

Proposed purchase of properties at Green Lane by Derby Homes

SUMMARY

- 1.1 Derwent Delivers, an associated company of Derwent New Deal for Communities (NDC) has refurbished 5 flats in Green Lane, Derby. The flats have been refurbished to a high standard, using trainees from the Derwent area using a variety of funding sources including NDC grant. The flats were intended to be sold on the open market, to fund the purchase of further property for refurbishment by trainees thereby recycling the grant.
- 1.2 The training scheme is however coming to an end and the sale of the properties on the open market would necessitate GOEM withholding the value of the original grant, £200k, from future Derwent NDC allocations.
- 1.3 It is proposed that Derby Homes purchase the flats. The NDC have agreed to fully fund the purchase and associated costs. This would:
 - avoid GOEM withholding £200k grant from future NDC allocations
 - provide additional affordable lettings at no net cost to the Council or Derby Homes
 - provide additional affordable homes that are ring fenced for residents from the Derwent area.
 - provide a long-term income for the Derwent Community.
- 1.4 The long term income would be funded from the rental of the properties after Derby Homes has set aside costs for management, maintenance, contingency for voids and bad debt and a long-term refurbishment sinking fund.
- 1.5 The 5 flats would be held outside of the HRA, in the ownership of Derby Homes, on a similar basis to the 10 affordable homes approved for development by Cabinet on 19 February 2008. The flats would not be subject to future Right to Buy, but unlike the 10 affordable homes they would also not be subject Right to Acquire.
- 1.6 Negotiations between all parties relating to long-term funding and valuation issues are currently ongoing, although a successful conclusion to these discussions is expected shortly.

RECOMMENDATION

- 2.1 To delegate authority to the Corporate Director for Corporate and Adult Services to approve the purchase of the 5 flats at Green Lane, subject to the successful conclusion of negotiations.

REASON FOR RECOMMENDATIONS

- 3.1 The purchase of the 5 flats within the current financial year is necessary in order to avoid GOEM withholding £200k from future Derwent NDC allocations.

SUPPORTING INFORMATION

- 2.1 Derwent Delivers, an associated company of Derwent New Deal for Communities has refurbished 5 flats in Green Lane, Derby. The flats have been refurbished to a high standard, using trainees from the Derwent area using a variety of funding sources including NDC grant. The flats were intended to be sold on the open market, to fund the purchase of further property for refurbishment by trainees thereby recycling the grant.
- 2.2 The training scheme is however coming to an end and the sale of the properties on the open market would lead to GOEM withholding the value of the original grant, £200K, from future NDC allocations.
- 2.3 It is proposed that Derby Homes purchase the flats. The NDC have agreed to fully fund the purchase and associated costs. This would:
- avoid GOEM from withholding £200k back from future NDC allocations
 - provide additional affordable lettings at no net cost to the Council or Derby Homes
 - provide additional affordable lettings ring-fenced for residents from the Derwent area.
 - provide a long term income for the Derwent Community.
- 2.4 The total cost of the scheme is £682,100 made up of
- £615,000 - Purchase Price
 - £20,000 - Legal Fees (inc VAT)
 - £24,600 - Stamp Duty
 - £5,000 - Derby Homes fee (project management)
 - £17,500 - Building Warranties
- 2.5 This cost would be met entirely by a grant from the NDC.
- 2.6 The long-term income, paid to the Derwent Community by Derby Homes, would be funded from the rental of the properties after setting aside costs for management, maintenance, contingency for voids and bad debt and a long term refurbishment sinking fund. These costs are:
- £450 Management fee per flat per annum
 - £350 Maintenance fee per flat per annum
 - £1000 Sinking fund contribution per flat per annum
 - 3.5% Set aside of gross rent per flat per annum for voids/ bad debt
- 2.7 A long-term cash flow business case has been produced to show that these costs can be contained within rental income, set at affordable levels. The long-term income for the community would come from this available rent, net of any tax. All costs and rents in the business plan for future years have been index linked.
- 2.8 The 5 flats would be held outside of the HRA in the ownership of Derby Homes, on a similar basis to the 10 affordable homes approved for development by Cabinet on

19 February 2008. The flats would not be subject to future Right to Buy, but unlike the 10 affordable homes, they would also not be subject Right to Acquire.

- 2.9 It is necessary for Derby Homes to draw down the available funds and purchase the 5 flats before the end of March 2008 in order to prevent GOEM from withholding £200k from future Derwent NDC allocations.
- 2.10 Negotiations between all parties relating to long-term funding and valuation issues are currently ongoing, although a successful conclusion to these discussions is expected shortly.

OTHER OPTIONS CONSIDERED

- 3.1 This proposal would provide 5 flats at no net cost to the Council or Derby Homes. There are no alternative funding routes available to either the Council or Derby Homes that can deliver new units in this manner. The proposal can be regarded as an extension to the 'pilot' development of 10 affordable homes approved by Cabinet on 19 February 2008.

For more information contact:	Officer Ian Fullagar Tel 255185
Background papers:	None
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial

- 1.1 The financial implications are contained within the report.

Legal

- 2.1 The legal implications are contained within the report.

Personnel

- 3.1 None arising directly from this report

Equalities impact

- 4.1 The provision of additional affordable units will help meet the needs of a range of groups from within the Derwent area.

Corporate priorities

5. The proposal promotes the Council's objectives **making us proud of our neighbourhoods** and **giving you excellent Services and Value for Money**.