



Council Cabinet
13 March 2019

ITEM 12

Report sponsor: Christine Durrant - Strategic
Director of Communities and Place
Report author: Karen Brierley – Principal
Housing Development Manager

Purchase of a residential conversion to provide 8 new affordable homes

Purpose

- 1.1 This report proposes the acquisition of a converted property to provide new affordable homes to be funded from the Housing Revenue Account (HRA) capital programme and Right to Buy receipts (RtB)
- 1.2 The existing building has been converted to provide 6 two bedroom apartments and 2 three bedroom duplex apartments over 4 storeys and is located in close proximity to the city centre.
- 1.3 These dwellings 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 (ALMO).

Recommendations

- 2.1 To approve the acquisition of the 8 apartments at an agreed price.
- 2.2 To delegate authority to the Strategic Director of Communities and Place, in consultation with the Strategic Director of Corporate Resources, to enter into contract and further necessary agreements as required to secure the acquisition of the properties.
- 2.3 To approve the works required to ensure the homes meet the Council's lettable standard to be completed by Derby Homes at an approximate cost of £100,000.
- 2.4 To approve the incorporation of the properties into the Council's affordable housing portfolio to be managed by Derby Homes.

Reasons

- 3.1 To provide additional affordable homes available to those in identified housing need.
- 3.2 To ensure due diligence and for the acquisition to be completed in a timely manner
- 3.3 To ensure the properties provide appropriate, affordable accommodation to meet the

needs of those on the Housing Register.

- 3.3 To ensure the property is correctly managed and maintained.

Supporting information

- 4.1 An existing building has been converted to provide 6 two bedroom apartments and 2 three bedroom duplex apartments over 4 storeys. It is located in close proximity to the city centre.
- 4.2 The conversion does not meet the planning threshold for the provision of affordable homes so the purchase of these apartments will be additionality to the affordable provision within the city.
- 4.3 The conversion works are nearing completion and when finished all of the relevant certification, including a fire strategy, Building Regulations and planning permission will be provided prior to purchase.
- 4.4 An inspection of the conversion was undertaken by DH's Fire Safety Officer and Surveyors who identified additional remedial works required and the vendor has agreed to incorporate these works prior to purchase. Works include but not exclusive to:
- Installation of door closers and thumb turn locks to all apartment doors
 - Installation of a fire door with self-closer to the basement plant room
 - Completion of all fire-stopping to service voids.
 - Replace lead flashing to roof and address roof leak
 - Complete external rainwater and waste pipes
 - Complete pointing and cracking in external brick arches
 - Provide bird spikes to deter nesting
- 4.5 The apartments were originally advertised on the open market but following a bulk purchase sale falling through the developer approached the Council via their Estate Agent, Ashley Adams.
- 4.6 As the conversion was aimed at the private market the specification differs to that required by the council for affordable housing. As a result some additional works will be required including but not exclusive to:
- Alteration to provide draining boards to kitchen
 - Provide phone lines to each apartment
 - Provide TV aerial and points to each apartment
 - Alter high level lighting to 2 apartments to allow safe access

Public/stakeholder engagement

- 5.1 The conversion required full planning permission which includes a statutory requirement for public consultation.

- 5.2 The acquisition has been agreed with Derby Homes who will allocate and manage the property on behalf of the Council. In addition some of the apartments may be suitable for shared accommodation by 3 adults.

Other options

- 6.1 To not proceed with the acquisition. To not proceed would compromise the Council's ability to meet its affordable development targets, absorb its Right to Buy receipts and provide much needed affordable housing.
- 6.2 To not proceed with the purchases and leave for private market sale. The conversion has no planning obligation to provide any affordable homes so there would be no additionality of affordable homes to rent within the city.

Financial and value for money issues

- 7.1 A formal valuation, reflecting a bulk purchase, was carried out by the councils internal Estates section

The agreed purchase price reflects good value for money.

- 7.2 Costs will be incurred in the acquisition:

- Acquisition
- Stamp Duty Land Tax (SDLT)
- Works to bring to a lettable standard
- Fees
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- 7.3 The acquisition of the property and any associated costs will be funded by Housing Revenue Account (HRA) capital and by the use of RtB receipts at 30% of the cost.
- 7.4 The acquisition will produce an operational surplus from year 15 with breakeven in year 33.
- 7.5 The Council will be protected from any financial loss from subsequent Right to Buy applications by the cost floor rules. This means the property cannot be sold for less than the value of the cumulative total spend for 15 years from the date of acquisition.
- 7.6 Following acquisition of the properties, an Exemption from Regulations will be submitted to the Ministry of Housing, Communities and Local Government (MHCLG) which allows DCC to retain 100% of the capital receipt if they are sold under Right to Buy. This minimises the financial loss to the Council that could result from Right to Buy sales.

Legal implications

- 8.1 The purchase process will be subject to the Council's standard due diligence and undertaken by either 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.

Other significant implications

- 9.1 The provision of new affordable homes will provide the Council with additional income in the form of new homes bonus and Council Tax.
- 9.2 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.
- 9.3 By purchasing these apartments they will generate New Homes Bonus and Council Tax income sooner than waiting for them to be sold individually or by an alternative bulk buyer on the open market

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Sophia Brown	8-2-19
Finance	Amanda Fletcher	1-3-19
Service Director(s)		
Report sponsor	Christine Durrant	
Other(s)	Ian Fullagar	15-2-19
	Jayne Sowerby Warrington	15-2-19

Background papers:	None
List of appendices:	None