

CABINET – 8 DECEMBER 2010

PRINCIPAL SCRUTINY COMMITTEE – 24 JANUARY 2011

DISPOSAL OF VACANT HRA DWELLINGS

REPORT OF HEAD OF LANDLORD SERVICES

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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

EXECUTIVE SUMMARY:

Since implementing the Asset Sales programme in 2006, the Council has disposed of 15 Council dwellings and generated £3.74m for reinvestment in Council Housing and the development of new affordable housing. 8 of these properties were high value, expensive to maintain and not considered suitable for meeting housing need. The remainder were standard traditional Council homes which needed significant investment to bring them up to the Decent Homes standard.

This report reviews the appropriateness of the programme to date and recommends that opportunities for sales of some Housing Revenue Account (HRA) dwellings be considered on a “case by case” basis and that the criteria against which any sale is considered is revised to focus on those assets which are not contributing effectively towards meeting the Council’s responsibilities for addressing housing need. This will mean that sales of estate based family homes will not be considered for sale except in very exceptional circumstances. .

RECOMMENDATIONS:

That Cabinet, Principal Scrutiny Committee and Council approve:

1. That future disposals of vacant HRA dwellings be considered against the following criteria:-
 - a) 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.
 - 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 where the very rare event of the Council not being able to get a property up to the Decent Homes standard occurs.
2. That 50% of the receipts generated from the vacant dwelling disposals be reinvested in the Housing Repairs Programme with the other 50% being allocated to developing new affordable housing and/or regeneration.
3. That the disposal of "non dwelling HRA assets" and the use of receipts generated from those disposals continue to be reviewed on a case by case basis.
4. That the Council's Capital Strategy, Housing Strategy and Housing Revenue Account Business Plan all be amended to reflect this approach.
5. That the existing delegation 5 to the Portfolio Holder for Communities be amended as follows:

"To authorise disposals of vacant dwellings in accordance with approved policy and the Council's Housing Strategy."
6. That, subject to the approval of the policy set out in the above recommendations, Cabinet approve:

That Barnes House, St Cross, 84-86 Sussex St and 41a St Catherines Road be offered for sale on the open market in line with the above proposals.

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DETAIL:

1 Introduction

2 Background

2.1 Whilst the Council's housing stock is generally in good condition, the current Government subsidy system and Major Repairs Allowance do not provide sufficient resource to meet the ongoing maintenance requirements, as identified through the Council's stock condition survey. Whilst the Council has achieved compliance with the Government's Decent Homes standard, maintaining that standard is simply not possible with current resources and it is estimated that the Council is under-investing in its stock by at least £2m annually.

2.2 To address this annual shortfall, the Council implemented a programme of asset sales, based on the following principles:

- a) That a small scale programme of vacant dwelling disposals be established, with no more than a maximum of 10 vacant properties disposed of in any one financial year, being either:-
 - (i) Void properties where the estimated repair/improvement costs exceed £8,000 (adjusted annually for inflation – currently £8,900) or
 - (ii) High value properties (normally non-standard stock) which have a high asset value compared to a relatively low income stream due to rent restructuring.
 - (iii) That all receipts generated from the vacant dwelling disposals be reinvested in the housing investment programme element of the capital programme, with 50% of all such receipts being used to fund new build programmes and 50% being used to fund improvements and enhancements to existing stock.
 - (iv) That the council's capital strategy, housing strategy and housing revenue account business plan all be amended to reflect this approach.
 - (v) That the scheme of delegation to portfolio holders in part 3 of the constitution be amended to permit the portfolio holder for housing and communities to authorise disposals of up to 10

vacant dwellings in any financial year, in accordance with approved policy and the council's housing strategy.

- 2.2 Since the commencement of the programme, 15 properties have been sold on the open market generating £3.74m. The policy determined that 50% of receipts be reinvested in the Council house repairs programme and 50% be used to support the development of new affordable housing for rent.
- 2.3 In the last three years, the policy was targeted to generate £6 million through the sale of up to 30 properties. This has not been possible due to a combination of housing market conditions and too few properties coming forward that met the criteria and were considered appropriate for sale.
- 2.4 11 of the properties sold were 2/3 bed family homes. Whilst the money for affordable housing has resulted in supporting additional units, it has not been possible to replace the family homes with similar rented properties in the same areas, largely due to the lack of appropriate sites or schemes being brought forward by development partners.

