

Meeting of:	Cabinet
Date of Meeting:	Monday, 16 December 2019
Relevant Scrutiny Committee:	Homes and Safe Communities
Report Title:	Housing and Property Acquisitions Strategy 2020
Purpose of Report:	To present the Housing and Property Acquisitions Strategy for consultation prior to approval.
Report Owner:	Cabinet Member for Housing and Building Services
Responsible Officer:	Miles Punter – Director of Environment and Housing Services
Elected Member and Officer Consultation:	<p>Andrew Treweek - Operational Manager, Building Services Richard Stopgate – Development and Investment Manager Pam Toms – Operational Manager, Public Sector Housing Eleri Nicholas – Empty Homes and Loans Officer Lorna Cross – Operational Manager, Property Carolyn Michael – Operational Manager, Accountancy Jocelyn Ham, Senior Lawyer</p> <p>Individual ward members have not been consulted, as the Policy is of a corporate nature and relates to the whole Vale of Glamorgan</p>
Policy Framework:	This report is a matter for Executive decision.
<p>Executive Summary:</p> <ul style="list-style-type: none"> • The Housing and Property Acquisition Policy 2019 establishes the process by which the Council will be able to acquire housing or property to supplement the number of new social housing units it has committed to deliver. • The Policy discusses the principles by which housing or property should be acquired, having regard to financial viability, housing need and strategic priorities. • The Policy establishes the governance and approval process under which housing and property can be acquired. 	

Recommendations

1. That Cabinet formally adopts the Housing and Property Acquisitions Strategy.
2. That delegated authority be granted to the Head of Finance/Section 151 Officer, in consultation with the Director of Environment and Housing Services and the Cabinet Member for Housing and Building Services, to negotiate the individual terms and conditions for the purchase of housing and property.
3. That delegated authority is granted to the Monitoring Officer/Head of Legal and Democratic Services, to finalise the individual terms and conditions for the purchase of housing and or property.
4. That delegated authority is granted to the Monitoring Officer/Head of Legal and Democratic Services, to execute the associated contracts and all legal documentation on behalf of the Council.

Reasons for Recommendations

1. To formally adopt the Strategy having confidence that there were no changes recommended by the Homes and Safer Communities Scrutiny Committee at their meeting on the 16th October 2019.
2. To ensure that land and property purchases decisions can be taken promptly.
3. To allow the terms and conditions of the acquisition of housing and property to be finalised.
4. To grant authority to execute all legal documentation.

1. Background

- 1.1 Previously, the Council has not had the benefit of a Housing and Property Acquisitions Strategy (**Appendix A**) which allowed it to acquire housing or property and respond appropriately to opportunities that presented themselves in the open market.
- 1.2 Frequently, Housing and Building Services has been approached by the owners of former Council housing who wish to sell their property back to the Council, but we have been unable to assist because of the absence of policy guidance and an approval process.
- 1.3 Similarly, Housing and Building Services has been approached by colleagues in the Empty Properties team and requested to consider the purchase of problematic empty homes, which on occasion have blighted communities, but again we have been unable to respond.

- 1.4** This Policy sets out how Housing and Building Services will achieve its ambition to increase its portfolio of housing, in part through the acquisition of new homes for rent and property for redevelopment.

2. Key Issues for Consideration

- 2.1** Any acquisition must address housing need within the Vale of Glamorgan and be in line with the Council's corporate objectives.
- 2.2** The Council should only consider acquiring housing and/or property where:
- It will assist the Vale of Glamorgan Council in delivering its corporate objectives;
 - It will contribute to the provision of affordable or social housing;
 - It will deliver economic and/or social development benefits;
 - It is required for the delivery of a wider strategic development project;
 - It will provide a sound financial investment.
- 2.3** Additional housing and/or property should only be acquired where the purchase supports local housing need or development and the acquisition is financially viable, having regard to the cost of improvements required to achieve and maintain the Welsh Housing Quality Standards (WHQS), management costs and rental income receivable.
- 2.4** A Business Case comprising information evidencing points 2.1 and 2.2, will be submitted in accordance with the Council's Acquisition Protocol to the Strategic Housing Board for consideration and will ideally demonstrate payback within 30 years. The Head of Finance / Section 151 Officer and Director of Environment and Housing are represented on this Board and the Cabinet Member for Housing and Building Services is in attendance.
- 2.5** Once the support of the Strategic Housing Board has been obtained and in accordance with the Council's Acquisition Protocol, the Legal and Estates Team can commence negotiations with the vendor.
- 2.6** Cabinet, on the 23rd September 2019, referred the report for consideration to the Scrutiny Committee and at its meeting on the 16th October 2019, the Homes and Safe Communities Scrutiny Committee noted the report, having fully considered the contents and noting that the Strategy would commence with immediate effect following adoption of the Strategy. The Committee having queried whether the Council would be publicising its plan to acquire properties to the general public, was advised that we would not due to consideration needing to be made around the budgetary position.

