

ANGUS COUNCIL

SPECIAL ARRANGEMENTS COMMITTEE – 28 APRIL 2020

HOUSING DEVELOPMENT POLICY FRAMEWORK

REPORT BY DIRECTOR OF COMMUNITIES

ABSTRACT

This report proposes the adoption of a Housing Development Policy Framework by the Council to guide the selection of housing development opportunities.

1. RECOMMENDATION

It is recommended that the Committee:

- (i) Approves the Housing Development Policy Framework outlined in Appendix 1;
- (ii) Approves the purchase of 22 units for shared equity as outlined in Section 5.3 – 5.6 of this report and approves the total estimated expenditure of £3.086m; and
- (iii) Delegates authority to the Director of Communities to purchase up to 20 new units per annum adhering to the principles of the framework, from within existing Housing Capital resources and reported annually in the Strategic Housing Investment Plan.

2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/CORPORATE PLAN

This report contributes to the following local outcomes contained within Angus Local Outcomes Improvement Plan 2017-2030:

- More opportunities for people to achieve success
- Safe, secure, vibrant and sustainable communities
- Improved physical, mental and emotional health and well being

3. BACKGROUND

- 3.1 The Council is committed to 'creating places people are proud to call home'. Increasing the supply of affordable housing is a critical element of ensuring that people in Angus can access good quality affordable housing.
- 3.2 The Council began a comprehensive programme of new build in 2011. Since then, almost all new development has taken place on land within Council ownership (either Housing Revenue Account (HRA) or General Fund) using traditional methods of procurement. Over the years, development activity has increased significantly with the current programme aiming to deliver around 300 units over 5 years. However, a number of factors can negatively impact on our ability to deliver, including lack of availability of land and staff resources, and the lack of ability of contractors to retain skilled trades so that a quality product can be delivered on programme and at reasonable cost.
- 3.3 Generally, where the Council requires the building or development of new housing, this involves the letting of a public works contract by the Council to a building contractor for the works. The public procurement rules apply to such contracts. At the same time, the Council has powers to buy land and buildings for the carrying out of its functions, which include the provision of housing as housing authority. As land transactions are **excluded** from the scope of the public procurement rules, this opens up alternative delivery options.

4. CURRENT POSITION

- 4.1 The Council currently purchases a small number of second-hand houses each year through the Open Market Acquisition Scheme in order to meet specific housing need. The Council

also recently purchased eight completed units from a private developer (Report 307/15 refers).

- 4.2 In order to maintain an ambitious programme of housing development it is recognised that a range of development approaches are needed to ensure the Council is able to maintain the pace and scale of delivery. This would allow the Council to respond to the emerging challenges. The Housing Development Policy Framework will guide the selection of housing development opportunities by ensuring the Council takes cognisance of relevant land transaction or procurement rules.

5. PROPOSALS

- 5.1 The proposed Housing Development Policy Framework is provided in Appendix 1. The Framework identifies five base models for development with a number of variations within each model. The base models are:

- i) Purchase units as offered to the market (units likely to be completed or under construction).
- ii) Purchase units offered to the market but with incidental changes (likely to be units under construction or not yet built).
- iii) Purchase housing land for development (units will be subject to a separate agreement).
- iv) Purchase housing land for development (units delivered under the same agreement).
- v) New build to Council's specification and design (land owned by developer or Council).

- 5.2 Each model sets out the broad approach which will be used to progress the purchase. The approach recognises that no two opportunities will be identical, therefore the circumstances surrounding each opportunity should be considered in full before entering into any detailed contract negotiation or procurement process. Advice should be sought from the Council's Procurement and Legal teams. Purchases proposed following consideration of the framework would be reported to committee for approval in advance.

Purchase of Units for Shared Equity

- 5.3 In line with the proposed principles of the Housing Development Policy Framework, Members are asked to approve the purchase of 22 units being delivered as part of a Planning Obligation in Monifieth. This involves purchasing units which are not yet under construction but will be built to an affordable housing specification with no input from the Council on design or specification. This opportunity falls within Option 2 within the Housing Development Policy Framework and as such it is a land transaction and does not fall within the procurement regulations. In normal circumstances, Financial Regulation 17.1.2 requires all proposals involving the acquisition of land or buildings to go to the Policy and Resources Committee for approval. However, the Special Arrangements Committee has power to decide any matter which would normally be decided by Policy and Resources Committee
- 5.4 Fifty-four units have already been delivered on the same site by a Housing Association partner for social rent, a further eight are currently onsite. The remaining 22 units will be purchased by the Council and offered as shared equity to households within the priority client group. The units will be delivered without any grant subsidy.
- 5.5 The projected outlay from Angus Council is £3.086m for 10 three-bed and 12 two-bed properties. The financial model allows sufficient headroom for costs such as marketing and conveyancing. The financial stake required to be held in the scheme by Angus Council will vary depending on the eventual valuation and the purchaser's ability to pay. The purchasers will be able to purchase a stake of between 60% and 80% which it is estimated will generate revenue of between £2.073m and £2.765m. On this basis, the Council would have equity of between £1.013m (based on all sales at 60%) and £322k (based on all sales at 80%) in the scheme. Funding of £226k is available from the Affordable Housing Revenue Account (AHRA) to fund this transaction, with any remaining to be funded from the HRA. It is anticipated the units will be completed by March 2021.
- 5.6 The financial model anticipates that the scheme will develop a surplus income as owner's tranche up or sell their properties. Once the HRA stake has been repaid, the additional income will be used to support further shared equity developments.

6. FINANCIAL IMPLICATIONS

- 6.1 Members are asked to approve the purchase of 22 units for a total cost of £3,086,000. Funding of £226,000 will be drawn down from the AHRA (Developer Contributions). The remaining £2,860,000 can be accommodated within the existing Housing Capital Plan.

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report:

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List of Appendices:

Appendix 1 – Housing Development Policy Framework