

CABINET

16 DECEMBER 2022

JOINT REPORT OF THE PORTFOLIO HOLDER FOR CORPORATE FINANCE AND GOVERNANCE AND THE PORTFOLIO HOLDER FOR HOUSING

A.5 PURCHASE OF THE LEASEHOLD INTEREST IN A RESIDENTIAL PROPERTY IN DOVERCOURT

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek approval, in principle, from Cabinet for the purchase of the leasehold interest in a two bedroom house in Dovercourt.

EXECUTIVE SUMMARY

The Council is committed to increasing its housing stock in order to meet rising demands for high quality, affordable housing in the district. These homes will be acquired or built via a range of approaches.

This proposal is to purchase the leasehold interest in a two bedroom property in Dovercourt. The property is currently leased under the Council's Do It Yourself Shared Ownership scheme and the Council already has a 25% share of the lease and is the freeholder.

The Council has Section 106 affordable housing contribution capital receipts that will be used for this purchase. On completion the Council will have 100% ownership of the property.

The property has scored highly on the acquisition matrix, which forms part of the Acquisitions and Development Policy adopted by Cabinet in October 2020.

In June 2022 Portfolio Holder approval was obtained to initiate the Council's Property Dealing Procedure, to obtain an independent valuation of the property and to negotiate a price with the owners.

An independent market valuation was subsequently obtained and negotiations with the executor of the lessee's estate have been completed satisfactorily, to enable the purchase to be progressed to a conclusion. Purchasing this property will add an additional property to the Council's housing stock in the Housing Revenue Account.

The related Part B report refers to the detail of negotiations.

RECOMMENDATION(S)

It is recommended that:

- (a) Cabinet authorises, in principle, the purchase of the 75% leasehold interest in this property; and,
- (b) subject to its decision on terms, authorises the Corporate Director (Operations and Delivery), in consultation with the Assistant Director (Governance), to enter into a contract and transfer deed to complete the purchase of the property as set out in the related Part B report.

REASON(S) FOR THE RECOMMENDATION(S)

Although the purchase of the 75% leasehold interest in this property carries a financial cost, it will provide an additional dwelling for the Council's housing stock to meet local need and generate rental income.

ALTERNATIVE OPTIONS CONSIDERED

Not to purchase the leasehold interest in this property has been considered. Given the general difficulties leaseholders face in selling a property that they part own and the demand for this type of property as a rental within the Council's own housing stock this option has been discounted.

PART 2 – IMPLICATIONS OF THE DECISION**DELIVERING PRIORITIES**

The purchase of the leasehold interest has potential to contribute to the Council priority to build sustainable communities for the future through building and managing our own homes.

The Council's Housing Strategy, adopted in October 2020, also has delivering homes to meet the needs of local people as one of its key strategic priorities.

OUTCOME OF CONSULTATION AND ENGAGEMENT

Consultation has been undertaken with:

The Development and Building Manager and Housing Solutions Manager, who both support the purchase of this property.

The Chair of the Tenants' Panel who has agreed to the principle of purchasing properties that meet the Council's acquisition priorities.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

Is the recommendation a Key Decision (see the criteria stated here)	YES/NO	If Yes, indicate which by which criteria it is a Key Decision	<input type="checkbox"/> Significant effect on two or more wards <input checked="" type="checkbox"/> Involves £100,000 expenditure/income <input type="checkbox"/> Is otherwise significant for the service budget
		And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)	12 October 2022

Section 17 of the Housing Act 1985 provides the principal power for the acquisition of land for housing purposes, including land as a site for the erection of houses; this includes the power to acquire land for the purposes of disposing of the land to a person who intends to provide housing accommodation on it.

Pursuant to Section 9 of the Housing Act 1985 ("the 85 Act"), a local housing authority may provide housing accommodation by acquiring houses. Section 24 of the 85 Act provides that the Council acting as a housing authority may make such reasonable charges as they may determine for the tenancy or occupation of their houses.

