

## **AGENDA ITEM NO 5**

**REPORT NO 150/23**

### **ANGUS COUNCIL**

#### **COMMUNITIES COMMITTEE – 23 MAY 2023**

#### **MARKET ACQUISITION & DISPOSAL OF PROPERTIES**

#### **REPORT BY ALISON SMITH, DIRECTOR OF VIBRANT COMMUNITIES AND SUSTAINABLE GROWTH**

### **ABSTRACT**

This report provides an update on the Open Market Acquisition (OMA) Scheme and the Disposal & Buyback for Majority Share (DBMS) programme. It seeks approval for both to be updated and expanded. It sets out acquisitions and disposals to date, the reasons for updating and expansion plus detail of increased grant eligibility.

### **1. RECOMMENDATIONS**

It is recommended that the Committee:

- (i) Delegate authority to the Director of Vibrant Communities and Sustainable Growth to approve the purchase of up to 50 properties per annum which meet the Council's criteria and can be accommodated within existing resources;
- (ii) Agree that purchases and related costs will be funded from an appropriate funding source to be identified from within existing resources on an ongoing basis;
- (iii) Approve the proposed changes to the Council's criteria for both the OMA Scheme and DBMS programme; and
- (vi) Note the approved expansion of the Council's children's residential estate by two properties, (Report 409/22 refers), is part of the activity covered by this report.

### **2. ALIGNMENT TO THE COUNCIL PLAN**

This report contributes to the following local outcomes contained within the Council Plan 2023-28.

#### **Caring for our Place**

- Protect and enhance our natural and built environment
- Enable inclusive, empowered, resilient and safe communities across Angus
- Make our local services accessible

#### **Caring for our People**

- Reduce inequalities in all our communities
- Provide the best start in life for children
- Create more opportunities for people to live well and achieve their personal goals
- Improve physical, mental health and wellbeing

#### **Caring for our Economy**

- Support Angus to achieve inclusive and sustainable economic growth

### **3. BACKGROUND**

- 3.1 The Council has successfully operated an OMA Scheme (Report 464/14 and 307/15 refers) and a programme of DBMS (Report 117/18 refers) since 2014 and 2018 respectively. The OMA Scheme was established to utilise unused capacity within funding resources, to increase the Council's housing stock and address housing need. The self-funding programme of DBMS was introduced to proactively sell Council owned units which became void in multi tenure blocks where the Council is a minority owner and recycle the funds to buy back ex-Council units where we could take back majority share or to facilitate regeneration activity.
- 3.2 Grant funding is available to support these purchases from the Scottish Government Affordable Housing Supply Programme. The level of grant is based on purchase price plus all other costs associated with a purchase.
- 3.3 Members will be aware of the financial position and pressures the Housing Revenue Account faces. The current operating environment presents many challenges and whilst the core priorities for housing have not changed, the need to have a range of initiatives which can respond flexibly to a complex mix of challenges is even more critical.

### **4. CURRENT POSITION**

- 4.1 The current OMA scheme allows for up to 20 properties to be purchased per annum. Since 2014/15 the Council has purchased 68 properties (59 OMA and 9 buybacks) with 13 disposals. This includes 10 purchases of properties which were to meet an identified medical need. Recording of purchases which were classified as empty homes (a property which has been empty for more than 6 months) started in April 2019 and between then and March 2022, 13 of the 68 purchases were empty homes.
- 4.2 During 2022/23 there was an increase in properties purchased which reflects the challenges being experienced in relation to new build. Inflationary pressures generally combined with below inflationary rent increases, has necessitated the slowing down of our new build programme. To meet the needs of households in housing need, purchases have typically been of larger properties (3 and 4 bedroom) resulting in higher-than-normal total purchase costs in a market which has seen increased house prices. Despite these increases, a robust approach to assessing costs means the purchase prices paid for market acquisitions are still considered to represent best value, particularly in comparison to the cost of building new properties in the current market.
- 4.3 The Scottish Government provides funding for OMA through the Affordable Housing Supply Programme. Grant levels have remained static for many years, ranging from £15,000 to £46,000 depending on purchase price. In recognition of increasing house prices and associated costs, the Scottish Government recently approved increased subsidy levels for OMA and buyback purchases from 2022/23 onwards. The base grant level remains unchanged at £15,000 for a total purchase cost of up to £60,000, increasing incrementally up to a new maximum grant of £80,000 for a total purchase cost which exceeds £260,000. Grant levels average 31% of the total purchase cost. Additionally, on a case-by-case basis the Scottish Government will consider enhanced grant, where a Zero Direct Emissions Heating (ZDEH) system is to be installed following acquisition.

### **5. PROPOSAL**

#### **OMA and DBMS**

- 5.1 It is proposed to increase the maximum number of properties purchased via either scheme to 50 units per annum . This will allow greater flexibility to expand and contract the scheme in response to circumstances at pace and specifically to allow for the potential for purchasing specifically to sell if we can demonstrate a financially viable way of achieving this (see 5.4 and 5.5 below).