3 The HRA Maintenance Programme

- 3.1 The position with the HRA maintenance programme is similar to when the programme started in 2006. The Major Repairs Allowance in no way reflects the Council's investment needs, the significant backlog in kitchen and bathroom replacements continues and a number of elements in the programme are currently suspended to ensure HRA remains in surplus on an annual basis.
- 3.2 Some improvement in the position has been achieved. In 2006, the projected annual shortfall was £3m and this has been reduced to £2m through procurement efficiencies, reductions in operating costs, increased income achieved through performance improvements and the ongoing focus on achieving value for money across all HRA services. However, a £2m annual shortfall is not sustainable and has to be addressed.
- 3.3 HRA reform proposals announced by the previous Government do indicate a significant increase in resources can be expected in 2012. The current Government has announced that reform will be implemented and the April 2012 target remains. Further announcements on debt allocations will be published in January 2011 and finalised in the autumn of next year. Whilst additional resources are expected, shortfalls in the early years of reform are expected to continue.
- 3.4 The programme of selling up to 10 properties per year was only ever intended as a short term policy leading up to HRA reform. The overall effectiveness of the programme has been mixed, due to the reasons discussed above, although it has generated much needed additional investment for the housing stock.
- 3.5 The timing of receipts has proved more difficult to manage than first envisaged. The slowing market has meant that sales have taken longer than

planned and this has impacted on the timing of implementation of repairs works funded from receipts.

- 3.6 The 50% allocated to the development of new affordable housing has proved difficult to align to specific schemes to replace the sold properties with new properties for rent in the same area. Market conditions have impacted on development activity, although there are a number of schemes still being brought forward, including some to create new units within the Council's own stock.

4 A Revised Approach

- 4.1 An annual target for receipts is not considered to be appropriate in the current market conditions and it is recommended that the current approach of seeking to sell up to 10 properties annually be changed. Also, as it has proved so difficult to replace family homes with similar properties in the same area, it is recommended that the approach of considering properties with repair needs in excess of £8,000 (now £8,900) also be amended.
- 4.2 The Council does still manage a number of assets in the HRA that do not directly contribute to meeting demand for general needs housing, many of which are high value properties but which also have high maintenance costs. Disposing of such properties could help generate much needed resources and reduce maintenance spend at the same time. However, it should be noted that all HRA assets make some contribution to the overall neighbourhood (shops and open space) or may address a key objective within the Council's Housing Strategy (hostels, supported housing projects, etc).
- 4.3 Also, there are a very small number of occasions when maintenance liabilities on general needs or supported housing buildings is not considered to provide good value for money for tenant or housing applicants. This could include where costs exceed £50,000 (the estimated cost of grant needed to support the building of a new asset) or where the very rare event of the Council not being able to get a property up to the Decent Homes standard occurs. Whilst this is rare, an example is included later in the report and in the exempt appendix.
- 4.4 Therefore, it is recommended that a programme of disposing of HRA assets 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.

5 Properties to be Considered for Disposal

- 5.1 Whilst the above suggested revisions to the sales policy will limit sales numbers, there are currently three properties that are recommended for sale. Two are brought forward because their value is high, although the maintenance obligations they place on the HRA is considerable. The third (41a St Catherines Road) is brought forward as it is considered to be inappropriate for use as general needs social housing due to poor noise insulation. The properties are detailed in the exempt appendix to this report.

6 Financial Implications of Disposals

- 6.1 Receipts from RTB sales are subject to Government pooling rules and the Council can only retain 25% of them to assist with funding the capital programme. However, under the Capital Finance Regulations 2003, the Council is able to retain 100% of any disposals provided the resource is re-invested in affordable housing and/or regeneration. The regulations define affordable housing as "the provision of dwellings to meet the housing needs, as identified by the local authority, of persons on low incomes, whether provided by the authority or a social landlord registered under section 1 of the Housing Act 1996". In both the Housing Revenue Account Business Plan and Housing Strategy, the refurbishment of existing stock is clearly included within the definition of the "provision of affordable housing".
- 6.2 Discussions with the District Auditor and the Department of Communities and Local Government in 2006 confirmed that expenditure on improving existing stock falls within the definition, subject to the Council taking its own legal advice. The District Auditor confirmed in 2006 that "we have to date been happy to certify pooling claims without comment where an authority has interpreted the affordable homes rules to apply to the continuing (enhanced) provision of existing dwellings rather than just to new build".
- 6.3 The Corporate Director (Governance) and Head of Finance confirm that Regulation 16 (1)(c) of the 2003 Regulations includes the costs of projects for "improving dwellings" in the definition of the Council's total capital allowance which it can offset against the pooling requirement. However, this needs to be done by reference to specifically identified projects in the Council's approved programmes. The same regulation also allows the provision of dwellings by new construction or conversion of existing buildings.
- 6.4 It is recommended that the approach to reinvesting receipts 50/50 between developing new affordable housing/regeneration and housing repairs be retained, but that further consideration be given to the extent of schemes to be funded by the affordable housing/regeneration element. This can include:
- a) Subsidising development schemes managed by the Council's housing association development partners

- b) The creation of new units within the Council's own stock through converting non dwelling stock and unused common rooms (all of which would count towards the Council's development targets and qualify for New.Homes Grant.
- c) Wider regeneration works to bring vacant, underused, ineffectively used or derelict land/buildings into effective use.

