



Draft

Disposal of Third Party Properties

Overview and Scrutiny Committee Task and Finish Group Report

March 2017

Chair's Foreward

In January 2016, the Overview and Scrutiny Committee considered a Call-In Request in respect of a Portfolio Holder decision giving consent to dispose of a rural property by Yarlinton Housing Group. Whilst the Committee voted not to support the Call-In, the Committee noted the cumulative effect of such disposals and the gradual erosion of rural social housing and decided Scrutiny should programme a review of the policies, working practices and the outcomes achieved.

In April 2016 Overview and Scrutiny Committee commenced a review into the process surrounding the disposal of third party properties (where consent was being sought from a Housing Association to dispose of a property that was formerly owned by the Council). The Committee's concern was that rural social housing stock could be lost where there was still a need for it and that this could have a detrimental impact on the sustainability of SSDC's rural communities.

This report details the review process of the Task and Finish group and makes a recommendation with regard to the process moving forward.

I would like to take this opportunity to thank the officers and housing association representatives who supported us on this review to make informed decisions and produce this report.

Sue Steele

Scrutiny Committee Chair

Task and Finish Group membership:

Sue Steele - Review Chair
Jason Baker
John Clark
Nick Colbert
Val Keitch
Sue Osborne
Gina Seaton

SSDC Officers

Colin McDonald – Corporate Strategic Housing Manager

Kirsty Larkins – Housing and Welfare Manager

Emily McGuinness – Scrutiny Manager

Housing Association Representatives

David Hall – Regional Director, Stonewater

Phillippa Yeates – Development Manager, Stonewater

Mandella Edwards – Regional Manager, Hastoe Housing Association

Jez Morris – Head of Housing Services – Magna Housing Association

Phyllida Culpin – Former Director Customer and Community Services – Yarlinton Housing Group (YHG)

Jim Bruckel – Head of Lettings and Income – YHG

Mark Beard – Former Director of Operations – Knightstone Housing Association

The aim of the Task and Finish group was to assess the effectiveness of the consent to dispose process and the overall impact of third party disposals across South Somerset.

The review group met on several occasions from April 2016 through to January to 2017:

- Establish the background of the consent to dispose process
- Identify and review all sources of evidence with regard to rural social housing need
- Establish the impact of the disposal of social housing in rural areas
- Understand the perspective of Housing Associations
- Assess the wider impact of this in terms of the Rural Lettings and Choice Based lettings Policy
- Make recommendations moving forward

Background of the Process

A confidential report on the proposed disposal of a property formerly owned by SSDC by a Housing Association was provided to the District Executive on 4th October 2012. The District Executive made the following decision with regard to consent to dispose of a third party property:

“Delegated to the Portfolio Holder, in consultation with the Ward Member(s), responsibility for consent to any future such requests with respect to individual properties formerly owned by the council and subsequently transferred to a Housing Association, including those transferred under the former trickle transfer policy;”

This decision has formed SSDC policy re: consent for disposal for third party properties since then.

Please note this policy:

- Does not include properties previously funded by the Homes and Communities Agency (HCA) or its predecessor, the Housing Corporation. Such properties are NOT subject to the District Executive decision, even if the Council was co-sponsor of the original funding after 1st April 2003 (when ‘LASHG’¹ was ‘abolished’, effectively ending re-imburement of our funds by the Housing Corporation).
- Will appear to affect YHG more than any other Housing Association because the majority of their stock is former Council housing taken over at the time of the large scale voluntary transfer (LSVT). Yarlinton Housing Group was originally known as South Somerset Homes (SSH) and was created with the specific purpose of transferring all of the remaining council housing stock.

¹ Local Authority Social Housing Grant

Why do Housing Associations wish to dispose of properties?

Under the Coalition Government 2010-2015 there was a review of the way in which central Government funded new HA development. The Coalition Government decided to continue to provide capital subsidy towards new social housing provided by the HA sector, but to make the grant 'stretch further' by a number of measures including the proposed disposal of some existing stock. This resulted in Housing Associations undertaking to raise defined sums as part of their 2011-15 funding contract with the HCA through the disposal of a limited number of properties when they became vacant. The funds raised are used to help subsidise housing associations currently contracted programme to make public funds stretch further.

