



**Cabinet Member for Adults, Health and  
Housing  
12 April 2019**

# ITEM 5

Report sponsor: Greg Jennings – Director of  
City Development and Growth  
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Development and HRA Team Leader

## **Acquisition of a 2 Bedroom House in Derwent ward**

### **Purpose**

- 1.1 This report seeks approval to purchase a 2 bedroom semi detached house in the Derwent ward to be funded from the Housing Revenue Account (HRA) capital programme, part funded from Right to Buy receipts (RtB).
- 1.2 There is high demand for quality, affordable family accommodation in this location from those on the housing register.
- 1.3 This property 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.

### **Recommendations**

- 2.1 To approve the acquisition of the property at the negotiated purchase price of £70,000.
- 2.2 To approve the subsequent refurbishment of the property by Derby Homes.
- 2.3 To approve the incorporation of the property into the Council's affordable housing portfolio to be managed by Derby Homes.

### **Reasons**

- 3.1 To increase the number of affordable family homes available to those in identified housing need.
- 3.2 To ensure the property provides appropriate, affordable accommodation to meet the needs of families on the Housing Register.
- 3.3 To ensure the property is adequately managed and maintained.

## **Supporting information**

- 4.1 The property is a 2 bedroom, semi detached ex local authority house built circa 1955.
- 4.2 Demand for this size, type and location of property has been confirmed with the Council's allocations department.
- 4.3 The property will contribute towards the affordable housing provision within the city
- 4.4 This property would be an individual acquisition and is not linked to any other purchase.

## **Public/stakeholder engagement**

- 5.1 The acquisition has been agreed with Derby Homes who will allocate and manage the property on behalf of the Council.

## **Other options**

- 6.1 Do Nothing. This option has been discounted because it does not provide additional affordable homes available to those in housing need within the city. It also fails to minimise the potential repayment of Right to Buy receipts to MHCLG.

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

- 7.1 Any costs associated with the acquisition and subsequent refurbishment of the property can be subsidised by RTB receipts at a rate of 30%.
- 7.2 An offer of £70,000 has been accepted by the vendor and this purchase price aligns with the internal property valuation of £68,000-£72,000 therefore demonstrating value for money.

7.3 The property requires improvements throughout to meet the Council's lettable standard which will include but is not limited to:

- Upgrade existing gas central heating
- Replacement roof
- New kitchen and bathroom
- Overhaul windows
- New doors
- External works to provide new paths and boundaries
- Rewire
- Insulation
- New rainwater goods and downpipes
- Redecoration and general repairs as required

These costs are not expected to exceed £75,000.

7.4 The following costs will be incurred in this acquisition:

- Acquisition - £70,000
- SDLT – £2,100
- Works - £74,203
- Fees - £272
- Total - £146,575

And will be funded by:

- Housing Revenue Account capital - £102,602
- Right to Buy Receipts (30%) - £43,973

7.5 For the purposes of the appraisal, Housing Revenue Account capital has been taken to be borrowing at a rate of 2.56%. The acquisition will produce an operational surplus from year 21 with breakeven in year 36.

7.6 The Council may incur legal fees of £500 where the conveyance is undertaken by an approved external company.

7.7 The dwelling 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.

7.8 Following acquisition of the property, 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 it is sold under Right to Buy. This minimises the financial loss to the Council that could result from Right to Buy sales.

7.9 The acquisition of the property and any required refurbishment work can be funded from the existing Housing Revenue Account (HRA) capital budget.

**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 N/A

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

<b>Role</b>	<b>Name</b>	<b>Date of sign-off</b>
<b>Legal</b>	Sophia Brown	01-04-19
<b>Finance</b>	Mazer Hussain	29-03-19
<b>Service Director</b>		
<b>Report sponsor</b>	Greg Jennings	
<b>Head of Service</b>	Ian Fullagar	
<b>Other</b>		