

Subject:	Home Purchase Policy opportunity – purchase of a portfolio of properties		
Date of Meeting:	Policy & Resources Committee 10 October 2019		
Report of:	Executive Director Neighbourhoods, Communities & Housing		
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Ward(s) affected:	East Brighton		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report seeks approval for the purchase of three residential properties at 1 Rugby Place, Brighton delivered through the Home Purchase Policy. The properties are part of a portfolio of properties that a private landlord in the city is seeking to dispose of and he has approached the council regarding the potential purchase of these properties.
- 1.2 The Home Purchase Policy has successfully increased the number of affordable homes in the city since it was agreed in autumn 2017. This has allowed the council to buy back properties which will now be used for general needs or temporary accommodation. 35 properties have been brought back so far¹. Whilst the council has so far concentrated on buying back former council owned homes the policy does also have an 'other opportunities' section which allows the council to consider other acquisition opportunities subject to the relevant committee approval.

2. RECOMMENDATIONS:

- 2.1 That Policy & Resources Committee agrees to:
- 2.1.1 purchase the three flats at 1 Rugby Road, Brighton at a total value of £0.550m
- 2.1.2 approves a HRA capital budget of £0.590m inclusive of all fees and statutory taxes to be funded by Right to Buy Receipts and HRA Borrowing.

¹ Figures until end of September 2019

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The council has been approached by a private landlord who is selling his portfolio of properties in the city, asking if the council is potentially interested in the purchase of these properties.

Independent valuations were commissioned on the properties and surveys were completed by the Housing Asset Team to determine the level of work required to bring the properties up to a lettable standard. The properties were then assessed against the criteria outlined in the Home Purchase Policy.

- 3.2 **1 Rugby Road, Brighton, BN2 5JB – 2 x 1 bedroom flats and 1 x 2 bedroom flat**

The joint value of the three flats and the freehold of the building were independently valued at £0.550m. Minimal works are required to bring the property up to a lettable standard with costs estimated at £0.006m as well as Stamp Duty Land Tax payable of £0.034m, bringing the total cost of purchasing the units up to £0.590m.

A financial viability appraisal was been completed on the properties, which indicates that a purchase is viable at both Living Wage 37.5% and Local Housing Allowance rent levels for a temporary accommodation unit. Therefore the options are that the properties could be used for either general needs or council owned temporary accommodation.

Rent Level	Subsidy / (Surplus) £'000
Local Housing Allowance TA Rates	(£24)
Living Wage 37.5%	(£30)
Living Wage 27.5%	£124
Social	£238

A provisional offer has been made to the owner, subject to committee approval and this offer has been accepted.

- 3.3 Due to the timing of these offers and the work required to appraise the viability of the any potential purchase, it was not possible to take a report to September Housing Committee. The constitution says that where it is impractical for timing or other reasons to go to the service committee first then the matter can go straight to Policy & Resources following consultation with the service Committee Chair. If the purchase is agreed a report will then be taken to Housing Committee in November for information.

4. ANALYSIS & CONSIDERATION OF OPTIONS

Option	Benefits	Risks
Option 1 – Purchase of properties (preferred option)	Increased supply of affordable housing Pressing housing needs are met	

	<p>Right to Buy (RTB) receipts are spent and therefore not returned to government including a charge of interest at 4% above the base rate</p> <p>The use of Right to Buy receipts will reduce the need for HRA borrowing</p>	
Option 2 – Do nothing	Budget available for the purchase of alternative properties under the Home Purchase Policy	<p>Not utilising all opportunities to spend RTB receipts</p> <p>Not meeting full potential to acquire new affordable homes in the city</p> <p>Missing out on opportunity to purchase three properties at a valuation which provides the HRA with value for money.</p>

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 There has not been any community engagement as the matter relates to the purchase of residential properties. Internal consultations have been held with relevant parties.

6. CONCLUSION

- 6.1 Having considered the options above, officers recommend the purchase of these properties. The properties provide the council with value for money, providing an additional three homes which will be used for households in housing need.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications

- 7.1 The financial viability appraisals set out to show whether a given purchase can pay for the initial investment itself by using the new rental stream only (net of service charges, management, maintenance, and major repairs and voids costs) over a 60 year period. It also assumes that 30% of the investment costs are met from retained Right to Buy (RTB) Receipts. Assessing the project viability over a 60 year period not only matches the life of the asset but also reduces the need to use existing tenant's rents to support the project.

- 7.2 The total estimated cost for these purchases is £0.590m; this includes all refurbishment costs, professional fees and Stamp Duty Land charges. In accordance with the RTB pooling policy signed in 2012, 30% of the cost of the purchase can be funded from RTB receipts leaving a net investment requirement from the HRA, which at this stage is assumed to be funded by borrowing supported by the new net rental income stream.
- 7.3 In accordance with the Home Purchase Policy, four rent levels have been modelled for these purchases. Temporary Accommodation LHA rates, 37.5% of Living Wage rents, 27.5% of Living Wage rents and target social rent. A summary table of the viability modelling is shown at 3.2 of the main report. This summary shows that two of the rent options generate sufficient new rental income to support the any new HRA borrowing required.
- 7.4 A new budget line of £0.590m will be added to the 2019/20 HRA Capital Programme; performance against this budget will be reported in accordance with the council's standard financial procedures and reported through Policy & Resources.
- 7.5 Any decision around the borrowing requirement for this project will be made in consultation with the council's Treasury Management team to ensure that it is undertaken in accordance with the council's borrowing strategy, authorised borrowing limits and prudential indicators.

Finance Officers Consulted: Craig Garoghan

Date: 27/09/2019

Legal Implications:

- 7.6 The total value of these properties exceeds £250,000 and therefore is not an acquisition which can be made by officers under the Scheme of Delegation to Officers. Acquisitions above this threshold need to be approved by Policy & Resources Committee. When they concern the purchase of properties for housing, they are generally referred to the Council's Housing Committee first. This is not necessary if it is impractical for timing or for other reasons.

Lawyer consulted: Alice Rowland *Date: 30/9/19*

7.7 Equalities Implications:

The council's Home Purchase Policy supports the delivery of the city's Housing Strategy. An increase in the supply of affordable housing will extend opportunities to accommodate households on the Housing Register who are in housing need.

7.8 Sustainability Implications:

Purchased properties are required to meet the Brighton & Hove Standard and seek to be energy efficient, minimise carbon emissions and reduce water usage.

7.9 Any other Significant Implications:

There are none

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms

None

Background Documents:

None

