

PERTH AND KINROSS COUNCIL

Housing and Social Wellbeing Committee

7 September 2022

LEASE OF NEW-BUILD HOUSING TO KINGDOM HOUSING ASSOCIATION

Report by Executive Director (Communities)
(Report No 22/203)

1. PURPOSE

- 1.1 This report provides an overview of a new-build housing development of 18 flats on a Perth & Kinross Council owned site in Perth previously occupied by the Fairfield Community Centre. The report outlines the background to the development and the options that have been considered to transfer the completed units to Kingdom Housing Association.

2. RECOMMENDATIONS	
2.1	<p>It is recommended that the Committee:</p> <ul style="list-style-type: none">• notes the background to this development and the context which resulted in the development being progressed by Perth & Kinross Council rather than Kingdom Housing Association.• approves the proposal to lease the 18 flats to Kingdom Housing Association, subject to the terms outlined in this report.

3. STRUCTURE OF REPORT

- 3.1 This report is structured over the following sections:

- Section 4: Background
- Section 5: Proposals
- Section 6: Conclusion

4. BACKGROUND

- 4.1 In 2018, it was assessed that the Fairfield Community Centre was in a dangerous condition and needed to be demolished. The land on which the Community Centre was built was owned by Perth & Kinross Council (General Fund). The demolition progressed quickly, and the site was cleared and available for redevelopment by December 2018.

- 4.2 As our housing need demand analysis highlighted the demand for social housing, it was agreed the site would be used for the provision of affordable housing. As Fairfield Housing Co-operative owned and managed the social-rented housing in the immediate area, during 2018 discussions with the Co-operative made it clear, they were keen to take forward an affordable housing development on the site.
- 4.3 However, in December 2018, the Scottish Housing Regulator (SHR) intervened in Fairfield Housing Co-operative after identifying serious failures in relation to Regulatory Standards of Governance and Financial Management. This statutory intervention continued until December 2021 when Fairfield's properties, tenants and staff transferred to Kingdom Housing Association.
- 4.4 Due to the statutory intervention by the SHR, it was not possible at that time for Fairfield Housing Co-operative to take forward the housing development. As such, the land was transferred to the Housing Revenue account to enable the Council to take forward the development. This was on the basis that once SHR's intervention in Fairfield Housing Co-operative was resolved, consideration would be given to selling or leasing the completed units either to Fairfield Housing Co-operative or its successor.
- 4.5 By July 2021, the Council had accepted an offer of grant from the Scottish Government, gained planning approval and Building Warrant consent and had entered into a contractual agreement with a developer to build the 18 flats on the site at an agreed cost.
- 4.6 As there was clarity at this point about the transfer of Fairfield Housing Co-operative's assets to Kingdom Housing Association, consideration was given to aborting the Council's interest in developing the site, selling it to Kingdom Housing Association or continuing to develop the site and then selling or leasing the completed units to Kingdom Housing Association. This was communicated with the previous ward members and the then Housing Convener through regular updates on the transfer arrangements of Fairfield Co-operative to Kingdom Housing Association.
- 4.7 In view of how far the proposed development had progressed, there were unacceptable financial penalties and risks associated with aborting the Council's interest in developing the site. As such, the initial preferred option was to continue with the development and then sell the completed units to Kingdom Housing Association.
- 4.8 A formal request to the Scottish Government was submitted to re-appraise the grant funding for the project on this basis. In the response to this request, the Scottish Government advised that, as additional grant funding would be required, due to a housing association taking on the project, this did not offer value for money and therefore they were unwilling to consider a re-appraisal.

- 4.9 The remaining option, and one recommended by the Scottish Government, was for the Council to continue with the development and consider either leasing the completed units to Kingdom Housing Association or entering into a management agreement. From a detail options appraisal, it was decided that either of these options would enable the units to remain in Council ownership, but would provide a standardised service to tenants and consolidate Kingdom Housing Association's profile as the manager of the estate, given that the Council has no housing stock in this area.
- 4.10 The current position with the development is that work is progressing on-site with an estimated completion date of February 2023.

