



Report sponsor: Shiraz Khan, Cabinet Member
for Housing, Property and Regulatory Services.
Samantha Dennis, Director of Communities

ITEM 12

Report author: Louise Brown,
Housing Development Manager

Purchase of newbuild homes to provide affordable housing

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 13 properties on a wider development that falls over the city border into the district of South Derbyshire.
- 1.3 These houses 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.
- 1.4 To seek the necessary financial and contractual approvals to purchase the 13 properties.

Recommendation(s)

- 2.1 To agree to purchase the properties as detailed in the report, funded through the HRA capital programme at a price not exceeding the formal (RICS approved) valuation.
- 2.2 To approve the project budget as defined within the confidential version of this report and make the necessary adjustments to the capital programme within the HRA where there is sufficient capacity within the latest approved HRA business plan to purchase the properties.
- 2.3 To delegate authority to the Director of Communities in consultation with the Section 151 Officer and the Cabinet Member for Housing, Property and Regulatory Services, to agree the terms to enable the Council to enter into all contracts and agreements necessary to purchase the properties within the approved budget.
- 2.4 To delegate authority to the Director of Communities in consultation with the Section 151 Officer and the Cabinet Member for Housing, Property and Regulatory Services, to vary the rental model based on the profile of prospective tenants where it is appropriate to do so to meet housing need.
- 2.5 To agree to the homes being incorporated within the Council's housing stock and being managed by Derby Homes.

Reason(s)

- 3.1 To facilitate the purchase of new homes to be let to households on the housing register to meet the high level of need in Derby in line with the Council Plan and Council Delivery Plan expectations.
- 3.2 To comply with the Council's Financial Regulations and Contract Procedure Rules.

Supporting information

Need for affordable homes in Derby

- 4.1 Derby City faces unprecedented pressures in terms of homelessness approaches, the average length of time that households are staying in temporary accommodation and a lack of affordable housing for households in general housing need.
- 4.2 As a result, we have households living too long in unsatisfactory housing conditions and in many cases, children living in highly inappropriate bed and breakfast accommodation with associated risks to their health, well-being and general life chances.
- 4.3 Providing additional Council homes is set out as a priority in both the Council Plan 2022-25 and the Council Delivery Plan 2022-23. The Council has a 30 year business plan for its Housing Revenue Account, with an aim to build or acquire around 100 new homes per year.
- 4.4 As of the 31st of March 2023, there was 8,300 applicants registered for social housing through Homefinder, and during the financial year 1st of April 2022 to 31st March 2023 there was 2,086 homeless approaches.

Proposed Properties

- 4.5 As part of the acquisition programme, the Council has identified an opportunity to purchase 13 properties that can be let as affordable housing to those that are in housing need.
- 4.6 The properties are located on a development site within the district of South Derbyshire. The 13 properties consist of 9 x 3 bedroom houses and 4 x 2 bedroom houses providing a mix of family accommodation.
- 4.7 Whilst located in South Derbyshire, they are very close to the Derby boundary and the properties can be ready to let to residents of Derby that are registered on Homefinder from February and March 2024 onwards. Future allocations will also be through Homefinder to ensure that the properties continue to be let to Derby residents that are registered on Homefinder.
- 4.8 The properties will be built to the developer's standard specification with additional items included to ensure that properties meet the Council's lettable standard. There will also be a 10 year warranty provided.

- 4.9 The valuation to support the purchases has been undertaken and approved by the Council's internal property team.
- 4.10 By bringing additional affordable homes into the Council's ownership, we increase the opportunity for those in housing need to be rehoused. For example, customers in a Council owned properties needing to move to a more appropriately sized home could be accommodated, thus creating additional flow and helping to address the pressures on the housing register.
- 4.11 In accordance with the Council's Allocations Policy 2020 to 2025, restrictions could be placed on the letting of these properties to particular types of applicants, to ensure a mixed and balanced community which also addresses acute housing need.

Public/stakeholder engagement

- 5.1 Officers have consulted with housing management at Derby Homes who would manage and allocate the homes and they are supportive of the purchases with an evidenced demand for the property types.

