

THURSDAY, 5 APRIL 2018

**REPORT OF THE PORTFOLIO HOLDER FOR HOUSING SERVICES, PORTFOLIO  
HOLDER FOR REGENERATION****PURCHASE OF NEW BUILD PROPERTIES UNDER THE COUNCILS ACQUISITIONS  
POLICY****EXEMPT INFORMATION**

N/A

**PURPOSE**

To update Cabinet on the progress of new affordable housing delivery in Tamworth. To agree appropriate financial arrangements are in place to enable the purchase of 6 units of new build housing from (Adam) Cooper Homes Limited for use as Council owned and managed accommodation. To agree additional resources are made available to enable the purchase of a further 8 units of new build housing from Waterloo Housing Group as agreed at Cabinet in November 2017.

**RECOMMENDATIONS**

**It is recommended that £746,500 (inclusive of legal costs) be transferred from available budget intended for regeneration and new build activity to the acquisitions budget. This is to enable the purchase of 6 residential units for housing from (Adam) Cooper Homes Limited in line with the Council's Acquisitions Policy.**

**Furthermore, it is recommended that the Chief Operating Officer and Solicitor to the Council are delegated authority to enter into a contract with (Adam) Cooper Homes Limited for the purchase of the 6 No dwellings as proposed above.**

**Additionally, it is recommended that, further to Cabinet agreement in November 2017, a further £201,056.89 is made available to secure the purchase of 8 units of new build housing from Waterloo Housing Group. The additional costs were identified by Waterloo in January 2018 resulting in a revised total purchase price of 961,056.89 (inclusive of legal costs). It is recommended that a further £201,060 be transferred from the available budget intended for regeneration and new build activity to the acquisitions budget.**

**EXECUTIVE SUMMARY**

Tamworth Borough Council has for a number of years been committed to increasing the number of affordable rented homes available for the use of residents. This programme has included the re-development of some garage sites, creating 19 new Council homes and the acquisition of 14 affordable dwellings on two sites from developers. This approach to date has represented value for money and provided an additional option to increase the supply of new affordable housing directly owned and managed by the Council.

A further opportunity has now been identified to purchase an additional 6 dwellings from

(Adam) Cooper Homes Limited at their new build site on Coton Lane. In order for this transaction to be successfully completed, it will be necessary to agree the virement of £746,500 from the garage re-development programme budget into the acquisitions programme.

Additionally, following Cabinet in November 2017 approval to purchase 8 new build units from Waterloo Housing Group at Dosthill, a re-assessment of this site by Waterloo has identified additional costs of £201,056.89 associated with the 8 units the Council had agreed to purchase. However, despite the revised total purchase price of £944,056.89 (£961,056.89 including legal fees), the proposed purchase has been re-assessed and was found to still represent good value for money for the Council and would add a further 8 units of new build housing to the Council's stock. In order to complete this purchase a further virement of £201,060 from the garage re-development programme budget into the acquisitions programme will also be required.

Both the above purchases of new build, affordable accommodation represent excellent value for money and will enable the continuation of the supply of new build Council accommodation going forward. This is especially important whilst the Council reviews the potential for additional garage sites to be re-developed.

The Council is also currently reviewing further opportunities on sites in Tamworth where it may be viable for the Council to acquire additional new build residential units directly from developers. If these opportunities become a realistic proposition then further reports to Cabinet will be forthcoming to agree the appropriate use of resources for these purposes.

**OPTIONS CONSIDERED**

The options below have been considered and have gone to inform the recommendations made in this report:

Options Considered	Benefits	Risks
<p><b>Option 1 Coton Lane:</b> The Council does not proceed with the purchase of the 6 units at Coton Lane</p>	<p>Resources conserved for re-development of garage sites / other defined uses</p> <p>Enhanced opportunities for owner occupation</p>	<p>Affordable housing units lost as revert to low cost home ownership under terms of the s106</p> <p>Opportunity to strengthen TBC asset base with new units of accommodation lost</p> <p>Limited opportunities to purchase new build and potential competition from RPs on larger sites</p> <p>Rental income lost over lifetime of the units</p>
<p><b>Option 2 Coton Lane:</b> Council proceed with the purchase of the 6 units</p>	<p>Effective use of resources to ensure timely outcome whilst garage site review on-going</p> <p>Units available within short time frame to meet local need</p> <p>TBC property portfolio enhanced with new build</p>	<p>New properties may be lost under Right To Buy (a cost floor protection applies as to the discounts available on these properties)</p> <p>Diverting resources away from garage site re-development decreases opportunities to build to meet specific need not</p>

