



Derby City Council

Council Cabinet
13 June 2018

ITEM 10

Report of the Strategic Director of Communities and Place.

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

SUMMARY

- 1.1 The report proposes the acquisition of 20 dwellings on the Hackwood Farm development in the popular suburb of Mickleover.
- 1.2 The dwellings available include 10 x 2 bedroom houses, 8 x 2 bedroom bungalows and 2 x 1 bedroom flats, 18 of which are adapted for wheelchair users.
- 1.3 This is considered to be a positive proposal, not only increasing the number of council homes which are suitable for households which need both affordable and adapted accommodation, but also making good use of the Council's Right to Buy Receipts.

RECOMMENDATION

- 2.1 To approve the acquisition, subject to contract, of the new build residential scheme outlined in this report, funded via the Housing Revenue Account (HRA) capital programme and Right to Buy (RtB) receipts at a price not exceeding the formal Royal Institute of Chartered Surveyors (RICS) approved valuation.
- 2.2 To delegate authority to the Strategic Director of Corporate Resources in consultation with the Cabinet Member for Regeneration and Economic Development and the Strategic Director of Communities and Place to enter into contract and further necessary agreements as required to secure the acquisition of the properties.
- 2.3 To approve that the 18 wheelchair adapted dwellings will be designated as exempt from the Right to Buy in accordance with Paragraph 7, Schedule 5 of the Housing Act 1985.

REASONS FOR RECOMMENDATION

- 3.1 The acquisitions will provide new affordable dwellings which will meet the needs of households on the waiting list.
- 3.2 The designation of properties as exempt from the Right to Buy, will ensure that they remain available in perpetuity for those qualifying households which have both affordable housing and mobility needs.

SUPPORTING INFORMATION

- 4.1 The Hackwood Farm development is situated in the popular suburb of Mickleover, straddling the South Derbyshire border and will deliver over 700 new homes across the site with more than 400 in Derby, including 74 affordable homes in accordance with section 106 (s106) requirements.
- 4.2 The Hackwood Farm s106 agreement also had a clause that enabled the Council to serve notice on the developer to allocate a further 20 dwellings for affordable housing should the Council provide the grant funding to support these purchases at market value.
- 4.3 The Council has triggered this option and officers are now proposing that the Council acquire these additional 20 affordable homes.
- 4.4 The properties proposed are pepper-potted across the site and include:
- 10 x 2 bedroom semi-detached houses adapted for wheelchair users
 - 8 x 2 bedroom semi-detached bungalows adapted for wheelchair users, and
 - 2 x 1 bedroom flats.

All of the properties include designated or in curtilage parking and will have access to local shops, schools and public transport.

- 4.5 Housing Management within Derby Homes have been consulted and support the proposed acquisition as all of the aforementioned property types are in high demand from those on the housing register. The dwellings will form part of the Council's commitment to deliver additional affordable homes.
- 4.6 The values of the 20 units have been determined by an external valuer and are as follows:

Property Type	Value per Unit	Units Available	Total per Property Type
2 bed wheelchair house	£215,000	10	£2,150,000
2 bed wheelchair bungalow	£180,000	8	£1,440,000
1 bed flat GF	£85,000	1	£85,000
1 bed flat 1F	£95,000	1	£95,000
		Total	£3,770,000

- 4.7 The acquisition will be funded from the HRA for new build and acquisitions with funds already ring-fenced within the capital programme and Right to Buy receipts at a rate of 30%.

- 4.8 The acquisition will also attract other fees, which are as follows:
- Valuation fees (external) - £3,400
 - Legal fees (internal) - £1,000
 - Stamp Duty Land Tax (SDLT) - £138,500
 - Strategic Housing Project Management fee (0.3%) - £11,310
- 4.9 It is proposed to exclude 18 wheelchair adapted properties from the Right to Buy in accordance with the Housing Act 1985 Schedule 5, Paragraph 7. Right to Buy would not therefore be available in relation to the designated homes to ensure that they remain available for future households with a disabled person or persons.
- 4.10 This ensures that the Council retains adapted housing within its affordable housing portfolio and is able to offer them to disabled people in housing need on the Housing Register in future years

OTHER OPTIONS CONSIDERED

- 5.1 An option would be not to proceed with the acquisition. However not doing so, would compromise the Council's ability to meet its affordable development targets, absorb its Right to Buy receipts and provide much needed affordable and adapted housing.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Emily Feenan, Principal Lawyer Amanda Fletcher, Head of Finance n/a Jayne Sowerby-Warrington, Head of Strategic Asset Management and Estates Greg Jennings, Director of Regeneration, Property and Housing Projects Ian Fullagar, Head of Strategic Housing
For more information contact: Background papers: List of appendices:	Carly Saunt, Housing Development Officer, 01332 640321 James Beale, Housing Development Team Leader 01332 640316 None

	Appendix 1 – Implications
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IMPLICATIONS

Financial and Value for Money

- 1.1 The Council has the capacity as indicated within its latest HRA Business Plan to acquire the scheme and will apply Right to Buy (RtB) receipts at 30% of the overall costs.
- 1.2 The total projected expenditure is as follows:
 - Acquisition – £3,770,000
 - SDLT – £138,500
 - Legal fees - £1,000
 - Valuation fees - £3,400
 - Strategic Housing Project Management Fees - £11,310
 - Total - £3,924,210
- 1.3 As the acquisition involves multiple dwellings the SDLT due is calculated based on the mean value of each property as follows:

Mean cost per unit	3% of total	2% of £125,001-£250,000	SDLT due per property	Total SDLT due
£188,500	£5,655	£1,270	£6,925	£138,500

- 1.4 The acquisition will produce an operating surplus from year 48 with the cumulative surplus generated exceeding the outstanding balance of the loan in year 49.

Legal

- 2.1 The Council's Legal Service will provide advice and support as required in relation to the acquisition and future management of the dwellings.
- 2.2 The external Valuer at Fisher Hargreaves Proctor was appointed via an approved procurement procedure.
- 2.3 The properties will be allocated to those in housing need via the Council's Allocations Procedure.
- 2.4 The Housing Act 1985 Schedule 5 makes provision for the exclusion of fully adapted homes from the Right to Buy, in certain specific circumstances and where the Local Authority seeks to ensure they are kept available for future generations of households with mobility and affordability needs.

Personnel

3.1 None directly arising from this report.

IT Implications

4.1 None directly arising from this report.

Equalities Impact

- 5.1 The residential scheme being acquired includes 18 properties adapted for occupation by wheelchair users, promoting the Council's vision to address the housing and support needs of vulnerable individuals.
- 5.2 This acquisition is in line with the council's adoption of the social model of disability in accordance with the Equality, Dignity and Respect Policy 2017-2020.
- 5.3 By excluding the 18 adapted units from the Right to Buy, the Council ensures that the adapted housing is retained within its affordable housing portfolio and is available to disabled people in housing need in perpetuity.

Health and Safety

6.1 None directly arising from this report.

Environmental Sustainability

7.1 None directly arising from this report

Property and Asset Management

- 8.1 The acquisition would bring 20 dwellings of mixed property type in a popular location into the Council's affordable housing portfolio, to be managed by Derby Homes.

Risk Management and safeguarding

- 9.1 The Council will undertake due diligence through the conveyancing process.
- 9.2 The acquired dwellings will be protected from financial loss subsequent to any Right to Buy applications for 15 years following completion by the cost floor rules contained within the Housing Act 1985.

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.