- 2.7** The original start date for the Strategy of 2019 has been changed to 2020 to reflect the possible date of approval.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** Looking to the long term - The Housing Business Plan allocates significant resource, some £236 million over the next thirty years, towards the development of new Council homes. To add to and compliment the delivery of new affordable homes, the Council can seek to add to its portfolio by acquiring housing and property from the open market. In this way the Council could further add to the overall numbers of affordable homes in the Vale of Glamorgan without adversely impacting on the Housing Business Plan.
- 3.2** Taking an integrated approach - In April 2018, Welsh Government announced an independent review of affordable housing supply in Wales. The purpose of that review was to examine whether more could be done to increase the supply of affordable housing in Wales, maximising the resources available in order to meet the clear commitment to deliver 20,000 affordable homes during this term of Government. The Council is committed to working with Welsh Government, its housing partners, communities and the private sector in maximising the delivery of affordable housing in the Vale of Glamorgan.
- 3.3** Involving the population in decisions - In arriving at a decision to provide new affordable housing or, to acquire additional housing and property, the Council will fully consult with its Local Members and the tenant representative body.
- 3.4** Working in a collaborative way - The Council has strong established links with a number of Housing Associations, private developers and internal departments who can work collaboratively to acquire additional housing and property.
- 3.5** Understanding the root causes of issues and preventing them - The 2017 Local Housing Market Assessment (LMHA) highlighted the chronic shortage of affordable housing in the Vale of Glamorgan. In assessing the housing market as a whole, the LMHA calculates the net need for affordable housing, including social rented housing, intermediate rented housing and low cost home ownership housing products, over the coming years. This assessment projects the headline annual need for affordable housing in the Vale of Glamorgan to be 576 units per annum between the years 2017 to 2022. The LMHA identified an overwhelming need for all types and tenures of affordable housing in the Vale. The Council has recognised this and is acting to invest significantly in new Council homes and support Housing Association development.

3.6 This proposal will meet:

Well-being Outcome 1: An inclusive and safe Vale

Objective 2: Providing decent homes and safe communities

Action: Increase the number of sustainable, affordable homes. (2019/20)

4. Resources and Legal Considerations

Financial

- 4.1** The Housing and Property Acquisitions Strategy will be supported by the Housing Business Plan and a budget will be established to acquire housing or property, in addition to the existing budget for the acquisition of land for the Council's new build development programme.

Employment

- 4.2** There are no direct employment implications arising from this report.

Legal (Including Equalities)

- 4.3** Legal Services will be required to conclude the purchase of additional housing and property.
- 4.4** Tenant Engagement will take into account the needs of tenants from a variety of backgrounds as well as people with protected characteristics.

5. Background Papers

The Housing Strategy 2015 – 20

Housing Development Strategy 2019 - 24

The Local Housing Market Assessment (LMHA) 2017



VALE of GLAMORGAN COUNCIL
**HOUSING and PROPERTY
ACQUISITIONS STRATEGY**

2020

Directorate of Environment and Housing



January 2020 Version 1.5
Review date: January 2021

VALE OF GLAMORGAN COUNCIL



Housing and Property Acquisitions Strategy 2020

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1. Introduction

- 1.1 This Policy sets out how the Housing Service will support its ambition to increase its portfolio of housing, in part through the purchase of existing homes for rent and partially through purchasing property which facilitates the wider development programme. Not only will this improve our ability to meet the housing needs of the people of the Vale of Glamorgan, it will also help us to finance and deliver a robust programme for continued investment in our existing homes.
- 1.2 At the same time, it is important to retain close working relationships with our housing association, developer and internal partners to deliver new homes in the Vale of Glamorgan. Our role is one of complementing the provision of new and additional homes, rather than being in competition with providers.

