

Executive Board – 13th February 2024

Subject:	Property Acquisitions Programme 2024-2026
Corporate Director(s)/Director(s):	Sajeeda Rose – Corporate Director of Growth & City Development
Portfolio Holder(s):	Councillor Jay Hayes, Portfolio Holder for Housing
Report author and contact details:	Ceri Davies, Regeneration Team Leader ceri.davies@nottinghamcity.gov.uk x.63530
Other colleagues who have provided input:	Thomas Straw – Senior Accountant HRA David Worthington – Accountant HRA Mick Suggett – Legal Services Beverley Gouveia – Property Services Steven Edlin – Asset Management
Subject to call-in:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Key Decision:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Criteria for Key Decision:	<input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision
and/or	
(a)	Significant impact on communities living or working in two or more wards in the City
	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Type of expenditure:	<input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
	If Capital, provide the date considered by Capital Board
	Date: 17 th January 2024
Total value of the decision:	£12.297m
Section 151 Officer expenditure approval	
	Has the spend been approved by the Section 151 Officer? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a
	Spend Control Board approval reference number: 6203
Wards affected:	All
Date of consultation with Portfolio Holder(s):	01 February 2024
Relevant Council Plan Key Outcome:	
Clean and Connected Communities	<input type="checkbox"/>
Keeping Nottingham Working	<input type="checkbox"/>
Carbon Neutral by 2028	<input type="checkbox"/>
Safer Nottingham	<input type="checkbox"/>
Child-Friendly Nottingham	<input type="checkbox"/>
Healthy and Inclusive	<input type="checkbox"/>
Keeping Nottingham Moving	<input type="checkbox"/>
Improve the City Centre	<input type="checkbox"/>
Better Housing	<input checked="" type="checkbox"/>
Financial Stability	<input type="checkbox"/>
Serving People Well	<input type="checkbox"/>
Summary of issues (including benefits to citizens/service users):	
	To purchase 60 houses and flats; a majority former council homes; for the Housing Revenue Account (HRA) affordable rent to assist in reducing the waiting list and in turn alleviate pressures on homelessness' general fund budgets as a result of temporary accommodation and bed and breakfast outlay.
	Funding purchases through a combination of HRA revenue to capital contribution and Right to Buy replacement receipts (RTB RF), means there is no need for HRA borrowing and an

opportunity for RTB RF to be spent locally and avoid their return to government with interest.

The scheme will require dedicated staff resource in conveyance and surveying, which cannot be provided with current internal staffing levels.

This will be the first tranche of two, requested in the HRA capital programme, the second being a further 40 properties across 2 years. A review of the first tranche will be undertaken as to required budget, resources and availability, with a second approval sought to continue.

Does this report contain any information that is exempt from publication?

This report contains an appendix to the report is exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the Council's anticipated expenditure on acquiring properties and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because it may impact on value for money to be achieved

Recommendation(s):

- 1** To purchase and bring into requisite condition 60 properties for HRA stock in the period April 2024 to March 2026, and to note that this expenditure has been approved by the Section 151 Officer
- 2** To use RTB replacement fund receipts to fund 40% of cost of the programme and 60% HRA Revenue contribution to capital for the remainder.
- 3** To appoint key staff resources to undertake the programme

1. Reasons for recommendations

- 1.1 Property acquisitions represents the quickest way to replenish much needed social housing stock and to utilise Right to Buy replacement funds (RTB RF) in a timely way. It also provides the best opportunity for additional social housing stock at a time when the pipeline for new build development is limited.
- 1.2 NCC's waiting list for housing is c.10,000 households, and there are over 600 RTB applications in process. In addition, homelessness is at very high level, putting substantial and sustained pressure on general fund budgets through the cost of temporary and emergency accommodation.
- 1.3 Replenishing the HRA stock is also critical to the HRA 30 year business plan and the onward ability to have sufficient revenue stream and asset base to undertake planned activity.
- 1.4 RTB RF can be used to fund up to 40% of the cost of delivery of new housing; new build and purchases but has to be spent within 5 years. Where monies are not spent, they are returned to government with a compound annual interest of base rate plus 4%. This interest is paid from the HRA and therefore impacts on its viability to provide services to tenants.
- 1.5 Under amended DLUHC rules on spend of RTB RF, their use for acquisitions is restricted to 20 purchases, plus an incrementally decreased percentage of

the council's new build completions in the previous year. 2024/5 provides the most optimal, remaining, combination of these factors, with the highest percentage allowance (30%) and new build completion numbers available (63).

