

EXTRAORDINARY CABINET

Wednesday, 24 May 2017

HOUSING ASSET DISPOSAL AND ACQUISITION POLICY (REP 1627)

EXECUTIVE SUMMARY

1. The Council has adopted a pro-active approach to get more social and private housing in Waveney. This report specifically addresses housing assets related to the Housing Revenue Account (HRA).

2. The report outlines the need for the Council to have the ability to dispose or acquire assets to help it achieve its wider objective of delivering improved and new social housing. It considers the need for an agreed policy with criteria that can aid officers in identifying housing assets for acquisition or disposal.

The objectives of an Acquisition & Disposal Policy are:
3.
 - To increase the supply of suitable affordable housing
 - To provide an opportunity to re-balance the mix of Council housing to meet changing demands
 - To facilitate the disposal of property or assets that are no longer meeting the service or business need and where the receipt could be better utilised.
 - To provide a framework to assess the value for money of acquiring or disposing of specific housing assets. The report seeks to get Cabinet agreement of the criteria laid out within it which will guide the selection of individual housing assets for future reports to Cabinet.

Is the report Open or Exempt?	Open
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Wards Affected:	All Wards in the District
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Cabinet Member:	Housing
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Supporting Officer:	David Howson Tenancy Services Manager 01502 523146 Dave.howson@eastsoffolk.gov.uk
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1 INTRODUCTION

- 1.1 The Council currently has a pro-active approach to delivering new homes in Waveney through a range of mechanisms including liaison with private developers, negotiating with Planning on land designations, discussions with housing associations and considering the role the Housing Revenue Account (HRA) can play.
- 1.2 Increasing the overall supply of housing is fundamental to achieving the vision for East Suffolk. The Strategic Housing Market Assessment (SHMA) has provided evidence that supports the need for significant numbers of additional homes of all types. Local Plans in Waveney make the development of new housing a priority and have identified that new housing developments of all types have not kept pace with these planning targets. The numbers of new homes built have in fact reduced since 2010. This report seeks to help the Council address these concerns by considering the use of HRA assets to help deliver new homes.
- 1.3 The authority is also required to re-invest any retained RTB receipts within a 3 year time frame, using it to fund a maximum of 30% of either a new build affordable dwelling or the purchase of an existing dwelling which is offered for sale. The preference will be to invest in new build dwellings where possible, as this increases the overall supply in the district. However, tight development time frames can mean that the ability to purchase existing dwellings will need to be considered.
- 1.4 The HRA is financially strong with potential to drive new development of primarily social housing to meet housing need in the community. The disposal and acquisition of housing assets can do this by the additional resource and options it brings to the Council. This report recommends the adoption of a policy that enables Cabinet to consider individual approvals in the context of the policy.

2 DISPOSALS

- 2.1 Disposing of Council assets has two advantages to the HRA:
 - a) The property may not suit the housing portfolio in its location, construction or condition and it would be more appropriate to sell the property to minimise future potential costs and management issues.
 - b) The disposal of high value assets can be reinvested in new housing bringing better quality and lower maintenance housing stock for the community.
- 2.2 The investment of this income by the Council in new property increases the amount of housing stock in the district, achieving a key element of the East Suffolk Business Plan Vision as well as bringing in additional financial resource to the General Fund through the New Homes Bonus.
- 2.3 The Housing and Planning Act 2016 requires councils to sell properties although the details are yet to be published. This is associated with a levy being considered by the Government which funds Right to Buy discounts for housing associations.
- 2.4 Property disposals have in the past taken place (for example in Southwold) with great success as the money is ring-fenced for re-investment in new council-owned homes in the local community that are better quality and have lower maintenance. Receipts to date from the 11 market sales over the last 5 years have brought £2.5m to invest. £1.6m has been invested to facilitate the development of 20 properties in Duncan's Place in Southwold.

- 2.5 Each potential disposal will be assessed on an individual basis in line with the disposal criteria set out in this policy, considering the financial implications of the disposal and the relative merits in value for money terms. These will need to be balanced with the social value of the asset. A proposed disposal will seek approval of Cabinet if the criteria are met and the relative financial benefits can be demonstrated.
- 2.6 The key criteria proposed for disposals are as follows:
- A) Property where the business case indicates a negative financial contribution*
- The need to invest in any council owned dwelling to ensure that it continues to meet the desired standard for letting purposes should be carefully considered against the potential future rental stream for the property. If the investment need, plus the cost of management and maintenance for the property, outweighs the anticipated rental stream over the 30 year life of the business plan, the property should be actively considered for disposal.
- B) Property location*
- On occasions the location of a particular dwelling makes it difficult to let, manage or maintain. In these instances consideration should be given to strategic disposal, particularly where the capital receipt anticipated can be demonstrated to deliver greater benefit elsewhere in the future provision of affordable housing.
- C) Property build type*
- The construction type of some of the housing stock is non-traditional or unique. This can make routine maintenance and future improvement of the dwelling difficult and expensive.
- D) Property Valuation*
- The Council owns some properties that are considered to be of a high market value. The sale of this type of property can release funds to reinvest in new housing stock delivering greater numbers and standards and therefore providing greater value for money. In these cases consideration should be given to disposal.
- 2.7 An example scenario would be a 3 bed property of 1900 construction is in a location desirable for open market purchasers and valued at £160,000. It has a long term requirement for a new roof, kitchen and bathroom and is less desirable for a modern family to occupy because access to the bathroom is through the third bedroom. The Council receives £5,700 per annum in rent.
- 2.8 The Council can build one bedroom flats for £80,000 each with Homes and Communities Agency grant or Right to Buy receipts. Therefore one property can be replaced with two properties. The rent for the two properties will be £8,300 per annum and the maintenance costs will be lower as the property is new. The property will be in a location more suited to the requirements of the waiting list and of a modern layout. There is a much greater need for one bed homes than 3 bed homes so the Council is steadily changing its stock to match the households that apply for housing as well as housing two households rather than one.
- 2.9 From a broader housing perspective, the housing crisis is caused by a lack of supply. The former Council property in this example will receive private sector investment by the new purchaser and continues to house a family in owner occupation. The property continues to house a family, but the tenure has changed. The receipt is used to supplement the Council's development programme and overall supply in the district is increased by two units which otherwise wouldn't be built.

