

## **Item: 15**

**Policy and Resources Committee: 22 September 2020.**

**Shapinsay Development Trust.**

**Report by Executive Director of Education, Leisure and Housing.**

### **1. Purpose of Report**

To consider a request from Shapinsay Development Trust for funding support towards an affordable housing project.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

That, on 7 June 2017, the Education, Leisure and Housing Committee recommended that powers be delegated to the Executive Director of Corporate Services, in consultation with the Executive Director of Education, Leisure and Housing, to negotiate and conclude the sale or lease of Shapinsay Schoolhouse, to Shapinsay Development Trust, in order to support delivery of affordable housing, on terms and conditions to be determined by the Solicitor to the Council.

#### **2.2.**

That Shapinsay Development Trust has submitted an offer of £135,000 in respect of Shapinsay Schoolhouse, which is held on the Housing Revenue Account and valued at £150,000.

#### **2.3.**

That Shapinsay Development Trust has requested a contribution of £15,000 from the Council towards the cost of its Island Housing project, through a discounted purchase price for Shapinsay Schoolhouse.

#### **2.4.**

That Shapinsay Development Trust has been awarded the undernoted funding in respect of a project to renovate two properties, with total project costs of £549,123:

- Scottish Land Fund – £237,123.
- Islands Housing Fund – £185,000.

#### **2.5.**

That the Council has been awarded £1,042,993, as its share of the 2018/19 Crown Estate Scotland revenue, to be utilised in 2020/21.

## **2.6.**

That the Crown Estate funding is a valuable additional resource that will be of great benefit to the Council in aiding recovery from the Covid-19 pandemic, should it not be used as a source of grant funding to Shapinsay Development Trust.

**It is recommended:**

## **2.7.**

That a grant of £15,000 be awarded to Shapinsay Development Trust towards the purchase price of Shapinsay Schoolhouse, to be funded from the Crown Estate Scotland revenue funding received for financial year 2020/21.

## **3. Islands Housing Fund**

### **3.1.**

The Scottish Government's Islands Housing Fund programme is designed to try and enhance the amount of affordable housing that is built in rural and island areas and opened up the opportunity of housing development funding to bodies that have never had the opportunity to bid for funding or develop housing.

### **3.2.**

Shapinsay Development Trust is looking to refurbish two properties as its first phase of housing projects. One of these properties is Shapinsay Schoolhouse. The property has been vacant for a number of years and consequently requires renovation and modernisation.

### **3.3.**

Staff within the Council's Housing Service have been providing support and assistance to Shapinsay Development Trust during development of the project and the applications for the Islands Housing Fund and Scottish Land Fund.

## **4. Shapinsay Schoolhouse**

### **4.1.**

On 7 June 2017, the Education, Leisure and Housing Committee considered the disposal of various properties and land to island development trusts to support the delivery of affordable housing. The Committee subsequently recommended that powers be delegated to the Executive Director of Corporate Services, in consultation with the Executive Director of Education, Leisure and Housing, to negotiate and conclude the sale or lease of Shapinsay Schoolhouse, to Shapinsay Development Trust, in order to support delivery of affordable housing, on terms and conditions to be determined by the Solicitor to the Council.

#### **4.2.**

Shapinsay Schoolhouse, which is held on the Housing Revenue Account, has been valued by the District Valuer at £150,000. Shapinsay Development Trust has submitted an offer of £135,000.

#### **4.3.**

The total cost of purchasing and renovating the two properties in the Shapinsay Development Trust project is £549,123. The properties will be utilised to help meet demand for additional affordable housing on the island.

#### **4.4.**

Shapinsay Development Trust has received £237,123 in funding from the Scottish Land Fund and £185,000 in funding from the Islands Housing Fund towards the total project costs of £549,123. This leaves £127,000 to be covered by Shapinsay Development Trust.

#### **4.5.**

Shapinsay Development Trust has asked the Council to contribute £15,000 towards the cost of the project via a reduction in the purchase cost of Shapinsay Schoolhouse.