	<p>units</p> <p>TBC full management control of new properties</p> <p>Rental income contributes to HRA / TBC financial stability</p>	<p>delivered by the market (e.g. fully adapted bungalows)</p>
<p><b>Option 1 Dosthill:</b> Council aborts proposed purchase given additional cost</p>	<p>Resources conserved for re-development of garage sites / other defined uses</p> <p>Council retain nomination rights to affordable homes on the site</p>	<p>Partnership working with Waterloo weakened</p> <p>Opportunity to strengthen TBC asset base with new units of accommodation lost</p> <p>Limited opportunities to purchase new build and potential competition from RPs on larger sites</p> <p>Rental income lost over lifetime of the units</p>
<p><b>Option 2 Dosthill:</b> Council agrees to meet additional costs of purchase</p>	<p>VFM achieved and effective use of resources to ensure timely outcome whilst garage site review on-going</p> <p>Units available within short time frame to meet local need</p> <p>TBC property portfolio enhanced with new build units</p> <p>TBC full management control of new properties</p> <p>Rental income contributes to HRA / TBC financial stability</p> <p>Partnership working with Waterloo strengthened</p>	<p>New properties may be lost under Right To Buy (a cost floor protection applies as to the discounts available on these properties)</p> <p>Diverting resources away from garage site re-development decreases opportunities to build to meet specific need not delivered by the market (e.g. fully adapted bungalows)</p>

## RESOURCE IMPLICATIONS

The total capital costs (land, works and on costs) of the 6 residential units at Coton Lane is £739,500 (£746,500 inclusive of legal costs).

At an average cost (excluding legal fees) of £123,250 per unit this makes the purchase of the 6 houses in this first class location good value for money and adds new build homes to the Council's stock with all of the financial benefits this brings over the lifetime of the property.

This is especially beneficial over the first 10 years as it is assumed that there will be minimal repairs and investment requirements given these properties are new build units.

Resources required to complete the purchase can be released from the existing garage re-development budget into the acquisitions budget. There is currently £2.225m available within the re-development budget. As the garage re-development programme is currently under review, no further funds for that purpose will be required in the current financial year. Furthermore, as the purchase of these units does not involve any Grant from Homes England the Council will be able to utilise 1-4-1 Right to Buy receipts to finance the purchase, reducing the risk that the Council will be required to repay these funds back to the Government.

Subsequently, it is further proposed (following the agreement of the November 2017 report) that the resources required to complete the purchase should be released from the existing garage re-development budget into the acquisitions budget. Assuming the proposals outlined in this report regarding the purchase of the 6 units at Coton Lane is approved then there is still an amount of £1.478m available within the re-development budget.

Given this position, utilising the required £961,056.89 (£750,000 as per the November report inclusive of legal costs plus £201,056.89 additional funds required) to purchase these units in Dosthill, in excess of £1.277m remains in the budget for the most appropriate use, be that garage site redevelopment or the acquisition of further s106 units.

Again, even at the increased purchase price, the 8 units at Dosthill continue to represent excellent value for money at an average cost of £118k per unit.

#### **LEGAL/RISK IMPLICATIONS BACKGROUND**

The Council has previously completed the acquisition of new build, affordable accommodation from developers on 2 sites in Tamworth. To achieve this, the Council has utilised the services of local solicitors who specialise in property transactions. Learning from those previous acquisitions will be taken into account and the services of fully qualified legal support should help to ensure all legal risks are minimised.

Additionally, the Council has a good working relationship with both Cooper Homes and Waterloo Housing Group. The Council and Waterloo have worked successfully together over a number of years to deliver both new homes and bring back empty properties into use as affordable accommodation. Internal legal colleagues from both organisations and the use of external support have previously minimised risk to both parties.

Waterloo Housing Group are also subject to the Homes England's regulatory frameworks and this relationship and the utilisation of grant on this scheme will necessitate reporting back and seeking to minimise risk where HE grant has been applied.

