

**Proposal - Disposal and Buy Back for Majority Share**

**1. Introduction**

- 1.1. This paper sets out Angus Council's proposals for a proactive programme of selling council owned units which become void in multi tenure blocks where we are a minority owner and recycling the funds to buy back ex council units where we can take back a majority share or to facilitate regeneration activity.
- 1.2. The LHS 2017-22 sets out how the Council and partners will continue to deliver our vision 'to create places that people are proud to call home'. The vision will be achieved through a set of outcomes that encapsulate the positive housing related improvements we are seeking to achieve. They reflect local priorities and national policy objectives and provide clear strategic direction for the LHS 2017-22. This proposal contributes to outcomes 1 and 3:
  - The supply and availability of good quality, affordable housing is improved.
  - The quality and energy efficiency of all housing stock is improved and we contribute towards targets to reduce CO2 emissions in Angus

**2. Current Position**

- 2.1. Angus Council currently operates an open market acquisition scheme whereby properties are purchased on the open market. 5 properties were purchased in 2014/15, 8 properties were purchased in 2015/16 and 13 properties were purchased in 2016/17. The open market acquisition scheme is now primarily used for applications where complex adaptations are required and current housing stock is not available to meet their needs.
- 2.2. There are currently 2,744 applicants on the Common Housing Register (CHR). Evidence from the CHR shows significant demand for smaller properties with 64% of waiting list applicants requiring a one-bedroom home. There is little appetite from developers to build smaller homes and the demand and limited supply of 1 bed properties is impacting on the availability of suitable and affordable housing options for single people in Angus and impacting on the council's ability to meet its statutory obligations for homeless households.
- 2.3. Angus Council owns and manages over 7,700 properties, comprising 3,114 houses and 4,608 flats. Around 50% of these are over 50 years old. Around 16% (1,235 units) are over 70 years old which suggests that substantial investment is required to maintain or replace structures that exist beyond their natural lifespan. The Council is committed to making best use of its assets however there are a number of challenges linked to investment requirements, particularly when it comes to mixed tenure blocks and the need to secure participation from the owners of private sector homes. The Scottish Housing Quality Standard (SHQS) is the Scottish Government's principal measure of housing quality in Scotland. The SHQS is a set of five broad housing criteria which must all be met if the property is to pass SHQS. There are

around 600 council homes in Angus that do not meet the Scottish Housing Quality Standard (subject to abeyance/exemption) where the main reasons were the refusal of improvement works and being unable to secure an owner's participation in common works.

- 2.4. Aiming to improve the Energy Efficiency Standard in Social Housing, EESSH supersedes the SHQS energy efficiency element from 2015 and seeks to help reduce energy consumption and fuel poverty and contribute toward the national target to reduce carbon emissions by 42% by 2020. The Council is working to obtain Energy Performance Certificates (EPC) for all properties to identify stock levels not meeting EESSH standard. At present just over 69% achieve pass rate with a further 28% of properties already identified as requiring specific improvements to achieve EESSH. The council is committed to ensure EESSH compliance by 2020.

### **3. Benefits**

- 3.1. Buying back properties previously sold under Right to Buy (RTB) will help increase the amount of affordable housing in the Angus area. Targeting high demand 1 bed properties and disposing of surplus 2 bed properties will assist in meeting increasing demand from smaller households and help to ensure the council continues to meet its statutory duties to homeless households.
- 3.2. Buying units in blocks where we have the majority share, funded by selling the properties in blocks where we are a minority owner will create management efficiencies and save costs incurred with repairs and maintenance as well as saving on administration time in negotiating common repairs costs with owners.
- 3.3. Buying back properties where we are the majority owner would reduce the number of abeyances and assist Angus Council in meeting SHQS and EESSH requirements.
- 3.4. Angus Council has a programme of regeneration schemes across the county. This involves a process of re-housing tenants and buying properties from home owners to enable demolition of existing stock for new homes and neighbourhoods to be built. A buy back scheme would allow properties to be identified prior to the demolition programme, minimising the costs associated with home loss and disturbance payments and reducing the need to use Compulsory Purchase Orders. As these properties would be bought back on a voluntary basis, home owners would be expected to make their own re-housing arrangements.