- 5.2 The full criteria are set out in Appendix 1 with key changes summarised below:
- a) the ability to consider properties which are not being actively marketed which may be an empty home or a seller/agent has made contact premarketing.
  - b) obtaining or instructing a Home Report, including a valuation where one doesn't exist for a property that is not being actively marketed.
  - c) if the seller has an active Common Housing Register (CHR) housing application, at settlement the seller will have secured alternative permanent accommodation.
  - d) purchasing of homes where the occupant has a priority banding due to medical need for rehousing and applying other criteria as necessary.
  - e) updating the definition of majority ownership to include houses/bungalows which are adjacent to/part of a row of existing council stock
- 5.3 In addition to the criteria, operational guidance will be updated to include the following:
- When a property is not advertised for sale, and we approach an owner we may instruct the Council's agents (Shepherd Chartered Surveyors) to complete a Home Report. Any cost we incur will be deducted from the agreed purchase price. There may be rare occasions where we have incurred the Home Report cost and the purchase has not been able to be concluded. We anticipate this risk to be minimal and has only occurred once to date.
  - In the event there is an existing tenant in a property that meets our criteria, we may proceed with the purchase. We would try to prevent homelessness occurring and would transfer the existing tenant onto a secure tenancy as soon as is practical after settlement, providing they wish to remain a tenant of that property.

### **Shared Equity**

- 5.4 Shared equity is a recognised form of affordable housing which meets the need of lower income households and contributes towards our intermediate tenure target. It is proposed that shared equity is included as a disposal route to increase the availability of this form of affordable housing in Angus and ensure that purchasers fall within the priority client group. The Council has successfully delivered shared equity and will use knowledge and experience to review the viability of acquisitions and disposals for this tenure type.
- 5.5 A key outcome for the next LHS is to make best use of existing stock including the reduction of empty homes. Both initiatives are well placed to contribute to this reduction, and as options for taking a more proactive role in terms of reducing the number of empty private sector homes are considered, it is recognised that acquisition of empty homes may be more suited to shared equity due to location or property type i.e. not being part of existing Council stock or in an area of low demand. Having shared equity as a tenure outcome adds further innovative capability to our service.
- 5.6 Prior to disposal, properties will be reviewed to determine suitability as shared equity. Where the cost to carry out any work plus the Additional Dwelling Surcharge (ADS) if applicable would make it financially unviable as shared equity, we would progress to purchase as social rent or a direct disposal depending on the initiative being used. The Scottish Government has recently consulted on the use of ADS. If ADS were to be removed or reduced for Council purchases that would greatly assist with viability. Where a property is deemed suitable for shared equity and we subsequently are unable to find a suitable buyer, we would also progress to direct disposal.
- 5.7 As part of the shared equity scheme, the Council will retain a financial stake which will vary depending on the eventual valuation and the purchaser's ability to pay. The purchaser will be able to purchase a stake of between 60% and 80%. On a two-bedroom property with a value of £100,000 and a purchaser having a 60% stake, the Council would retain equity of £40,000.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 The HRA capital plan approved at Communities committee on 21 February 2023 includes an allowance of £1m (gross) per annum for OMA. Any additional financial implication will be met from within that resource and reported via the Housing Capital Monitoring Report. There are no new financial implications arising for the DBMS programme as it is self-financing.

## **7. EQUALITY IMPACT ASSESSMENT**

7.1 An Equality Impact Assessment has been carried out and is attached.

NOTE: The following 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 this report:-

- Report No. 39/23 – Housing Revenue Account Rent Setting and Budget Strategy 2023/24-2026/27 – Communities Committee 21 February 2023
- Report No. 409/22 – Children’s Residential Services – Policy and Resources Committee 6 December 2022
- Report No. 117/18 – Disposal & Buy Back for Majority Share – Communities Committee 17 April 2018
- Report No. 307/15 – Open Market Acquisition Scheme – Communities Committee 19 August 2015
- Report No. 464/14 – Open Market Acquisition Scheme – Communities Committee 18 November 2014

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## CRITERIA FOR OMA

The Council will only consider purchasing properties which meet the following criteria:

- a) The types, size, quality, and location of the property is in line with identified requirements.
- b) The property is being actively marketed for sale, is a long-term empty home (empty for 6 months or more) and not actively marketed or seller/agent has made contact premarketing.
- c) The seller has a valid Home Report, will obtain one or we instruct one. Any offer will be subject to a valid and acceptable Home Report, including valuation.
- d) If the seller has an active CHR housing application, at settlement the seller will have secured alternative permanent accommodation.
- e) Purchase of homes where the occupant has a priority banding due to medical need for rehousing (criteria a), b) and c) is applied).

## CRITERIA FOR DBMS

The Council will only consider purchasing properties which meet the following criteria:

- a) The property is a former council property and brings us back into majority ownership in that block or in the case of houses/bungalows is adjacent to/part of a row of existing council stock.
- b) The property is being actively marketed for sale, is a long-term empty home (empty for 6 months or more) and not actively marketed or seller/agent has made contact premarketing.
- c) The seller has a valid Home Report, will obtain one or we instruct one. Any offer will be subject to a valid and acceptable Home Report, including valuation.
- d) If the seller has an active CHR housing application, at settlement the seller will have secured alternative permanent accommodation.
- e) Purchase of homes where the occupant has a priority banding due to medical need for rehousing (criteria a), b) and c) is applied)

In addition to the above we may approach owners in blocks where we hold the majority share, and the other conditions are met.

For both schemes the Council will also take into account:

- 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, specifically meeting Energy Efficiency Standard for Social Housing (ESSH2).

The current criteria for disposal will remain unchanged:

- a) The property is a current void
- b) The property is within a multi tenure block where the council has a minority share; or
- c) The asset is unpopular and surplus to requirements