#### **SUSTAINABILITY IMPLICATIONS**

There are significant beneficial implications of proceeding with the purchase of the 14 units as follows:

1. The excellent quality, new affordable housing acquired will contribute to healthier outcomes and quality lives.
2. The new homes will contribute to a sustainable community environment.
3. The acquisitions will provide suitable housing for households in need and assist in preventing homelessness in line with new legislative requirements.
4. The new homes will support the delivery of Corporate objectives especially "Living a quality life in Tamworth."

The provision of additional new affordable homes will also support strategic housing priorities as set out in the "Strategic Approach to Housing and Wellbeing" and the delivery of housing plans and strategies that will support that approach. A further report to members detailing

the strategic approach to housing in Tamworth will be forthcoming later in the year.

## **BACKGROUND INFORMATION**

Prior to the commencement of the development of 19 new units of Council accommodation on former garage sites, a successful programme of re-development was undertaken with partner Registered Providers (RPs) delivering 54 units of affordable housing between 2011 and 2015 across 14 Council owned garage sites.

In November 2015 Cabinet approved the development of a further tranche of garage sites for new Council owned affordable housing. To date, the re-development programme has been successfully delivered within budget and to agreed timescales. 19 new Council homes, partly funded through the Homes and Communities Agency (HCA) grant programme, are now at completion stage and are in the process of being handed over to the Council. The 19 new Council homes and the 54 Housing Association properties have contributed not only to meeting housing need and preventing homelessness but have also improved the wider environment, made good use of Council owned land / under-used assets, assisted in tackling ASB and eliminating locations previously blighted by such activity and delivered property types to meet specific housing requirements (e.g. fully adapted bungalows) that are not usually provided by the market.

The delivery of the new Housing Association and Council owned homes has gone to meet the need locally for affordable accommodation and is consistent with emerging national policy initiatives that recognise the failings of the housing market and the need to increase the supply of genuinely affordable homes to meet the needs of those who cannot access the private rented sector or owner occupation.

In addition to the aforementioned new build homes on former garage sites; the Council has recently acquired 14 units of affordable housing on two sites from developers where there was no interest from RPs to purchase these properties. This is largely as a result of RPs changing their business models resulting in them concentrating their activities on larger sites.

This has subsequently provided an opportunity for the Council to assume the role of an RP in negotiations with developers to secure affordable s106 units on smaller sites. This is a new area of business for the Council but learning from the first 2 transactions has resulted in a wider appreciation of the workings of the local housing market and built internal capacity to deal with all aspects of this process from formulating an offer (based on methods deployed by RPs) to agreeing specifications and handover arrangements with developers.

This has represented a value for money, additional option to increase the supply of new affordable housing directly owned and managed by the Council and has complemented the increased in supply via the garage site re-development programme.

The two further opportunities highlighted above would deliver a further 14 units of affordable housing consisting of:

5X 2 bed 4 person house for Affordable Rented Housing  
3X 3 bed 5 person house for Affordable Rented Housing

from Waterloo Housing Group at their site in Dosthill and:

6X 2 bed 4 person house for Affordable Rented Housing from Cooper Homes.

These unit types are consistent with those required to meet housing need in Tamworth. The units at Coton Lane are situated in an excellent location and are being constructed to a high standard by an experienced, local developer.

At Dosthill, Waterloo Housing Group will retain the 5 units of new Shared Ownership accommodation being developed on the site. The build at Dosthill has been undertaken by

the same developer who has constructed the 19 Council homes on the former garage sites. As on the garage sites units, the properties at Dosthill have been constructed to a high standard and in reality can be viewed as an addendum to the garage site re-development programme, increasing the number of new, high quality Council homes delivered from 19 to 27 (33 when the Coton Lane units are added to that total).

In order for both transactions to be successfully completed, it will be necessary to agree a virement totalling £947,560 from the garage re-development programme budget into the acquisitions programme. This again represents excellent value for money and given that the garage site re-development programme is currently under review, will enable the continuation of the supply of new build Council accommodation whilst the review is completed.

Additionally, further opportunities are being pursued on sites in Tamworth where it may be viable for the Council to acquire additional units of new build accommodation directly from developers.

If further identified opportunities become a realistic proposition, then further reports to Cabinet will be forthcoming to agree the appropriate use of resources for these purposes.

#### **REPORT AUTHOR**

Steve Pointon  
Head of Strategic Housing

#### **LIST OF BACKGROUND PAPERS**

#### **APPENDICES**