

Executive Decision Report

Proposed acquisition of Citygate House, St Margarets Way,
Leicester, LE1 3DA

Decision to be taken by: City Mayor

Decision to be taken on: 2 April 2024

Lead Director(s): Chris Burgin, Director of Housing
Matthew Wallace, Director of Estates & Building Services

Useful information

■ Ward(s) affected: Abbey

■ Report authors:

Suzanne Collins, Housing Development Officer;
Kathryn Ellis – Head of Strategic Property.

■ Author contact details:

Suzanne.Collins@leicester.gov.uk, Ext. 375189

Kathryn.Ellis@leicester.gov.uk, Ext. 372578

■ Report version: FINAL

1. Summary

The Housing Division is proposing to purchase Citygate House, St Margaret's Way, Leicester, LE1 3DA. The former office building has been converted into 55 residential dwellings Class C3, with full planning permission for permitted development rights. The building has reached Practical Completion. A section of the car park has been excluded from the proposed acquisition to enable the seller to carry out a Phase 2 development. The 55 dwelling residential building (comprises of 34 ensuite studio/bedsits, 17 x 1 bedroomed flats, and 4 x 2 bedroomed flats), is currently being marketed for £6.5m.

The City Mayor's strategic objectives contain an ambitious target to deliver 1,500 new affordable homes during his current four-year term of office. This single acquisition would be a significant contribution towards that target. The Housing Capital Programme has sufficient budget to facilitate this purchase.

2. Recommendation

It is recommended that the City Mayor approves the acquisition of Citygate House, St Margaret's Way for the sum as set out in the confidential Appendix B attached, plus £150k for professional fees and surveys. This will be financed using a combination of Right to Buy Receipts, Allowable Debt and Prudential Borrowing, from existing budgets held within the HRA Capital Programme.

3. Supporting information including options considered:

3.1 Site Location and Building

The site resides within a Strategic Regeneration Area of the City and is a residential block of 55 dwellings. It is located in close proximity to the bus station, city centre retail and amenities, at the rear of St Margaret's Church on St Margaret's Way, Leicester, LE1 3DA.

The purchase would add 55 much needed dwellings to the Housing Revenue Account (HRA) stock which would be available for priority housing applicants from the Housing Register from April/May 2024.

Floor plans are attached at **Appendix A**.

3.2 Housing needs; target households; and use of the building

Leicester has evidenced need for 1,117 new units of affordable housing each year (Leicester City Council Housing Needs Assessment 2022).

To seek to address this need, the Council and the City Mayor's strategic objectives has an ambitious target of achieving an additional 1,500 new Council, social and extra care/supported living homes by 2027. The Council has approved additions to the Housing Capital Programme of over £200m since November 2019 to fund the provision of new affordable housing. Work has continued on existing delivery routes, for new affordable housing, and, on exploring a wide range of new opportunities to secure more new affordable homes.

The priority house type for households on our Housing Register, both city-wide and in this area, is 3 and then 2 bedroomed family homes. This accounts for 74% (13,191) of total demand whilst supply accounts for 48% (526) of all lettings. This contrasts with 13% (318) demand and supply 49% (534) for one-bedroom accommodation. There is sustainable demand for 1 bedroomed and 2 bedroomed accommodation across the City.

The supply of additional 1-bedroomed and 2-bedroomed dwellings from this scheme will assist in meeting demand and will contribute towards addressing some of the pressures on the Housing Register and Temporary Accommodation. Although the supply of additional 1-bedroomed units will assist in meeting the demand, it is likely the demand will be from lower banding priority cases rather than those with the highest need particularly for bedsit type of accommodation which traditionally has a higher turnover/refusal rate.

The target needs group has been identified as being general needs applicants let via the Housing Register which includes individuals and families (singles, couples and small families). The intention will be to use a Local Lettings Policy/Sensitive Let Policy in order to manage the community within the building. The building will be actively managed by LCC, offering introductory tenancies.

3.3 Funding

Housing Finance have considered the proposal and based on the negotiated purchase price and forecasted rents have established that the purchase would make a positive contribution to HRA finances (please see Appendix B).

To encourage councils to focus on new-build supply, the government have introduced a cap on the number of acquisitions which can be part-financed through Right to Buy (RTB) receipts. The cap is determined by the number of new-build start on sites; current forecasts for 2023/24 indicate that RTB-funded acquisitions will be limited to 122 for the year. Whilst the Council have already committed to the purchase of other properties, the purchase of Citygate House would bring the Council up to its maximum number of permitted acquisitions in this financial year.

If approved, the purchase is likely to be financed using 40% RTB receipts, 10% allowable debt and 50% prudential borrowing.

3.4 Valuation

The property has been valued by our internal RICS Registered Valuer and verified externally by two independent RICS valuers. All Valuation details are included in the confidential Appendix B attached.

The unit price included in the confidential **Appendix B** represents good value for the HRA and is comparable to the average purchase price of the single flat acquisitions that are currently being purchased. The addition of fixtures and fittings, and white goods provides further value.