The key consideration from the point of view of the Housing Association is the relative costs of maintaining/upgrading the property. Given the HCA expectation that monies shall be raised from disposals, it clearly makes sense to dispose of those properties which lie at the end of the expenditure curve, including the cost of bringing the property up to the expected energy efficiency (measured by the 'SAP²' rating). However another consideration is the cost of managing isolated properties. HA's will also consider the relative value of each property, in terms of OMV³

Process to inform recommendations

The Task and Finish group met with the Corporate Strategic Housing Manager who provided a detailed overview of the current considerations and processes that both Housing Associations and SSDC undertake to reach a decision to dispose of a property. A briefing note that was provided for this meeting providing further detail is attached at Appendix A.

In May of last year the group then proceeded to meet with representatives from the 5 largest social housing providers across the district, the conclusions drawn from this evidence session were:

- Housing Associations will give further consideration to the possibility of priority marketing of their properties to local people, but require quantitative evidence before they will invest time exploring this proposal further. *In reality SSDC can only provide quantitative evidence of those people who are local or have a local connection that require social housing and have expressed a need, this information can be lifted from the Choice Based Lettings [common housing register] database, we have no means of identifying those who are local or have a local connection that could rent or purchase a property on the open market.*

² SAP stands for Standard Assessment Procedure, which doesn't immediately explain that it is really about levels of energy efficiency!

³ OMV = Open Market Value – the price likely to be reached when sale of a property is unconstrained

- All parties agree that important to proactively engage with Parish Councils so that local communities are aware of how to bid for properties and when these properties become available.
- Only some Housing Associations have Asset Management Strategies providing details of the policy/process that governs how properties will be disposed.
- In deciding if a property should be disposed Housing Associations consider potential renovation costs, SAP ratings and if the property falls within its core area.
- Replacement properties for disposed properties are not necessarily in the same locality or even the same district, the location is determined by demand, return (the size of and number of properties that can be built) and the business needs of the organisation.

In conclusion the Task and Finish group determined:

- Although South Somerset District Council transferred it's housing stock to preserve it, it now has very limited ability to influence Housing Associations decisions with regard to the disposal of properties.
- There is no implicit duty for Housing Associations to reinvest funds raised from a disposal in the same locality or even the same authority area.
- The frequency of requests for disposals is increasing particularly from Yarlinton Housing Group (YHG) who are going through the motion of consultation but are not giving regard to the information and evidence that is provided in the consultation response.
- The majority of disposals put forward by YHG are in rural areas (parishes with populations below 3,000) which has had a disproportionate effect on the provision of social housing in such communities, exacerbating the higher levels of conversion from social to private housing that was already happening as a result of the disproportionate take up of the Right to Buy and (since LSVT) preserved Right to Buy.
- The increased disposals in rural areas by YHG has also impacted on the operation of the rural allocations policy which is also under review.
- As there are no examples of YHG changing their position as a result of the supposed consultation, SSDC officer and member time is being taken up for no practical purpose

- SSDC are providing fewer consents yet YHG are still increasing the number of rural disposals. The HCA only check the Housing Association has consulted with the Local Authority and has followed its own policy. The HCA do not conduct a review of the decision to dispose if the decision is not supported by the Local Authority.
- The disposing of third party social housing properties will continue as the Housing Associations are now operating much more commercially are therefore looking to maintain and develop properties that provide the greatest return. The Housing and Planning Act 2016 states that Housing Associations will no longer require HCA approval with effect from April 2017.
- There has been a complete disregard for the disproportionate impact of the disposal of social housing in rural communities and consequently for individual Local Authorities.

