



**Cabinet Member for Adults, Health and
Housing
9 October 2019**

ITEM 4

Report sponsor: Greg Jennings – Director of
City Development and Growth
Report author: Louise Brown –Housing
Development and HRA Team Leader

Acquisition of a 2 Bedroom Empty Bungalow in Abbey Ward

Purpose

- 1.1 This report seeks approval to purchase an empty 2 bedroom bungalow in Abbey ward to be funded from the Housing Revenue Account (HRA) capital programme, part funded by 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 empty property at the negotiated purchase price of £127,000.
- 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 detached bungalow built during the 1960/1970s and that is constructed from solid brick and tile roof.
- 4.2 Demand for this size, type and location of property has been confirmed with the Council's allocations department.
- 4.3 The bungalow was identified by the Empty Homes Team at DCC as a long term empty property. In accordance with the Empty Homes Strategy the owner was contacted to consider selling the property to DCC in order to help return the property to beneficial occupation.
- 4.4 The property will contribute towards the affordable housing provision within the city
- 4.5 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 Following an internal property inspection, a valuation of £125,000-£130,000 was given. The vendor had clear expectations with regard to an acceptable offer level. As a result, an offer of £127,000 was submitted to the vendor and accepted, demonstrating value for money in line with the valuation range.

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

- New kitchen
- Overhaul bathroom
- Overhaul gas central heating
- Rewire
- New front door
- Damp proofing works
- Replacement timber floors subject to further survey
- New windows
- Replacement lintels subject to further survey
- New gutters, fascias and soffits
- Removal of garage
- Slab on edge and tarmac path where garage has been removed
- Removal of car port
- Break out slabs to front and side driveway, level and tarmac
- Secure boundaries

These costs are not expected to exceed £53,440

7.4 The following costs will be incurred in this acquisition:

- Acquisition - £127,000
- SDLT - £3,850
- Works - £53,440
- Fees - £347
- Total - £184,637

And will be funded by:

- Housing Revenue Account capital - £129,246
- Right to Buy Receipts (30%) - £55,391

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 27 with breakeven in year 38.

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 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.

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 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 Bringing empty homes back into use is a priority of the Council in accordance with its Empty Homes Strategy 2015-2020. Empty properties can be detrimental to the lives of local residents as they are a magnet for crime and antisocial behaviour, drive down property values locally and contribute to urban decline and blight. They also represent a risk for the emergency services and put added pressure on various council departments such as Environmental Health and Anti-Social Behaviour Teams.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Sophia Brown	10/09/19
Finance	Mazer Hussain	25/09/19
Service Director		

Report sponsor
Head of Service
Other

Greg Jennings
Ian Fullagar
Cllr Roy Webb