2. Links with the Council's Corporate Plan, Well-Being Plan and the Housing Strategy

- 2.1 The Corporate Plan 2016 - 20 sets out the Council's priorities to achieve its outcomes for people, for business, for the environment and for how the Council operates. These strategic outcomes provide the 'infrastructure' to enable the Vale of Glamorgan Council to achieve its vision of 'strong communities with a bright future'.
- 2.2 The specific outcome sought in terms of housing is to ensure high standards of existing and future housing stock. This will be through the provision and upkeep of good quality housing to meet local needs and to cater for the growth of the Vale of Glamorgan
- 2.3 The Well-being Plan 2018/23 further strengthens the corporate priorities by establishing a framework which considers the long-term implications; how they may be more integrated, exhibit an inclusive decision making process, promote collaborative working and seeks to understand and prevent the root causes of issues.
- 2.4 The Housing Strategy 2015 - 20 builds on this, with an overarching ambition to meet the housing need of the Vale. One way of achieving this is through new development and the acquisition of new Council homes.

3. Current Housing Need

- 3.1 The Local Housing Market Assessment (LMHA) undertaken in 2017 demonstrates an additional 576 new affordable homes are required annually in the Vale of Glamorgan between 2017 and 2022.
- 3.2 As Universal Credit is rolled out across the residents of the Borough, the impact is becoming clearer and an increasing number of private rental landlords are less willing to rent to those dependent on the benefits system. This is placing additional pressures on those serving this sector of the market, as demand for rented accommodation increases.

4. General Principles

- 4.1 Additional housing and/or property should only be acquired where the acquisition is financially viable.

4.2 Any acquisition must address housing need within the Vale of Glamorgan and be in line with the Council's corporate objectives, whether these are economic, social or environmental.

4.3 Any opportunities which arise to acquire property or assets, including partnerships with strategic and private sector partners, will be considered and assessed on their individual merit.

5. Acquisitions

5.1 The Council will only consider acquiring housing and/or property where:

- It will enable the Vale of Glamorgan to deliver the its corporate objectives;
- It will contribute to the provision of affordable or social housing;
- It will deliver economic and/or social development benefits;
- It is required for the delivery of a wider strategic development project;
- It will provide a sound financial investment.

5.2 Houses, buildings and other property will predominantly be acquired in order to contribute to outputs identified in the Housing Development Strategy 2019 - 24. Acquisitions may however be used in other instances, such as; to support wider regeneration projects, or, Welsh Government initiatives.

5.3 Assessment criteria will be applied when making a decision to acquire an individual property. A framework of assessment criteria has been put in place to guide and determine which opportunities are pursued. The key elements that make up the framework are detailed in **Appendix 1**.

5.4 The benefits of acquiring additional Houses, buildings and other property for the Council's portfolio housing include:

- Effectively meeting housing need, strengthening links between strategic and landlord services;
- Additional revenue income stream to ensure a sustainable Housing Business Plan for longer term investment in Council homes;
- The delivery of high-quality housing management services which are closely integrated into the wider services and objectives of the Council;
- Ensuring the Council's services are integrated into new housing estates, in particular the new urban extensions within the Vale of Glamorgan.

6. Opportunities for Expanding the Council's Portfolio of Homes

6.1 There are several potential mechanisms for achieving this:

Redevelopment of existing stock

6.2 In order to ensure the longevity of our housing business plan, we will look to our worst performing housing stock to identify future opportunities to re-profile and meet need. This will take the form of a detailed options appraisal which will include:

- Assessment against known housing needs;
- Performance of existing stock in terms of demand and rental income;

- Financial impact of decanting existing tenants;
- Future maintenance and investment requirements;
- Social-performance – consideration of wider, non-financial benefits of the stock.

Acquisition of new-build homes

- 6.3 The urban extensions throughout the Vale of Glamorgan provide an exciting opportunity for the Council to have a presence on these new sites.
- 6.4 Where possible, we will actively work with developers and preferred partners to acquire homes on these sites.
- 6.5 In addition, we will also work with developers with a view to potentially buying ‘off-plan’ homes when new developments are planned.

