

Item: 12

Education, Leisure and Housing Committee: 11 November 2020.

Policy on Individual Property Purchases for use as Social Housing.

Report by Executive Director of Education, Leisure and Housing.

1. Purpose of Report

To consider a policy statement in relation to provision of social housing, through individual property purchase.

2. Recommendations

The Committee is invited to note:

2.1.

That the Local Housing Strategy 2017-2022 and the Strategic Housing Investment Plan 2021-2026 highlight the importance of increasing the supply of affordable housing locally.

2.2.

That the Asset Management Strategy relating to the Housing Revenue Account considers the stock that the Council holds, by size and type, relative to the demand and other requirements that the Council has in delivering its statutory housing provision.

2.3.

That, while primarily the Council, in partnership with Orkney Housing Association Limited, will be involved in development of new build social rented housing, there may also be a need to acquire a low number of suitable properties through purchase on the open market to assist the Council in delivering its statutory housing requirements.

2.4.

The draft Policy on Individual Property Purchases for use as Social Housing, attached as Appendix 1 to this report, which has been developed to support the proposed acquisition of properties set out at paragraph 2.3 above.

It is recommended:

2.5.

That the Policy on Individual Property Purchases for use as Social Housing, attached as Appendix 1 to this report, be approved.

3. Background

3.1.

The Local Housing Strategy 2017-2022 and the Strategic Housing Investment Plan 2021-2026 highlight the importance of increasing the supply of affordable housing, with a focus on:

- Providing the right type and size of housing in the right location.
- Addressing shortfalls where there is pressure on the supply of affordable housing.
- Addressing particular housing needs.

3.2.

In order to increase the supply of affordable housing in Orkney, the Council is working with partner agencies to assist the Scottish Government to meet its target of 50,000 houses, 35,000 of which will be social rented.

3.3.

While primarily the Council, in partnership with Orkney Housing Association Limited, will be involved in the development of new build social rented housing, there may also be an opportunity to acquire a low number of suitable properties by open market acquisition.

3.4.

In addition, the Council has an Asset Management Strategy specifically for the Housing Revenue Account and this considers the stock the Council holds, by size and type, relative to the demand and other requirements that the Council has.

3.5.

The Asset Management Strategy allows a focus on whether the Council holds stock which may be identified for disposal, perhaps because the costs of reaching the required energy efficiency standards are excessive. Conversely it allows a focus on whether the Council's stock requires some enhancement perhaps because the supply of a particular size of property, in a given area, is insufficient to meet demand over a reasonable timescale.

3.6.

Capital receipts generated from disposals will be used to fund the acquisition of private dwellings accordingly. In addition, the Council would expect to obtain some subsidy from the Scottish Government, through the Affordable Housing Supply Programme's monies.

3.7.

The Strategic Housing Investment Plan, which is considered by the Education, Leisure and Housing Committee annually, outlines the level of properties which the Council and its partners plan to develop over a 5-year period. In addition, the Strategic Housing Investment Plan will outline a proposed level of property acquisition over the 5-year term.

3.8.

In terms of the Scheme of Delegation to Officers, the Executive Director of Corporate Services has delegated authority to purchase properties up to the value of £300k. However, in seeking funding to assist with purchases, the Scottish Government has advised that they wish a policy position. The policy, if approved, will be implemented in accordance with existing delegation.

4. Policy on Individual Property Purchases

4.1.

The Council should consider individual open market purchases where the properties will make a positive contribution to the Council's housing stock portfolio by expanding the stock of properties for which there is need and demand.

4.2.

The proposed Policy on Individual Property Purchases for use as Social Housing, attached as Appendix 1 to this report, outlines the criteria upon which a decision to progress with any purchase will depend, as follows:

- The property would help to meet general housing needs, as identified in its Local Housing Strategy, taking account of the type, size and location of the property. For example, this could include a property of a particular size such as a 4-bedroomed property, where there is a limited supply of Council housing and other social rented housing of this type.
- The property would add to the supply of Council housing for which there is expressed need and sustainable demand.
- The property would help to meet particular needs, including needs which may be difficult to address within the Council's existing housing stock base.
- For reasons of efficiency in terms of housing management and maintenance, the property is located close to existing Council housing.
- Ownership of the property would shift the tenure balance in a mixed tenure block and may enable common repairs / works to be progressed.
- Taking account of any investment and repair requirements as well as the purchase price, the property represents good value for money to the Council's Housing Revenue Account.

4.3.

Each case would be considered on its own merits.

4.4.

Progression with any purchase includes the need for a value for money assessment to ensure that the acquisition is affordable to the Housing Revenue Account.

4.5.

The policy also includes consideration of the potential impact on the local property market.

4.6.

The Council would only be able to offer the market valuation determined by the Home Report and cannot enter into any negotiations in excess of that amount.

4.7.

The policy ensures that appropriate governance surrounds the process and that this will be used to inform the position, with delegation, as outlined at section 3.8 above, being used to complete the purchase.