7 "Non-dwelling HRA Assets"

- 7.1 Whilst this report sets out proposals for amending the policy for the disposal of vacant dwellings, it is not intended to cover the disposal of land and non dwelling assets. The approach to these disposals and the use of receipts generated from the disposals will continue to be reviewed on a case by case basis.

8 Limitations on Disposals

- 8.1 The Council cannot dispose of Housing Revenue Account properties without the consent of the Secretary of State. However, Section 32 of the Housing Act 1985 does allow certain specific and general consents. There are general consents for the disposal of houses and land made in 2005. Consent A - The general consent for the disposal of Part II dwelling-houses, provides that a local authority has the power to dispose of vacant dwellings for a consideration equal to its market value:
 - a) to any individual who intends to use it as his only or principal home or
 - b) to a builder/developer on their covenanting to carry out any substantial works of repair improvement or conversion required prior for onward sale into owner-occupation by an individual who intends to use it as his only or principal home.
 - c) There is also provision under this Consent for the sale of a vacant dwelling to any person regardless of the use to which the purchaser intends to put it. (Paragraph A5.1.1). No more than one dwelling may be acquired by a Purchaser (alone or with others) from an authority under the consent in this paragraph in any financial year.
- 8.2 Other specific general consents may apply to disposal of land other than vacant dwellings. In some instances specific application for approvals has to be made to the Secretary of State for Consent.

OTHER CONSIDERATIONS:

9 SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO):

- 9.1 The Sustainable Community Strategy and Corporate Business Plan recognises the importance on increasing the supply of affordable housing and making imaginative use of existing stock as a key factor in the delivery of all key objectives included within the Strategy. Whilst relevant supporting

strategies all take account of the above principle and the commitment to achieving the Decent Homes Standard, it is recommended that they all be amended to reflect this specific proposal as a means of supporting the overall “provision of affordable housing”.

10 RESOURCE IMPLICATIONS:

- 10.1 The key resource implications are contained in the detail of the report. Whilst the recommendations contained in the report are not subject to the “Call in” rules, Principal Scrutiny Committee are requested to consider the proposals, as the generation of additional receipts that may arise from this approach is likely to have a significant impact on the Capital Strategy and the financing of the Capital Programme.

11 RISK MANAGEMENT ISSUES

- 11.1 The potential risks associated with property disposals have been considered in detail as part of the existing policy. The changes to the policy recommended in this report will reduce the risk of losing much needed family homes. It could result in added pressure on the HRA voids budget if more properties come forward than planned with above average void costs (for example due to the backlog of kitchen and bathroom replacements), although ion of sales receipts will be used to address this issue

12 TACT COMMENT

- 12.1 TACT, accept there is some logic in the comments, made in the EXECUTIVE SUMMARY. However this does not mean it is happy with them, we realise they are made with good intent and indeed under difficult financial circumstances.
- 12.2 From the council tenants point of view however, and TACT make no apologies for having to repeat this, with ever increasing rents, and lowering the level of services, that the Council would like to deliver, Council tenants are getting a raw deal, due to the negative subsidy, then to be followed by self financing, if this is not jumping from the frying pan into the fire so to speak, as the figures are not yet known.
- 12.3 When we are told by governments things are being done to help us, it invariably works out the opposite.
- 12.4 As TACT Chairs Beryl White and I often meet with the Head of Landlord Services Richard Botham and the Portfolio Holder for Communities- Councillor Lucille Thompson. These meetings prove very constructive and give all the chance to put our views over.
- 12.5 Many of the points raised in the executive summary have been well covered. TACT will support when we can, but reserve the right to challenge through our meetings with the House of Commons Housing Group, when we meet.

- 12.6 Along with the Council, TACT realise these are critical times, if we are to see council housing not only survive, but to rise like the phoenix from the ashes.
- 12.7 Council tenants care very much, that they will. Through our talks with Council members; we feel you are getting the message, though in some case a little be latently.
- 12.8 Our main concern is that when 50% of such receipts, from vacant dwellings disposals are set aside to fund new build that should go on affordable council home new build other councils seem to be able to do so why cant we?
- 12.9 TACT will in the meantime, before the Cabinet Meeting consult with other TACT members, and raise any relevant points on the day, with the Chairs permission.

BACKGROUND DOCUMENTS:

Operational and financial records held in the Landlord Services, Estates, Strategic Housing and Finance teams

Appendix - Vacant Council Dwellings – Property Valuations EXEMPT