

Acquisition and purchase of larger properties for affordable housing

SUMMARY

- 1.1 There are currently 180 families on the Choice Base Letting system (Homefinder) waiting for an affordable 4 or 5 bedroom home. The average waiting time for a 4 bed property is 487 days with a comparator of 237 days for those families needing a 2 bedroom property.
- 1.2 To help to address this issue it is proposed to undertake an acquisition and refurbishment programme of up to 4 larger properties to provide affordable homes for those families in housing need.
- 1.3 The properties will be incorporated into the Council's affordable housing portfolio to be managed by Derby Homes.
- 1.4 The purchase and acquisition can be funded by Housing Revenue Account (HRA) Capital borrowing and the use of Right to Buy Receipts reducing the likelihood that any unspent RTB receipts will have to be returned to Government at the end of 2017/18.

RECOMMENDATION

- 2.1 To agree to the acquisition and refurbishment of up to 4 larger properties, each to provide a minimum of 4 bedrooms, at a maximum total price of £800,000.
- 2.2 To authorise the Strategic Director of Communities and Place, in consultation with the Interim Director of Finance and Section 151 Officer and the Director of Governance and Monitoring Officer to undertake valuations and negotiations to purchase suitable properties in accordance with Rec 2.1 above.
- 2.3 To agree to the addition of £800,000 to the Corporate Capital Programme and the use of Right to Buy Receipts to fund the acquisition programme over 2017/2018 and 2018/2019.
- 2.4 To undertake, where necessary, the refurbishment of the acquisitions to ensure they achieve the decent homes standard and are attractive to let. Properties to be let at an affordable rent.

- 2.5 To agree that the properties will be incorporated into the Council's affordable housing portfolio to be managed by Derby Homes.

REASONS FOR RECOMMENDATION

- 3.1 To increase the number of larger properties for affordable rent within the city and reduce the waiting time for those families in need.
- 3.2 To ensure that the acquisitions are undertaken in accordance with Council procedure ensuring due diligence throughout.
- 3.3 To ensure the acquisitions are included within the Corporate Capital Programme and that Right to Buy Receipts can be utilised.
- 3.4 To ensure the refurbishment and improvement works are completed to the Council's high standard and that the properties are affordable to those in housing need.
- 3.5 To ensure that the properties are correctly managed and maintained.

SUPPORTING INFORMATION

- 4.1 Currently on Homefinder there are 133 families (of which 17 are Emergency Band Applicants) waiting for a 4 bed property and 47 families (of which 4 are Emergency Band Applicants) waiting for a 5 bed property. The average waiting time for a 4 bedroom property is 487 days whereas the average waiting time for a 2 bed property is 237 days.
- 4.2 In 2016/17, through Homefinder, there were 14 x 4 bed properties let with an average of 54 shortlisted applicants and a single 5 bed property which had 58 shortlisted applicants. The average number of shortlisted applicants for a 2 bedroom property is 37.
- 4.3 There are currently 7 families in Derby who are living in temporary accommodation (TA) who need a 4 or 5 bedroom property.
- 4.4 Costs have been calculated to establish a range of acquisition and refurbishment costs for 4 and 5 bedroom properties. The financial assumptions are as follows:
- Purchase costs, established by a review of available property for sale
 - Works costs
 - On costs including Stamp Duty Land Tax, fees and taxes
 - Rents based on the Governments rent setting formula for affordable rents
 - Benchmark management, maintenance and sinking fund costs
 - Borrowing based on a 50-year annuity loan at Public Works Loan Board Rates
 - Break even on a cumulative revenue basis should occur in year 45 or earlier
 - The use of Right to Buy (RtB) receipts to support the cost of the acquisition and improvement. RtB receipts can meet up to 30% of the cost.

- 4.5 The financial appraisal for the purchase assuming borrowing at 3.5% on a 50 year annuity indicates that the scheme should break even on a cumulative revenue basis in year 45 based on the following:

	4 bedroom property	5 bedroom property
Acquisition and improvement (including all on-costs):	200,000	230,000
Funded by:		
Borrowing funds by rents	140,000	161,000
Right to Buy receipts	60,000	69,000
Break even year (cumulative)	46	46

- 4.6 The acquisition of these properties will also provide a wider social benefit as the homes will be made available to households with an identified housing need, providing families with affordable and secure accommodation in the long-term, reducing overall demand for housing and pressures on homelessness services.
- 4.7 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 that which the Council has invested in the properties for a period of 15 years.
- 4.8 Where those families currently in temporary accommodation are the successful short listed applicant, the cost to the Council of funding the temporary accommodation will be reduced accordingly.

OTHER OPTIONS CONSIDERED

- 5.1 Do nothing. This would not address the lack of larger affordable housing needed within the city and to reduce the waiting time for families. It would also not reduce the risk of the Council having to return unspent Right to Buy receipts to the Government. This option is not recommended

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, Principle Lawyer Ian Fullagar, Head of Strategic Housing. Richard Boneham, Head of Audit Partnership
For more information contact: Background papers: List of appendices:	Karen Brierley Karen.brierley@derby.gov.uk Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

- 1.1 The acquisitions will be funded by the Housing Revenue Account (HRA) Capital borrowing and by Right to Buy receipts at 30%.
- 1.2 The properties will be acquired individually with Stamp Duty Land Tax (SDLT) due at a rate of:
 - Up to £125,000 – 3% SDLT
 - Between £125,000 - £250,000
 - 3% SDLT on whole amount,
 - 2% on the band £125,000 - £250,000
- 1.3 For example, a an acquisition with a value of £200,000 would attract SDLT as follows:
 - 3% of £200,000 = £6,000
 - 2% of £75,000 = £1,500
 - Total SDLT due = £7,500

Legal

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

Personnel

- 3.1 None directly arising from this report.

IT

- 4.1 None directly arising from this report.

Equalities Impact

- 5.1 This acquisition will provide affordable homes for families in housing need.

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 acquisitions will bring additional properties into the Council's portfolio.

Risk Management and Safeguarding

- 9.1 Where the family make up changes and they no longer require the maximum number of bedrooms the Under Occupancy Penalty may become applicable. In this instance they would be eligible to apply for a smaller property and the larger one would be re-let through Homefinder.
- 9.2 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 for a period of 15 years.

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.