Open-market properties (including former Council homes and empty homes)

- 6.6 There are more risks in terms of buying open-market properties, principally in terms of:
- the condition of heating systems;
 - the potential for legionella;
 - the presence of asbestos;
 - the energy performance of the property;
 - the cost of refurbish to meet the Welsh Housing Quality Standard;
 - the difficulties if homes are not located in an existing housing management area, then the unit cost for housing management will be potentially higher.
- 6.7 Previously, the Council has not actively sought to buy open-market properties or empty homes. However, we must now consider making an exception where:
- the acquisition of such properties would facilitate the assembly of a larger site for the provision of new affordable homes (either independently or in partnership);
 - the properties are newly built and have come to the market with vacant possession;
 - we are approached directly or, indirectly by an owner seeking to sell their former Council property;
 - there is a clear strategic reason for wishing to secure the property;
 - Leaseholders of Council owned blocks are unable to afford or repay service charges for planned refurbishment.
- 6.8 Empty properties which are causing a blight on the community and whose owners wish to sell, will be dealt with in accordance with the Council’s Empty Property Procedures and then referred to the Housing Development Team for consideration.

Purchase of land to facilitate Council house building

- 6.9 As land values within the Vale of Glamorgan remain high, it will continue to be challenging for the Council to compete for land to deliver new homes. However, opportunities that arise should be evaluated, including the potential for partnership and joint ventures with other providers.

7. Procurement

7.1 The acquisition of land, housing and property is not subject to the Council's Contract Procurement Rules.

8. Financial Appraisal

8.1 Before a property is acquired, the Housing Development Team will carry out a financial viability appraisal, to establish the whole-life financial implications of acquisition. This will be achieved by rent modelling, taking account of the cost of borrowing, life cycle investment, responsive maintenance, management and revenue income; seeking to achieve payback and a return on investment within **30 years**.

8.2 In addition, appropriate expert opinion will be sought where the Housing Development Team requires assistance, for example in respect of structural surveys and external valuations of property or land.

9. Due diligence

9.1 Additional evidence will be required to support a business case for the acquisition of housing and property including:

- Establishing the legal title of the property;
- Planning and building regulation compliance;
- Other relevant statutory consents;
- External valuation;
- Building surveys.

9.2 The collection of this data will be likely to incur costs, which may be abortive, should the acquisition of the property not progress.

10. Negotiation and Approval

10.1 If the acquisition is deemed to be financially viable and the due diligence work finds there are no issues, then a Business Case will be submitted in accordance with the Council's Acquisition Protocol to the Strategic Housing Board for consideration. This will include a bidding strategy should the property be for sale by auction or tender.

10.2 Once the support of the Strategic Housing Board has been obtained and in accordance with the Council's Acquisition Protocol, the Legal and Estates Team can commence negotiations with the vendor. However, the vendor will need to be made aware of this.

11. Council Decision Making

11.1 Having received the support of the Strategic Housing Board and before any offer or bid is made, approval to proceed from the Head of Finance will be sought in line with the Council's Scheme of Delegation. This will ensure the fiduciary responsibility is met in the proper administration of the Council's financial affairs, in accordance with Section 151 of the Local Government Act 1972.

12. Post Approval

- 12.1 Once appropriate approval and delegated authority has been received and all investigations have been carried out, the Legal and Estates Teams will be instructed to complete the transaction.

13. Establishing a budget to support future acquisitions

- 13.1 To provide sufficient flexibility to respond to suitable opportunities to acquire housing and/or property as identified within the parameters set out in this policy, it is proposed a Housing and Property Acquisitions budget is established as part of a viable Housing Business Plan.

Appendix 1

Initial Assessment Criteria for the Acquisition of Additional Council Homes

Address	
Price	£
Age of property	
General condition of property	
Asbestos issues	
Fire safety issues	
WHQS issues	
Condition and type of heating	
SAP/EPC rating	
When will it be available for purchase	
Tenure (freehold or leasehold)	
Strategic benefits of acquisition (state if a former Council property)	
Expected rent per week	£
Financial Viability (include details of NPV and payback year)	
Restrictive covenants / easements	
Estimated costs for improvements / adaptations	
Management and maintenance costs	
Strategic benefit to business plan	