



COUNCIL EXECUTIVE

WEST LOTHIAN COUNCIL'S OPEN MARKET ACQUISITION SCHEME

REPORT BY HEAD OF HOUSING, CUSTOMER AND BUILDING SERVICES

A. PURPOSE OF REPORT

The purpose of this report is to advise Council Executive of the outcome of a review of the council's policy on buying back former council houses and to seek approval for changes to the policy.

B. RECOMMENDATION

It is recommended that Council Executive:

1. Note that since the council's buy back policy was last reviewed in 2009, three former council houses have been bought back under the terms of the policy;
2. Approve the proposed changes to the policy which are intended to increase the number of houses bought back by the council;
3. Agree that the name of the policy should be changed to the 'Open Market Acquisition Scheme';
4. Note that grant of at least £450,000 is available during 2016/17 to support the Open Market Acquisition Scheme in West Lothian during 2016/17; and
5. Note that between 15 and 20 former local authority houses and flats will be purchased by March 2017 by accelerating expenditure of the remaining £1.3 million housing capital budget for homelessness and that the properties purchased will be used as temporary tenancies.

C. SUMMARY OF IMPLICATIONS

I Council Values	Focusing on our customers' needs; being honest, open and accountable; providing equality of opportunities; developing employees; making best use of our resources;
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	The existing buy back scheme was approved by Council Executive in 2009.
III Implications for Scheme of	None.

Delegations to Officers

IV Impact on performance and performance Indicators	None.
V Relevance to Single Outcome Agreement	<p>We live in resilient, cohesive and safe communities.</p> <p>We make the most efficient and effective use of resources by minimising our impact on the built and natural environment.</p>
VI Resources - (Financial, Staffing and Property)	<p>The existing £1.3 million budget for homelessness for 2017/18 will be used to purchase former local authority houses and flats and these properties will be used as temporary tenancies in order to meet the increasing demand for homeless accommodation. The expenditure will be accelerated to ensure that budget is available to acquire houses and flats in 2016/17.</p> <p>Scottish Government grant of at least £450,000 is available for buying back former Council houses in West Lothian during 2016/17.</p>
VII Consideration at PDSP	<p>The Buy Back scheme was previously reported to the Services for the Community PDSP in May 2009.</p> <p>This paper was considered at the Services for the Community PDSP on the 4th of October 2016.</p>
VIII Other consultations	Finance and Property Services; Legal Services

D. TERMS OF REPORT

D1 Background

In 1997 the council agreed a policy of buying back former council houses. When the policy was first introduced, the purchase price was the original selling price and included reasonable legal costs of the transaction.

On 15 June 2009, the policy was changed and it was agreed that the council would carry out a formal valuation of each property being considered for buy back. It was agreed that the offer price would be the lesser of the actual selling price or 80% of the current market value.

When the policy was last reviewed, the housing market was in decline due to economic recession. More recently, there has been a recovery in the housing market with rising prices and stronger demand.

With the improved market conditions, the council's offer to purchase at the lesser of the actual selling price or 80% of the current market value is not attractive to owners and there has been no recent take up. Only three properties have been bought back using this policy since 2009.

Other councils, including Falkirk, North Lanarkshire, Perth and Kinross, and the City of Edinburgh have adapted their buy back policies to reflect current market conditions and subject to certain criteria being met, are willing to pay up to full market value.

The demand for social rented housing in West Lothian remains high despite the large number of new council houses built in recent years. The Housing Need and Demand Assessment 2 (HNDA) for Edinburgh and South East Scotland identified the need for 300 affordable housing units for West Lothian to be supplied each year between 2012 and 2032. 80% of the demand for affordable housing in West Lothian is for social rented housing.

The council's new build programme and RSL programmes will address part of the affordable housing shortage but will not meet demand in full. A revised buy back policy will help close the gap between demand and supply.

D2 Examples of Buy Back Policies Elsewhere

Other local authorities in Falkirk, North Lanarkshire, Perth and Kinross, and Edinburgh City Council offer to buy back ex-local authority stock and count these acquisitions towards their annual supply of affordable homes.

Falkirk Council

Analysis by Falkirk Council in 2012 found that 148 ex-stock properties were for sale under £100,000. This was recognised as an opportunity to purchase former council houses and add to their council housing stock.

The criteria of the scheme is as follows:

- The properties should be for sale on the open market
- Purchase of the properties is subject to a valuation by the District Valuer; the council would seek to secure the best value price that does not exceed the District Valuer valuation
- Each party will bear the costs of their own legal and valuation fees
- The size/type of properties should be one which is required to meet housing need
- Each property will also be assessed for its future rental potential
- The condition of the property is taken into consideration and the purchase of properties that require expensive upgrading is avoided.

Since 2012, Falkirk Council has bought back 206 former council houses. The difference between the home report price and sale price is -6.7% to date.

