

# Selby District Council

## REPORT

Reference: E/16/32

Item 7 – Public



**To:** The Executive  
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**Status:** Key decision  
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**NOT FOR PUBLICATION. Appendix A to this Report contains exempt information under paragraph 10.3 of schedule 12A to the Local Government Act 1972 as amended**

**Title:** Approval of a funding package to enable Selby and District Housing Trust to purchase properties in Selby for use as affordable housing.

### Summary:

An opportunity has arisen to purchase 4 properties and potentially adjoining land with residential planning permission at Bridge Wharf Ousegate Selby for use as affordable homes. Given the nature of the 4 properties they are considered appropriate for general needs housing and as such Selby District Council could consider supporting acquisition by Selby and District Housing Trust (SDHT) alongside the new build programme. This report considers whether Selby District Council should, subject to SDHT wishing to acquire the properties and appropriate due diligence, work with SDHT to facilitate the purchase and provide funding by way of a loan and potentially a grant.

### Recommendations:

- i. That subject to Selby and District Housing Trust wishing to acquire the properties and appropriate due diligence, officers be authorised

**to work with SDHT to negotiate and facilitate the purchase of 4 properties (and adjoining land) at Bridge Wharf Ousegate Selby;**

- ii. That a funding package (loan and grant) be offered subject to contract to Selby and District Housing Trust to facilitate the purchase of the units and the land for use as affordable housing with the funding package secured on the property.**
- iii. Final approval of the terms and conditions of the funding package (including a cap on grant funding of £50k per unit) be delegated to the Chief Finance Officer in consultation with the Executive Councillor for Finance and Resources and the Solicitor to the Council.**

## **Reasons for recommendation**

To facilitate the delivery of additional units of affordable housing within Selby town.

### **1. Introduction and background**

- 1.1 SDHT was created as an independent trust in 2013 with the objective of delivering additional units of affordable accommodation over and above that provided directly by the Council or by Registered Providers, either via their own construction programmes or by purchase of units from developers under the provisions of s106 agreements for affordable housing linked to planning permissions.
- 1.2 It was anticipated that SDHT would build units of housing on surplus land owned by the Council to add to the overall stock of housing in the District and this has been the case at St Joseph's Street Tadcaster with proposals under consideration for further sites. In addition the Trust has leased the upper floors of 43 Kirkgate and has successfully converted these into flats.
- 1.3 Since 2013 the position in respect of affordable housing and registered providers has changed with changes to government policies such as starter homes and the requirement for councils and registered providers to deliver rent reductions. Nonetheless the latest Strategic Housing Market Assessment indicates a continuing need for affordable housing in the District. It is therefore important that where appropriate the Council works in flexibly in partnership with SDHT in order to deliver on the original ambition of delivering additional affordable housing.

## **The Report**

- 2.1 An opportunity has arisen to purchase 4 units of housing at Bridge

Wharf Ousegate Selby from a private developer. The units comprise 2 3bed and 2 4bed townhouses and are part of a block of 7 constructed in 2015/6. Three of the units are understood to have been sold subject to contract leaving 4 available for sale. A bulk purchase of the 4 units can be made at a discount against the market sale values. The planning permission on the site is for 13 units and the developer is also willing to consider selling the remaining land, with permission for 6 further units.

- 2.2 Financial modelling has been undertaken by the Council based upon the potential discounted purchase price and rent levels in Selby Town discounted to 80% as they would be let at an affordable rent. The outcome of the modelling shows that at the price offered, a loan to facilitate the purchase would not meet the Council's viability thresholds and therefore negotiation with the developer would be required. Further details are provided in the financial section and exempt appendix of the report.
- 2.3 The North Yorkshire Home Choice figures indicate that demand for affordable family housing in this area of Selby is greater than the available supply.
- 2.4 The properties are attractively designed and centrally located town houses indistinguishable in their design from those sold on the private housing market. Given their proximity to the railway station and town centre they should attract interest from those seeking affordable housing close to facilities but they may appeal to a more limited market and may 'turn over' more frequently than other properties. The units are smaller than those which would be built by the Council and come without outside space or parking. As such they have been assessed as being more suitable to rent as 2 bed and 3 bed homes rather than 3 and 4 bed homes.
- 2.5 They are also close to the river although flood mitigation measures were required at planning permission stage. A flood wall has been constructed and it is understood that although the Environment Agency are intending to designate the flood wall as a 'flood mitigation asset' some ongoing requirement for maintenance of the wall is possible. The risk of flood remains and as a result higher insurance costs are anticipated. It is understood that the owner had intended to create a management company to manage and maintain the outside space including the flood wall and require (through the sale contract) the freeholders of the properties to make contributions towards this. In addition as 3 properties have been sold on the open market, there will be a need to work with adjoining owners in respect of future maintenance of party walls.
- 2.6 These issues have been fed into the modelling and accounted for in reaching the conclusion that the scheme could be viable. Further 'due

diligence' will be required on the purchase to ensure the assumptions are correct.

### **3. Legal/Financial Controls and other Policy matters**

#### **Legal Issues**

- 3.1 The Council has powers under s25 of the Local Government Act 1988 to provide financial assistance (by way of a loan) to the Housing Trust to purchase the properties. The express consent of the Secretary of State would not be required as General Consent has been granted for financial assistance to registered providers or private landlords for the purposes of or in connection with the acquisition, construction, conversion, rehabilitation, improvement, maintenance or management of property to be let as housing accommodation.
- 3.2 The further due diligence required on the purchase will be required by both the Council as lender and the SDHT as purchaser and solicitors conduct rules allow the Council's legal team to undertake this work so long as no conflicts of interest develop should this be acceptable to SDHT. It is proposed to discuss the due diligence work required with SDHT with a view to achieving best value and minimising costs for both organisations.
- 3.3 This report has been added to the Agenda after publication as it is considered urgent as the offer is time limited. Initial discussions with SDHT representatives suggest that the acquisition would potentially be of interest but it was not possible to consult with the SDHT Board and complete the financial modelling to reach a view of the feasibility of the proposals prior to the publication deadline.

#### **Financial Issues**

- 3.4 The properties are offered to the Council at a fixed price with a 10% discount for a bulk purchase. The adjacent land is also offered with planning permission. Financial modelling shows that at this price they do not meet the Council's viability thresholds and therefore negotiation with the developer would be required.
- 3.5 Should SDHT wish to acquire the properties with funding support from the Council, this could be made available on the same or similar terms as loans previously provided for the construction of the properties in Tadcaster and other SDHT schemes and secured on the property.
- 3.6 Full details of the financial modelling is contained within the exempt appendix on the basis that it relates to the financial or business affairs of the Council as lender and SDHT as potential borrower and purchaser. The public interest lies in keeping this information

confidential to ensure that the negotiating position of the parties is maximised.

### **Impact Assessment**

3.7 The purchase will increase the amount of affordable housing available for rent in the District relatively quickly given that the original development programme has slipped behind its original targets. No adverse impacts have been identified and a screening is not considered necessary.

## **4. Conclusion**

4.1 That the acquisition of the properties for affordable rent by SDHT would be viable subject to agreeing a suitable purchase price. The acquisition could be facilitated through a loan and potentially a grant from the Council as set out in the exempt appendix. The purchase of the properties for rent would increase the availability of affordable rented housing in the District.

## **5. Background Documents**

None

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## **Appendices:**

Appendix A – financial modelling.