

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE

27 OCTOBER 2020

OFFER TO BUY A NON-SURPLUS HRA ASSET AT INGLIS COURT, EDZELL

REPORT BY DIRECTOR OF COMMUNITIES

ABSTRACT

This report recommends that Committee declines an unsolicited offer to buy a non-surplus Housing Revenue Account (HRA) asset at Inglis Court, Edzell.

1. RECOMMENDATION

1.1 It is recommended that Committee:

- (i) Instructs the Director of Communities to decline an unsolicited offer received for the purchase of a non-surplus Housing Revenue Account (HRA) asset at Inglis Court in Edzell.
- (ii) Note that alternatively, should members wish to consider the option of the asset being declared surplus and then put on the open market for sale, that a further report would need to come to a future committee detailing how the legislative requirements for disposing of HRA assets have been satisfied and how Best Value will be achieved.

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

2.1 This report contributes to the outcomes contained within the Angus Community Plan, Locality Plans and Council Plan, which focus on Economy, People, Place and Our Council:

ECONOMY

- An inclusive and sustainable economy

PLACE

- Safe, secure, vibrant and sustainable communities
- An enhanced, protected and enjoyed natural and built environment

3. BACKGROUND

3.1 An unsolicited offer has been received for the purchase of a Housing Revenue Account (HRA) asset at Inglis Court in Edzell. Details of the offer are attached at Appendix 1 (exempt). The asset has not been declared surplus to requirements, and it forms a fundamental part of the Council's Affordable Housing Programme. The building on the site is currently being vacated to allow for proposed demolition and subsequent development of around 20 new Council houses for rent, supported by significant grant investment by the Scottish Government.

3.2 Accordingly, the Housing Service has confirmed that the asset is currently not surplus to requirements and is therefore not for sale. It forms an important part of the HRA Capital Programme, and is included in the approved Strategic Housing Investment Plan (SHIP) (Report 370/19 appendix 2 refers), as part of the delivery mechanism for the long term strategic approach set out in the Local Housing Strategy (LHS) which supports the need for affordable housing in rural areas (report 329/17 refers). The Communities Committee, at its meeting on 12 February 2018, considered a report by the Director of Communities and the Head of Finance and Legal in respect of Housing Revenue Account Rent Setting and Budget Strategy 2018-2023 (Report No.: 47/19 refers). Having considered the terms of that report, the Committee agreed to set a HRA Capital Plan for the financial year 2019/2020 based on the rent strategy adopted as well as the indicative level of programme for the financial years 2020/21 to 2022/23.

This Capital Plan (Appendix 3 to Report No.:47/19) included the demolition of Inglis Court and provision of 20 units of affordable housing on the site. The demolition of Inglis Court and the provision of 20 affordable houses on the site was included in the HRA Capital Plan set by the Communities Committee at its meeting on 11 February 2020 (Report No.: 43/20 refers) and in the updated HRA Capital Plan approved by the Communities Committee at its meeting on 29 September 2020 (Report No.: 240/20 refers).

- 3.3 In its current form Inglis Court consists of 24 one-bed properties and a three-bed property which was formally the Warden's house. The sheltered housing complex was built in 1977 and underwent modernisation in 2012, including installation of a lift and level access showers in all properties. It was re-designated as retirement housing in 2016 as part of the wider review of housing for older people, following the introduction of the national policy initiative of Self Directed Support to help older people live at home for longer. This changed the criteria for allocating properties to remove restrictions around applicant support needs, thus making the properties available to a wider range of older people.
- 3.4 Despite these improvements and changes to provide a more flexible housing model, demand for housing at Inglis Court fell considerably between 2013 and 2018. At March 2018 there were seven voids, and then by November 2018 this had increased to 13, which equates to over 50% of the units, with only two applicants on the housing list who were suitable to be considered for retirement housing in Edzell. This reflects a general trend which sees older people less inclined to move to sheltered or retirement housing because their care and support needs can be met in their existing home. The table below shows the profile of terminations and lets from 2013, with properties remaining empty for considerable periods of time, including some since 2016. This indicates a significant loss of resource in terms of both accommodation and rental income in a village the size of Edzell.

Terminations and Lets (Inglis Court¹)

| | Number of Terminations | Number of Lets | Number Void 31 March | % Void 31 March |
|---------|------------------------|----------------|----------------------|-----------------|
| 2013/14 | 3 | 2 | 1 | 4% |
| 2014/15 | 5 | 6 | 0 | 0% |
| 2015/16 | 8 | 2 | 6 | 25% |
| 2016/17 | 11 | 11 | 6 | 25% |
| 2017/18 | 4 | 3 | 7 | 29% |