North Lanarkshire Council

North Lanarkshire Council's Open Market Acquisition Scheme was approved in January 2013, however in August 2014 it was renamed the Empty Home Purchase Scheme to provide clarity over the council's intention to purchase empty properties to bring them back into use. The scheme has similar criteria to Falkirk's Buy Back Scheme, however they add;

- The property must be sold with vacant possession; and
- Properties must have been vacant for a minimum of 6 months to help ensure that resources are targeted where owners are genuinely having difficulty selling.

Perth and Kinross

Perth and Kinross Council approved the purchase or 'buy-back' of ex-local authority properties in 2013. Since then approximately 50 properties have been bought through the scheme, in most cases these properties are allocated via a transfer led policy in order to create a vacancy chain. The council receives a lot of enquires and is unable to purchase all properties. Properties are selected based on need and are bought at the Home Report price minus any costs of repairs to ensure the property meets the Scottish Quality Housing Standard (SQHS).

Edinburgh City Council

Edinburgh City Council's strategy is to purchase homes where the council has over 50% ownership of homes in a block. This is funded by the disposal of homes in blocks where the council is the minority owner.

During the period January 2015 - January 2016, Edinburgh City Council bought six former local authority homes. This resulted in the council consolidating its assets by gaining full ownership in several blocks of flats. Acquisitions were only of vacant homes which became available on the open market. The council's is prepared to pay up to full market value for the purchases.

The council also sold six homes which resulted in it being able to fully divest interest in five blocks of flats. The flats that were sold were all vacant and in blocks where the council was the minority owner.

Following the successful one year pilot scheme, Edinburgh City Council has agreed to extend the acquisitions and disposals criteria to encourage tenants in minority owned blocks to move, by offering incentives similar to home loss and disturbance payments.

It is estimated that 50 acquisitions and 50 disposals could take place each year.

D3 Benefits of the scheme and proposed re-naming of the scheme

A revised policy on buy backs which results in more former local authority houses and flats being acquired by the council will bring the following benefits:

- The supply of social rented houses will increase, thus helping to meet demand for this housing tenure.
- There is potential to reduce the number of empty houses in West Lothian
- There is potential for the council to again become the sole owner in blocks of flats, thus making it easier to manage and maintain the blocks
- There is potential to use some of the flats and houses acquired as temporary tenancies, thus increasing the supply of properties available to support people who present as homeless

It is proposed to rename the scheme as the Open Market Acquisition Scheme. This is consistent with the terminology used in the Strategic Local Programme which sets out proposed projects which are to be allocated grant funding.

D4 Criteria

It is important to set clear criteria for the Open Market Acquisition Scheme. It is recommended that the properties should only be considered if they meet all the essential criteria.

Suggested **essential** criteria for buying back properties are as follows:

- The property must have originally been part of West Lothian Council or Livingston Development Corporation (LDC) housing stock
- The property must be sold with vacant possession
- Properties should be for sale on the open market and each party will bear the costs of their own legal and valuation fees
- A value for money assessment will be carried out and the council would seek to secure the best value price that does not exceed the Home Report valuation
- The property should not require more than £8,500 to be spent on it to bring it up to the Scottish Housing Quality Standard
- The property must be located in an area where there is demand for the type of property being purchased
- Only one and two bedroom properties will be considered unless there is a strategic reason for purchasing a larger property (e.g. to facilitate works in the Housing Capital Programme)

Suggested **desirable** criteria for buying back properties are as follows:

- The property for sale is in one of the highest demand areas in West Lothian
- The purchase of the property would result in the council being the sole owner in a block

The purchase of the property would result in a long term empty home brought back into use.

D5 Funding

Council Executive is asked to note that between 15 and 20 former local authority houses and flats will be purchased by March 2017 by accelerating expenditure of the remaining £1.3 million housing capital budget for homelessness and that the properties purchased will be used as temporary tenancies.

Scottish Government grant of at least £450,000 is available for buying back former council houses in West Lothian during 2016/17.

It is proposed to focus on the purchase of one and two bedroom houses only as these are the properties most in demand and produce the best financial return for the council.

E. CONCLUSION

The current buy back scheme has focused on buying back properties from owners in financial difficulty. It has resulted in a small number of former local authority houses being acquired by the council. A review of the policy has been undertaken and changes are proposed to make the scheme more attractive to home owners and result in more open market houses and flats being acquired by the council.

There is grant funding available to support a programme of open market acquisitions and this makes the revised scheme financially attractive to the council.

The revised scheme is likely to provide benefit to the council in terms of creating additional stock, easing the pressure on temporary accommodation for homeless applications, helping the council to become the majority owner within blocks of flats and reduce the number of empty homes within West Lothian.

F. BACKGROUND REFERENCES

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West Lothian Council (2009) 'Buying Back of Former Council Houses', Services for the Community Policy and Development Scrutiny Panel, Available [online] at:
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Appendices/Attachments: None

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