

	Report to: Service Director – Homes & Neighbourhoods Date: 02/05/2025	
Report Title	GATEWAY 3 REPORT PURCHASE OF 4 BED HOME FROM KEEPMOAT HOMES LAHF R1	
Author	Anthea Daley – Housing Growth Team Leader	
DECISION		
Recommendation <p>That the Service Director approves the purchase of a 4-bed home from Keepmoat Homes for the sum of £315,000.</p> <p>That the Service Director approves the associated cost of purchase up to a total scheme cost (including purchase price) of £323,196.</p> <p>That the Service Director approves the publication of the ODDN notice referring to a decision to purchase a 4-bedroom property from Keepmoat Homes (no reference to address).</p>		

1. Executive Summary

- 1.1 The Council has unspent allocation of funding from DLUHC under Round 1 of the Local Authority Housing Fund (LAHF). Due to pockets of weaker markets in the Kirklees area, the Council was able to fully deliver against the number of units specified on the LAHF 1 MOU (memo of understanding) under budget with grant funding remaining to spend on acquiring more properties. It has therefore been agreed by the LAHF team that this unspent grant funding can be fully utilised to acquire additional Round 1 units until the grant Kirklees Council received is used up but spend must be committed by July 2025.
- 1.2 As there is a demand for larger family homes for Afghan refugees in the Kirklees area, we would like to purchase another 4-bed off-the-shelf new build to meet this need. This would allow us to mop up existing grant funding and maximise the delivered outcomes. We have recently purchased 2 x 4-bed new build houses by the same developer, Keepmoat (South Kirklees) under Round 1 and Round 3 of the LAHF programme. To meet need in North Kirklees we would like to purchase another 4-bed new build of a similar construction and suitable size from Keepmoat to accommodate large families and help the re-settlement of families.
- 1.3 This property on Keepmoat’s development has been identified as being suitable for the client group and is within the remaining LAHF 1 budget allocation in the Business Plan. Keepmoat’s requirement that contracts are exchanged within 28 days of the property being reserved will also ensure that the Council can commit to the purchase and secure the funding before the deadline.

2. Scheme Details

- 2.1. The property is a 4-bedroom house, arranged over 2 storeys with roof space on Keepmoat's development in North Kirklees which also contain other S106 Affordable homes.
- 2.2. The property is currently under construction with completion due August 2025. Keepmoat require buyers to reserve a property, paying a fee of £250, then to exchange purchase contracts within 28 days. As exchange of contracts will commit the Council to the purchase, this will be enough to secure the unspent LAHF funding.
- 2.3. Officers have worked with the Resettlement Team to identify the property. Resettlement staff have carried out a postcode check on the property and confirmed that the location and property type is suitable for the intended client group.
- 2.4. Consideration was given to purchasing a second-hand property; however, the preference is for a newbuild because the property will only need minor works before it can be let, and it will be able to accommodate larger families of up to 8 people. Any minor work can be undertaken whilst the Resettlement Team are in the process of arranging the installation of furnishings meaning that void time between purchase completion and occupancy is minimised.

3. Financial Information

- 3.1. An appraisal has been prepared using the in-house Excel model normally used to appraise buyback purchases. There is provision for the scheme within the current year's business plan.
- 3.2. Key financial outputs are summarised in Table 1 below with further detail in Appendix 1 below. The total scheme cost is £323,196. Spend will be committed this financial year 2025-26. This spend has been included in the Housing Growth budget for this year.

Table 1: Financial Outputs

Acquisition	£315,000
Works cost (estimated)	£5,000
On costs (legal and valuation fees)	£3,196
Total scheme cost	£323,196
LAHF funding	£181,598
HRA funding requirement	£141,598
Net Present Value (NPV) 30 years	£16,511
Payback Year	27
Internal Rate of Return (IRR) %	5.92%

- 3.3. Officers have negotiated a £25,000 discount from the advertised purchase price. This will be deducted from the 10% deposit payable on exchange of contracts. Under the LAHF programme the purchase price is exempt from stamp duty. This will enable us to secure a positive NPV.
- 3.4. A small allowance of £5000 has been made for works to the property which will make it easier to manage and maintain. These works include installation of numerals on the front door, curtain battens and additional wall tiling in the kitchen. The cost shown is an estimate.

3.5. The property will be let at an affordable rent. A market valuation of the property and a market rental valuation will be obtained prior to exchange of contracts. Based on local market rents, it is expected that the total charge to the resident will be capped at the LHA rate of £189.86 per week. This charge will include the annual estate service charge of £100 for the upkeep of the common areas on the estate.

4. Timescales

4.1.

07 th May 2025	Reservation made of the property and £250 fee paid
14 th May 2025	This report approved by Service Director
14 th May 2025	Requesting finance to set up Capital Outlay Report for the purchase
15 th May 2025	Report circulated to Strategic Director (delegated authority sign-off)
16 th May 2025	Officer Delegated Decision Proforma issued
4 th June 2025	Purchase contracts exchanged (subject to satisfactory valuation)
August 2025	Purchase completion (14 days' notice given)

5. Member Consultation

5.1. Owing to concerns from the Resettlement Team over the potential for negative publicity surrounding the LAHF properties, no consultation has taken place with members. For this reason, permission is also requested to omit the property address from any public reports and governance documents that are published on the Council's website.

Appendix 1 – Financial Appraisal

INPUTS			OUTPUTS		
Acquisition Costs	315,000		Total scheme cost	323,196	
Works Costs	8,196	-	Cost per unit	323,196	
Fitting Out Costs	-	-	Internal funding requirement	151,598	
VAT	0.0%		NPV	£ 16,511	16,511.08
On Costs	0.00%		IRR	5.92%	
Grant Rate	53.09%		MIRR	3.20%	
Start on site	01/04/2024		Loan Repayment year	27	
Handover/1st rents	01/04/2024		BE Price	£ 351,960.49	
Bedsits	0	£ -	Risk - p(success) %		
1B	0	£ -	Impact On Bus Plan		
2B	0	£ -	Needs to show positive NPV		Yes/No
3B	0	£ -	Loan repayment year should be less than 30?		Yes/No
4B	1	£ 187.94	NPV needs to be positive		Yes/No
5B+	0	£ -			
Total	1				