2. Background (including outcomes of consultation)

- 2.1 NCC had a successful, albeit curtailed, property acquisitions programme between 2019 and 2021, bringing 163 homes back into the HRA for social housing. This followed on from a smaller programme between 2016 and 2018.
- 2.2 The programme demonstrated that acquisitions provided good value as a means of providing social housing; and also valuable learning regarding the efficient selection of properties and resource scheduling for repairs aspect, which has been factored into the new proposals.
- 2.3 The proposal is to purchase 60 properties from the market to bring into HRA stock and circulation over a 2 year period, 40 in 2024/5 and 20 in 2025/6.
- 2.4 The programme will include the purchase of properties (valuation, survey and conveyancing), stamp duty and repairs to ready the properties for letting; it is anticipated the properties will be split 40:20 houses to flats, but will be dependent on the market.
- 2.5 Works and repairs will be assessed prior to purchase, including HHSRS and any structural concerns, and undertaken by Housing Management's commercial voids team. These costs will be totalled and tested against affordable rental income to ensure a viable payback period. These will also include any improvement works required in the short/medium term, meaning this can be met through the scheme's part RTB RF funded, budget, rather than added to cyclical repair programmes.
- 2.6 Additional and dedicated staff resource will be required to undertake this scheme in both Property (valuation/survey) and Legal (conveyancing) services. The capital costs for this can also be met 40% by RTB RF, though revenue resource (internal staff appointments) cannot.
- 2.7 The project will report regularly to BABN via Major Programmes with targets for acquisitions, budget adherence and repair/lettings turnaround to be established.
- 2.8 Summary Project Cost and Funding

Item	Cost(m)
Properties (purchase, SDLT and repair)	£11.082
Resources (Conveyancing, valuation and surveys)	£0.304
Contingency	£0.911
TOTAL	£12.297
Funding	Cost(m)
HRA Revenue contribution to Capital	-£7.417m
RTB RF	-£4.881m

3. Other options considered in making recommendations

- 3.1 No programme: Acquisitions form the majority of the draft capital programme for new housing delivery and are key to overall new housing delivery numbers number and utilisation of RTB RF receipts.
- 3.2 Smaller or larger programme: A larger programme using RTB RF would not be permitted without DLUHC approval; a smaller programme would fail to maximise use of and value for money from financial resources.

4. Consideration of Risk

- 4.1 Not enough properties of type or value: The maximum number of suitable properties will be acquired within the programme budget envelope.
- 4.2 Resources to operate programme: Not having the resources available to assess properties, complete purchases and undertake repairs all represent a risk to the programmes targets and intended outcomes. Extra, dedicated resource has been costed in the programme and is considered vital to its undertaking.
- 4.3 Acquiring properties that are a long term burden: Properties acquired will be assessed as to the level of works required, not only to bring them to lettable standard but also to Decent Homes 2 standard and EPC rating C in the longer term. These total costs will be assessed against the 30-year payback period to ensure acquisitions are sustainable additions to the HRA stock.

5. Best Value Considerations, including consideration of Make or Buy where appropriate

- 5.1 Property acquisitions are a more cost-effective and expedient way of providing social housing compared to new build.
- 5.2 Purchasing more than 20 properties using RTB RF is not confirmed as available after 2024/5.
- 5.3 Spending RTB RF receipts is better value than returning them to treasury with interest at Bank of England base rate plus 4%, not only so they can be practically deployed in meeting local housing needs, but also because the interest is paid for from the HRA.
- 5.4 Social housing is better value for money than temporary accommodation or Bed and Breakfast emergency accommodation.

6. Finance colleague comments (including implications and value for money/VAT) – please refer exempt appendix

Spend Control Board approval was granted on 2nd February 2024 (#6203)

