

Report to the Cabinet

Report reference: C-041-2020-21

Date of meeting: 03 December 2020



**Epping Forest
District Council**

Portfolio: Housing and Community Services – Councillor H Whitbread

Subject: Purchase of street Properties

Responsible Officer: Deborah Fenton (01992 564221)

Democratic Services: Adrian Hendry (01992 564246)

Recommendations/Decisions Required:

- (1) That the Cabinet agrees a street purchase programme which will consist of up to 28 properties; and**
- (2) To appoint Metaplan to undertake the purchases on behalf of the council.**

Executive Summary:

The reports sets out the details of the recommendation that the unallocated right to buy receipts are used to part fund a street purchase programme. Whenever possible right to buy receipts (RTB) are used to fund the Council House Building programme. If following this, there are unallocated receipts, there are several options which can be utilised. A new policy on the utilisation of RTB receipts will be presented to Cabinet in the New Year. One of the options for disposing of RTB receipts is to purchase street properties. Although the return would not be as good as a sizeable new build scheme, when managed carefully and with the appropriate knowledge a street purchase scheme can add value to the HRA business plan

Officers have been allocating our right to buy receipts in line with the report which was agreed by Council House Building Cabinet Committee in July 2015. The report set out that unallocated RTB receipts could be used to purchase street properties. Further modifications have been made to this process to ensure that the properties purchased link to the need, deliver value and support the long term aims of the business plan. Subject to some final budget adjustments, officers expect to be able to purchase up to 28 properties. The total spend amounts to £10m. It should be noted that this sits within the HRA.

The previous street property scheme provided a combined IRR return of 3.46%

Reasons for Proposed Decision:

There is a requirement that all the Councils 1-4-1 Receipts from Right to Buy (RTB) sales are spent within three years of receipt. Any receipts which are not allocated are passed back to the Government, with Interest. The proposal to use the outstanding receipts will bring about much needed affordable housing and add value to the HRA business plan.

Other Options for Action:

Not to purchase these properties and pass on the Receipts to Government with interest. This would not be in the best interest of the Council given the local housing need. Also, the strain put on the Council's Housing Revenue Account (HRA) due to the loss of stock, under RTB would worsen.

Report:

In July 2015, the Council House-building Cabinet Committee considered a report on accelerating the house-building programme to ensure that all 1-4-1 Receipts from Right to Buy sales are spent within the required three years of receipt and none are passed on to the Government, with interest. One of the options agreed was to purchase street properties. The recommendations of Cabinet Committee were later agreed by the Cabinet.

To assist the Council with our proposed scheme Steven Tarry (Metaplan – CIHCM Development Director) will be appointed by the Council at the cost of approximately £1.8k per purchase. The fee will include:

- To source a range of properties ranging from 1 bed flats – 3 bed houses
- To view and negotiate the purchase of the properties
- To provide an estimate of any initial work to be carried out is required to bring to a habitable standard
- To provide a full financial appraisal (inc IRR) over 30 years to the Councils revenue data
- To coordinate the work of the valuer and solicitor (appointed by the Council)
- To provide a management report for each property

Value for Money

In order to provide the best opportunity for value for money, the following principles will be applied:

Housing Need - Colleagues in 'housing options' have been consulted to develop a clear understanding of property type required to meet need. Where possible regard will be given to this data when purchasing properties.

Property Type - To prevent asset management challenges in the future 'pre – 1945 houses will not be purchased, (the construction method makes them difficult to treat). However, flats which are in blocks we own will be purchased as these will present savings in terms of the overall management costs.

Financial Appraisal – a financial appraisal will be carried out for all the proposed purchases. To ensure the purchase of street properties add value to the HRA business plan, the combined property pool must have an Internal Rate of Return of above 3.5%. This is calculated considering all income and expenditure over the next 30 years.

In order to make best use of our housing stock, purchases of ex right to buys and properties in blocks we currently own will be our preferred option, as these present the best long-term value.

When the offers have been accepted, legal searches, property surveys and independent valuation surveys will need to be completed before exchange. Subject to a satisfactory outcome, it is recommended that the Council completes the purchase of these street properties, with a view of letting them at an affordable rent in line with the Rent Policy.

Resource Implications:

The total spend amounts to £10m.

Legal and Governance Implications:

All relevant conveyancing legislation that is applicable along with standing orders and Financial Regulations.

Safer, Cleaner and Greener Implications:

NA

Consultation Undertaken:

Council house-building Cabinet Committee decisions from 4th June 2015 and the subsequent Cabinet Decision on 23rd July 2015.

Background Papers:

Cabinet Decision, 23rd July 2015.

Risk Management:

There is a higher risk of losing Right to Buy receipts if the Council does not complete the purchase of the properties, thus impacting on the future HRA revenue account.