



**Cabinet Member for Adults, Health and
Housing
20 March 2019**

ITEM 9

Report sponsor: Greg Jennings - Director for
City Development and Growth
Report author: Carly Saunt – Housing
Development Officer

Acquisition of a 3 Bedroom Former Council House in Mackworth

Purpose

- 1.1 The Council has the opportunity to acquire a 3 bedroom semi-detached former Council house located in the Mackworth Ward of the city.
- 1.2 There is high demand for quality, affordable family accommodation in this area from those on the housing register.
- 1.3 The purchase can be subsidised by RTB receipts at a rate of 30% of overall costs.

Recommendations

- 2.1 To approve the acquisition of the property at the negotiated purchase price of £115,000.
- 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 3 bedroom, semi-detached house type 8a, a common house type within existing affordable housing stock.
- 4.2 Demand for 3 bedroom family homes in Mackworth has been confirmed with the Council's allocations department.
- 4.3 Any costs associated with the acquisition and subsequent refurbishment of the property can be subsidised at a rate of 30% of total costs.
- 4.4 The property was being marketed for offers in excess of £110,000 to reflect the level of work required to bring it to a decent standard. An agreed purchase price of £115,000 was reached following negotiation. Although this was in excess of the Council's valuation of £110,000.00 it does reflect that properties in this area are in demand and selling quickly when they come to market.
- 4.5 The industry practise for an RICS valuation allows for a degree of variation on the valuation figure and the purchase price has been approved by the Head of Strategic Asset Management and Estates
- 4.6 The property requires modernisation throughout to meet the Council's standards, including but not limited to:
 - New gas central heating,
 - Rewire
 - Damp treatment and new plaster to walls
 - New windows and doors
 - New kitchen and bathroom
 - Internal insulation
 - Replacement roof, and
 - External works to provide new parking area, paths and boundaries

The costs will not exceed £76,000. The level of works reflects the fact that the property has had no investment in it for a number of years.

- 4.7 The costs involved in this acquisition are as follows:
 - Acquisition - £115,000
 - SDLT - £3,450
 - Works - £76,000
 - Fees - £347
 - Total - £194,797
- 4.8 This will be funded by:
 - Housing Revenue Account capital - £136,358
 - Right to Buy Receipts £58,439

- 4.9 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 in year 25 with breakeven in year 38.
- 4.10 The acquisition has been agreed with Derby Homes who will allocate and manage the property on behalf of the Council.
- 4.11 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.
- 4.12 Following acquisition of the property, an Exemption from Regulations will be submitted to the Ministry of Housing, Communities and Local Government (MHCLG). This means that, should the property be sold under a Right to Buy application, DCC will retain 100% of any capital receipt, rather than having to pool the receipt as we are required to do with properties built or acquired before July 2008. This minimises the financial loss to the Council that results from Right to Buy sales.
- 4.13 The acquisition of the property and any required refurbishment work can be funded from the existing Housing Revenue Account (HRA) capital budget.

Public/stakeholder engagement

- 5.1 N/A

Other options

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

Financial and value for money issues

- 7.1 Please refer to paragraphs 4.7 – 4.13 above.

Legal implications

- 8.1 The conveyance 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:

Role	Name	Date of sign-off
Legal	Sophia Brown	7 th March 2019
Finance	Mazer Hussain	8 th March 2019
Service Director		
Report sponsor	Greg Jennings	
Head of Service	Ian Fullagar	
Other		