### **5. Links to Council Plan**

#### **5.1.**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priorities of Quality of Life and Thriving Communities.

#### **5.2.**

The proposals in this report relate directly to the priorities to Work with partners to provide opportunities to make Orkney an attractive location for young people to live, work and study and to Work with partners to develop strategies for improving housing conditions and reducing fuel poverty.

### **6. Links to Local Outcomes Improvement Plan**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of Strong Communities.

## **7. Financial Implications**

### **7.1.**

Shapinsay Development Trust is looking to refurbish two properties as their first phase of housing projects on the island at a total project cost of £549,123. One of the properties proposed for development is Shapinsay Schoolhouse which is held on the Housing Revenue Account. Disposal of the Schoolhouse as a Community Asset Transfer could have been an option to explore, however a more straightforward proposal was to consider grant assistance.

### **7.2.**

A possible source of grant assistance is the net revenue generated from the Scottish Crown Estate's marine assets out to 12 nautical miles that has been distributed to councils. Annual revenue allocations are distributed in arrears following finalisation of the annual accounts for the Scottish Crown Estate. An allocation of £1,042,993.65 was paid to the Council in July 2020 and relates to the net revenue generated in 2018/19.

### **7.3.**

The award of grant funding from the Crown Estate revenue would meet the Government's desired outcome from this funding of providing coastal community benefit.

### **7.4.**

Whilst use of Crown Estate monies is a possible source of funding for this project, if not utilised on projects such as this, the funding will be applied elsewhere on Council priorities. The Council has experienced a huge loss of income during 2020/21, as a result of the Covid-19 pandemic, together with additional costs and will face significant recovery pressures in 2021/22.

## **8. Legal Aspects**

### **8.1.**

Section 1 of the Local Government in Scotland Act 2003 states that it is the duty of a local authority to make arrangements which secure best value.

### **8.2.**

In terms of Section 74(2) of the Local Government (Scotland) Act 1973 a local authority cannot normally dispose of land for a consideration less than the best that can reasonably be obtained other than in accordance with regulations made by the Scottish Ministers. The exceptions are where the best consideration is less than £10,000 or the proposed consideration is more than 75% of the best consideration.

### **8.3.**

In the event that the land is to be disposed of for less than the best consideration, i.e. at less than market value, and the exceptions in section 8.2 above do not apply, the Council would have to follow an appraisal procedure. This is set out in the Disposal of Land by Local Authorities (Scotland) Regulations 2010.

### **8.4.**

In addition to the requirements contained in Section 74(2) of the Local Government (Scotland) Act 1973, the disposal of land or buildings from the Housing Revenue Account requires the consent of the Scottish Ministers in terms of Section 12(7) of the Housing (Scotland) Act 1987. However, in order to improve efficiency, the Scottish Ministers have introduced a General Consent procedure for Housing Revenue Account assets which allows local authorities to self-certify the consent in line with the Disposal of Land by Local Authorities (Scotland) Regulations 2010.

### **8.5.**

It is noted that Shapinsay Development Trust has submitted an offer of £135,000 for the property. This is more than 75% of the valuation of £150,000. In terms of the Guidance on Scottish Ministers' Consent for Disposal of Assets from Housing Revenue Accounts issued in June 2015, consent is deemed to be granted by the Scottish Government providing that the disposal price is more than 75% of the market valuation of the asset and that tenant consultation, as appropriate, has taken place.

### **8.6.**

If Shapinsay Schoolhouse is sold at more than 75% of the District Valuer's valuation and the appropriate level of tenant consultation has taken place, then General Consent for the disposal of Housing Revenue Account property will be deemed to have been granted and there will be no need to apply to Scottish Ministers for their consent to the disposal of the property.

### **8.7.**

In terms of the Guidance it is up to local authorities to determine what level of tenant consultation is appropriate in each individual case. The sale of Shapinsay Schoolhouse for the provision of affordable housing would have no significant impact upon tenants. Accordingly, in terms of Annex C of the above Guidance, no requirement to consult with tenants would arise in relation to the proposed disposal.

## **9. Contact Officers**

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