3 ACQUISITIONS

- 3.1 With the financial support of the HRA there are opportunities for acquiring property that achieve the Council's objective of getting more housing in the district.
- 3.2 In the past the Building Maintenance Team has worked closely with the Private Sector Housing Team to identify neglected long-term empty properties with the intention of bringing them back into use. This brings additional units of social housing to the stock, removing a long term local problem as well as providing a home to a family.
- 3.3 The Private Sector Housing Team are experiencing challenges with some landlords with the quality of Housing in Multiple Occupation (HMO) in the Lowestoft area. For example, in January a property in very poor condition used as an HMO was purchased and the HRA is investing in developing it to provide good quality shared accommodation to future residents. This could become a model for private landlords to follow to help the Council drive improvements in HMO standards as well as meeting a real need for this type of accommodation due to the changes in the benefits system.
- 3.4 Purchasing properties from the private sector has the added benefit of providing additional work for the maintenance team to flatten the peaks and troughs of other aspects of their work such as servicing and void properties. The borrowing costs to the HRA are very low and so there is minimal financial cost in purchasing a low cost property and improving it when other work is reduced. This is better value for money than staffing for peaks and having too little work for staff to complete when there are troughs, or under resourcing and either outsourcing urgent work or dropping important tasks.
- 3.5 Each potential acquisition will be assessed on an individual basis, in line with the acquisition criteria set out in this policy to ensure good value for money. A proposed acquisition will only be progressed if the criteria are met and the relative financial benefits can be demonstrated to Cabinet.
- 3.6 The key criteria proposed are as follows:

A) Property that meets a current need

Acquiring property that meets specific needs at a particular time such as significant disabled adaptations, accommodating a large family, one bedroom dwellings suitable for downsizing or meeting the needs of the waiting list or shared accommodation to cater for the changes in welfare reform.

B) Property in Disrepair

A property which is in disrepair, causing concerns in the locality, and where works undertaken to allow letting would improve not only the dwelling, but also the surrounding area.

C) Property available on the market

A property where the location lends itself to ease of housing management and maintenance.

D) Financial viability

A property where the financial assessment is balanced against the other criteria. The objective will be to add positively to the asset value of the housing stock, but there could be scenarios where the social value in the criteria above justifies a negative financial assessment.

4 HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?

- 4.1 The East Suffolk councils have a key leadership role in supporting the provision of good quality housing that meets the needs of local people. Improved access to appropriate housing to meet existing and future needs is regarded as a critical success factor in the plan and a specific action for Waveney is ‘to increase the number of new council houses’.

5 FINANCIAL AND GOVERNANCE IMPLICATIONS

- 5.1 All capital receipts received through the disposal of HRA properties will be reinvested in the development of new affordable housing.
- 5.2 Any Housing Acquisitions considered are eligible to be funded through Right to Buy receipts held. Right to Buy receipts can fund 30% of the acquisition and any associated costs bringing the property into a suitable standard for use. The remaining 70% of the costs will be funded through the HRA. This will be through Direct Revenue financing, or the Major Repairs Reserve, both of which have healthy balances.
- 5.3 Each Housing Acquisition will have a full financial appraisal carried out and reviewed by the Finance Department to ensure appropriate pay back terms to the HRA.
- 5.4 The report ensures that governance issues are considered as each proposed acquisition or disposal of a housing asset would be subject to a detailed report seeking approval.
- 5.5 The Council has the power to enter into this agreement under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 which permits us to dispose of non-tenanted assets to reinvest the receipt in affordable housing.

6 CONSULTATION

- 6.1 There has been discussion at the Housing Benefits and Tenancy Services Consultation Group with members and tenants on acquisitions and disposals of assets.

7 OTHER OPTIONS CONSIDERED

- 7.1 The report considers a range of options that could be available to the Council as a broad approach to the provision of good quality housing in the district.

8 REASON FOR RECOMMENDATION

- 8.1 The Council has, over the last year, sought to be more pro-active in meeting the objectives of the East Suffolk Business Plan and the Housing Strategy by delivering more social housing in the district. This policy seeks to make members aware of the various options open to us and get approval for disposals and acquisitions in the future that help meet this objective.

RECOMMENDATION:

1. That Cabinet (i) adopts this report as Waveney District Council’s Housing Asset Disposal and Acquisition Policy and (ii) approves the disposal or acquisition of a housing asset that meets one or more of the criteria identified in the Policy.

BACKGROUND PAPERS

Date	Type	Available From
	Housing Strategy 2017 (Draft)	David Howson