

Purchasing new properties in Dalkeith for use as Council Housing

Report by Eibhlin McHugh, Joint Director, Health and Social Care

1 Purpose of Report

The purpose of this report is to seek elected member's agreement to use of available resource from the Housing Revenue Account to purchase additional properties for use as social rented housing by the Council. The additional units will help to meet housing need in Midlothian.

2 Background

- 2.1 In October 2013 the Scottish Government announced an additional allocation of £27 Million of funding to support affordable housing development, with £477,000 being allocated for investment in Midlothian.
- 2.2 However, the additional funding provided by the Scottish Government needs to be allocated to developments which are in development or completed by March 2015. Therefore, only the first six developments of the Council's second phase of development could be awarded funding from this additional funding and these projects have already received funding from an earlier allocation. Moreover, other affordable housing development partners such as Melville Housing Association and Dunedin Canmore Housing Association are not in a position to commence further development which will be completed within this specified timescale. This leaves £400,000 unallocated, and if not utilised in Midlothian, this grant funding will be reallocated to another local authority area.
- 2.3 The Scottish Government's Housing Investment Division have accepted the use of affordable investment funding for purchasing units from the open market as a means of increasing the supply of affordable housing in Midlothian. Since 2005 Midlothian Council has purchased 141 homes on the open market as a "spend to save" approach which avoids using higher levels of bed and breakfast accommodation use.
- 2.4 In 2012, Midlothian Council agreed to act as a lender to Dunedin Canmore Housing Association in order that they could take forward an innovative approach to providing affordable housing without reliance on grant funding. Midlothian Council received consent from Scottish Ministers to act as a lender to in July 2013. A development of 20 flats had been agreed to be developed by Dunedin Canmore Housing Association in partnership with the National Housing Trust for Registered Social Landlords initiative. This was proposed for a site at Wester Cowden in Dalkeith which became available through the Council's Affordable Housing Policy. The properties would have been managed and maintained by Dunedin Canmore Housing Association

and let at a Mid Market Rent (approximately 80% of the Local Housing Allowance for Midlothian).

- 2.5 Unfortunately this development could not progress due to Dunedin Canmore Group being unable to secure permission from their current lender to obtain loan funding from Midlothian Council. However, the units require to be affordable housing, have planning permission and and meet the Scottish Housing Quality Standard therefore they would be suitable for use council housing. In addition the cost of the development is a substantial discount on the market value due to this Site being an affordable housing policy site.
- 2.6 However, given that Dunedin Canmore Group's housing development team have worked with Cruden Homes to negotiate these costs and agree a suitable specification for the units it is more straightforward for them to continue to act as a development agent on behalf of Midlothian Council. Dunedin Canmore Group have acted as a development agent in this way before – for example on a recent development in Prestonpans on behalf of East Lothian Council. A site start of September 2014 is possible, with units proposed for completion by September 2015. Table 1, below, shows that 8 of the properties would be one bedroom flats which would help meet the need for housing single people and couples, whilst the 12 two bedroom units will provide accommodation to families.

Table 1: Housing Mix at Wester Cowden

Flat Type	Number
1 Bedroom 2 Person	8
2 Bedroom x Person	12

- 2.7 The Council's first phase of the Social Housing Programme provided 132 units on two sites in Dalkeith, at Bill Russell Grove, and Salters Road. The Council's Phase 2 Social Housing Programme provided 14 units at Woodburn Court. There are no other units currently identified to be built in Dalkeith as part of the Phase 2 programme. However, 2,908 out of 4,156 applicants on the Housing List include Dalkeith as one of their preferred areas for housing, indicating a strong need for additional council housing in this area.

3 Report Implications

3.1 Resource

- 3.1.1 In order to finance the purchase of these properties, it is proposed that this be funded through the Housing Revenue Account (HRA) Capital Plan. The total development cost is proposed to be £2,100,000, the Scottish Government has committed grant funding of £400,000 to this project. Consequently, the maximum total level of investment for the Council for these purchases would be £1,700,000. Financial modelling suggests that the HRA can support this additional investment and is affordable without having to impose any further increases in weekly rents.

- 3.1.2 In addition, the purchase of this development is considered to be affordable as part of the Housing Revenue Account Capital Plan and will be funded separately from the Council's Phase 2 Social Housing Programme, which will continue to have £60 Million allocated for development.

3.2 Risk

The proposed properties have not been designed in accordance with the Council's Phase 2 design guide, but as noted earlier, they will comply with the Scottish Housing Quality Standard and building standards which will be similar to meeting the Housing for Varying Needs standard which all council homes were built to in the first phase of new build council housing development. Due diligence will be required in terms of recognising liability for defects and therefore this will be subject to a legal agreement between Midlothian Council and the developer.

If properties are not purchased from the open market, there is a risk that Affordable Housing Investment Funding which has been allocated to Midlothian for new affordable homes, and needs to be spent by March 2015, would be lost. This funding would be reallocated to another local authority area.

Cruden Homes are one of Scotland's leading building firms, with 13 developments being completed in the last 12 months across central Scotland. Nevertheless, to avoid any issues of the properties failing to meet the expected standard or there being serious defects, a legal agreement will require to be drafted to ensure that the builder and their subcontractors are liable for associated costs of making good any defects. In addition, Dunedin Canmore Group are one of the largest developers of affordable housing in Scotland, they are also local providers of affordable housing, with their latest development being 25 new units due for completion in Gorebridge in 2014.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☐ Community safety
- ☒ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

3.4 Impact on Performance and Outcomes

It will support the Council's Local Housing Strategy Outcomes (2013-2017):

- Households have improved housing options across all tenures.
- Homeless households and those threatened with homelessness are able to access support and advice services and all unintentionally homeless households will be able to access settled accommodation.

3.5 Adopting a Preventative Approach

Continuing to take measures to increase the supply of affordable housing in Midlothian addresses the problem of large numbers of households in Midlothian living in housing need and also prevents an increase in the use of Bed and Breakfast accommodation for homeless households, which is unsuitable and expensive.

3.6 Involving Communities and Other Stakeholders

Outcomes which deliver an increased number of housing options for households, including increased provision of affordable housing, were strongly supported by stakeholders during consultation on the Council's Local Housing Strategy 2013 – 2017.

The proposal has been discussed with the Council's Finance, Housing Maintenance, Legal, Procurement and Construction Teams and also the Scottish Government's Housing Investment Division.

3.7 Ensuring Equalities

An EQIA was carried out for the Council's Strategic Housing Investment Plan 2013/14 – 2017/18 and this recognised that there may be provision for "off the shelf" purchases. It also recognised the need to ensure that the needs of equality strands have been assessed to ensure that there are no discriminatory practices in terms of the suitability of accommodation being provided for those with particular needs and in the allocation of properties.

3.8 Supporting Sustainable Development

Significant numbers of households living in housing need impacts negatively on the community, therefore investing in affordable housing will ensure the well-being, and provide a better quality of life for people living in Midlothian and will also ensure that Midlothian remains an attractive place of choice for living and working.

3.9 IT Issues

There are no IT issues

4 Recommendations

It is recommended that Cabinet:

- (a) Notes the contents of the Report, and
- (b) Agrees to the Council increasing the supply of new housing by funding the purchase of 20 units for use as council housing, subject to agreement of satisfactory contracts overseen by the Council's Legal Section.

Date: 6 May 2014

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