

Cabinet (Special)

Tuesday 31 May 2011

5.30 pm

Ground Floor Meeting Room G02A -160 Tooley Street, London SE1 2QH

Membership

Councillor Peter John
Councillor Ian Wingfield
Councillor Fiona Colley
Councillor Dora Dixon-Fyle
Councillor Barrie Hargrove
Councillor Richard Livingstone
Councillor Catherine McDonald
Councillor Abdul Mohamed
Councillor Veronica Ward

Portfolio

Leader of the Council
Deputy Leader and Housing Management
Regeneration and Corporate Strategy
Health and Adult Social Care
Transport, Environment and Recycling
Finance, Resources and Community Safety
Children's Services
Equalities and Community Engagement
Culture, Leisure, Sport and the Olympics

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Members of the committee are summoned to attend this meeting

Councillor Peter John

Leader of the Council

Date: 20 May 2011



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Order of Business

Item No.	Title	Page No.
	PART A - OPEN BUSINESS	
	MOBILE PHONES	
	Mobile phones should be turned off or put on silent during the course of the meeting.	
1.	APOLOGIES	
	To receive any apologies for absence.	
2.	NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT	
	In special circumstances, an item of business may be added to an agenda within five clear working days of the meeting.	
3.	DISCLOSURE OF INTERESTS AND DISPENSATIONS	
	Members to declare any personal interests and dispensation in respect of any item of business to be considered at this meeting.	
4.	REVIEW OF VOID DISPOSAL STRATEGY	1 - 16
	To agree issues relating to the void disposal strategy.	

OTHER REPORTS

The following items are also scheduled for consideration at this meeting:

- 5. DEPUTATION REQUEST: RESIDENTS OF JARMAN HOUSE AND CANUTE GARDENS, HAWKSTONE ESTATE**
- 6. HOUSING INVESTMENT PROGRAMME AND REVISED STRATEGY**
- 7. EAST DULWICH ESTATE REGENERATION SCHEME: UPDATE AND PROPOSALS FOR REVISION**

DISCUSSION OF ANY OTHER OPEN ITEMS AS NOTIFIED AT THE START OF THE MEETING**EXCLUSION OF PRESS AND PUBLIC**

The following items are included on the closed section of the agenda. The Proper Officer has decided that the papers should not be circulated to the press and public since they reveal confidential or exempt information as specified in paragraphs 1-7, Access to Information Procedure Rules of the Constitution. The specific paragraph is indicated in the case of exempt information.

The following motion should be moved, seconded and approved if the cabinet wishes to exclude the press and public to deal with reports revealing exempt information:

“That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1-7, Access to Information Procedure Rules of the Constitution. “

PART B - CLOSED BUSINESS**DISCUSSION OF ANY OTHER CLOSED ITEMS AS NOTIFIED AT THE START OF THE MEETING AND ACCEPTED BY THE CHAIR AS URGENT**

Date: 20 May 2011

Item No. 4.	Classification: Open	Date: 31 May 2011	Meeting Name: Cabinet
Report title:		Review of Void Disposal Strategy	
Ward(s) or groups affected:		Borough wide	
Cabinet Member:		Councillor Ian Wingfield, Deputy Leader and Housing Management	

FOREWORD – COUNCILLOR IAN WINGFIELD, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING MANAGEMENT

The disposal of void properties to provide capital receipts to invest in the council's housing stock was agreed by the Executive in March 2009. It is proposed that this approach should be extended for the life of the new housing investment programme. The disposal of any council homes is not a welcome step but the council has many competing demands as a landlord, and has a commitment to making all homes warm, dry and safe.

The use of capital receipts has become an important resource for the housing investment programme. Receipts are generated by a range of housing disposals; void properties form part. It is not felt that disposing of voids to reinvest in the programme is a sustainable approach for the long term.

However, at present disposal of voids is a regrettable but necessary requirement. It is proposed to widen the criteria for disposal to enable more successful accrual of capital receipts, but to set an upper limit to ensure that disposal remains a relatively small proportion of the overall housing stock.

RECOMMENDATIONS

That the Cabinet

1. Notes the progress of disposals of void housing properties since April 2009.
2. Notes the importance of void disposals to the overall housing investment strategy.
3. Agrees that the categories of properties agreed for inclusion in the Void Disposal Strategy is amended from the existing as agreed by the Executive in March 2009:
 - Bedsits, 1 and 2 bedroom properties located above the 3rd floor if based within a block.
 - Properties valued in excess of £400,000, irrespective of bed size.
 - Leasehold units in blocks with a high percentage of leasehold properties, where additional sales can mean that the freehold can potentially be considered for disposal, either by leaseholder enfranchisement or direct sale.
 - Listed residential properties, irrespective of bed size.

- Properties that are difficult to let
- Pre fabricated homes - due to their high level investment need
- Properties that are uneconomical to repair

To the following categories:

- Bedsits, 1 and 2 bed A & B street flats at 1st and 2nd floors with a view to disposal of the freehold, thus widening to include properties where there are presently no other leaseholder present in the building, with the exception of ground floor units.
- Bedsits, 1 and 2 bed properties located on 3rd floor or above
- Void properties valued in excess of £300,000 irrespective of bedsize,

Therefore, retaining the other categories unchanged, but with exceptions as noted in paragraph 50.

