



17 April 2019

Circular: Housing 15/2019

For the attention of each
Director of Service (Housing)

Social Housing Investment Programme - Acquisition of properties for Social Housing use

Dear Director,

Circular: Housing 11/2018 of 8 February 2018 advised local authorities of revised cost guidelines for the acquisition, by housing authorities, of houses and apartments for use as social housing units.

Given the emphasis on achieving best value for exchequer investment and in response to the continuing fluctuation in house prices, the cost guidelines for acquisitions of social housing units were to be updated on a regular basis to reflect movement in the market.

Accordingly, updated cost guidelines for your local authority area are issuing to you under separate cover.

Selecting Acquisitions for Social Housing

When identifying acquisitions for social housing purposes, local authorities should ensure that all the relevant issues are considered, particularly in line with the document 'Quality Housing for Sustainable Communities'¹. This includes issues such as tenure mix/estate composition, specific local needs, etc.

Housing authorities should ensure that acquisitions are cost effective and sustainable and, where possible, be purchased in a 'fit-for-purpose' condition to enable immediate occupancy. It is emphasised that adaptations where necessary, should be minor in nature, with any necessary works completed as soon as possible following purchase.

Application of Acquisition Cost Guidelines

The guidelines reference cost ranges within non-rural centres. Low and upper ranges have been stated, along with an average/benchmark cost which is representative of the average range of current stock value across the local authority area.

All cost guidelines are representative of stock having a minimum C1 BER rating, being in good condition and ready for occupancy. However, if a property has a greater or lesser BER rating, the price a local authority might consider paying for such property can reflect this - see email to your local authority dated 20 June 2016 (copy attached to this Circular) which provided clarification to local authorities on this issue.

¹ <http://www.environ.ie/en/Publications/DevelopmentandHousing/Housing/FileDownload.1979.en.pdf>

Each local authority has a delegated sanction to may make individual purchases up to the value of the 'upper range'; however the aggregate average price of all purchases should not exceed the 'average/benchmark' figure for each local authority. Therefore, Departmental approval is not required to acquire single dwellings provided that:

- ✓ The total capital cost - including any necessary upgrade to achieve the required standard - **does not exceed** the guideline cost for the area;
- ✓ Acquisition targets agreed with the Department are not exceeded; and
- ✓ Acquisitions comply with the general Principles Underpinning the Purchase of Houses and Apartments for Social Housing Needs (Appendix 1).

In addition, local authorities may acquire suitable dwellings in blocks or estates where this addresses particular housing need. Local authorities have delegated sanction for the acquisition of such dwellings where the total value is less than €600,000.

Where a number of units are purchased as part of a single transaction for more than €600,000, your local authority should submit a Project Appraisal Submission and the Form HCA 3 to the Department seeking inclusion of the project in the investment programme for social housing as set out in Appendix 2. In all cases the dwellings must comply with Building Regulations, must be professionally valued, must fall within the appropriate price bands and comply with the general Principles Underpinning the Purchase of Houses and Apartments for Social Housing Needs (Appendix 1).

Part V Acquisitions

Acquisition of Part V units should be administered in accordance with the relevant legislation and any separate Circulars arising therefrom. Where a Project Appraisal Submission is required, it should be submitted to the Department as early as possible in the planning process of the project.

Recoupment of Acquisition Costs

The costs that may be provided to the local authority by the Department include:-

- ✓ Capital cost of acquiring a property;
- ✓ Upgrade costs to bring the property to the required standard providing that the all-in cost (purchase plus upgrade) compare favourably with the average benchmark figure set; and
- ✓ Related legal, survey and valuation fees, where incurred (subject to a maximum of 2% of the property price).

Making a claim to the Department for Capital Funding

As set out in in Circular: Housing 23/2016, Department of Public Expenditure and Reform Circular 13/2014, (published September 2014 - see <http://circulars.gov.ie/pdf/circular/per/2014/13.pdf>) aims to ensure that all Exchequer funds, regardless of the method of distribution, are accounted for and managed properly. In line with that Circular, the Department can only release grant funding to LAs based on vouched expenditure, i.e. that which has already been incurred by the local authority and can be vouched.

Therefore, to drawdown exchequer funding for the purchase price, fees and refurbishment works under the acquisitions programme, the following must be submitted to the Department for consideration:

- ✓ fully completed and certified HCA 3 and HCA 4 Forms (copies are on SharePoint and attached to this circular);

- ✓ independent valuation report for the property from a suitably qualified practitioner (drive by valuations are **not** acceptable). Report should show number of bedrooms etc.

