

Report sponsor: Rachel North Strategic Director  
Communities and Place  
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Development and HRA Team Leader

## **Purchase of a residential development to provide 13 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 13 new build homes on a self-contained development located within the City.
- 1.3 These homes 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 agree the principle of acquiring the development as detailed in the report, funded through the HRA capital programme and RtB 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 Strategic Director of Corporate Resources 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.

### **Reasons**

- 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 As part of the acquisition programme, the Council has actively searched for and identified this opportunity to acquire a development of 13 new build homes. These homes will provide additional affordable rented housing within the city.
- 4.2 The development consists of 8 x 3 bedroom houses and 5 x 4 bedroom houses providing a mix of family accommodation.
- 4.3 There is an increasing need for larger 4 bedroom properties with those applicants on the choice based letting system (Homefinder) waiting the longest for an affordable 4 bedroom property.
- 4.4 The commercial centre is within walking distance and there are further local amenities including primary and secondary schools and a GP surgery close by.
- 4.5 The site has detailed planning permission and works have commenced on site with an approximate remaining construction period of 6 months.
- 4.6 The site does not meet the planning threshold for the provision of affordable homes so the purchase of these properties would be additional to the affordable provision within the city
- 4.7 The valuation to support the acquisition has been undertaken and approved by the Council's internal property team.

## **Public/stakeholder engagement**

- 5.1 Officers have consulted with housing management at DH, who would manage and allocate the new homes, and they are supportive of the scheme 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 purchase of the 13 homes. However, not doing so would compromise the Council's ability to meet its affordable development targets and provide much needed affordable housing. It also fails to minimise the potential repayment of RtB receipts to the Ministry of Housing Communities and Local Government (MHCLG).
- 6.2 An option would be to not proceed with the purchases and let the open market manage the development. Due to the size of the site there is no planning obligation to provide any affordable homes on the development and 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. RtB receipts can be applied at 30% of the acquisition cost in accordance with Agreement - Section 11(6) of the Local Government Act 2003.
- 7.2 The costing for the development are shown in the confidential version of this report
- 7.3 For the purposes of the appraisal, HRA capital has been taken to be borrowing at the typical rate. The acquisition will achieve the required financial parameters.
- 7.4 Whilst the role of employer's agent will be undertaken in house, fees for this work will be paid to the in house team.
- 7.5 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.
- 7.6 Following acquisition of the property, an "Exemption from Regulations" application will be submitted to MHCLG. Ordinarily, if a property is sold under RtB the Council only retains a portion of the capital receipt, with the balance being passed to central government. If the application is accepted the Council will retain 100% of the capital receipt.

## **Legal implications**

- 8.1 The purchase process will be subject to the Council's standard due diligence and will be undertaken by the Council's in-house Legal Service.
- 8.2 The Council's Contract Procedure Rules makes it clear that land transactions such as this are exempted from the Contract Procedure Rules, this is in line with the Regulation 10(1) (a) Public Contract Regulations, as such there is no requirement to undertake a procurement exercise. Whilst state aid may be a consideration, it is likely that the exemption of Service of a General Economic Interest (SGEI) shall apply to mean that the entire scheme would fall outside of the state aid regime, provided the financial limits are not exceeded.
- 8.3 There are no state aid implications arising out of this transaction: the Council is acting as a market economic operator, i.e. these properties are being purchased on the open market and the valuation exercise has confirmed that the Council is paying a market value for them.

## **Other significant implications**

- 9.1 These homes will provide additional affordable homes 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	02/10/19
<b>Finance</b>	Amanda Fletcher	01/10/19
<b>Service Director(s)</b>	Greg Jennings	09/10/19
<b>Report sponsor</b>	Rachel North	09/10/19
<b>Other(s)</b>	Ian Fullagar	08/10/19