5. Corporate Governance

This report relates to governance and procedural issues and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6. Financial Implications

6.1.

Property acquisitions will be funded from the Council's Housing Revenue Account.

6.2.

In acquiring property, the Council will seek funding towards each property through the Scottish Government's Affordable Housing Supply Programme monies.

6.3.

In each case the affordability of the purchase will be considered through a detailed assessment of costs. This includes the purchase price, loan charges and the cost of repairs and improvements over a 30-year term. This will be compared against incoming funds in the form of funding as outlined at section 6.2 above and rent received, again over a 30-year term.

7. Legal Aspects

In terms of the Local Government in Scotland Act 2003 the Council is required to have regard to best value in relation to the acquisition of property. Therefore, independent valuations must be received for any properties to be purchased and normal conveyancing procedures will be followed.

8. Contact Officers

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9. Appendix

Appendix 1: Policy on Individual Property Purchases for use as Social Housing.



Policy on Individual Property Purchases for use as Social Housing

Document Reference:	Version:	Title:	Date:	Reviewer:
HD POL 130	Draft	Policy on Individual Property Purchases	3.6.20	Head of Housing, Homelessness and Schoolcare Accommodation Services
HD POL 130	Draft	Policy on Individual Property Purchases	22.9.20	Head of Housing, Homelessness and Schoolcare Accommodation Services
HD POL 130	Draft	Policy on Individual Property Purchases	19.10.20	Head of Housing, Homelessness and Schoolcare Accommodation Services

Contents

- Introduction 3
- Context..... 4
- Objectives of the Policy..... 4
- Legal Framework 5
- Criteria for Acquisition 5
- Conflict of Interest 6
- Value for Money Assessment 6
- Level of Subsidy Provided..... 7
- Use of Properties 7
- Operational Procedures 7
- Monitoring Arrangements..... 7

Introduction

Orkney Islands Council's Housing Services' Local Housing Strategy sets out the level of need for housing across all tenures over the next 5 years.

In addition, the Strategic Housing Investment Plan sets out the Council's plans for delivery of the affordable housing supply programme which includes both properties to be developed and a level of property acquisition.

In turn the Council's Asset Management Strategy sets out the strategic vision for managing its housing assets over the next five years.

The Asset Management Strategy underpins the Council's corporate Asset Management Plan and is intended to highlight Housing Services' specific requirements and issues. In turn our Asset Management Strategy is underpinned by various operational policies focussing on key aspects of property acquisition and maintenance etc.

Central to the specific requirements and issues outlined in our Asset Management Strategy is the need to expand our stock in line with demand.

Our Asset Management Strategy states:

“Acquisition of stock

The Council has generally strong demand for housing and consequently will endeavour to expand its stock as far as possible inside resource restrictions.

Purchase

The Council may need to expand its stock of housing of a certain type / in a certain area to meet demand. Various options may be considered. In some situations, purchase may be viable. This requires the consideration of cost, condition, need for repairs to bring the property up to the Scottish Housing Quality Standard and Energy Efficiency Standard for Social Housing relative to the cost and practicalities of building an alternative”.

Consequently, this policy on Individual Property Purchases for use as Social Housing has been developed.

Orkney Islands Council is committed to ensuring that our Asset Management Strategy of which the Policy on Individual Property Purchases for use as Social Housing is part, puts our tenants' needs foremost through meeting all relevant legal and good practice requirements.

In line with our best value commitments, Orkney Islands Council is also committed to providing an asset management service that is subject to continuous improvement.

In developing this policy, we have taken into account the Counter Terrorism Act 2015 and related guidance and procedures. No specific measures are required in respect of our Policy on Individual Property Purchases for use as Social Housing.

This document has been prepared in line with the Standards recommended by the Scottish Standards Commission Code of Conduct for Ethics in Public Life.

Context

This Policy has been developed within the context of the Council's Asset Management Strategy.

Asset management involves managing the Council's physical assets, that is, its housing stock, to meet the financial and service objectives of the Council.

The Asset Management Strategy sets out, in particular, the Council's business and investment plans to ensure that we:

- prioritise our investment programmes based on clear housing stock information.
- develop housing, in line with our partners, that is affordable to service users.
- incorporate effective procurement principles throughout all planning processes.
- maximise the importance of planned maintenance programmes to reduce reliance on responsive repairs.

Critically, too, our Asset Management Strategy takes the views of tenants and other service users into account. This ensures that services are subject to continuous improvement in line with best value principles.

Asset management is concerned, therefore, with a diverse range of strategic policy matters, namely:

- affordability.
- assessment of need and demand.
- investment planning.
- regeneration initiatives.
- sustainable communities, including community capacity building and tenant participation.

This policy should be read in conjunction with the Council's Scheme of Delegation to Officers, which outlines delegation awarded to senior officers in relation to the purchase of individual properties.