Recommendations:

The Task and Finish group recommends:

- The process agreed on 4th October 2012 for the consent to dispose of third party properties stops with immediate effect and in its place a notification to ward members is issued for information. This will save the Strategic Housing Team from continuing to source evidence to aid the Portfolio Holder to make a decision regarding consent that is not properly considered and enable the team to use their time to greater affect – reviewing the impact of the loss of this housing in terms of the Rural Lettings and Choice Based lettings Policy
- SSDC request Yarlinton Housing Group provide the earliest notification possible to South Somerset District Council that they will be disposing of a property, this will enable councillors to inform local residents.
- SSDC draw the lack of rural proofing with regard to the arrangements to dispose of properties to the attention of the Department of Communities and Local Government and the HCA.
- The Task and Finish group continues to work with the Corporate Strategic Housing Manager with the focus of ensuring the risk of such disposals is fully understood and is reflected in SSDC rural lettings policy.

Housing Association Disposals:**File Note****Background**

A confidential report on the proposed disposal of a property in Yeovil by Magna Housing Association was provided to the District Executive (DX) on 4th October 2012. The District Executive approved that any future such requests for endorsement of disposal with respect to individual properties formerly owned by the council and subsequently transferred to a Housing Association, including those transferred under the former trickle transfer policy, be delegated to the Portfolio Holder in consultation with the relevant ward member/s.

Yarlington Housing Group was originally known as South Somerset Homes (SSH) and was created with the specific purpose of transferring all of the remaining council housing stock in the district under 'large scale voluntary transfer' (LSVT). At the time of the LSVT both the Council and SSH undertook to ensure that major repairs and refurbishment works would be completed on all relevant transferring stock within a fifteen year period.

Bids from various Housing Association partners have been approved by the Homes and Communities Agency (HCA) for the five-year period (2015-20). Under the current arrangements Housing Associations have undertaken to raise a defined sum through disposal of a limited number of properties when they become vacant, using the funds raised to help subsidise their currently contracted programme, thus making available public funds stretch further in terms of the number of new homes acquired or built.

All such disposals by a Housing Association require individual HCA consent. In turn the HCA expects to see consent from the relevant Local Housing Authority.

Isolated properties

Typically Housing Associations have identified isolated properties or those with a relatively high call on future maintenance costs as potential for meeting their disposal obligations. This increases the chances of an individual property being considered for disposal being in a rural area, especially where the 'SAP⁴' rating is further reduced by a lack of access to mains gas.

For most Housing Associations it is likely that properties identified for potential disposal are those previously funded by the Homes and Communities Agency (HCA) or it's predecessor, the Housing Corporation. Such properties are NOT subject to the DX decision, even if the Council was co-sponsor of the original funding after 1st April 2003 (when 'LASHG'⁵ was 'abolished', effectively ending re-imburement of our funds by the Housing Corporation).

⁴ SAP stands for Standard Assessment Procedure, which doesn't immediately explain that it is really about levels of energy efficiency!

⁵ Local Authority Social Housing Grant

However those ‘inherited’ through the former trickle transfer policy are affected by the DX decision and, once again, these are more likely to be in the most rural areas.

Yarlington properties

For Yarlington there is a greater chance that the identified property will be affected by the DX decision simply because the majority of their stock is former Council housing taken over at the time of the LSVT. Of the Yarlington disposals to have taken place to date, only one property was HCA funded (gained through mortgage rescue).

Yarlington still own a small number of ‘swedish houses’ – a type of timber construction – which have not been subject to the same review and replacement as the more notorious concrete forms of system build. These isolated properties do not lend themselves to an economic solution to bring them up to Decent Homes⁶ standard either in terms of individual refurbishment plans or (as with many of the former PRC sites) demolition and replanning of the estate. Where only one of a pair of semi-detached houses remains, Yarlington's preferred route is, then, to dispose of these properties privately as and when they become vacant. Several of the approved disposals to date have been swedish houses.