- 3.5 In contrast to the low demand being experienced for either Social Sheltered Housing or Social Retirement Housing, demand for mainstream Social housing in Edzell remains strong. The Council currently provides 44 mainstream homes in Edzell and in the five years from 2015/16 there were 16 void instances. There were no voids in 2019/20. The average relet time was 30 days which is in line with performance across all stock and indicates no issues with demand.
- 3.6 As a further indication of the demand for affordable mainstream housing in Edzell, there are currently 215 people on the housing list for the Edzell area. The majority of applicants (58%) require a one-bed property, in common with the profile of housing need across Angus, however there is also demand for two-bed (23%) and three-bed (13%) homes.
- 3.7 As a rural service centre, Edzell is a priority area for the provision of affordable housing in Angus. The LHS has a specific action to increase the supply of affordable housing in rural areas with a focus on the rural service centres. The housing mix for the proposed redevelopment takes into account the current demand for social housing in Edzell as well as the impact the local school extension is likely to have on the need for family accommodation. It will also provide much needed specialist accommodation in line with our commitment to deliver wheelchair accessible and particular needs housing. While the proposed development would result in an overall reduction in the number of units, this should be considered alongside the long-term void rate of the current complex, where properties have been empty and unoccupied for long periods of time. The proposed development would result in a net increase in bed spaces (rising from 54 to 61) as it would provide a mix of house types, allowing a greater number of people to be accommodated, all be it, in fewer homes. Informal engagement has already taken place to

¹ This includes the 24 retirement homes but excludes the former Wardens house used as temporary accommodation.

inform the local community, but formal consultation on the proposed development, will be undertaken in line with Planning requirements.

3.8 A complex exercise has already been undertaken to re-accommodate tenants from Inglis Court. One tenant has still to be re-accommodated. This exercise was undertaken on the basis that tenants were leaving their homes in order for the site to be redeveloped for new Council housing which meets the needs of the Edzell community. There is therefore an expectation on behalf of our tenants and the Scottish Housing Regulator that this will be the case, however, this expectation would not be delivered if the site were sold to a third party. To change this approach now could severely impact the Council's reputation to deliver in the best interests of tenants and could become the subject of interest by the Housing Regulator. If new affordable social housing units for rent are not delivered on this site, an alternative would have to be found. However, the Angus Local Development Plan identifies only two housing sites within the Edzell development boundary. The first of those sites has planning permission for the erection of 13 residential units, and the Council's Housing Land Audit 2020 indicates that the site is now complete. The second site is allocated for a residential development of around 50 units. Neither of these sites is within Council ownership. This means that an alternative site would have to be found elsewhere in the North Angus Housing Market Area, to ensure that a number of objectives are met; 1, so that the unit targets contained within the SHIP are delivered; 2, so that the grant agreements with the Scottish Government can be satisfied; 3, so that appropriate affordable housing opportunities are available for people on lower incomes. As these opportunities would not be in Edzell, there is a danger that the housing tenure profile of the village would become more skewed towards owner occupation, reducing the chances for people to access rented housing with the security of tenure that Social Housing provides. The Council would also be unable to increase the availability of housing for families within the Edzell area.

3.9 Members should also note that specific guidance from the Scottish Government sets out the process which must be followed in order for the HRA to dispose of assets. This guidance includes a requirement for the Council to consult fully with tenants prior to any disposal. In this case it would include the Council Tenants Steering Group and the wider North Angus tenant base. Accordingly if members instruct the Director of Communities to explore the potential to dispose of the asset, the Council would need to consult with tenants. As part of the framework for disposing of HRA assets, Scottish Ministers' consent is required. Previously the Council usually had to seek consent for each transaction but Scottish Ministers now have a general consent process for sales which meet certain criteria, which avoids the need for site specific Scottish Ministers' approval. For the sale to be covered by Scottish Ministers' General Consent provisions, the Council must also demonstrate that any site disposal is for more than 75% of the market value. Therefore a valuation would be obtained in order to inform any decision about disposal. A further report would be brought to members to allow members to take account of the consultation and the valuation, and to decide if the site should be placed on the open market. A valuation would also be relevant in terms of evidencing how best value could be achieved. It should be noted that if these two matters cannot be satisfied, then the General Consent process is not sufficient and therefore Ministerial consent for disposal would be required.

If members are inclined to support disposing of the asset on the open market, this would require to be conditional upon:

- (a) Scottish Ministers' consent under Section 12 of the Housing (Scotland) Act 1987, either under the General Consent provisions, or if those requirements are not met, specific consent; and
- (b) Compliance with the Disposal of Land by Local Authorities (Scotland) Regulations 2010 if the sale is at a consideration below market value. Local Authorities have a statutory duty to dispose of property for the best value that can reasonably be obtained. These regulations allow the Council to sell land for a price less than the best that can reasonably be obtained, without Scottish Ministers' consent, if the sale meets certain criteria.
- (c) The Council obtaining a satisfactory independent valuation from a suitably qualified surveyor.
- (d) The Council consulting with tenants as outlined in 3.9 above.
- (e) The Council being able to give vacant possession by managing to re-accommodate the remaining tenant before the date of entry.

