



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

ITEM 7

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

Acquisition of a 3 Bedroom Former Council House in Chaddesden

Purpose

- 1.1 This report seeks approval to purchase a 3 bedroom mid-terraced former Council house in the Chaddesden ward of the city to be funded from the Housing Revenue Account (HRA) capital programme and Right to Buy receipts (RtB).

The Council has the opportunity to acquire a 3 bedroom mid-terrace former Council house located in the Chaddesden area of the city.
- 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 £121,000.
- 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, mid-terrace house of standard brick and tile construction 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 Demand for 3 bedroom family homes in Chaddesden has been confirmed with the Council's allocations department.

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 Any costs associated with the acquisition and subsequent refurbishment of the property can be subsidised at a rate of 30% of total costs.
- 7.2 The property was being marketed for offers in the region of £124,950 and an offer of £121,000 has been accepted by the vendor demonstrating value for money. The purchase price aligns with the Council's internal property valuation of £121,000.
- 7.3 The property requires modernisation throughout to meet the Council's lettable standard which will include but not limited to:
 - New bathroom and upgrade existing kitchen,
 - Replacement PVCu windows
 - New internal and external doors
 - New boiler
 - New loft hatch and loft insulation
 - External repairs and improvements

The costs are not expected to exceed £34,000.

7.4 The following costs will be incurred in this acquisition:

- Acquisition - £121,000
- SDLT - £3,630
- Works - £34,000
- Fees - £347
- Total - £158,977

And will be funded by:

- Housing Revenue Account capital - £111,284
- Right to Buy Receipts (30%) - £47,693

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 11 with breakeven in year 35.

7.6 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.

7.7 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.

7.8 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 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	Emily Feenan	03/12/2019
Finance	Mazer Hussain	07-03-2019
Service Director		
Report sponsor	Greg Jennings	
Head of Service	Ian Fullagar	
Other		

