

Report of Senior Finance Manager

Report to Environment and Neighbourhoods Panel

Date: October 2014

Subject: Request To Re-purchase Low Rise Flat

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input checked="" type="checkbox"/> Yes Calverley and Farsley	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: This report, at Appendix 1, contains confidential information under Access to Information Procedure Rule 10.4(3) in that it contains information relating to the financial affairs of individual(s). It is considered in these circumstances that the public interest in maintaining the exemption from publication outweighs the public interest in disclosing the information.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

A request to repurchase a property has been received from the leaseholder of a maisonette within a 3 storey block in Farsley. The property has two beds and is situated on an upper floor. There is controlled entry to the block but no lift access in the block. Access to the upper floors is by stairs and to this flat there are 28 steps. The property is currently been marketed at £87k.

The leaseholder is suffering from ill health and has made an application for rehousing into Council accommodation. The leaseholder has been given medical priority B.

The leaseholder has recently been made redundant and is finding it difficult to meet financial commitments and is concerned that the property may be repossessed by the mortgagee.

The purchase of the property does not qualify under the under the Empty Homes Strategy for repurchase. Therefore should repurchase be considered the financing would need to be met from the HRA, either through revenue contribution to capital, or met from the current years capital programme.

Recommendation

The Director is requested to refuse the application to repurchase the property.

1 Purpose of this report

- 1.1** To seek the Director's consideration regarding the repurchase of a 2 bed maisonette within the Farsley area of the City.
- 1.2** The request has been made that the purchase be at current market value which would need to be determined but is anticipated to be between £80k and £90k. A valuation report would need to be provided by City Development in the event approval to the repurchase was agreed.
- 1.3** The property would also need to be subject of a survey to ascertain the condition of the property for letting as council accommodation and also to assess the value of any decency works which may be required.

2. Main Issues

- 2.1** The property is on the 2nd floor of a 4 storey block. The flat is a two bedroomed property and is accessed by steps, there are no lifts.
- 2.2** There are no other leaseholders in the block at this time. The block is fully occupied and appears to be popular with many long term tenants in residence.
- 2.4** The current leaseholder acquired the property under the Right to Buy in June 2006. The valuation of the property at that time was £69,000, the sale price after discount was £45,000. There is an outstanding mortgage on the property of £20,000.
- 2.5** The leaseholder has advised that he has recently been made redundant and considers that it will be difficult to obtain employment due to age and health. The leaseholder is therefore having difficulty in meeting their financial commitments including the mortgage payments. As a result the property has been on the open market for the past 6 months. The property is currently for sale at £87,495 and the leaseholder advises that there has been 8 expressions of interest although no firm offers. The leaseholder is concerned that if they are unable to meet the mortgage the property may be repossessed. The leaseholder has advised that for the interim they would be prepared to remain in the property as a tenant pending a move to more suitable accommodation.
- 2.6** The property cannot be acquired by the Council under the Empty Homes Strategy, because the leaseholder is currently in residence with his brother. Therefore this would not meet the criteria required under this scheme.
- 2.7** The block containing this flat is 1 of 5 blocks in close proximity to each other within the Farsley area of the City. There are a total of 7 leaseholders in the 5 blocks, including this leaseholder. Consequently the re-purchase of this property may be considered as setting a precedent, although the circumstances of each case would be determined on their own merits.
- 2.8** The leaseholder is seeking market value. The value at which he is proposing to sell the flat at present is £87k. Should the Council consider repurchase the finance for the repurchase would have to be met from the Housing Revenue Account as a contribution towards capital, or through the existing Housing Capital Programme.
- 2.9** It is likely that some decency works may be required to the property before letting these will also need to be met from the HRA or Housing Capital Programme.

3. Corporate Considerations

3.1 Consultation and Engagement

- 3.1.1 The Local Ward member made the initial referral on behalf of the leaseholder. There has been no other consultation with Ward Members. The Local Housing Manager has been made aware of the request and has acknowledged that the property is in a popular area.

3.2 Equality and Diversity / Cohesion and Integration

- 3.2.1 It is considered that there are no equality, diversity, cohesion or integration issues. Any owner occupiers of properties may submit a request to the Council to consider repurchase of their former Council property. Each case would be dealt with on its own merits.

3.3 Council Policies and City Priorities

- 3.3.1 The acquisition will assist in meeting the Council's priorities through the provision of additional affordable accommodation.

3.4 Resources and Value for money

- 3.4.1 The Target rent for a 2 bed property in this block is £71.34. Based upon the rental income the debt could be paid within approx. 23 years. However, when taking into consideration the annual management and maintenance costs the period extends to 70 years based on current values.
- 3.4.2 In addition the property would be subject to the Right to Buy although initially the Cost Floor Regulations would prevent the property from being sold below repurchase cost for a period of 15 years.
- 3.4.3 The capital receipt received by the Council from the initial sale of this property in 2006 under the Right to Buy was £49,000. The potential cost to the Council of repurchase would be £87k approx plus the cost of decency works which may be required prior to letting.

3.5 Legal Implications, Access to Information and Call In

- 3.5.1 It is not considered that this decision would have any legal implications.
- 3.5.2 The decision is a delegated decision under the Officer Delegated Decisions (Exec Functions) and is one which is not considered to be subject to call-in.
- 3.5.3 This report contains confidential information under Access to Information Procedure Rule 10.4(1 - 3) in that it contains information relating to the financial affairs of individual(s) (Appendix 1). It is considered in these circumstances that the public interest in maintaining the exemption from publication outweighs the public interest in disclosing the information.

3.6 Risk Management

- 3.6.1 The repurchase of this property could be considered as setting a precedent, particularly as there are 6 other leaseholders in similar blocks in close proximity. However, each request would have to be considered on its own merits and subject to the budgetary provision being identified.

4. Conclusion

- 4.1 The leaseholder has requested that the property is repurchased by the Council because of the change in his health and financial circumstances and concern that he may lose his home.
- 4.2 The property is currently on the market for £87,445 and is the subject of a mortgage. The leaseholder has advised that the mortgage outstanding is £20,000 approx. The surplus from the sale based upon the above would be around £67,000.
- 4.3 The leaseholder advises that interest has been shown although no offers made. This would suggest that a review of the selling price by the leaseholder may need consideration.
- 4.4 The leaseholder also has a Housing Application in for Council accommodation and has been given medical priority B. Consequently it is possible that the leaseholder will be moving into Council accommodation in the future.
- 4.5 The Council does not have an identified budget for repurchase of properties under these circumstances and would need to identify the financing from the existing Capital programme or from the HRA.
- 4.6 To purchase the property will potentially set a precedent, particularly as there are 6 other leaseholders in close proximity to this property.
- 4.7 The most appropriate option for the leaseholder may be to reconsider the selling price on the open market.

5. Recommendation

- 5.1 The Director is requested to refuse the application to repurchase the property.

6 Background documents¹

- 6.1 None

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.