Housing Association Considerations

The key consideration from the point of view of the Housing Association is the relative costs of maintaining/upgrading the property. Given the HCA expectation that monies shall be raised from disposals, it clearly makes sense to dispose of those properties which lie at the end of the expenditure curve, including the cost of bringing the property up to the expected energy efficiency (measured by the ‘SAP’ rating). However another consideration might be the relative ‘need’ for the property. In one case Yarlington identified a property which had been let six times in the previous eight year period. Other Housing Associations may consider the cost of managing an isolated property, especially if they don’t own any other stock for ten miles or more.

Local Housing Authority Considerations

The key consideration from the point of view of the Local Housing Authority is whether the funds raised will produce housing which will meet a greater level of need than the property subject to the proposed disposal. In the case of the properties transferred by the Council under the former trickle transfer property, preservation of some social housing in smaller rural communities was one of the main reasons for these individual transfers.

The strategic housing unit independently checks the level of expressed demand for the size of property in the location, primarily by reference to the number of households registered on Homefinder⁷ eligible for the size of property and indicating the location as their first choice of parish. Depending on location this may include a review of similar expressed needs for neighbouring parishes or wards. Consideration is also be given to possible changes to the property – for example changing a 3-bed house with a downstairs bathroom into a 2-bed house with an upstairs bathroom. In such cases not just the immediate needs (as expressed on Homefinder) but also the projected future needs will be taken into account.

⁶ Decent Homes standard was first set out by Government shortly after the LSVT and covers a very similar range of minimal requirements to those promised to council tenants as ‘catch up repairs’ under LSVT

⁷ Homefinder is the county wide housing register and choice based lettings system.

The DX decision requires consultation with the relevant ward member/s and it may be that a ward member identifies other factors, for example, in one case the ward member wished to consult with the Parish Council, in another the ward member identified how to resolve car parking issues.

These considerations need to be balanced against the obligation that Housing Associations are under to achieve some disposals and the economics of each individual case.

Whilst the argument might be accepted that it is uneconomic to bring a property up to an acceptable SAP rating, one other consideration is whether the prospective purchaser will be in a position to undertake such works. One other option, which the Portfolio Holder has suggested is that the Housing Association be asked to consider disposal of the property to Somerset Care & Repair who will be able to bring the property up to a reasonable standard, albeit not the same standard aspired to by Housing Associations, and let it as a private property on a market rent within the Local Housing Allowance⁸. He has also asked that Yarlinton consider disposal to local purchasers only, but this has been rejected on the grounds that the Housing Association must achieve the best possible price for the property.

Opportunities for replacement

The first call on any receipt realised will be the remaining debt associated with that property, before any net receipt can be used within the current development programme. In many cases there will be no immediate opportunity for a replacement property and in the rural examples there may be no prospects of a new site ever coming up.

In theory there is no ring-fencing of monies raised, provided sufficient funds are utilised in the current HCA programme. It is therefore possible that monies raised could be deployed in a different local authority area, let alone in a different settlement.

In order to preserve as much local recycling as possible, but mindful of the practicalities of locating new sites, SSDC consent has typically been with the caveat that the monies are redeployed 'in the local area'. In one case the property to be disposed was in Yeovil and SSDC consent was caveated on the realised funds being deployed in Yeovil.

Process for reaching formal SSDC decision

Once the Council has been alerted to a potential disposal by Yarlinton (or any other Housing Association for a property that falls under this policy) and provided with sufficient background information, the Strategic Housing Unit contact the relevant ward member/s and provide detail of the proposals. A formal report is then produced for the Portfolio Holder which reflects the views of the relevant ward member/s once these are known. As with all such reports, this is published in the Executive Bulletin both as a 'decision to be taken' and, following that, as a 'decision taken'. In one case it was not possible to discuss with one ward member due to his circumstances, but a report was produced which reflected the views of the other two.

⁸ This is effectively the limit in the local area per property type for private sector rents to be covered by Housing Benefit

Consent withheld

Consent has been withheld on two occasions. The first of these was a property in Marston Magna where the recommendation could have been to consent to dispose if it were not for the fact that there was a homeless household in the village requiring exactly that size of property. However within weeks another vacancy arose in the village which Yarlington were able to offer to the homeless household. Following this a second decision reversed the original decision and the consent was given.