Objectives of the Policy

The objectives of this policy are to:

- establish a concise framework surrounding situations where property acquisition may be appropriate.
- ensure there is a policy framework surrounding the financial structures which underpin property acquisition.
- ensure clarity surrounding our obligations and commitments when considering property acquisition.

Legal Framework

The legal and good practice framework which surrounds asset management generally is outlined in detail in our Asset Management Strategy and consequently has not been reproduced here.

Criteria for Acquisition

The Council will acquire land or buildings by purchase for service delivery only if suitable property cannot be provided from the Council's existing estate.

The Council may acquire land or property for its Housing Stock Portfolio for the following purposes:

- service delivery.
- to fulfil strategic objectives for development in line with the Local Housing Strategy/Strategic Housing Investment Plan.
- to increase rental income and to support development and growth of the local economy.

The Council may acquire ownership of land and property for its Housing Stock Portfolio by:

- open market purchase through a bid process or negotiation.
- the exercise of compulsory purchase powers.

The following criteria should be used to identify properties which the Council may seek to acquire (it is not expected that a property should meet more than one point on the list):

1. There is a recognised housing need that we cannot meet locally within existing stock or an alternative new build solution.
2. The property would help to meet general housing needs, as identified in the Local Housing Strategy, taking account of the type, size and location of the property. For example, this could include a property of a particular size such as a 4 bedroomed property, where there is a limited supply of Council housing and other social rented housing of this type.
3. The property would add to the supply of Council housing for which there is expressed need and sustainable demand.
4. The property would help to meet particular needs, including needs which may be difficult to address within the Council's existing housing stock base.
5. For reasons of efficiency in terms of housing management and maintenance, the property is located close to existing Council housing (where relevant considering the rural/island location).
6. Ownership of the property would shift the tenure balance in a mixed tenure block and may enable common repairs/works to be progressed.
7. Taking account of any investment and repair requirements as well as the purchase price, the property represents good value for money to the Council's Housing Revenue Account.

All potential acquisitions will be considered on a case by case basis.

In addition to the above, the following should be taken into account:-

Value for Money

It can be demonstrated that the capital costs for acquisition and improvement can be met through the rental stream of the property and Scottish Government grant award, without a negative impact on the Housing Revenue Account. Alternatively, the open market purchase represents a more cost effective option than a new build to meet housing need.

Specific Needs/homelessness

In situations where a priority group is identified and a new build solution is unlikely to be available within a realistic timeframe, then an appropriate property may be secured to meet the need. Property may specifically be sourced for use as temporary accommodation.

Conflict of Interest

There is a need to protect against conflict of interest or perceived conflict of interest in exercising this policy. In a larger geographical area it might be advisable to exclude purchases from members of staff as creating a public perception of bias / conflict but this is probably not realistic in Orkney.

Elected Members are governed by the Councillors' Code of Conduct. There is also a Code of Conduct for Devolved Bodies. The Standards Commission for Scotland works with a variety of stakeholders to promote the ethical standards framework and adherence to the Codes of Conduct. The Standards Commission also has under its umbrella the Accounts Commission which advises on public finance governance and the Improvement Service which advises Councils on ethical standards and implementation. Together, these provide an appropriate framework to protect against any potential conflict of interest.

Value for Money Assessment

The Executive Director of Corporate Services has delegated authority to purchase property up to the value of £300k.

Orkney is an area with relatively high house prices and consequently this policy does not include an outline of potential costs relative to property size. Instead we will consider the size and style of the property in comparison to that of standard Council houses to determine whether the property itself is an appropriate type.

In conducting property purchases the Council:

- will not pay above the valuation as detailed on the Home Report for any individual property.
- should act as "any other buyer", and Council staff should not meet with a seller or estate agent in order to influence price or other conditions.
- will not meet any aspect of seller's costs for any purchase.

- require a report to be completed in relation to works required to meet the Scottish Housing Quality Standard and Energy Efficiency Standard for Social Housing 2 by the Council's Building Maintenance staff.

Level of Subsidy Provided

Scottish Government guidance outlines the general benchmark levels of subsidy available and this is reviewed on a relatively regular basis.

Housing partners have different rates, as set out in Scottish Government guidance.

In determining whether it is affordable to acquire a particular property, the appropriate level of subsidy is a crucial part of the equation.

The Council will seek to acquire the level of subsidy that it requires in order to make the financial position for acquisition affordable. If funding is not available at that given level, progression may not be viable.

Use of Properties

Properties purchased under this policy will become part of the Council's mainstream Housing Revenue Account housing stock and will generally be utilised accordingly. The exception may be where a property has been purchased for use as homeless accommodation and in such circumstances it will be held on the Housing Revenue Account and leased to the General Fund for use accordingly.

Operational Procedures

Operational procedures have been developed for use in conjunction with this policy.

Monitoring Arrangements

The Strategic Housing Investment Plan sets out the Council's plans for delivery of the affordable housing supply programme which includes both properties to be developed and a level of property acquisition.

Therefore, monitoring of this policy is undertaken in conjunction with the Strategic Housing Investment Plan.