

North Yorkshire Council

Executive

18 March 2025

Acquisition of new build properties in Scarborough and Norton for use as affordable rented accommodation to take into the Housing Revenue Account

Report of the Corporate Director Community Development

This report contains a confidential Appendix which contains information of the type defined in paragraph 3 of Part 1 of Schedule 12A Local Government Act 1972 (as amended) as it contains information relating to the financial and business affairs of the Council and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

1.0 PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek Executive approval to acquire new build properties at two separate locations in Scarborough and Norton. These properties will be acquired for Shared Ownership, social rent and Move On accommodation, which will be taken into the Housing Revenue Account.

2.0 BACKGROUND

- 2.1 In February 2024, the Council approved the Housing Revenue Account (HRA) Medium term plan, which includes the delivery of 500 new homes over the next 5 years to 2029. These homes will be rented homes, which will address local housing needs across North Yorkshire and be rented out to local households in housing need.
- 2.2 In addition, the Executive also approved the Temporary Accommodation Business Case in June 2024. This sets out a requirement of 90 new managed units across North Yorkshire, to ensure that we provide quality temporary accommodation for homeless households, and to make substantial savings to the temporary accommodation budget, by reducing the use of high-cost private accommodation.
- 2.3 There are high housing needs in both Scarborough and Ryedale, which is where Norton is located, with over 4,500 households on North Yorkshire Homechoice requiring accommodation across both localities. In addition, there are high levels of households within both localities who are either homeless or threatened with homelessness, and who often must be placed in expensive high-cost temporary accommodation.
- 2.4 This report seeks approval to acquire 19 new build homes across two sites in Scarborough and Norton to provide an overall mix of 4 shared ownership properties, 9 general needs social rented housing and 6 homes for move on accommodation for homeless households.

3.0 PROPOSAL

- 3.1 The Council has been in negotiations with separate developers who are building new housing in both Scarborough and Norton to acquire suitable homes that can be managed through the HRA.
- 3.2 All of the homes will meet Nationally Described Space Standards (NDSS) and are to a specification which meets the Council's requirements. In addition, the properties will meet Energy Performance Certificates (EPC) "B", which is also in line with the Council's requirements for all our new build properties to attain a minimum of EPC "C" and will be built to Future Homes Standards.
- 3.3 The social rented properties will be allocated to households in need through the Council's allocations scheme and in accordance with the allocations policy. The Shared Ownership properties will be for households who are unable to afford to purchase properties on the open market, subject to the standard eligibility criteria for shared ownership homes. The Move-On accommodation will be allocated to households who are currently housed in temporary accommodation with the Council. The Council will also retain the option to convert the move-on accommodation into general needs rented housing, should the need for temporary accommodation be reduced at any time in the future.
- 3.4 The total cost of acquiring all 19 properties across the two locations will be £3.613 million. The costs for the Scarborough properties will be met by a combination of loan, HRA reserve, right to buy receipts and sales receipts from the shared ownership properties. The funding for the Norton properties will be met by a combination of loan, S106 commuted sums, right to buy receipts and capital receipts. The costs of the extras for the furnishings will be met with reserves from the Homelessness Prevention Grant. Further details regarding the proposal to acquire the properties is set out in the Confidential Appendix A.

4.0 CONSULTATION UNDERTAKEN AND RESPONSES

- 4.1 Consultation has been undertaken with the respective local members in each of the locations, who are both supportive of the acquisitions. Consultation has also been undertaken with both the Council's Housing Needs service and the Council's Housing Landlord service, who are also both supportive of the acquisitions.

5.0 CONTRIBUTION TO COUNCIL PRIORITIES

- 5.1 The scheme contributes principally to the following Council priority:

"Place and Environment: Good quality, affordable and sustainable housing that meets the needs of our communities"

6.0 ALTERNATIVE OPTIONS CONSIDERED

- 6.1 The acquisition of "off the shelf" properties from developers forms an important part of the Council's plans for both delivering the HRA Business Plan to provide 500 new Council homes and the Temporary Accommodation Business Case to acquire 90 units of temporary accommodation. The acquisition of these properties forms quick wins for the Council, and there were no other viable options for acquisition of new properties available to the Council at the present time.