The Council is currently undergoing Technical due Diligence (TDD) and building refurbishment oversight in advance of practical completion in order to verify compliance with building regulations and planning. During verification any adjustment in the negotiated purchase price would be undertaken to reflect the findings of any TDD.

The valuation is within the Royal Institution of Chartered Surveyor's (RICS's) view on valuation tolerance as provided in Case Law.

External Photos



View of Citygate House in relation to St Margaret's Church



View from St Margaret's Way

4. Details of Scrutiny

A LMB briefing report was prepared to brief the Assistant Mayor for Housing and the City Mayor and seek their comments/observations in early November 2023.

5. Financial, legal and other implications

5.1 Financial implications

The purchase price of the property, including fixtures and fittings is set out in the confidential Appendix B attached, plus professional fees, estimated at £150k. The Council holds the view that purchases which are part-funded using RTB receipts are exempt from Stamp Duty Land Tax, but should this not be the case then this will add to the total cost of acquisition. There is sufficient budget within the HRA capital programme for Affordable Housing to support the proposed purchase.

A financial affordability assessment has been undertaken on the basis that 40% of the acquisition cost would be funded from RTB receipts, 10% from Allowable Debt, and 50% from Prudential Borrowing. The conclusion of this assessment is that the scheme would make a positive contribution to HRA finances over the life of the asset.

Through the acquisition of an additional 55 units of accommodation, it is anticipated that there will be financial benefits to the General Fund through reduced expenditure on temporary accommodation.

Stuart McAvoy, Head of Finance, Ext. 374004

5.2 Legal implications

1. The Council can acquire land and property for the provision of housing accommodation pursuant to Sections 9 and 17 of the Housing Act 1985 (as amended).
2. At the date of this report no title investigations or due diligence have been undertaken and this would therefore be required prior to completion of any purchase.
3. The property is currently un-occupied, and the seller is currently still undertaking minor works following receipt of planning permission.
4. The Council will therefore need to undertake a full TDD due diligence exercise.

This due diligence exercise will reveal, amongst other things, any potential risks in terms of planning and building regulation compliance or the need to obtain retrospective approval, and any defects in title. It is anticipated the Council will have full information and disclosure before completion. Should the acquisition subsequently be negotiated and agreed, there will also be the need to ensure that the Council is fully protected as any potential purchase is likely to be within the snagging period of the building works contract. The Council will therefore seek warranties from the parties involved in designing and constructing the works.

Zoe Iliffe, Principal Lawyer (Property, Highways & Planning), Ext. 372180

5.3 Climate Change and Carbon Reduction implications

Housing is one of the largest sources of carbon emissions in Leicester, responsible for 33% of emissions. Following the Council's declaration of a Climate Emergency in 2019, and its aim to achieve net zero carbon emission, addressing housing is vital to the Council's efforts to reduce carbon emissions. This is particularly important within the Council's own housing stock where it has the greatest level of control.

Opportunities to ensure that this purchase will provide energy efficient low carbon housing should be investigated as relevant, which is likely to depend on the status of the building at the time of purchase. This could include consideration of the levels of insulation, use of low energy lighting and appliances and the installation of low carbon heating and renewables and potential improvements that could be made. Achieving a high level of energy efficiency would reduce the energy bills and carbon emissions of the property and could also increase its value and the level of comfort for occupants.

Aidan Davis, Sustainability Officer, Ext. 372284

5.4 Equalities Implications

When making decisions, the Council must comply with the Public Sector Equality Duty (PSED) (Equality Act 2010) by paying due regard, when carrying out their functions, to the need to eliminate unlawful discrimination, harassment, victimisation, and, any other conduct prohibited by the Act, to advance equality of opportunity and foster good relations between people who share a 'protected characteristic' and those who do not.

In doing so, the Council must consider the possible impact on those who are likely to be affected by the recommendation and their protected characteristics. Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation. The briefing requests the views of The City Mayor on the potential acquisition and seeks approval to negotiate acquisition of Citygate House, St Margaret's Way. The Council has an ambitious target to deliver 1,500 new affordable homes during the manifesto period and this single acquisition would be a significant contribution toward the target.

Provision of good quality affordable homes for local people that help to address current provision, both in terms of lack of availability and suitability are likely to have positive impacts in terms of the aim of the PSED to advance equality of opportunity for people from across all protected characteristics.

By providing affordable housing where peoples' needs are met in a community setting there is also potential to better foster good relations between those who share a protected characteristic and those who do not. It is important that inclusive design principles are adhered to in any development of the property.

Surinder Singh, Equalities Officer, Ext. 374148

5.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

None

6. Background information and other papers: None

7. Summary of Appendices:

Appendix A – Floor Plans

Not for Publication – Appendix B – Internal/External Valuation Reports – Confidential Financial Information

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

Yes. The decision report is a public report, but Appendix B is marked “Not for Publication” because it contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended: i.e., “Information relating to the financial or business affairs of any particular person (including the Authority holding that information)”. Appendix B will be published on the decision page of the Council’s website once the purchase has completed.

9. Is this a “key decision”?

No, as the required funding is already included as an immediate start within the HRA capital programme.

10. If a key decision, please explain reason.

N/A