

## Project Appraisal and Scrutiny Committee Recommendation

Project Name	Recommendation to Buy Back a Dwelling
Committee	Housing Scrutiny
Portfolio	Housing
Committee Date	
Executive Councillor	
Lead Officer	Sabrina Walston

The Executive Councillor for Housing is recommended to approve;

- That the Council, following an approach by the owner, buy back the ex-Council flat at 10 Ventress Close, previously sold under the Right to Buy in 1970. Although the Right of First Refusal process is not applicable in this instance, the Council has been offered the opportunity to take back a property that sits within a potential future re-development area. The scheme has been approved for consideration for redevelopment as part of the 3 Year Rolling Programme.
- The capital cost of the project is £238,365. This comprises £225,000 agreed market valuation plus legal and other fees associated with the purchase totalling £3,365 and works to bring the property up to a lettable standard at an estimated £10,000. The project will be funded from the existing allocation of £663,000 in the Housing Capital Investment Plan in 2014/15 for the repurchase of ex-HRA dwellings and Right to Buy receipts.
- To note the revenue implications arising from bringing this property back into housing stock (management, repairs and property improvements) are anticipated to be fully met from the rental income from the dwelling once let.

## 1 Summary

### 1.1 The project

- This report proposes the acquisition of dwelling in the city, in line with the HRA Acquisition and Disposal Policy. In this instance the property is an ex-Council dwelling that was previously sold under the Right to Buy, but prior to the point at which the Right of First refusal legislation came into force.
- The Housing Act 2004 introduced the 'Right of First Refusal' (RFR) which enables local authorities (or other social landlords) the first opportunity to 'buy back' properties being sold by former tenants who acquired the property under the Right to Buy (RTB). The Act came into effect on the 18 January 2005. The Council have 8 weeks to determine whether to enact this right and a following 12 weeks to complete on the purchase should they opt to. On this occasion, the owner occupier has approached the Council directly with a view to the Council re-acquiring the property.
- The HRA Acquisition and Disposal Policy includes a number of criteria upon which the acquisition of a dwelling should be considered, including whether the property meets an identified need.

### 1.2 The Property

Property Address	10 Ventress Close Cambridge CB1 8QX <i>(see Appendix B, C)</i>
Property Type	Flat
Number of Bedrooms	2
Number of Reception Rooms	1
Garage in Curtilage	No

### 1.3 The Criteria

1	Property has significant disabled adaptations	No
2	Property is particularly suitable for disabled adaptation	No
3	Property has 4 or more bedrooms	No
4	Property location frees up land or access or is suitable for future development	Yes
5	Interests of Council met by repurchase with value for money demonstrable	Yes

### 1.4 Target Dates / Deadlines

Date of RFR Contact	Not applicable
Initial voluntary contact from owner	w/c 04/08/14
8 Week Deadline for RFR Council Decision	Not applicable
HMT in principle decision to proceed with re-purchase	Yes
Stock condition survey completed	17/11/14
Independent market valuation completed	13/10/14
Latest Completion Date for Purchase	Not applicable
Urgent Decision Circulated	

### 1.5 The Cost (\*at vendors anticipated Market Value)

<b>Capital Cost</b>	
*Purchase Price (Open Market Value)	£225,000
Stamp Duty	£2,250
Legal Fees	£1,000
Other Costs (Valuation)	£115
Decent Homes Works Required to Re-Let (Estimate)	£10,000
<b>Total Capital Cost</b>	<b>£238,365</b>

**Capital Cost Funded from:**

Funding:	Amount:	Details:
Reserves	£0	
Repairs & Renewals	£0	
Section 106	£0	
Borrowing	£0	
Right to Buy Receipts	£68,510	
Other	£169,855	Capital Allocation for Property Buy Back

**Total Revenue Cost****Per Annum**

Management Costs	£ 470
Maintenance / Repairs	£750
Major Works / Improvements (MRA/Depreciation)	£1,250
Total Revenue Expenditure	£2,470
Revenue Income (Rent)	(£6,730)
Net Revenue Cost / (Surplus)	(£4,260)

**Capital Project Appraisal and Committee Report****1.6 What is the project?**

The project seeks to buy back the ex-council dwelling at 10 Ventress Close, which is a two-bedroom maisonette. The property was sold under the Right to Buy. The occupier has approached the Council to enquire whether the Council wishes to buy the property back. The occupier has requested a quick decision by the Council prior to putting the property on the open market.

### **1.7 What are the aims & objectives of the project?**

*“Creating a great place to live, learn and work”*

The location of 10 Ventress Close is shown on the attached plan (Appendix C). No's 9 – 10a are similar properties 1 is currently tenanted and in council ownership. Together with the large gardens it can be seen from the plan that there is redevelopment potential for the site. The feasibility and viability of the wider redevelopment has been approved to be considered as part of the 3 Year Rolling Programme.

In the interim, using the property as general needs housing provides an extra unit of accommodation, where there is currently pressure on the Housing Register. The location and style of the property provides a unit of accommodation that would suit a couple or small family.

### **1.8 Summarise the major issues for stakeholders & other departments?**

The project requires input from the Estates & Facilities team to identify the Decent Homes potential investment required. An initial stock condition survey was undertaken on 17/11/14

Legal are required to undertake and complete on the purchase of the property, and have already been approached to allocate a Solicitor to this project, which is expected to have a timeframe of 6 to 12 weeks.

The vendor of the property is anticipating a quick decision and to receive full market value for the property.

As some the surrounding properties are already in council ownership, and are let and managed by City Homes, there is not expected to be any adverse impact for neighbouring residents.

