

Property Acquisitions and Disposals POLICY

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1.0 AIMS & OBJECTIVES

- 1.1 This policy aims to set out the considerations that Milnbank Housing Association (MHA) will make, to decide upon the acquisition or disposal of property assets. Our intention is to strengthen the Association's overall property portfolio and continuously improve the standard of homes available to our customers, in line with our agreed Asset Management Strategy.
- 1.2 The development of this policy considered the publication of the 2023-28 Local Housing Strategy by Glasgow City Council and the priorities identified to improve the sustainability of Glasgow's homes and address homelessness. This policy will help ensure that MHA provides good quality, healthy and safe homes for our customers and protects the built environment within Milnbank neighbourhoods for future residents.
- 1.3 MHA's fundamental purpose is the provision of accommodation for those in housing need, therefore any decisions made to acquire or dispose of property will be taken with the aim of increasing the Association's housing properties to let. To this end, any net sale proceeds resulting from a decision to dispose of a property asset, will be ring fenced for use in further purchases of affordable housing properties or land, to help ensure the Association maintains or if possible, increases its letting accommodation numbers.

2.0 LEGISLATION AND REGULATION

- 2.1 The policy will comply with a range of legislative and regulatory requirements including:
 - The Scottish Housing Regulatory (SHR) Framework.
 - The Scottish Social Housing Charter.
 - Housing (Scotland) Act 1987, 2001, 2006, 2010 & 2014.
- 2.2 The policy has been devised considering the advisory guidance issued by the SHR in 2023 'Recommended Practice on Integrated Asset Management'. The Regulator's guidance advised RSLs to adopt a strategic approach to asset management, where the long-term value of assets is assessed, alongside the risks presented, and used to inform investment and disinvestment decisions.

3.0. DEFINITIONS

- 3.1 Affordable Housing – housing properties for social rent, mid-market rent, shared ownership, or any other tenures which fall within the Scottish Government's affordable housing supply programme.
- 3.2 Net Present Value (NPV) - is a financial modelling method used to assess the value of projected cash flows over several years, discounted to the present day, i.e., the total amount you expect to make from an asset expressed in today's terms. In line with practice across the RSL sector, the Association assesses property investments over a 30-year period. If the NPV is positive this means the proposal is profitable, if the NPV is negative this means it makes a loss.

4.0 ASSESSMENT CONSIDERATIONS

- 4.1 MHA undertakes to develop a robust business case for land and property acquisitions and disposals. Our aim is to protect the organisation and the asset portfolio from undue risks, to be accountable to our tenants (and future tenants) and to seek VFM outcomes which can be clearly evidenced.
- 4.2 The Association has defined its strategic aims for property acquisitions and disposals (see Section 5 below) and will only consider a proposal where at least one of its strategic aims will be met.
- 4.3 An assessment of the NPV of the asset will be undertaken to inform the decision-making process, so that the financial impact on MHA and its Business Plan can be considered alongside any other factors. All proposed property purchases will have a 30-year financial assessment completed and must demonstrate at least a breakeven NPV. All proposed sales will be assessed for impact on the latest 30-year business plan.
- 4.4 The Association will give due consideration to any outstanding repairs and maintenance, and the cost of anticipated investment requirements in the NPV calculation for individual properties. This will include the cost of works to meet SHQS and EESSH standards where the property does not already comply with these.
- 4.5 MHA will give due consideration to any grant funding availability, and to the costs of private finance if required, in the NPV calculation. Whilst grant funding will be sought to assist with acquisitions where possible, the availability of funding will not be sufficient reason to justify a purchase decision.
- 4.6 Consideration must also be given to any grant repayment requirement where disposal is considered for property assets previously purchased with grant assistance. MHA will endeavour to agree with our funders that grant funding previously paid on any disposed property, is not repaid to them but can be utilised in future acquisitions.

5.0 STRATEGIC AIMS

- 5.1 In considering any property purchases, at least one of the following strategic aims would need to be met:
- Meeting housing needs – e.g. larger family housing, accessible housing.
 - Improving sustainability – acquisition of new build homes which meet current standards and will easily achieve EESSH2 with little investment.
 - Improving estate management – e.g. taking ownership of land around our housing owned and maintained by GC.
 - Gaining full ownership of a stair/property to deliver improvements.
 - Gaining majority ownership in a stair/property to deliver larger scale maintenance.
 - Facilitating Development or regeneration – taking ownership of land or property to progress a demolition/newbuild/regeneration project.

- Homelessness prevention – buying a property to help prevent homelessness in MHA’s area (would include consideration of our presence in the area and for flatted properties if we already had an interest in the block).
- Improving housing choice – e.g. mid-market or shared equity housing.

5.2 In considering any property sales, at least one of the following strategic aims would need to be met:

- Unsustainable - where assets are currently delivering a negative NPV, and disposal is assessed as being a better option financially.
- Hard to let – limited demand and likely to suffer long void periods or reduced rental income.
- Uneconomical to Maintain – where investment work required to make a property fit for purpose would be uneconomical and would result in a property delivering a negative NPV.
- No Factor/Poor Factoring Service – In blocks which we do not factor, and common repairs are necessary but are not being progressed by the factor.
- Minority ownership – In blocks which we do factor, and major repairs are necessary but where minority ownership is preventing us from carrying out works.

6.0 APPROVALS AND DELEGATIONS

6.1 MHA will set aside an annual budget for acquisitions anticipated in each financial year. Approval of purchases will be reserved for MC where the proposal fails to meet an identified strategic aim, or shows a negative 30-year NPV, or exceeds the maximum number of purchases approved for that year as part of the annual Budget approval. Approval of purchases is delegated to the Chief Executive where the proposal is within budget, meets at least one strategic aim, and shows at least a breakeven 30-year NPV.

6.2 Any acquisitions progressed under delegated authority will be reported to the MC at their next meeting, with confirmation of the business case and any grant assistance sourced for the purchase cost or required repairs and improvements.

6.3 All proposals to sell property require approval by the MC.

7.0 EQUALITIES & DIVERSITY COMMITMENT

7.1 MHA seeks to embrace diversity, promote equal opportunities for all and eliminate any unlawful discrimination in all areas of our work.

8.0 POLICY REVIEW

8.1 This policy is integral to the delivery of the Association’s Asset Management Strategy. The policy will be incorporated as an appendix to the Strategy, and then reviewed every three years or as required, when the Strategy is reviewed.