

## Project Appraisal and Scrutiny Committee Recommendation

Project Name	Recommendation to Buy Back a Dwelling
Committee	Housing Scrutiny / Strategy & Resources
Portfolio	Housing
Committee Date	
Executive Councillor	Councillor Kevin Price / Councillor George Owers
Lead Officer	Liz Bisset

## Recommendation/s

Financial recommendations –

*Where resource for buying back ex-council dwellings has been included as part of the Housing Capital Programme, the Executive Councillors are asked to approve:*

- That the Council buy back the ex-council bungalow at 1 Teversham Drift, previously sold under right to buy legislation in March 1983. 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 an area predominantly occupied by older people and which would meet existing housing need.
- The capital cost of the project, anticipated to be up to £279,885 (acceptable market valuation to the vendor + decent homes work + costs), with the final purchase price / market valuation to be agreed between the Council and the vendor. The project will be funded from the allocation of £663,000 in 2014/15, ear-marked in the Housing Capital Programme, for the repurchase of ex-HRA dwellings. 30% of the cost of the purchase can be funded from retained right to buy receipts, with the balance to be met from HRA resources.
- 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 that the Council enacts the HRA Acquisition & Disposal Policy, following the basic premise of the 'Right of First Refusal' for buying back a Council dwelling that was sold under the right to buy process in 1983. Although this property was originally sold before the introduction of the legislation, the owner-occupier has approached the Council, to offer the Council the right to repurchase, outside of any legal requirement to do so.

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. The HRA Acquisition and Disposal Policy uses the urgent decision process as the route for approval of any HRA acquisitions, to ensure that the authority can act relatively quickly to opportunities that are available in the market.

The policy includes agreed criteria against which a potential acquisition should be considered.

### 1.2 The Property

Property Address	1 Teversham Drift Cambridge CB1 3JX
Property Type	Bungalow
Number of Bedrooms	2
Number of Reception Rooms	1
Garage in Curtilage	Yes

### 1.3 The Criteria

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

### 1.4 Target Dates / Deadlines

Date of RFR Contact	Not applicable
Confirmation form vendor to proceed with business case	04/11/14
8 Week Deadline for RFR Council Decision	Not applicable
HMT in principle decision to proceed with re-purchase	13/11/14
Stock condition survey completed	12/12/14
Independent market valuation completed	09/12/14
Latest Completion Date for Purchase	Not applicable
Urgent Decision Circulated	

### 1.5 The Cost (\*at vendors anticipated Market Value of £260,000)

<b>Capital Cost</b>	
*Purchase Price (Open Market Value)	£260,000
Stamp Duty	£3,000
Legal Fees	£1,000
Other Costs (Valuation)	£115
Works Required to Re-Let (Decent Homes)	£15,770
<b>Total Capital Cost</b>	<b>£279,885</b>

**Capital Cost Funded from:**

Funding:	Amount:	Details:
HRA Resources	£200,650	Right of First Refusal Buy Back Allocation
Repairs & Renewals	£0	
RTB Receipts	£79,235	30% of acquisition cost and fees
Borrowing	£0	
Other	£0	

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

Management (Marginal Costs)	£470
Maintenance / Repairs	£750
Major Works / Improvements (MRA/Depreciation)	£1,250
Total Revenue Expenditure	£2,470
Revenue Income (Rent)	(£7,140)
Net Revenue Cost / (Surplus) *	(£4,670)

\* Surplus used to support any loss of interest on the revenue resource previously held and to pay back the initial capital outlay.

**1.6 What are the aims & objectives of the project?**

The location of 1 Teversham Drift is shown on the attached plan. The majority of properties within the estate are still retained by the Council, in particular no. 2, which is attached to number 1 Teversham Drift. The property was specifically developed to be suitable for residents with a disability.

It is proposed that the property would be let as general needs housing increasing the supply of social housing in the city and

providing an extra unit of accommodation, where there is currently pressure on the housing waiting list.

The location and style of the property, surrounded by other council property, housing a majority of older residents and incorporating level access accommodation, would provide a unit of accommodation that would suit an older and/or disabled resident who is keen to stay in their own home and does not want to move into sheltered accommodation. This would help to alleviate pressure on our sheltered housing stock.

The vendor is particularly keen for the Council to purchase the property, so that another family with specific needs on our waiting list can benefit from it as his parents have over the last 30 years.

As at 17<sup>th</sup> December 2014, there are 16 households on Home-link with an appropriate level of need for a 2-bed adapted bungalow.

#### **1.7 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 12<sup>th</sup> December 2014.

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 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.

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

##### **Risks:**

There is the risk that the vendor may change their mind about selling the dwelling to the Council after the authority has expended resource as part of the project. This risk is considered minimal as

the initial external outlay will only be for a property valuation, and the vendor is keen to sell to the Council.

Property no's 2, 4 and 8 & 9 are similar 2-bedroom properties currently tenanted and in council ownership. There is however, no guarantee that these properties will remain in Council ownership if any of the current or future tenants enact their right to buy.

### **1.9 Financial implications**

A financial viability assessment shows that the costs of purchase and making good for re-letting, would be recovered through rental income over 34 years, after allowing for the ongoing costs of managing and maintaining the dwelling. This financial viability, to achieve pay-back within the 35 year benchmark, requires rent to be set at the Local Housing Allowance level, and also assumes that 30% of the cost of the acquisition and associated fees would be met from retained right to buy receipts. The cost of acquisition assumed in this viability is £260,000, which is the vendor's requested sale price. The valuation provided by Pocock and Shaw on behalf of the Council was for a minimum of £250,000, with the potential for the property to fetch £10,000 to £20,000 more dependent upon market conditions. The vendor was quoted £265,000 in September 2014.

There is the need to spend some money to ensure that the property is appropriate for letting, and as such the authority would negotiate with the vendor for a price between the £250,000 minimum and their valuation of £265,000, taking into account their willingness to accept £260,000 and their desire to sell to the Council.

Other scenarios were considered, including the assumptions that right to buy receipts were not available, that the authority charged target social rent for the dwelling as opposed to local housing allowance rent levels. Neither of these scenarios was viable from a purely financial perspective given our current evaluation criteria.

### **1.10 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.

Any future decision to make alternative use of the property would require specific consideration for any potential negative vat implications, but this is not being recommended as part of this report.

### **1.11 Other implications**

There are no other direct implications associated with this project.

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

It is estimated that the project can be carried out within existing internal staffing resources, calling upon staff in the Strategic Housing Business Team, the Estates & Facilities Asset Management Team, Legal and Property Services.

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

The success of the project in the first instance, will be measurable by the time taken by Estates & Facilities and City Homes to get the property up to the decent homes standard and re-let quickly in order to maximise rental income.

### **1.14 Background Papers**

- 1 Stock Condition Survey results (e-mail)
- 2 Initial Property Valuation - By Pocock & Shaw, dated 9<sup>th</sup> December 2014
- 3 Terrier (Intranet mapping tool) map of 1 Teversham Drift and surrounding properties owned by Cambridge CC

### **1.15 Inspection of papers**

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