

**ACQUISITION OF PROPERTIES FOR HOUSING REVENUE
ACCOUNT PURPOSES.**

HOUSING AND COMMUNITIES (COUNCILLOR LYNDA THORNE)

AGENDA ITEM: 7

Appendix 1 of this report is not for publication as it contains exempt information of the description contained in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.

Reason for this Report

1. To seek approval for the purchase of residential properties from the open market within the parameters of the approved Housing Revenue Account capital programme and delegated authority for implementation.

Background

2. For many years Cardiff has experienced high demand for two, three and four bedroom social rented family homes and accessible flats across all areas of the City. In August 2019 there were over 7700 applicants waiting to be housed whilst in the financial year 2018/19 only 1500 properties became available for letting.
3. As detailed in Capital Ambition the Council has set an ambitious target to deliver 1,000 new council homes by 2022 and also within this timescale to have established a pipeline of sites capable of delivering a total of 2,000 new homes in the longer term.
4. The purchase of suitable homes from the market is one of a number of delivery routes being used to achieve this objective. Other delivery routes include the Cardiff Living Partnership, council building schemes and package deals.
5. Properties may be purchased from the residential market under Part II of the Housing Act 1985. The properties purchased are usually ex-council properties sold through the Right To Buy. The Council will, however, also consider the purchase of other suitable properties to meet housing need.

6. A total of 44 properties have been purchased from the market to date and a further 11 have had offers accepted awaiting completion dates (Appendix 1). It is important that the Council is able to respond quickly to opportunities in the market to ensure that suitable properties are secured.

Issues

7. The process for undertaking a property purchase includes a requirement to seek and apply external valuation advice. This advice enables the Council to establish an offer price which will also take into account the cost of works required to bring the property up to Welsh Housing Quality Standards (WHQS). The total cost is benchmarked against Welsh Government Acceptable Cost Guidelines (ACG's) for new build to determine viability.
8. Once the offer is accepted, an External Valuer is instructed to inspect the property and provide a Home Buyer Report, confirming the valuation of the property and any necessary repairs or structural issues.
9. The property purchase also attracts a Land Purchase Tax, the cost of which is included in the viability assessment which is benchmarked against the Welsh Government ACG costs.
10. To date the authority to commit expenditure to purchase properties has been sought through a series of Officer Decision Reports. Each decision report is limited to a value of £1 million. 5 reports have been approved so far and a 6th is currently being prepared. Purchase outside of the financial limit of each decision is not within current delegations and the full level of commitment, whilst captured in the overall HRA capital programme budget, is not considered cumulatively as each separate decision is progressed.
11. Currently the purchase of property is authorised by the Director of Economic Development using delegation reference DE2 within Section 4F (Delegations to Specific Officers) of the scheme of delegations, which allows the authorisation of 'acquisitions of land or an interest in land where the value is not more than £1,000,000 and where:

(i) Member consultation and advice from the Section 151 Officer and the Monitoring Officer has agreed to the exercise of the delegation;

(ii) The Council's offer represents no more than market value as determined by a qualified valuer; and

(iii) The amount offered is on price alone,

Subject to compliance with the Procedure Rules for the Acquisition or Disposal of Land, and

Provided that this power may not be sub-delegated other than in accordance with delegation CP2 below.'

12. In order to ensure full clarity of the financial commitment being made for the property purchase element of the Council's overall target, authority is being sought to complete the purchase of the total number of properties identified within the HRA Business Plan. The value and number of properties purchased will not exceed that agreed within the latest HRA Business Plan with the flexibility to bring capital spend forward.
13. This will represent the purchase of circa 160 properties in total. Although there is a large housing need for all types of properties, through the buy-backs procedure there is a real focus on acquiring larger family homes (3 & 4 bed homes) as well as ground floor accessible flats and also properties suitable for a specialist housing provision. These type of properties are not delivered through traditional build routes in large numbers and therefore the buy-backs procedure can help to address these gaps in housing need.

Reason for Recommendation

14. To continue to purchase suitable properties and to retain them within the Council's housing stock to help meet housing need and to achieve the delivery of this element of the 1,000 new homes target.

Financial Implications

15. The Capital Programme for the HRA as included within the approved HRA annual budget and the annual HRA Business Plan provides for a level of property acquisition/open market buy backs. It is essential that such buy backs represent value for money and are subject to a due diligence and viability assessment process with purchases at no more than market value as evidenced by a qualified valuer. A detailed programme should be kept including likely expenditure in year in order to support monitoring of expenditure and resource requirements in line with the approved budget.

Strategic Estates Implications

16. The Council's in-house surveyor is content to review the external advice obtained for the purposes of the Council's Procedure Rules for the Acquisition and Disposal of Land.

Legal Implications

17. The Council is empowered under Part II of the Housing Act 1985 to acquire housing for the provision of housing accommodation. The costs of adapting a property to lettable condition may be incurred pursuant to the Council's social well-being powers under section 2 of the Local Government Act 2000.
18. When acquiring properties, the Council is required to obtain value for money. The Procedure Rules for the Acquisition or Disposal of Land (set out within Part 4 of the Constitution) address this by requiring the purchase price of any property to be approved by the Council's Valuer.

19. Under the Scheme of Delegations, the Director of Economic Development is authorised to approve the acquisition of property valued up to £1 million, subject to certain conditions (set out in paragraph 11 of the report). The Cabinet has reserved power to approve the purchase of property in any case not covered by officer delegations, and may resolve to delegate its powers in respect of any particular matter to a senior officer at Assistant Director level or above.

20. The Well-being of Future Generations (Wales) Act 2015 requires the Council to consider how the proposals will contribute towards meeting its well-being objectives (set out in the Corporate Plan). Members must also be satisfied that the proposals comply with the sustainable development principle, which requires that the needs of the present are met without compromising the ability of future generations to meet their own needs.

HR Implications

21. There are no HR implications for this report.

RECOMMENDATIONS

Cabinet is recommended to:

1. Note the contents of the report;

2. Approve the continued purchase of residential properties from the open market in accordance with the HRA business plan and approved Capital Programme; and

3. Delegate authority to the Assistant Director, Housing and Communities, to approve the purchase of appropriate properties (pursuant to recommendation 2 above), subject to advice from the Council's Valuer, the Section 151 Officer and the Director of Governance and Legal Services; and compliance with the Procedure Rules for the Acquisition or Disposal of Land.

SENIOR RESPONSIBLE OFFICER	SARAH MCGILL Corporate Director People & Communities
	20 September 2019

The following appendix is attached

Appendix 1: Details of the purchases that have taken place to date.

The following Background Papers have been taken into account:

Housing Revenue Account Business Plan 2019/20