

CABINET (HOUSING) COMMITTEE

1 OCTOBER 2014

DISPOSAL OF VACANT HOUSING REVENUE ACCOUNT DWELLINGS

REPORT OF ASSISTANT DIRECTOR (CHIEF HOUSING OFFICER)

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RECENT REFERENCES:

- [CAB 1336](#) – Disposal of Vacant Dwellings – 15 November 2006
- [CAB 1720](#) – Disposal of Vacant Council Dwellings -17 September 2008
- [CAB 1892](#) – Disposal of Vacant Dwellings – 16 September 2009
- CAB2095 - Disposal of Vacant HRA Dwellings – 8 December 2010
- CAB2246 - Pooling of Housing Capital Receipts – 9 November 2011

EXECUTIVE SUMMARY:

Prior to the Self Financing for the Housing Revenue Account (HRA) regime in 2012, the Council operated a policy of Asset Sales to generate additional capital receipts to support investment in maintaining existing homes and developing new housing.

Whilst the policy has not been amended, no consideration has been given to asset disposals since 2012. However, Government policy does emphasise the role that disposing of “high value” assets can play in funding new development.

The Council has recently been successful in obtaining additional borrowing approvals through the Government’s Local Growth Fund to bring forward development of new homes at Westman Road, Weeke. However, that award relies on generating additional capital receipts to support the development.

This report reviews the existing policy and recommends that consideration be given to the disposal of high value properties when they become vacant to support additional housing capital investment and makes specific recommendations regarding the disposal of two vacant properties in Eastgate St, Winchester.

## RECOMMENDATIONS:

1. That the Committee support the continuation of the previous policy regarding the disposal of vacant dwellings against the following criteria:
  - i. High value properties of non-standard stock which have a high asset value compared to a relatively low income stream which no longer make a significant positive contribution to the Council's housing strategy aims or community development priorities, reviewed on a case by case basis.
  - ii. Other HRA dwellings with exceptional maintenance liabilities including cases where costs exceed £50,000 (the estimated cost of grant needed to support the building of a new dwelling) or where the very rare event of the Council not being able to get a property up to the Decent Homes standard occurs.
2. That the receipts from the sale of vacant HRA dwellings be made available to fund the HRA capital programme, with the final application of these receipts to specific schemes being determined each financial year by the Chief Finance Officer
3. That the Council's Capital Strategy, Housing Strategy and Housing Revenue Account Business Plan all be amended to reflect this approach.
4. That, subject to the above recommendations, the Committee approve the offering for sale of 9 and 17 Eastgate St on the open market, in line with the above proposals.
5. That the Head of Estates be authorised, in consultation with the Assistant Director (Chief Housing Officer) and the Portfolio Holder for Business Services, to accept the best offer received for the properties, subject to the terms of the General Consent for the Disposal of Part II Dwelling-houses 2012 being met.

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##### DETAIL:

#### 1 Introduction

- 1.1 Between 2006 and 2011, the City Council operated a policy of vacant dwelling disposals to generate capital receipts to supplement investment in affordable housing and maintaining existing housing stock. Whilst the policy set out in CAB2095 (8 December 2010) remains in place, no disposals have been considered since the new regime of "Self Financing" for the HRA came into force in 2012.
- 1.2 At that time, the pooling system for capital receipts restricted the above policy and only allowed full retention of receipts where a dwelling was sold to an individual who intended it to be their principal home. However, there have been a number of changes to the pooling rules since 2012 aimed at re-invigorating the Right to Buy process and to promote the use of existing assets to generate additional resources to fund new development removed this requirement for pooling.
- 1.3 To encourage more development of affordable housing by local authorities, the Government announced earlier this year that £300million would be made available through the Local Growth Fund. In reality, this was not new money, but the potential of additional borrowing approvals over and above existing debt caps.
- 1.4 As part of this scheme, allocations have been based not on the full cost of building new homes, but a partial contribution with the expectation that the full cost of schemes be met from a combination of additional borrowing approvals and funds generated from sales of "high value" properties as well as existing reserves.
- 1.5 The Council has been allocated £360,000 of additional borrowing powers through this scheme to help bring forward the Westman Road, Weeke development which is currently scheduled for 2016/17. However, this would rely on generating at least £800,000 of additional capital receipts and this report recommends the disposal of two high value vacant dwellings in Eastgate Street which are not considered to be appropriate for social housing.

#### 2 Funding New Build Council Housing

- 2.1 The current HRA business plan makes annual provision of approximately £5m to fund new development. The current 5 year programme agreed in February

2014 (report CAB2548(HSG) refers) sets out which schemes can be funded and when. With three large schemes dominating the programme for the next two years, bringing forward other smaller schemes will be challenging. However, officers are currently reviewing what other resources can be made available to at least fund some smaller schemes as part of reviewing the Business Plan, and recommendations for a revised programme will be brought to this Committee in November.

