

<b>DELEGATED DECISION REPORT TO:</b>	<b>Councillor Simon Hall Cabinet Member for Finance and Resources</b>
<b>SUBJECT:</b>	<b>Purchase of 24 Affordable Housing Units at Longheath Gardens for retention in the Housing Revenue Account</b>
<b>LEAD OFFICER:</b>	<b>Stephen Wingrave Head of Asset Management and Estates</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall, Cabinet Member for Finance and Resources  Councillor Alison Butler, Deputy Leader and Cabinet Member for Homes and Gateway Services</b>
<b>Ward</b>	<b>Shirley North</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<p>Corporate Plan - the proposals presented in this report will:</p> <ul style="list-style-type: none"> <li>• Maximise the use of the Council's assets to deliver new homes, including affordable, private for sale and private rented stock</li> <li>• Bring forward the development of key sites across the borough to address key local, national and regional policies</li> </ul> <p>Community Strategy – Development of sites enables the Council to deliver new homes and increase the supply of affordable homes, a key aspiration of the Community Strategy</p>	
<b>FINANCIAL SUMMARY:</b>	
<p>The purchase of the 24 units will be at a net cost to the Council of £3.6m as the acquisitions will be eligible for GLA funding of £100,000 per property as these units will be held within the HRA as social housing.</p>	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.: 0420FR</b>	
<p>The notice of the decision will specify that the decision may not be implemented until after 13.00 hours on the 6th working day following the day on which the decision was taken unless referred to the Scrutiny and Overview Committee.</p>	

The Leader of the Council has delegated to the Cabinet Member for Finance and Resources in consultation with the Deputy Leader and Cabinet Member for Homes and Gateway Services the power to make the decisions set out in the recommendations below:

## **1. RECOMMENDATIONS**

- 1.1 That the Cabinet agree that the Council acquire 24 residential homes forming part of the Brick by Brick Longheath Gardens development for use

as social housing to be retained within the Housing Revenue Account

- 1.2 Note that the purchase of the properties will benefit from GLA grant funding of £100,000 per unit

## **2. EXECUTIVE SUMMARY**

- 2.1 This report recommends the freehold purchase of 24 affordable rented homes which form part of a larger Brick by Brick (BBB) development.
- 2.2 The purchase of these units will allow the Council to benefit from GLA funding of £100,000 per unit that has been allocated for the provision of new social housing by the Council.
- 2.3 The residential unit on the site will be completed over the next 4 weeks ready for hand over to the Council.

## **3. BACKGROUND**

- 3.1 This development has utilised surplus land and former garage space within the existing housing estate. The land has been transferred to BBB who obtained planning consent for a mixed development of 53 private and affordable flats contained in 6 blocks (16/06508FUL) The development is now nearing completion and the affordable rented units will be ready to hand over at the end of January/early February 2020.
- 3.2 The initial proposal was for the 24 affordable rented units to be constructed under Licence for Croydon Affordable Homes (CAH). However, the Council subsequently secured GLA funding of £100,000 per home for the provision of new social Housing. As CAH are not a Registered Provider they do not currently qualify for the grant funding. It was therefore decided that it would be more beneficial for the Council to purchase these units and hold them within the HRA in order to secure the GLA funding and increase the social housing stock.

## **4. DETAIL**

- 4.1 The Council secured the grant funding from the GLA following their application under the Building Council Homes for London Programme that was submitted on 31 August 2019.
- 4.2 This funding can only be used by registered providers for the provision of affordable social housing. The GLA have approved the inclusion of these properties as being in line with their funding requirements and were included within the Council's successful grant application.

- 4.3 In considering the valuation for these units, due consideration has been given to the availability of the GLA funding. The Council do not currently have any other means to benefit from the grant funding unless it purchases the properties and holds them within the HRA. On this basis it is considered reasonable to take the grant funding into account and look at the net figure that the Council will be paying for these units when considering the valuation. On this basis the net price being paid for the units is in line with values that are arrived at through accepted market valuation practice.
- 4.4 Consideration has also been given to the cost of construction for such units to see whether this would offer a more appropriate option rather than purchasing built units. The construction costs for these particular units would suggest that such an approach would not offer any additional financial benefit.
- 4.5 Whilst there is no absolute guidance on the value to be paid on the purchase of properties by Councils, they do have a fiduciary duty to make best use of public funds. Based on the valuation approach outlined above, it is considered to be a reasonable approach that provided the agreed price per unit of £250,000 less the grant funding secured from the GLA does not exceed standard valuations, then the purchase is considered reasonable as the grant funding would otherwise not be secured. The net cost to the Council is therefore £150,000 per unit.

## **5. CONSULTATION**

- 5.1 No consultation has been undertaken

## **6 PRE-DECISION SCRUTINY**

- 6.1 The purchase of these units has not been referred to Scrutiny.

## **7 FINANCIAL & RISK ASSESSMENT CONSIDERATIONS**

### **7.1 Revenue and Capital consequences of report recommendations**

The purchase will secure 24 new units for use as social housing at affordable social rents held within the HRA and with therefore be purchased by borrowing through the HRA rather than general fund.