7.0 IMPACT ON OTHER SERVICES/ORGANISATIONS

7.1 The key services which will be impacted by this proposal will be other service areas within the wider Housing service, and in particular, the Housing Needs service, who view this as having a very positive impact, as it will provide quality managed temporary accommodation and will enable them to move families out of more expensive private accommodation. There will also be some minimal impact on both the Homes and Places and Housing Landlord service areas.

8.0 FINANCIAL IMPLICATIONS

8.1 The total cost of purchasing all the 19 homes across the two locations amounts to £3.613 million, which equates to just over £190k per home acquired. This represents good value for money, in comparison with the average cost of developing a new build property, which is on average around £200k to £210k for a 2 bedroom house based on recent appraisals.

8.2 CAPITAL FUNDING: SCARBOROUGH PROPERTIES

It is proposed that 4 of the 9 properties in Scarborough would be shared ownership and 5 social rented. The property acquisition has been appraised using the standard HRA model and will be funded by HRA borrowing plus capital receipts and receipts from the sales of the shared ownership properties. The receipts from the sales of the shared ownership properties are based on an assumption of an average of a 40% share of the purchase price at initial sale. The remaining capital costs have been set at 46% loan to 54% capital receipts. If the average portion of shared ownership sales were less than 40%, this would require increased use of capital receipts.

This represents a deviation from our standard ratio of 40% capital receipts to 60% loan. However, there is a good strategic reason for doing so, as this would be the only way of ensuring that we are able to develop social rented properties in Scarborough at the current time, as Homes England grant was not available due to their current programme being oversubscribed. Should Homes England Funding become available, then the funding strategy will be reviewed.

Capital Funding	£
Borrowing	615,870
Capital receipts including right to buy receipts	713,130
Shared Ownership sales at 40% of property purchase price	358,000
Total Funding	1,687,000

PERFORMANCE OUTPUT

	Output	Benchmark	Pass/Fail
40 Year Net Present Value (£)	5.10	0	PASS
Payback Year	40	40	PASS
40 Year IRR%	5.47%	5.47%	PASS

8.3 REVENUE IMPLICATIONS: SCARBOROUGH PROPERTIES

The rents for the rented properties will be set at social rent. The rental income from the unsold share of the shared ownership properties is set at 2.75% of the unsold share. The appraisal model is designed to ensure the rent income generated is sufficient to meet the assumed revenue costs of managing and maintaining those properties.

8.4 CAPITAL FUNDING: NORTON PROPERTIES

It is proposed that 4 of the 10 properties in Norton would be social rented and 6 move on accommodation for homeless households. The property acquisition has been appraised using the standard HRA model and will be funded by HRA borrowing plus capital receipts and S106 commuted sums. The appraisal returns a positive NPV within the 40 Year payback utilising a funding mix of 73% borrowing and 27% capital receipts/S106. The lower intervention rate is applied rather than reducing the number of years payback to support higher intervention rates on other schemes where necessary, such as the Scarborough properties above. Should Homes England Funding become available, then the funding strategy will be reviewed.

Capital Funding	£
Borrowing	1,414,100
S106 / Capital receipts including RTB receipts	512,000
Total Funding	1,926,100

PERFORMANCE OUTPUT

	Output	Benchmark	Pass/Fail
40 Year Net Present Value (£)	£1,019.72	0	PASS
Payback Year	40	40	PASS
40 Year IRR%	5.38%	5.38%	PASS

8.5 REVENUE IMPLICATIONS: NORTON PROPERTIES

The rents are based on Social Rent for the general needs properties (4 x 3 bed houses) and LHA rates for the "Move On" properties (6 x 2 bed flats). The acquisition of the 6 properties for "Move On" accommodation for homeless households, will save approximately £98,207 per annum. This is based on the current annual cost of temporary accommodation using high cost privately owned accommodation as identified in the temporary accommodation business plan.