### 3 Disposing of "High Value" Dwellings

- 3.1 The current policy approved in December 2010 states that a programme of disposing of HRA assets should continue, but be pursued on a case by case basis (with no annual targets), and concentrates on:
- a) High value non-standard properties which have a high asset value compared to a relatively low income stream or which no longer make a significant positive contribution to the Council's housing strategy aims or community development priorities, reviewed on a case by case basis.
  - b) Other HRA dwellings with exceptional maintenance liabilities including cases where costs exceed £50,000 (the estimated cost of grant needed to support the building of a new dwelling) or in the very rare event of the Council not being able to get a property up to the Decent Homes standard occurs.
- 3.2 The numbers of such properties in the Council's ownership are small (less than 30 across the District) and opportunities to exploit this policy to support the new build programme will be limited. However, with some properties valued in excess of £500,000 (whilst still only generating a rent of less than £130 per week once let), it would be possible to fund the development of three new homes by the disposal of one existing property.
- 3.3 There are currently two vacant properties which comply with the criterion set out in 3.1 a) in Eastgate St, Winchester (numbers 9 and 17). Both are held within the HRA and are currently used for temporary accommodation. It is recommended that these properties be disposed of at open market value and the receipts used to supplement the existing Housing capital programme.
- 3.4 Whilst the New Build programme will be confirmed in November, the receipts generated from the sales should support the bringing forward of the Westman Road 12 property scheme, from 2016/17 to a start on site in April 2015. It would also mean resources in 2016 currently allocated to Westman Rd could be released to bring forward other schemes in that year.

### 4 Financial Implications of Disposals

- 4.1 The Council is now able to retain 100% of any disposals provided the resource is re-invested in affordable housing and/or regeneration. The use of receipts arising from the disposal of council housing assets is covered by the Local Authorities (Capital Finance and Accounting) (England) Regulations

2003 (as amended by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013, 2013/476). These provide that receipts from sales of vacant properties at market value can be fully retained by the Council, and (provided that they are spent on affordable housing, regeneration or the paying off of HRA debt) will not adversely affect the Council's HRA Capital Financing Requirement (Debt Cap). No part of these receipts has to be paid to Government.

- 4.2 Previous pooling rules provided that a property sold to someone who did not use it as their principal home would be subject to pooling. The Statutory Instrument referred to above removed this requirement.
- 4.3 Affordable housing and regeneration are defined for this purpose in 3.2 of the Limits of Indebtedness Determination 2012 (as amended). Provision of Affordable housing *"the provision of dwellings to meet the housing needs, as identified by the local housing authority, of persons on low incomes, whether provided by the authority or a private registered provider of social housing."*
- 4.4 In this context, it is proposed that the receipts from the sale of vacant HRA dwellings are made available to fund the HRA capital programme, with the final application of these receipts to specific schemes being determined each financial year by the Chief Finance Officer.
- 4.5 HRA Land and Other Assets
- 4.6 This report makes no specific recommendations in relation to the disposal of HRA land and/or other assets. Officers are currently reviewing all areas where there may be development potential or a disposal value which could generate additional capital receipts.
- 4.7 In the first instance, it is important that HRA land with development potential be considered to support the Council's own programme of new build activity.
- 4.8 However, as it is funded predominantly from annual rental income (along with RTB and section 106 receipts) the Council's Programme has a very limited ability to raise additional resources. Land and other asset disposals could be one way to generate additional capital receipts to help bring forward future schemes.

## 5 Limitations on Disposals

- 5.1 The Council cannot dispose of Housing Revenue Account properties without the consent of the Secretary of State. A number of general consents have been issued under Section 32 of the Housing Act 1985, the most recent set of which were issued in 2012. Consent A - The General Consent for the Disposal of Part II Dwelling-houses 2012, gives the necessary consent for the disposal by a local authority of vacant dwellings for a consideration equal to its market value (which must be assessed no earlier than three months before an offer in writing is made). There are some restrictions in Paragraph A3.1.2, none of which would apply to the transactions proposed in this report.

- 5.2 Accordingly, provided the property is disposed of for a consideration equal to its market value, the general consent will apply.

OTHER CONSIDERATIONS:

6 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 6.1 Developing new homes is a key priority for the Council as it seeks to promote active communities: 'to support local people in accessing high quality and affordable housing which meet their needs'. It also facilitates the District's economic prosperity.

7 RESOURCE IMPLICATIONS:

- 7.1 The key resource implications are contained in the detail of the report. The impact of generating additional capital receipts will be taken into account when preparing the Business Plan and revised Housing Capital Programme for consideration by the Committee in November.

8 RISK MANAGEMENT ISSUES

- 8.1 The potential risks associated with property disposals have been considered in detail as part of the existing policy and the proposals contained in this report. Whilst the latest pooling rules are clear, the External Auditor will be fully consulted prior to any disposals being finalised.

9 TACT COMMENT

- 9.1 To follow

Appendix - Vacant Council Dwellings – Estimated Property Valuations EXEMPT