### **4. Risks**

- 4.1. A full risk assessment has been undertaken in the preparation of this proposal. The key risks identified are:

- Inability to replace stock sold with stock purchased or additional units are purchased and the costs cannot be mitigated against sales of current stock. While the impact of this risk is significant for the viability of the project, the likelihood is assessed as low. The programme will be initiated with 5 disposals to build up a starting budget. There will also be robust internal monitoring to ensure equity between buy backs and disposals.
- An increase in enquiries and requests may be difficult to manage. While the likelihood of this risk is high, providing staff are provided with clear guidance and information is available online for customers to access, the impact is expected to be minimal.
- Resources within housing, legal and property are under pressure and there is no scope for additional resources. This risk can be managed by making the best use of available resources, maximising the skills of housing and property staff prior to involving legal services and ensuring procedures are LEAN. The programme will be managed and monitored effectively to ensure outcomes can be achieved within existing resources.
- Potential to distort the housing market. While the impact of this risk is major, the likelihood of this occurring is low. Ensuring sellers have made their own arrangements for re-housing will help safeguard the market however we must ensure ongoing monitoring of the market so we are not removing options for other potential buyers, particularly 1st time buyers.
- There is also the risk of excessive repairs costs for properties purchased to bring these up to standard. There may also be repairs costs incurred by preparing Council properties for marketing for sale. This should be considered when setting the annual unplanned maintenance budgets.

#### **4. Potential Costs**

- 4.1. Considering recent Open Market Acquisitions of ex council units, the expected total cost, including legal outlays, would be approximately £63,136 per unit. For every property disposed of, if we took into consideration Scottish Government grant funding of £30,000 we would be able to bring back 1.5 units. So for 10 properties sold, we expect to be able to bring back 15 properties into council ownership.
- 4.2. It is proposed that capital raised from the disposal of council units would be recycled and used to buy back ex council units. To initiate the programme, it is proposed that we initially identify and sell 5 units that become void in multi tenure blocks where we are the minority owner. Existing funds will be identified from the Affordable Housing Account to cover the outlays for these sales.

The outlays for each sale would be approximately:

Deed Plan	£145.00 (Roger & Young)
Legal & Plans Report	£120.00

Advance Notice	£10.00
Property enquiry certificate	£68.09
Conveyancing	Included within existing central recharge
Home Report	£316.98
Marketing	<u>£400.00</u>
Total	£1060.07 (plus VAT)

The outlays for each purchase will be:

1. For a purchase price over £40,000 - a Land and Buildings Transaction Tax (LBTT) Additional Dwelling Supplement of 3% of the price.
2. For a price over £145,000 there is further LBTT.
3. Registers of Scotland's registration dues:
  - (a) £45 for a price up to £50,000,
  - (b) £90 for a price between £50,001 and £100,000 and
  - (c) £180 for a price between £100,001 and £180,000.

It is proposed to initiate the programme, accounting also for maintenance and repairs costs to prepare the properties for sale, that £10,000 is identified from the Affordable Housing Account.

## **5. Buy Back – Guiding Principles**

5.1. The Council will only consider purchasing properties which meet the following conditions:

- The property is a former council property and brings us back into majority ownership in that block
- The seller must have made (or be prepared to make) their own arrangements for rehousing and does not have a current application for housing on the Common Housing Register (CHR)

We will also consider:

- If the property will feature in our future housing investment programme
- How much it would cost to bring the property up to the [Scottish Housing Quality Standard](#)

- 5.2. We will identify properties through online advertising and information from estate agents. All properties must be located in the Angus Council area. We may also approach owners in blocks where we currently hold the majority share and the conditions set out in 5.1 are met.
- 5.3. For properties not currently advertised for sale, the Housing Policy Officer (Enablement) will make contact with the current owner. If the owner is agreeable to consideration of a sale and is prepared to make their own arrangements for re-housing, the Housing Policy Officer (Enablement) will instruct the Council's agents (Shepherd Chartered Surveyors) to complete a Home Owners Report.
- 5.4. A viewing will be arranged and a Procedural Checklist will be completed for each property viewed. It sets out the procedure for implementation of this policy and includes a Viewing Checklist which will identify any works required to bring the property up to the Scottish Housing Quality Standard.
- 5.5. We will not make an offer on every property viewed. Any offer made will be within the valuation given on the Home Report. The seller will be responsible for their own legal fees.

## **6. Selling Council Owned Properties - Guiding Principles**

- 6.1. The Council will only consider selling properties which meet the following conditions:
  - The property is a current void
  - The property is within a multi tenure block where the council has a minority share;  
or
  - The asset is unpopular and surplus to requirements
- 6.2. The Housing Policy Officer (Enablement) will check with Technical if a valid deed plan exists for the property. If a plan does not exist, Roger & Young should be instructed to prepare the plan.
- 6.3. On receipt of the plan, the Housing Policy Officer (Enablement) will request legal carry out title checks by completing the Title Enquiry Instruction Sheet pro forma. Their checks may involve ordering a Plans Report. There may be additional outlays, for example if legal need to order copies of deeds for other flats sold in the block (where we don't hold archived copies).
- 6.4. Once legal have confirmed there are no restrictions and we are in a position to sell, the Housing Policy Officer (Enablement) will confirm with Estates who will instruct the Council's agents (Shepherd Chartered Surveyors) to complete the Home Owners Report and market the property. The Community Housing team will assist with the completion of the Property Questionnaire.