9.0 LEGAL IMPLICATIONS

- 9.1 In accordance with the Council's Constitution, as the capital cost of acquiring the properties exceeds £500,000, it is a Key Decision. Under the Property Procedure Rules, the Executive must approve any acquisition over £1,000,000 in value.
- 9.2 The Council will also need to undertake the standard legal processes required in the acquisition of the properties and the Council's in-house legal team have been appointed to undertake this work on our behalf.

9.3 The Council would normally be liable for Stamp Duty Land Tax (SDLT) on acquisitions of this nature, however exemptions may be available for these purchases if they are partially funded by a public subsidy under Section 71(1) Finance Act 2003 which, in this context, includes “any amount that is receipts of the disposal of social housing provided that [NYC] is entitled to use the amount for the purposes of the provision of social housing”. Provided that the RTB receipts used were received from the sale of rented properties which were used to provide housing to those whose needs were not met by the commercial market, relief will be available on the purchases.

It is worth noting that separate funding must be available to be allocated to both purchases, as the two transactions are not connected in any way. Both sites will therefore need RTB receipts to be allocated for the purchase in order to claim the relief.

10.0 EQUALITIES IMPLICATIONS

10.1 An Equalities Impact Assessment screening has been undertaken, which highlighted that there would be no adverse impacts, and a full Equalities Impact Assessment would not be required. The proposal would have positive impacts, particularly for persons on low income in need of affordable housing. See Appendix B.

11.0 CLIMATE CHANGE IMPLICATIONS

11.1 An initial Climate Change Impact Assessment has been undertaken, which highlighted that there would be no adverse impacts, and a full Climate Change impact Assessment would not be required. See Appendix C.

12.0 PERFORMANCE IMPLICATIONS

12.1 The acquisition of the properties contributes to our overall target of the provision of 90 units of temporary accommodation. In addition, as highlighted elsewhere, it will contribute to significant savings in the temporary accommodation budget.

13.0 RISK MANAGEMENT IMPLICATIONS

13.1 The key risks with the scheme are as follows:

Risk	Potential Impact	Mitigation
The properties are delayed in being completed	Would mean occupation of the properties would be delayed	<p>The Norton properties are build-complete and ready for occupation, and completion will take place as soon as possible following approval.</p> <p>The Scarborough properties are due to be completed within the next few months, and we have confirmed completion dates, which are unlikely to be delayed by greater than a few weeks at most.</p>
Properties do not meet required standards	Would result in increased costs to bring properties to required standards	Have selected properties that meet NDSS. Have also confirmed that specification provided by the developer meets required standards., and this will be included in purchase agreement.

		Have included allowance for extras to ensure that they meet lettable standards
Problems with ASB and difficulties in managing and maintaining properties due to being remote from current managed areas	<p>Could result in local community concerns and cause reputational damage to the Council.</p> <p>Could lead to increased costs in putting in increased resources to manage and maintain properties.</p>	<p>We have recently put in new measures for the management and maintenance of new Council properties in non-stockholding locations, which would minimise the risk.</p> <p>The move on accommodation will also be managed by the recently appointed Temporary Accommodation Housing Officer who covers both the Ryedale and Scarborough localities.</p>

14.0 REASONS FOR RECOMMENDATIONS

- 14.1 The reason for the recommendation is to provide 19 properties of new affordable housing in Scarborough and Norton, which will meet both the requirements of the Housing Revenue Account Business Plan and the Temporary Accommodation business case for the development of 90 new units of temporary accommodation across North Yorkshire.

15.0 RECOMMENDATION(S)

That the Executive

- 15.1 Approves the acquisition of 19 new build properties in Scarborough and Norton,
- 15.2 Delegates authority to the Corporate Director Resources to finalise the funding strategy .

APPENDICES:

Appendix A – Confidential Appendix
Appendix B – Equality Impact Assessment
Appendix C – Climate Change Impact Assessment

BACKGROUND DOCUMENTS:

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18 March 2025

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Presenter of Report – John Burroughs: Housing Delivery Manager (Major and Complex Projects)

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.