

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

## **Purchase of a residential development to provide x14 new affordable homes**

### **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 14 new build properties on a self-contained development close 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.

### **Recommendation(s)**

- 2.1 To agree the principle of acquiring the development as detailed in the report funded through the HRA capital programme and Right to Buy receipts at the price not exceeding the formal (RICS approved) valuation.
- 2.2 To delegate authority to the Strategic Director for Communities and Place following consultation with the Head of Legal Services to enter into all necessary agreements required to secure the acquisition of the properties.
- 2.3 To agree to the development being incorporated within the Council's housing stock and being managed by Derby Homes.

### **Reason(s)**

- 3.1 The acquisitions will provide new affordable homes which will meet the needs of households on the waiting list.
- 3.2 To ensure the purchase of the development is undertaken in accordance with Council procedures ensuring due diligence throughout.
- 3.3 To ensure that the properties are correctly managed and maintained.

## **Supporting information**

- 4.1 The Council has been offered the opportunity of acquiring a development of x14 new dwellings that will provide additional affordable rented housing.
- 4.2 The development consists of x6 two bedroom apartments within a single 3 storey block, x6 three bedroom houses and x2 five bedroom houses providing a good mix of property types.
- 4.3 There is limited opportunity to purchase 5 bedroom properties and there are currently in excess of 170 families on the choice based letting system (Homefinder) waiting for an affordable 4 or 5 bedroom property.
- 4.4 The development is on a small infill site located within walking distance of the city centre and also provides adequate parking. This is a brownfield site which promotes sustainable redevelopment.
- 4.5 The site has a current planning permission which expires in February 2019. The developer is intending to start on site as soon as possible with an approximate construction period of 18 months.
- 4.6 The site does not meet the planning threshold for the provision of affordable homes so the purchase of these properties are additionality to the affordable provision within the city
- 4.7 The valuation to support the acquisition has been undertaken and approved by the councils internal property team.
- 4.8 The dwellings will be protected from any financial loss from subsequent right to buy applications by the cost floor rules, meaning that the property cannot be sold for less than the value of the cumulative total spend for 15 years from the date of acquisition.

## **Public/stakeholder engagement**

- 5.1 Officers have consulted with Derby Homes who would manage and allocate the new homes and Housing Management are supportive of the schemes with an evidenced demand for the property types.
- 5.2 Statutory consultation was undertaken as part of the planning process.

## **Other options**

- 6.1 An option would be not to proceed with the purchases. 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 housing.

- 6.2 An option would be to not proceed with the purchases and let the open market bring the site forward. Due to the size of the site there is no planning obligation to provide any affordable homes on the development so there would be no additionality of affordable homes to rent within the city.

### **Financial and value for money issues**

- 7.1 The Council has the capacity within its latest HRA Business Plan to acquire the development. Right to Buy (RtB) receipts can be applied at 30% of the acquisition cost in accordance with Agreement - Section 11(6) of the Local Government Act 2003. By applying RtB receipts at 30% the scheme will break even within the required timescales.
- 7.2 The costing for the development are shown in the confidential version of this report

### **Legal implications**

- 8.1 Geldards LLP have been instructed to draft and negotiate all necessary legal documentation relating to this project; Geldards are also providing advice on the structure of the project, in order to protect the Council's financial interest in the site.
- 8.2 There is no requirement to undertake a regulated procurement under the Public Contract Regulations 2015 in relation to this project as the value of the proposed works falls under the threshold for works contracts of £4,551,413. There are no state aid concerns associated with this project, as the provision of the affordable/social housing falls within the SGEI (services of general economic interest) block exemption.

### **Other significant implications**

- 9.1 The development of x14 new homes within the city will generate New Homes Bonus and Council Tax income.
- 9.2 These homes will provide additional affordable dwellings for those in identified housing need in the city.

**This report has been approved by the following people:**

<b>Role</b>	<b>Name</b>	<b>Date of sign-off</b>
<b>Legal</b>	Emily Feenan	6 <sup>th</sup> December 2018
<b>Finance</b>	Amanda Fletcher	7 <sup>th</sup> January 2019
<b>Service Director(s)</b>	Greg Jennings	
<b>Report sponsor</b>	Christine Durrant	
<b>Other(s)</b>	Ian Fullagar	
	Jayne Sowerby-Warrington	6 <sup>th</sup> December 2018