The second is the much more recent case, in Curry Rivel, which has only just been published as a formal decision.

The other more recent case, at Rimpton, is the only example where the report has reflected the views of the ward member but recommended a different decision.

Process for tracking use of monies

Whilst Yarlington have been given consent to sixteen disposals since the new funding arrangements came in, fifteen of which have been subject to the expected redeployment within the local area (the other being specifically subject to redeployment in Yeovil), until now no mechanism has been in place to track these funds and no cross referencing has taken place with the confirmed development programme to ensure that the funds are redeployed appropriately.

It is understood that the realisable sums raised from sale of former LSVT properties are not subject to the same rules as RCGF⁹ and DPF¹⁰, both of which carry a time limit for redeployment and both of which have an implied geographic tie. The sums raised through these disposals are not hypothecated to specific new build schemes by the HCA, but the Council can seek assurances that a similar amount has been invested in local schemes.

Yarlington disposals to date			
Property address	Date of consent	Executive Bulletin/s	Funds raised (net where known)
6 & 8, Swedish Houses, Over Stratton, South Petherton	11 th June 2012	predates policy decision	£212,882
3, Steart Hill, West Camel	18 th January 2013	557 & 558	£103,941
22, Milford Road, Yeovil	16 th August 2013	587 & 588	£80,000
12, Swedish Houses, Over Stratton, South Petherton	1 st November 2013	598 & 599	£101,500
1, Stibbear Lane, Donyatt	13 th June 2014	628 & 629	£155,200
9, Park Way, Bruton	Not with SSDC consent		£121,500
17, West Street, Stoke sub Hamdon	23 rd July 2014 ¹¹	Not subject to policy	£186,500 ¹²
19, Pope's Cross, Curry Mallet	12 th December 2014	653 & 654	£74,500

⁹ Recycled Capital Grant Fund made up of the subsidy element previously allocated to a property – typically RCGF covers the proceeds from sale of further shared ownership tranches

¹⁰ Disposable Proceeds Fund made up of capital funds raised through other disposals.

¹¹ Consent subject to monies being used to create an alternative 4 bed property

¹² Gross receipt – does not take into account outstanding debt and sales fees etc

28, Font Villas, West Coker	16 th January 2015	656 & 657	£116,500
1, Vale View, Aller	30 th January 2015	658 & 659	£ 111,500
4, Townsend, Shepton Montague	30 th January 2015	658 & 659	£130,000 ¹³
53, Earle Street, Yeovil	20 th March 2015	665 & 666	£92,000 ¹⁴
1, Owl Street, Stocklinch	12 th May 2015	672 & 673	£195,000 ¹⁵
5, West End, Marston Magna	21 st August 2015	684 & 685	£140,000 ¹⁶
23, Woodhayes, Henstridge	4 th September 2015	686 & 686	£144,950 ¹⁷
8, Fairview Terrace, Limington	23 rd October 2015	672 & 673	£175,526 ¹⁸
2 Townsend, Shepton Montague	13 th November 2015	674 & 675	£100,000 ¹⁹
19, Higher Bullen, Barwick	13 th November 2015	674 & 675	£106,000 ²⁰
Total raised			£2,347,499²¹

Yarlington disposals in pipeline

Property address	Current position
20, Dyers Road, Curry Rivel	Consent withheld – decision 18 th December 2015, Executive Bulletins 679 & 680 refer.
2, Daisymead, Rimpton	Report recommended agreement to dispose; called in to Scrutiny, Executive Bulletins 679 & 680 refer

¹³ ditto

¹⁴ ditto

¹⁵ ditto

¹⁶ ditto

¹⁷ ditto

¹⁸ ditto

¹⁹ ditto

²⁰ Ditto

²¹ Includes some gross receipts – estimated net figure approximately £2,075,000 taking into account estimated undeclared sales fees and share of debt.