



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

ITEM 5

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

Acquisition of a 3 Bedroom House in Chellaston

Purpose

- 1.1 This report seeks approval to purchase a 3 bedroom house in Chellaston 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 property at the negotiated purchase price of £205,000.
- 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 built circa 2015 with an enclosed garden to the rear and 2 parking spaces. The property is of traditional cavity brick construction.
- 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 The property was being marketed for £209,950 and the vendor was not prepared to accept an offer much below the asking price. An offer of £205,000 was made and has been accepted by the vendor. The purchase price aligns with the internal property valuation of £200,000 - £205,000.
- 7.3 The property requires improvements throughout to meet the Council's lettable standard which will include but is not limited to:
 - Contingency for kitchen alterations
 - External improvements to rear garden

These costs are not expected to exceed £4,991

7.4 The following costs will be incurred in this acquisition:

- Acquisition - £205,000
- SDLT - £7,750
- Works - £4,992
- Fees - £347
- Total - £218,089

And will be funded by:

- Housing Revenue Account capital - £152,662
- Right to Buy Receipts (30%) - £65,427

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 25 with breakeven in year 37.

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 N/A

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	Greg Jennings	
Head of Service	Ian Fullagar	
Other	Cllr Roy Webb	