### **1.9 Summarise key risks associated with the project**

**Risks:**

One of the key risks that this project aims to mitigate is avoidance of the potential to need to acquire the property by compulsory purchase order at a later date, should the site be earmarked for re-development. At the compulsory purchase order stage the transaction would be for market value, plus a home loss payment (10% of market value) if the property was the owner's main residence, plus increased fees and any officer time incurred.

Not taking the opportunity to purchase the property at this time may have a detrimental impact on the time frame of any future re-development programme in the area.

If the Council were to purchase the property now, it could save the Council having to meet the additional costs associated with a compulsory purchase (if the property is the main residence of the new owner) at a later date.

### **1.10 Financial implications**

The market value of the property provided by Pocock & Shaw in October 2014 for the Council is £225,000, with the costs of purchase and of achieving the decent homes standard for letting being a further £13,365, bringing the total to £238,365.

Financial viability assessments have been carried out, considering three scenarios. These include:

- Rent at Local Housing Allowance level, with 100% funded through HRA resources (Scenario 1)
- Rent at Local Housing Allowance level, with 30% funded through retained right to buy receipts and 70% HRA resource (Scenario 2)
- Rent at Target Social Rent level, with 30% funded through retained right to buy receipts and 70% HRA resource (Scenario 3)

In all three scenarios, the costs of purchase and making good for re-letting would be recovered through rental income over a number of years, after allowing for the ongoing costs of managing and maintaining the dwelling.

However, a decision to let the property at target social rent (Scenario 3) would result in the authority not realising payback on its investment for 49 years, which is way outside of the 35 year maximum payback period desired.

With rent set at the Local Housing Allowance level, the authority would receive payback in 43 years without the use of right to buy receipts (Scenario 1), or within 34 years with the use of right to buy receipts (Scenario 2).

With this in mind, this business case has been prepared and presented on the basis of charging Local Housing Allowance rent levels and utilizing right to buy receipts to fund 30% of the purchase. Sufficient retained right to buy receipts exist to allow this to happen.

### **1.11 VAT implications**

Retention of the property “bought back” in the Housing Revenue Account, for use as local authority social housing would have no adverse vat implications.

A decision to make alternative use of the property would require specific consideration of any potential negative vat implications, although these would not be anticipated to be significant.

### **1.12 Other implications**

There are no other direct implications associated with this project.

### **1.13 Estimate of staffing resource required to deliver the project**

The Housing Development Officer in the Housing Development Team, with the support of the Housing Development Manager.

The Business Team have undertaken the initial financial analysis required to understand the costs associated with buying back the property.

A Surveyor in the Estates & Facilities Team is required to complete the initial stock investment survey. This is a one-off visit to the property plus time to write the report.

Legal will be required to undertake the actual buying back of the property into HRA ownership. It is unclear at this stage how long this will take, but estimated to be 8-12 weeks.

#### **1.14 Identify any dependencies upon other work or projects**

The success of the project in the first instance is the ability of the Estates & Facilities Team and the City Homes Team to get the property up to Decent Homes standard and re-let quickly in order to maximize rental income.

#### **1.15 Background Papers**

- 1 Stock Condition Survey results
- 2 Initial Property Valuation - Pocock & Shaw – 10<sup>th</sup> October 2014.

#### **1.16 Inspection of papers**

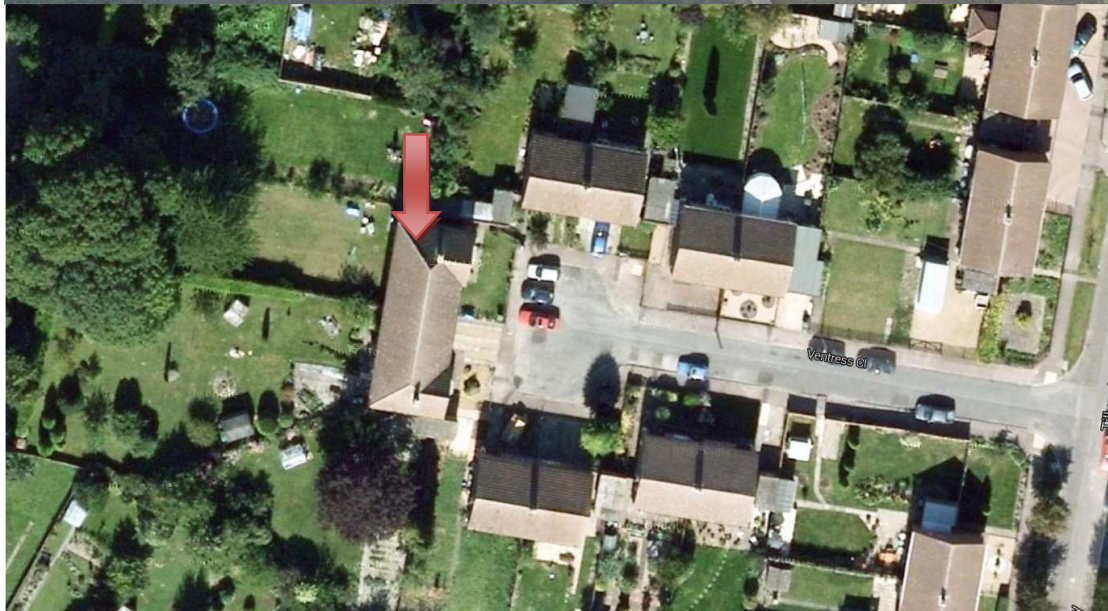
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Appendix B

Photographs of the site –front aspect & aerial:





Appendix C



Land Registry  
Official copy of  
title plan

Title number **CB297138**  
Ordnance Survey map reference **TL4756SE**  
Scale **1:625 enlarged from 1:1250**  
Administrative area **Cambridgeshire :**  
**Cambridge**



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