7. Legal colleague comments

- 7.1 Legal Services note the decision is to purchase 60 properties, and use specific funding to acquire those properties and appoint key resources.
- 7.2 Legal Services would defer to Finance colleagues' expertise and advice as regards the use of specific funding for acquisition purposes, however in terms of property acquisitions we would comment that;
 - 7.2.1 Legal Services currently does not currently have the resource to support and undertake a programme of acquisitions of this nature. Legal Services' resource within the Conveyancing Team is anticipated to subject to further strain in the future based on current trends for workload and anticipated workload in the near future;
 - 7.2.2 in order to deliver a programme of significant acquisitions additional resource would be needed by Legal Services;
 - 7.2.3 the work required in such programme should be undertaken by a qualified solicitor or Chartered Legal Executive with specific expertise in residential conveyancing with a reasonable period of post qualification experience;
 - 7.2.4 in purchasing any properties, we would advise that full and proper legal due diligence is carried out and all appropriate property searches, enquiries and surveys should be undertaken. The cost of all searches, Stamp Duty Land Tax, Land Registry registration fees and other disbursements should be factored into the cost of the programme;
 - 7.2.5 whilst the programme is to last initially 2 years, we would recommend a residential conveyancer is retained for a period of months after the end of that period to deal with post completion matters. This is because the conveyancer appointed will have carried out the acquisitions and will have detailed knowledge. It is common place that questions and requisitions can be raised in relation to registration and other post completion requirements some months after acquisition takes place and at present the Land Registry is significantly delayed in dealing with registration issues sometimes taking up to 12 months to complete applications. In this regard Legal Services recommendation would be that any qualified conveyancer is retained for 6 months post the relevant period to be able to deal with post completion work as Legal Services would not have the capacity to pick this work up post completion;
 - 7.2.6 the targets set for the number of properties to acquire will be challenging for a single residential conveyancer (and influenced by third party matters including for example sellers and their solicitors ability to progress matters in a timely manner) and it should be noted that the current market for residential conveyancing solicitors is very competitive. Legal Services would expect the Council to bring in additional resource to the Conveyancing Team within Legal Services by way of a fixed term contract to deliver the work in house, rather than for example outsourcing of the work. Legal Services' would advise that the time needed to advertise, interview and then successfully appoint a qualified conveyancer (taking into account any period of notice the successful candidate needs to give to an existing employer) will need to be factored in to the relevant acquisition programme;
 - 7.2.7 if the programme is extended, Legal Services and any successful appointed candidate will need to be given sufficient time to plan for an extended programme and workload and the Council will need to factor in that the costs anticipated now to cover the legal work may well be higher in the future depending upon inflation, demand for conveyancing services and other matters;
 - 7.2.8 the costs of equipment such as a laptop and other IT equipment as well as any professional costs (for example professional subscriptions for

practising certificates or other costs) will need to be factored into the programme budget as Legal Services do not have budget to cover this additional post;

- 7.2.9 if the proposal to acquire a qualified conveyancer to work in house with Legal Services is unsuccessful for any reason, the Council may need to consider whether fully outsourcing this work is viable. It may therefore be prudent to obtain estimates of cost from external panel legal advisors to consider the financial viability of that option;
- 7.2.10 tax advice should be taken from colleagues in Finance with regards to any tax issues that may arise as part of this acquisition programme.

Mick Suggett, Solicitor & Team Leader Conveyancing – 31st January 2024.

8. Other relevant comments

- 8.1 **Strategic Assets and Property:** Between 2019 and 2020 Strategic Assets & Property worked on the acquisition of housing stock for the Housing Revenue Account. This work was undertaken by a dedicated resource within the team which is no longer available.
- 8.2 To assist with this project Strategic Assets & Property would need to appoint a surveyor, this is highly likely to be via an agency appointment due to current recruitment issues. The cost of an agency employee will be significantly higher than a permanent employee cost.
- 8.3 Strategic Assets & Property are in support of this decision subject to funds being made available for adequate resource. If this is not forthcoming the team will not be able to resource this project.

Beverley Gouveia – Disposals & Development Manager 18th December 2023.

- 8.4 **Asset Management:** Asset Management within Housing Services is supportive of this proposal as long as all of the properties acquired are assessed with regard to the level of work needed including structural concerns and repairs to ensure they not only meet the lettable standard but also the Decent Homes standard and satisfy the Housing Health and Safety Rating System (HHSRS) with no code 1 defects present at the time of letting. NCC also needs to be financially able to bring any property purchased up to an EPC rating of C in the longer term.

Steve Edlin, Assistant Director of Asset Management 19th July 2023

9. Crime and Disorder Implications (If Applicable)

- 9.1 n/a

10. Social value considerations (If Applicable)

- 10.1 n/a

11. Regard to the NHS Constitution (If Applicable)

- 11.1 n/a

12. Equality Impact Assessment (EIA)

12.1 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because the decision concerns properties not people. Onward allocations will be administered via the allocations policy subject to its own EIA.

13. Data Protection Impact Assessment (DPIA)

13.1 Has the data protection impact of the proposals in this report been assessed?

No



A DPIA is not required because no additional personal or protected information is required to be collected for this programme, that is not already covered by data protection arrangements.

14. Carbon Impact Assessment (CIA)

14.1 Has the carbon impact of the proposals in this report been assessed? Under consideration, maybe not required as existing buildings.

No



A CIA is not required because the programme will purchase existing residential properties in Nottingham.

Yes



15. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

15.1 None

16. Published documents referred to in this report

16.1 None