be paid by the Council.
- 4.5 The agreed purchase price is in accordance with the valuation carried out by the council's valuer evidencing good value for money.
- 4.6 There will be some minor works required to ensure the properties achieve the required lettable standard. These works will include but are not limited to:
- Window restrictors to first floor
 - Locking window handles and fire escape window handle
 - Carbon Monoxide detector
 - Lockable unit to kitchen
 - Installation of TV aerial and Phone Line
- 4.7 The financial appraisal for the purchase assuming borrowing at 3.5% on a 50 year annuity indicates that the scheme will break even on a cumulative revenue basis in Year 48.
- 4.8 The acquisition of these 5 properties will also provide a wider social benefit as the homes will be made available to households with an identified housing need, providing 5 families with affordable and secure accommodation in the long-term, reducing overall demand for housing and pressures on homelessness services.

- 4.9 The acquisition of the properties and any required alterations can be funded from the existing Housing Revenue Account (HRA) new build and acquisition budget. Minute ref : 185/15 Housing Revenue Account Business Plan 2016 – 46 and the use of Right to Buy receipts applied at 30% of the purchase price.
- 4.10 The properties will be subject to the Right to Buy, but the councils investment in the properties will be protected by the cost floor rules stated in the Housing (Preservation of Right to Buy) (Amendment) Regulations 1999 at section 13, meaning that the property cannot be sold for less than what the council has invested in the properties.

OTHER OPTIONS CONSIDERED

- 5.1 To do nothing – this would compromise the Council's ability to meet its affordable development targets, absorb its Right to Buy receipts and provide much needed affordable housing. This option is not recommended.

This report has been approved by the following officers:

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| Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s) | Olu Idowu, Head of Legal Services Amanda Fletcher, Head of Finance N/A Jonathan Webster, Housing and Property Valuer Greg Jennings, Director of Regeneration, Property and Housing Projects Ian Fullagar, Head of Strategic Housing |
| For more information contact: Background papers: List of appendices: | Karen Brierley 01332 640318 karen.brierley@derby.gov.uk Carly Saunt 01332 640321 carly.saunt@derby.gov.uk None Appendix 1 – Implications |

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| IMPLICATIONS |
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Financial and Value for Money

- 1.1 The acquisition will be funded by the Housing Revenue Account (HRA) for new build and acquisition and Right to Buy receipts at 30%. The properties will be acquired individually with Stamp Duty Land Tax (SDLT) applying to each transaction.
- 1.2 The purchase price per unit has been agreed with SDLT applying to the purchases

Legal

- 2.1 The acquisition will be subject to due diligence checks through the conveyance process.

Personnel

- 3.1 None arising directly from this report.

IT

- 4.1 None arising directly from this report.

Equalities Impact

- 5.1 This acquisition will provide affordable homes for people in housing need.
- 5.2 The properties all benefit from a downstairs WC and level access.

Health and Safety

- 6.1 None arising directly from this report.

Environmental Sustainability

- 7.1 None arising directly from this report.

Property and Asset Management

- 8.1 The acquisition will bring additional properties into the Council's portfolio.

8.2 The agreed purchase price is in accordance with the Council's valuation.

Risk Management and Safeguarding

9.1 None arising directly from this report.

Corporate objectives and priorities for change

10.1 This acquisition supports the Council's objective to increase its affordable housing stock to ensure Derby's residents have access to high quality, affordable homes and housing services which support communities and improve quality of life.