4. BEST VALUE

- 4.1 In order to determine whether or not the offer represents Best Value for Angus Council tenants, an assessment has been made of both the financial and non-financial merits of the offer. The Housing Service has confirmed that the asset is currently not surplus to requirements and therefore not available for sale. This does not mean that the current building on the site is fit for Social Housing purposes – it is not. A long standing trend of the accommodation being under-utilised, alongside the corresponding loss of rental income, represents a very inefficient use of resources, and therefore adopting a “do nothing” approach, regardless of the condition of the building, is simply not an option in terms of either providing Best Value, or in terms of managing the Housing Stock efficiently on behalf of rent payers. It also does not conform with the Scottish Social Housing Charter which requires social landlords to ‘manage all aspects of their businesses so that tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay’.
- 4.2 There is however, still very much a need for the Council to continue to provide affordable Social mainstream housing for rent in Edzell, so that vulnerable people in the community and those less well-off can have the opportunity to access housing that meets their needs for many years to come. Therefore, the Housing Service is proposing to demolish the current building and replace it. A planning application for the demolition of the existing properties and development of 21 new build homes is in the process of being submitted with the intention that the new Housing units will be built during 2021-23. The development of one, two and three bed homes, reflects current and projected housing need and demand within Edzell.
- 4.3 .On the basis of the detail provided at sections 3 and 4 above and Appendix 1 attached, the current approach (redevelopment by the HRA) is considered to provide the best value approach for council tenants Full details of the Best Value assessment is contained within Appendix 1.

5. PROPOSALS

- 5.1 Financial Regulation 17.2 (6) covers instances where the Council receives unsolicited offers for its assets. The Regulation states that if an unsolicited approach to acquire land or property which has not been declared surplus to requirements is made, the service holding the asset will first determine whether it is potentially surplus to requirements. If it is confirmed that the property is surplus to requirements, then the process outlined in Financial Regulations including reporting to this Committee should be followed. In this case the Housing service has confirmed that the asset in question is not currently surplus to their requirements.
- 5.2 It is recommended that Members instruct the Director of Communities to decline the unsolicited offer received for the HRA asset at Inglis Court in Edzell, this on the basis that:
- The asset is not surplus to HRA requirements;
 - The strong demand for mainstream Social housing in Edzell;
 - The number of people seeking such housing in the Edzell area;
 - The increased number of bed spaces that would be provided through HRA development;
 - The rural service centre nature of Edzell as a priority area for the provision of affordable housing;
 - The lack of a suitable alternative readily available site in the North Angus Housing Market Area;
 - The financial position as set out in Appendix 1.
- 5.3 If however, members wish to consider the option of the asset being declared surplus, disposal would have to be by way of open market sale to satisfy the requirements of the Council's Financial Regulations and the HRA asset disposal regulations of the Scottish Government. In such circumstances, the Council would require to do the following before a further report was brought back to a future committee detailing how the legislative requirements for disposing of HRA assets have been satisfied and how Best Value would be achieved.:
- (a) obtain an independent valuation from a suitably qualified surveyor.

- (b) consult with tenants, as mentioned in paragraph 3.9. If the outcome was at odds with the decision, a further report would be brought to members to allow members to take account of the consultation
- (c) check that the sale complies with the requirements under Section 12 of the Housing (Scotland) Act 1987 for Scottish Ministers' consent, either under the General Consent provisions, or if those requirements are not met, specific consent; and
- (d) check that the sale complies with the Disposal of Land by Local Authorities (Scotland) Regulations 2010 if the sale is at a consideration below market value.
- (e) Ensure it would be able to give vacant possession by managing to re-accommodate the remaining tenant before the date of entry.
- (f) a new site elsewhere in Edzell or the North Angus Housing Market Area will have to be identified and acquired, so that Affordable Social Rented Housing delivery targets can be achieved. It is likely that this would take some time, and therefore delay the delivery of units. It would also entail new design work having to be carried out and new planning applications made and approved.

6. FINANCIAL IMPLICATIONS

- 6.1 All costs for the project to develop the Inglis Court site are contained in current HRA resources. A financial assessment of the offer has been undertaken and compared with the cost of demolishing the existing building versus purchasing another site suitable for delivering much needed affordable housing. This assessment has determined that selling the Inglis Court site would incur a net cost to the HRA. This includes the opportunity cost of disposing of a viable site which has already been subject to design work and other preparatory studies.
- 6.2 However, if members wish to consider the option of the asset being declared surplus and then put on the open market for sale, members should note that all sale proceeds would be payable to the HRA, and not the General Fund.

NOTE: The background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to a material extent in preparing this above report are:

- Communities Report 370/19 Strategic Housing Investment Plan (SHIP)
- Communities Report 329/17 Local Housing Strategy

List of Appendices:

Appendix 1. (Exempt). Detail of unsolicited offer.

REPORT AUTHOR: –Stewart Ball, Director of Communities

EMAIL DETAILS: Communities@angus.gov.uk