

# **AGENDA ITEM 15: APPENDIX K**

## **WAVERLEY BOROUGH COUNCIL**

**EXECUTIVE – 30 SEPTEMBER 2014**

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### **Title:**

**INCREASING THE THRESHOLDS FOR THE PURCHASE OF LAND AND PROPERTY AND APPROVING A BUDGET ALLOCATION FOR THE PURCHASE OF PROPERTIES ON THE OPEN MARKET FOR AFFORDABLE HOUSING**

**[Portfolio Holders: Cllr Keith Webster and Cllr Carole King]  
[Wards Affected: All]**

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### **Note pursuant to Section 100B (5) of the Local Government Act 1972**

An annexe to this report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, namely:-

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

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### **Summary and purpose:**

The purpose of this report is to seek approval to increase the purchase price thresholds for land and property and approve a budget allocation for further property purchases in 2014/15.

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### **How this report relates to the Council's Corporate Priorities:**

This report relates to the Council's corporate priority of providing more affordable housing in the borough for local people in housing need. In approving the Affordable Homes Delivery Plan in July 2012, the Council reinforced its intention to deliver affordable homes as quickly as possible.

### **Financial Implications:**

Funding for the property purchase programme is available in the 2014/15 New Affordable Homes capital programme, subject to approval.

The implications of the accounting regulations that revalue properties bought through this programme at about 60% less than their purchase value must be taken into account.

### **Legal Implications:**

The legal implications are dealt with in the report below.

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## **Background**

1. The HRA Business Plan sets out how the new affordable homes programme will be funded over the next 30 years. This will be delivered by building new homes, buying existing properties and acquiring additional land to build on or to reserve for future use.
2. The New Affordable Homes programme is now established and progress is being made towards delivering the agreed targets. Nine new affordable homes in Farncombe are due to be completed by February 2014, construction is due to start on 14 new affordable homes in Godalming at the beginning of October 2014, 4 former council-owned homes have been bought back, planning permission has been secured for 40 additional homes and applications for a further 35 are in the pipeline.
3. In July 2013, the Council agreed delegated authorities to enable officers and the Housing Delivery Board to act on the Council's behalf. A series of flow charts were agreed for buying back a former Council property, purchasing a property on the open market and purchasing land to ensure a consistent approach would be taken when an opportunity arose. Financial thresholds for each type of purchase were agreed.
4. The Council recommended that authority be delegated to the Executive to review and determine appropriate maximum amounts of expenditure for purchasing property or land on an annual basis.

## **Financial thresholds**

5. The financial thresholds agreed by Council in July 2013 are set out in (Exempt) Annexe 1.
6. In August 2014, the Halifax House Price Index reported a national 9.7% increase in house prices for the previous 12 month period. This fits within the range of price increases for Surrey published by the Land Registry and online estate agents that range from 7.7% to 11.5%.
7. To enable the Council to respond in an ever changing market, the recommended increase for the financial thresholds for the purchase of land and property for the year from September 2014 is 15%. The revised financial thresholds are set out in (Exempt) Annexe 1.

## **Risk Implications**

8. If the Council purchases a property on the open market for use as social housing, accounting regulations require that on purchase it must be revalued downwards (by some 60%) to reflect its use for social housing. There is the potential that from 2017/18 the difference between the purchase price (open market) and the social housing value must be shown as a cost to the Housing Revenue Account.

9. Clearly the implications of this are significant for the Business Plan and future financial planning in the HRA. Local Housing authorities have raised their concerns over the implications of this accounting treatment and are awaiting further guidance/potential policy change from the Government.

### **Budget allocation**

10. To enable the purchase of additional affordable homes on the open market an increased budget allocation of £2.5million from the New Affordable Homes Reserve is required. The approved budget for buy-backs for the current year has already been fully allocated with other approvals.

### **Conclusion**

11. An increased budget allocation to enable the purchase of properties on the open market will provide much-needed affordable homes in the short term.

### **Recommendation**

That the Executive recommends to Council:

1. the increased financial thresholds for the purchase of land and property purchase as set out in (Exempt) Annexe 1, and
2. the budget allocation of £2.5million from the New Affordable Homes Reserve to fund the purchase of properties on the open market to provide affordable homes for people in local housing need.

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### **Background Papers**

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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