

Overview and Scrutiny Committee - Disposal of third party properties

Executive Portfolio Holder: Ric Pallister, Strategy and Policy Portfolio Holder
Director: Ian Clarke, Director – Support Services
Lead Officers: Joanna Gale, Overview and Scrutiny Manager
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Purpose of the Report

1. To request that the District Executive considers the findings and recommendations of the Overview and Scrutiny report with regard to the disposal (sale) of third party properties and ceases the current process as agreed on 4th October 2012.

Forward Plan

2. This report did not appear on the District Executive Forward Plan.

Public Interest

3. It will be of interest to members of the public concerned about the provision of social housing, for those in need in their local area and of particular interest to any member of the public who is seeking to be rehoused themselves or has a friend or relative registered for housing with the Council and its Housing Association partners.

Recommendation

4. The District Executive is requested to:
 - a. Cease the process agreed on 4th October 2012 for the consent to dispose of third party properties and agree in its place a notification to ward members is issued for information.
 - b. Request Yarlington Housing Group provide the earliest notification possible to South Somerset District Council that they will be disposing (selling) a property, this will enable councillors to inform local residents.
 - c. Work with the Corporate Strategic Housing Manager to 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 Homes and Communities Agency (HCA).

Background

5. A confidential report on the proposed disposal of a property in Yeovil by Magna Housing Association was provided to the District Executive 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.

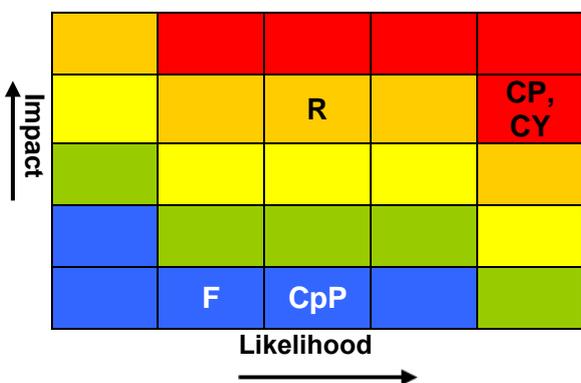
6. Yarlington Housing Group proposed to dispose of a property in Rimpton and a Portfolio Holder report was formally submitted in December 2015. That report reflected that the ward member was not in favour of the disposal, but, nonetheless, recommended that consent be given on the proviso that the funds raised were reinvested in the local area. The decision was called in to Scrutiny Committee which discussed the case and the overall process at its meeting on 5th January 2016. The Committee noted the cumulative effect of such disposals and the gradual erosion of rural housing as a result of each individual decision. The decision was not over turned, however the Scrutiny Committee launched a Task and Finish group investigation to assess the effectiveness of the consent to dispose process and the overall impact of third party disposals across South Somerset.
7. The attached report details the process, findings and recommendations of this Task and Finish group.
8. Since the Task and Finish group compiled its report and recommendations part of the Housing Planning Act 2016, removing the need for Housing Associations to gain consent for individual disposals from the HCA , has come into force. Yarlington Housing Group has stated they intend to still consult South Somerset District Council as before.

Financial Implications

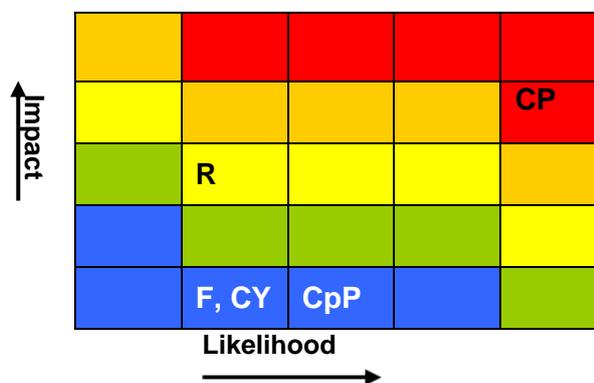
9. There are no direct financial implications for South Somerset District Council. Proceeding with the recommendation will allow the Strategic Housing Team to make more effective use of their time.

Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

Council Plan Implications

10. "To work with partners to enable the provision of housing that meets the future and existing needs of residents and employers"

Carbon Emissions and Climate Change Implications

11. There are no implications as a result of this decision, however it is worth noting where a Housing Association chooses to dispose of a property on the grounds that either the immediate or the future projected cost of cyclical works is disproportionate, it is extremely likely that these works would significantly improve the SAP¹ rating. Whilst we might expect properties retained by Housing Associations to generally be maintained to a relatively high level of energy efficiency, there is no such guarantee once such properties have been sold to individuals who may prioritise other works. It is therefore likely that such disposals at best stall and at worst prevent poorer SAP rated properties from being addressed.

Equality and Diversity Implications

12. As identified by members of the Scrutiny Committee, the practical application of Yarlington's disposal policy has a disproportionate effect on rural housing where there is already a higher affordability gradient working against those on average or below earnings. Whilst this does not necessarily disproportionately affect any vulnerable groups it will exacerbate any existing inequalities in rural areas.

Background Papers

Consent to Dispose of a Third Party Property (Confidential)

District Executive, 4th October 2012

Portfolio Holder Decision Called in by Scrutiny Committee: - Consent for Disposal of a Property in Rimpton by Yarlington Housing Group

Scrutiny Committee, 5th January 2016

Disposal of Third Party Properties - Draft Report of the Task and Finish

Scrutiny Committee, 4th April 2017

¹ SAP stands for Standard Assessment Procedure, an indicator used to show how energy efficient a property is.

Appendix



Disposal of Third Party Properties

Overview and Scrutiny Committee Task and Finish Group Report

March 2017

Chair's Foreword

In January 2016, the Overview and Scrutiny Committee considered a Call-In Request in respect of a Portfolio Holder decision giving consent to dispose 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 by 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 South Somerset'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

Joanna Gale – 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 – Yarlington 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 property disposals (sales) across South Somerset.

The review group met on several occasions from April 2016 through to January 2017, their ambition was to;

- 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 (sale) 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’s 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’² 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). YHG was originally known as South Somerset Homes (SSH) and was created with the specific purpose of transferring all of the remaining council housing stock.

² 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 Housing Association development. The Coalition Government decided to continue to provide capital subsidy towards new social housing provided by the Housing Association 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 Associations is the relative cost 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 'SAP³' rating). However, another consideration is the cost of managing isolated properties. Housing Associations will also consider the relative value of each property, in terms of OMV⁴

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.

In May of last year the group met with representatives from 5 of the 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.*
- All parties agree the importance of proactively engaging 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 (sold).

³ SAP stands for Standard Assessment Procedure, an indicator used to show how energy efficient a property is.!

⁴ OMV = Open Market Value – the price likely to be reached when the sale of a property is unconstrained

- Housing Associations consider potential renovation costs, SAP ratings and if the property falls within its core area to decide if it makes business sense for them to maintain the property as part of their portfolio or to dispose of it.
- Replacement properties for disposed (sold) 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 its 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 (sold property) in the same locality or even the same authority area.
- The frequency of requests for disposals is increasing particularly from (YHG) who are going through the motion of consultation but 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. This has been further exacerbated by 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 number of disposals (sold properties) in rural areas by YHG has 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 that the Housing Association has consulted 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 Housing and Planning Act 2016 states that Housing Associations will no longer require HCA approval with effect from April 2017.

- The disposing of third party social housing properties will continue as the Housing Associations are now operating much more commercially and are therefore looking to maintain and develop properties that provide the greatest return.
- 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 prevent the Strategic Housing Team from investing time to source evidence to aid the Portfolio Holder to make a decision regarding consent that is not properly considered. The team can use this 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 (selling) 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.
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