When submitting any payment claims, please ensure that all areas of the HCA 3 and HCA 4 Forms are completed and that the forms are signed off by (1) either the Director of Service or Senior Executive Officer within your Authority and (2) the person who prepared the claim. You should also note that **signed original** documents will be required to drawdown capital funding.

Applicable Date

In order to ensure no disruption to acquisition programmes already in train these newly revised cost guidelines will apply to acquisitions where contracts are signed and **closed on or after 1 April 2019.**

Market Check

The local authority is required to ensure that acquisitions do not exceed the market value for the properties and that independent valuation reports from suitably qualified practitioners (drive by valuations are not acceptable) are obtained prior to reaching agreement on prices.

Audit

All activities by local authorities under this delegation will be subject to audit from time to time. Local authorities will be required to demonstrate that they have achieved Value for Money and that their aggregate average price of all purchases is close to the 'average/benchmark' for their local authority.

In addition with regard to purchase price, legal, survey, valuation fees and any refurbishment costs incurred, local authorities do not need to submit invoices/receipts to the Department when recoupment is being requested. Rather local authorities should retain these key documents for inspection by the Department in the event that the transaction is selected for random audit. At that stage the Department will request them from you for inspection to ensure that the exchequer funds recouped refer to actual costs incurred by the local authority for the unit purchased.

Registration of Title

Local authorities are required, under the provisions of section 23 of the Registration of Title Act 1964, to register their freehold or leasehold interest in a property within six months of the conveyance of that property taking place. In this regard please ensure that your obligations under this Act are carried out without delay.

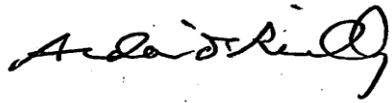
Statistical Returns

Please ensure that all acquisitions are included in the quarterly statistical returns for the supply of social housing which your local authority provides to the Departments Strategic and Business Support Unit so that they can be accounted for and included in official data for the supply of new social housing units.

Enquiries

Any queries in relation to this Housing Circular should be directed to vshousing@housing.gov.ie or Gerry Beirne (096) 24450 or Darragh Severs (096) 24364.

Yours faithfully,



Aidan O'Reilly
Principal Officer
Social Housing Capital Investment

Principles Underpinning the Purchase of Houses and Apartments for Social Housing Needs

The following principles should underpin unit purchases for social housing needs:

- The acquisitions policy of the local authority should reflect the importance of mixed tenure in the provision of social housing and local authorities should have a clear rationale for acquiring;
- Acquisitions of dwellings should not be concentrated in any given area;
- Acquisitions of dwellings by local authorities should be managed in a manner that does not unduly impact the local housing market;
- In special limited circumstances, an authority may acquire a dwelling(s) that exceeds the ceiling limit subject to the prior approval of the Department. A written request setting out the circumstances should be sent to the Department;
- Local authorities should observe proper procurement practices in all cases, including advertising its acquisitions policy as appropriate;
- Local authorities are encouraged to consider the option of purchasing older, multi dwelling buildings that with appropriate improvements could provide good quality accommodation for particular categories of need, especially in inner city areas;
- Local authorities must carry out proper technical evaluation of all acquisitions and must ensure that all dwellings acquired comply with statutory building regulations and fire safety; and
- Before purchasing a dwelling[s] the authority should obtain a professional valuation of the property or properties in question and the amount paid should not exceed this valuation.

Project Appraisal Submission [For Acquisitions]

The purpose of the Project Appraisal Submission is to enable the Department to undertake an appraisal of the project for the purpose of determining if it should be included in the investment programme for social housing.

The submission to the Department should contain the following information:

- A short description of the properties being acquired/constructed, their location, type, condition and the number of bedrooms in each type of dwelling;
- A short statement explaining how the proposal fits into the overall plans of the authority as set out in its “capital” housing target under Rebuilding Ireland, in particular the demonstration of need;
- Confirmation that the project meets design quality criteria as set out in the Department’s Social Housing Design Guidelines;
- Details of the costs, including any service or ancillary charges, together with confirmation that in the opinion of the authority the proposal represents good value for money;
- Confirmation that the project complies with the appropriate building standards and has the necessary planning consents.

The Project Appraisal Submission is to be accompanied by Form HC A3 and sent to your Social Housing Capital Investment Unit contact within the Department or to vshousing@housing.gov.ie