

REPORT TO KINCARINE AND MEARNS AREA COMMITTEE – 24 APRIL 2018

ASSET DISPOSAL AND REINVESTMENT

1 Recommendations

The Committee is recommended to:

- 1.1 **Make comment to the Communities Committee on the proposed strategy to dispose of poorly performing assets on the Housing Revenue Account, to be approved on a case by case basis following the process set out in 2.4-2.8 below.**
- 1.2 **Make comment to the Communities Committee on the proposal to reinvest the proceeds from any disposals to enable the delivery of affordable housing in the local area.**

2 Background / Discussion

- 2.1 The Local Government in Scotland Act 2003 places a statutory duty of best value on local authorities in the discharge of their functions, including the operation of their housing revenue account (HRA).
- 2.2 A key principle of Scottish Government Guidance on the Operation of Local Authority HRAs is that:

“HRA assets must benefit HRA tenants either in direct usage or as investment properties providing a financial return. If neither of these situations applies, then the assets are not benefiting the HRA and removal from the HRA should be considered.”
- 2.3 Alongside the national guidance, the review of the Council HRA business plan has identified a number of investment priorities. Central amongst these is meeting the Energy Efficiency Standard for Social Housing by 2020. The significant levels of capital investment in the local authority stock over the lifetime of the business plan highlights the importance of retaining HRA assets that provide a positive financial return and reviewing those that do not.
- 2.4 As part of the review of the Council HRA business plan, the asset register of the whole stock has been updated. This includes an assessment of the net present value of each asset on the register to the HRA. Where these are proving a significant drain on the HRA, these should be reviewed for disposal. This action will only take place when an asset becomes vacant and there would be no intention to move sitting tenants unless in exceptional circumstances.
- 2.5 In line with the Guidance on the Operation of Local Authority HRAs, any disposals would be sold on the open market at market value. Discretion lies with the local authority to determine the appropriate time for disposal taking

into consideration the current economic climate and the management of existing tenancies and allocation pressures.

- 2.6 The Scheme of Governance Part 2A B10.3 states that Area Committees should determine the sale of land or buildings where the decision is in accordance with officers' recommendations and existing Council policy and the value of the sale is £100,000 or more. Where an asset is identified as suitable for disposal, officers will submit to the relevant area committee a business case for disposal and consideration of wider factors to help inform the decision-making process. As per the Scheme of Governance, where the area committee does not agree with the recommendation this will be referred to the Communities Committee for consideration.
- 2.7 The Guidance on the Operation of Local Authority HRAs advises that local authorities - Communities Committee within an Aberdeenshire context - and tenants should agree the principles on the types and values of assets that should be disposed and retained. The guidance does not envisage tenants' involvement in decisions on small or relatively low value assets. Housing Officers have consulted both the Planning for the Future Tenant Group and Tenant Participation Promotion Team on this approach and are supportive of the principles behind this report. Members of the groups are keen to see any receipts from disposal reinvested in affordable housing.
- 2.8 Disposals of land, buildings or any other assets from the HRA irrespective of size or value usually require the consent of Scottish Ministers principally under section 12(7) of the Housing (Scotland) 1987 Act. This includes a standard application form to be completed for any asset transferred in or out of the HRA.
- 2.9 Another priority in the review of the Council's HRA business plan is to increase the supply of social rent stock in Aberdeenshire. On 31 March 2016 Aberdeenshire Council agreed its Protocol to Fast Track the Purchase of Affordable Housing. It is proposed that this protocol is used to reinvest the proceeds of any asset disposals to enable the delivery of affordable housing in the local area. This will help to ensure that the Council retains and increases its stock numbers.
- 2.10 These proposals support the delivery of the Aberdeenshire Local Housing Strategy 2018-2023 and the priorities to increase the supply of affordable housing and to improve the energy efficiency and sustainability of the Council stock which, in turn, will help reduce fuel poverty.
- 2.11 Following consideration of this report at Communities Committee on 29 March, consultation is taking place with all area committees. Officers will report area committees' comments for consideration at a future Communities Committee meeting.
- 2.12 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3 Scheme of Governance

- 3.1 The Committee is able to consider this item in terms of Section B1.2 of the List of Committee Powers of the Scheme of Governance as the Committee is being asked to comment on, and make recommendations to the Communities Committee on a matter which may impact upon their area.

4 Implications and Risk

- 4.1 An equality impact assessment is not required because the recommendations do not have a differential impact on any of the protected characteristics.
- 4.2 There are no staffing implications arising from this report.
- 4.3 There are anticipated to be positive financial implications arising from this approach. Where individual asset disposal cases meet the Scheme of Governance conditions in 2.6 above, these will be reported to the respective area committees and will set out the specific financial implications in each case.
- 4.4 The following Risks have been identified as relevant to this matter on a Corporate Level:
- ACORP006 – Reputation Management. It should be highlighted that the disposal of any assets will allow reinvestment in new assets for the HRA.
- 4.5 Any Town Centre First Impact Assessments will be carried out in due course on a case by case basis.

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