The homes will offer secure step up accommodation and help reduce demand on more expensive housing options such as temporary and emergency accommodation. The purchase of a new property has the benefit of a 10 year NHBC certificate to cover any major defects and given the new status of the properties, repair and maintenance costs in the medium term will be considerably less than more traditional housing stock or street properties.

### **7.2 The effect of the decision**

The purchase of these units will improve the housing stock on offer to local residents and offer the opportunity for a secure permanent home.

### **7.3 Risks**

Consideration has been given to the financial risk around the loss of these units at a discounted price as a result of the Right to Buy. However, under current legislation, the discounts on new build properties are limited. Where the Council has recently purchased or built a property the level of discount may be reduced by the purchase price or the cost of works carried out by the Landlord in the 15 year period following the Council's acquisition/completion of build. Whilst the Council may therefore have to sell the property it will always receive as a minimum the original price paid for the unit which in this case would be £250,000 as the cost of the funding would not be taken into account.

There is not considered to be any other risk associated with the purchase of the properties. At the point of purchase the properties will be completed and detailed due diligence checks undertaken (to include Building Control, gas, electric and NHBC certification). It has also been demonstrated that the purchase price, given the availability of the GLA funding, offers value for money.

### **7.4 Options**

The Council could reject the purchase of these units and let Croydon Affordable homes purchase them but this would not allow the GLA funding to be used for these properties and their use would be for temporary housing than long term social housing.

### **7.5 Savings/ future efficiencies**

The purchase will provide potential revenue savings as the residents will be relocated from other forms of housing that is likely to cost the Council more in revenue terms although this is difficult to quantify given the variety of potential options

Approved by Lisa Taylor Director of Finance Investment and Risk and S151 Officer

## **8. LEGAL CONSIDERATIONS**

- 8.1 The Director of Law & Governance comments that the Council is making these acquisitions pursuant to its powers provided by s17 Housing Act 1985. The Council also relies on its general power of competence under s1 Localism Act 2011.

Approved by: Sean Murphy, Director of Law and Governance & Deputy Monitoring Officer

## **9. FREEDOM OF INFORMATION AND DATA PROTECTION CONSIDERATIONS**

- 9.1 Information requested under the Freedom of Information Act 2000 about the negotiations and purchase, which is the subject of this report, held internally or

supplied by external organisations will be accessible subject to legal advice as to its commercial confidentiality (or other applicable exemption) and whether or not it is in the public interest to do so.

## **10. HUMAN RESOURCES IMPACT**

10.1 There are no Human Resources impacts as a result of this decision

Approved by: Sue Moorman Director of Human Resources

## **11. EQUALITIES IMPACT**

11.1 The Council has a statutory duty to comply with the provisions set out in the Equality Act 2010. In summary, the Council must have due regard to the need to comply with the aims of the general equality duty. The Council uses equality analysis as a tool to assess the possible impact of changes on different groups of people, evidence how we arrived at decisions that affect council staff, local people who use our council services and the wider community and help us to comply with the requirements of the Equality Act 2010.

11.2 Having undertaken the relevant analysis it has been determined that there is no major change - the Equality Analysis demonstrates that the policy is robust and that the evidence shows no potential for discrimination and that all opportunities to advance equality have been taken;

Approved by: Yvonne Okiyo, Equalities Manager

## **12. ENVIRONMENTAL IMPACT**

12.1 All properties have been constructed in line with current Building Regulation requirements and are therefore more efficient than most of the existing social housing stock.

12.2 The day to day energy and water use will therefore be more efficient than older properties through the better use of insulation and technology.

12.3 The Council has a commitment to address environmental sustainability as an integral part of all activity. The Green Commitment and Environmental Procurement Policy are key relevant policies.

## **13. CRIME AND DISORDER REDUCTION IMPACT**

13.1 These homes have been built on former garage properties that previously attracted a degree of anti-social behavior and fly tipping. The presence of new homes will help improve the local area and improve the safety and security of local residents through the Safer by Design approach adopted as part of the planning process.

## **14. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 14.1 The purchase of these properties will add additional permanent social housing rather than intermediate or temporary housing solutions providing the next step for families and a more settled home environment with the many benefits that has to offer. The acquisition also allows the Council to secure GLA funding that would otherwise not be available through other routes.

## **15. OPTIONS CONSIDERED AND REJECTED**

- 15.1 The initial proposal was for CAH to purchase these homes to allow them to let them at affordable rents. However, as they are not a Registered Provider (RP) they would not have been able to secure the GLA grant funding. If neither the Council or CAH were to purchase the properties then it is uncertain that another RP would purchase the units as there are limited numbers within each location and over the various sites that BBB are developing, they are geographically spread throughout the Borough which is likely to prove unattractive to most PRs.

## **16. DATA PROTECTION IMPLICATIONS**

- 16.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

NO

Approved by: S Wingrave on behalf of the Director of Housing and Social Inclusion

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**CONTACT OFFICER:** Steve Wingrave, Head of Asset Management and Estates ext 61512

**BACKGROUND DOCUMENTS:** Equalities Report