5. PROPOSALS

- 5.1 It is proposed that the Council lease the 18 completed units on the site of the former Fairfield Community Centre to Kingdom Housing Association for a period of 30 years on a full repairing lease. The entry date will be determined by the completion of the units which is currently estimated to be February 2023, as noted above. An initial annual rent of £49,000 will be payable to the Council by Kingdom Housing Association, with the rent being revised annually in line with the Council's rent-setting procedure.
- 5.2 Council tenants will also be fully consulted on this proposal in line with our agreed Consultation process for the disposal of HRA assets policy and procedure.
- 5.3 Kingdom Housing Association are members of the Perth and Kinross Common Housing Register and have adopted the Common Allocations Policy. As such, the units will be allocated in the same way and from the same waiting-list as would be the case if they were being let directly by the Council.
- 5.4 Leasing the completed units to Kingdom Housing Association on a long-term basis will provide stability for the community in Fairfield which has endured uncertainty over the last few years as a result of the statutory intervention by the SHR and the transfer of assets to a new landlord. The community voted overwhelmingly in favour of the transfer to Kingdom Housing Association, following consultation in December 2021. This proposal will consolidate Kingdom Housing Association's position as estate manager, with no detrimental impact for the Council or for applicants looking to access social housing.

6. CONCLUSION

- 6.1 This report outlines the background to the development of 18 flats for social-rent on the site previously occupied by the Fairfield Community Centre. The report explains the rationale for the way the development has been progressed and the options that have been considered to transfer the completed units to Kingdom Housing Association. Finally, the report recommends leasing the completed units to Kingdom Housing Association on a long-term basis to realise benefits, particularly for the local community.

Author

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Approved

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APPENDICES - NONE.

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	Yes
Corporate Plan	Yes
Resource Implications	
Financial	No
Workforce	No
Asset Management (land, property, IST)	No
Assessments	
Equality Impact Assessment	No
Strategic Environmental Assessment	No
Sustainability (community, economic, environmental)	No
Legal and Governance	Yes
Risk	No
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	Yes

1. Strategic Implications

Community Plan/Single Outcome Agreement

- 1.1 This report supports the delivery of the Strategic Objectives within Perth and Kinross Community Plan/ (Local Outcomes Improvement Plan) 2017-2027 and Corporate Plan 2018-2022. Single Outcome Agreement in terms of the following priorities:

2. Resource Implications

Financial

- 2.1 There are no financial implications arising from this report.

Workforce

- 2.2 There are no workforce implications arising from this report.

Asset Management (land, property, IT)

- 2.3 There are no asset management implications arising from this report.

3. Assessments

Equality Impact Assessment

- 3.1 This report has been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

(i) Assessed as **not relevant** for the purposes of EqIA.

Strategic Environmental Assessment

- 3.2 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals. No further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

Sustainability

- 3.3 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. Under the Climate Change (Scotland) Act 2009 the Council also has a duty relating to climate change and, in exercising its functions must act:
- in the way best calculated to delivery of the Act's emissions reduction targets;
 - in the way best calculated to deliver any statutory adaptation programmes; and
 - in a way that it considers most sustainable.
- 3.4 The information contained within this report has been considered under the Act. However, no action is required as the act does not apply to the matters presented in this report.

Legal and Governance

- 3.5 Not applicable.

Risk

- 3.6 Not applicable.

4. Consultation

Internal

- 4.1 Heads of Service and senior managers from Communities have been consulted on the content of this report.

External

- 4.2 In accordance with our Consultation on the disposal of HRA assets policy and procedure, if approval is given to lease the units, tenants will be fully consulted on the leasing arrangement to Kingdom Housing Association. The Tenant Reports Panel were also consulted on the contents of this report and noted that this proposal is quite clear, and the lease agreement will be of benefit to the Housing Revenue Account.

5. Communication

- 5.1 In line with our Consultation on the disposal of HRA assets policy and procedure, our proposal for leasing the completed units to Kingdom Housing Association will be included within our website and other appropriate social media platforms.

2. BACKGROUND PAPERS

- 2.1 No background papers were relied upon during the preparation of this report.