Other options

- 6.1 An option would be not to proceed with the purchase of the 13 properties. However, not doing so would compromise the Council's ability to meet its housing development and acquisition targets and provide much needed affordable housing.
- 6.2 In the current round of Local Plans covering the City and South Derbyshire District Council (SDDC) 2011-2028, SDDC's local plan identifies land to build 12,500 new homes and of those 12,500 just over 3,000 will be meeting Derby City's need.

Financial and value for money issues

- 7.1 The Council has the capacity within its latest approved HRA business plan to purchase the properties. It is proposed that the capital costs are to be funded through HRA capital (60%) and RtB receipts (40%).
- 7.2 The forecast capital cost is detailed 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 project will achieve the required financial parameters.
- 7.4 The properties will be protected from any financial loss from subsequent right to buy applications by the cost floor rules, meaning that the properties cannot be sold for less than the value of the cumulative total spend for 15 years from the date of purchase.

- 7.5 Following completion of the homes, an application will be submitted to the Department for Levelling Up, Housing and Communities (DLUHC) for exemption from the pooling agreement on use of capital receipts to provide replacement homes. This would allow the Council to retain 100% of the capital receipt (after discount) if it is sold under Right to Buy (RTB). This minimises the financial loss to the Council that could result from RTB sales.

Legal implications

- 8.1 Browne Jacobson have been instructed to draft and negotiate all necessary legal documentation relating to the purchase.
- 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.

Climate implications

- 9.1 A Climate Change Impact Assessment (CCIA) has been carried out, see diagram 1 below;

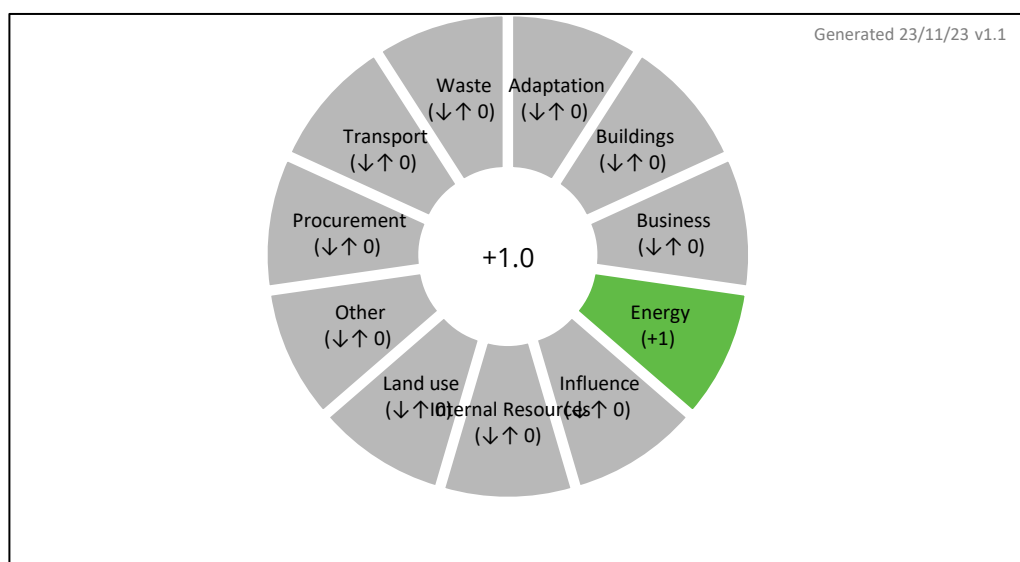


Diagram 1

- 9.2 Energy- this is a positive score as the properties will have high efficiency boilers and low energy lighting throughout.

Socio-Economic implications

- 10.1 The purpose of delivering and purchasing new Council homes is to provide secure, affordable and high-quality homes for people whose housing needs may not be met by the private market. Some of the people on the housing register are among the most disadvantaged in the city and the proposed purchase of these properties, targets support towards these people.

Other significant implications

11.1 Covered in the report.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu	19/12/2023
Finance	Amanda Fletcher	06/12/2023
Report Sponsors	Cllr Shiraz Khan	
	Samantha Dennis	11/12/2023
Other	Ian Fullagar	11/12/2023