<input type="checkbox"/>	The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:
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There are no further comments over and above those set out elsewhere in this report.

FINANCE AND OTHER RESOURCE IMPLICATIONS

Finance and other resources

The purchase of properties carries a financial cost but this also results in additional properties being added to the Housing Revenue that can generate a return via the future rental income received.

The purchase is to be wholly funded by Section 106 agreements for affordable housing. Further detail is set out in the Part B report.

Risk

Officers have not identified any significant risk associated with the proposals other than the risk associated with the Right to Buy – a financial risk that is inherent to almost all Council owned housing.

However, section 131 of the Housing Act 1985 (as amended) limits the Right to Buy discount to ensure that the purchase price does not fall below what has been spent on building, buying, repairing or maintaining it over a certain period of time – known as relevant expenditure. For properties built or acquired before 1 April 2012, this period is 10 years but this period increases to 15 years for those built or acquired after 1 April 2012.

<input type="checkbox"/>	The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:
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There are no further comments over and above those set out elsewhere in this report.

USE OF RESOURCES AND VALUE FOR MONEY

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	This is set out in the Finance and Other Resource Implications section of this report.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	This is set out in the Legal Requirements section of this report.
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	This is set out in the Finance and Other Resource Implications section of this report.

MILESTONES AND DELIVERY

Subject to Cabinet approval, anticipated completion would be towards the latter part of 2022/2023 and the transaction would be completed by the Council's Legal Services.

ASSOCIATED RISKS AND MITIGATION

Officers have not identified any significant risk associated with the proposals other than the risk associated with the Right to Buy – a financial risk that is inherent to almost all Council owned housing.

However, as stated under Finance and Other Resource Implications, 131 of the Housing Act 1985 (as amended) limits the Right to Buy discount to ensure that the purchase price does not fall below what

has been spent on building, buying, repairing or maintaining it over a certain period of time – known as relevant expenditure.

EQUALITY IMPLICATIONS

The proposal does not impact on the protected characteristics of any individuals

SOCIAL VALUE CONSIDERATIONS

None identified

IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030

The purchase of this property does not present a direct impact on the Council's target for net zero greenhouse gas emissions from its business operations by 2030. It does, however, present an opportunity to improve the energy efficiency of the property as part of the refurbishment process and thereby reduce the greenhouse gas emissions generated by the eventual tenants. The aim will be to improve the energy performance of the property as much as reasonably possible.

OTHER RELEVANT CONSIDERATIONS OR IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder

None noted

Health Inequalities

None noted

Area or Ward affected

Harwich and Kingsway

PART 3 – SUPPORTING INFORMATION

BACKGROUND

For a number of years the Council has had strong demand for two bedroom houses in Dovercourt. However our stock has dwindled and turnover of tenancies is very slow.

There now exists an opportunity to purchase the 75% leasehold interest in a two bedroom property in Ferndale Road that is currently leased under the Council's Do It Yourself Shared Ownership Scheme (DIYSO). The Council already owns a 25% share of the lease and is the freeholder.

The DIYSO scheme was introduced in the 1980s as a low cost home ownership scheme. Eligible applicants were able to find their own property on the open market and this would, subject to it meeting relevant criteria, then be purchased by the Council. Simultaneously with the purchase, a lease would be granted to the applicants, based upon their purchase of a percentage share in the property. The intention was then that lessees would be able to progress to full ownership through the purchase of additional shares in the property over time.

The Council has Section 106 and Right to Buy sale capital receipts and by purchasing the remaining 75% of this property using the Section 106 funds we will be able to take 100% ownership.

The property has been viewed by the Development & Building Manager and has been identified as a property of high demand with a construction type known to the Building Services Team.

PREVIOUS RELEVANT DECISIONS

Property Dealings Procedure Initiation report published June 2022.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

Published in the Notice of forthcoming decisions for the Council on the 12th October 2022.

APPENDICES

1) Acquisition Matrix

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