4. Agrees that the target number of disposals is increased up to a maximum of 140 per annum.
5. Agrees that the duration of this initiative is extended from 3 (2009-12) to 7 years (2009-16) to coincide with the new Five Year Investment Programme.
6. Agrees that the trigger value of void properties targeted for disposal is subject to regular review and decisions on any changes delegated to the Leader of the Council.
7. Delegates all disposal decisions in respect of implementation of the policy to the Head of Property, but agrees to monitoring of the process by an officer panel and by the Deputy Leader and Cabinet Member for Housing Management.
8. Notes the progress to date in delivering Hidden Homes, and that the project should be continued subject to regular review by the Deputy Leader and Cabinet Member for Housing Management.
9. Notes the feedback from Decent Homes Review Working Party and takes these comments into consideration.

BACKGROUND INFORMATION

10. The council is committed to improving the condition of its housing stock to meet decent homes standards and to ensure the provision of quality homes for all. The purpose of this strategy is work towards generating capital to enable the council to meet these commitments as well as reducing its liability in the longer term.
11. The outcome of the recent stock condition survey has provided the council with more reliable data in order to programme resources to work towards meeting decent homes standards within its stock. The current review of the Housing Investment Strategy will include examining the level of resources required to meet the agreed standard and examine options for generating additional income to fund this level of work. This will inevitably include the disposal of existing stock particularly in light of the investment gap highlighted previously.

12. A previous review of the council's base case position in relation to the delivery of Decent Homes completed in 2008 revealed an investment gap between the level of resources available and that required to meet Southwark's housing investment needs to 2010/11. This prompted the need for the council to identify and consider options in terms of generating additional capital resources to bridge this gap.
13. Following recommendations outlined in a report entitled Capital Income Generation for the Housing Investment Programme and Hidden Homes dated 17 March 2009, the Executive resolved:
- That commitment to retain its stock, in terms of ownership and the management of homes be affirmed.
 - That the funding gap to meet its investment needs for its housing stock, to deliver a Southwark Decent Homes Standard for all tenanted homes be noted.
 - That the consideration for different funding options which were identified in the April 2008 Executive report (Southwark's Decent Homes Standard), be noted, and:
 - Agrees the disposal of empty homes (voids) as outlined in the report.
 - Agrees to the pro-active disposal of under-utilised land and non residential buildings on housing estates as outlined in the report.
 - That a new Hidden Homes Strategy be agreed.
 - That 100% of the receipts generated from the additional disposal of voids and land proposed by this report are used to fund both the housing investment programme to deliver Southwark's Decent Homes Standard and to deliver new housing through a Hidden Homes Strategy and potentially some new-build (Any external funding from the Greater London Authority (GLA) and Homes and Communities Agency (HCA) will be maximised where possible to help fund these initiatives).
 - That receipts gained from disposals under the Social Homebuy (SHB) scheme are directed, in the first instance, towards the operation of a Cash Incentive Scheme.
 - That the impact of the current economic climate on these strategies be noted and agrees that the Executive Member for Housing be delegated to vary these strategies in light of market conditions or cabinet as appropriate.
14. As a result of this and other decisions there are presently three disposal strategies in place within the borough. The disposal of estate based units to fund the East Dulwich Estate regeneration scheme agreed in April 2005; the sale of major void street properties requiring extensive repairs to generate capital to be recycled into a programme aimed at repairing or creating 3 bed plus family homes agreed in 2007/8 and the sale of empty homes (voids). This report deals solely with the latter relating to the disposal of ad hoc general void properties (defined as those that would be available for re-let to applicants registered on the council's housing register via Southwark Homeseach, following the completion of repair works).

Review of progress to date

15. The decision extended the disposal programme to include general void properties which require less than £10,000 repairs prior to reletting and met the following criteria:
- Bedsits, 1 and 2 bedroom properties located above the 3rd floor if based within a block.
 - Properties valued in excess of £400,000, irrespective of bed size.
 - Leasehold units in blocks with a high percentage of leasehold properties, where additional sales can mean that the freehold can potentially be considered for disposal, either by leaseholder enfranchisement or direct sale.
 - Listed residential properties, irrespective of bed size.
 - Properties that are difficult to let
 - Pre fabricated homes - due to their high level investment need
 - Properties that are uneconomical to repair
16. The agreed target was 100 units per annum for 3 years, with the aim of generating approx £20m each year.
17. In March 2008 the number of tenanted council housing stock comprised of 39,221 units against a void turnover of 1,995 within that year. The target figure of 100 sales reflects 5.01% of these voids.
18. Overall the criteria, target number of sales and anticipated receipts were based on the number and type of LBS housing stock; the turnover of voids and the average value of properties in 2007/8. This is set out in Appendix A of the March 2009 report.
19. It was agreed that the most appropriate method of sale would be via auction or private treaty, i.e to individuals, normally via residential estate agents, dependent on the type condition and marketability of the property.

Analysis of sales

20. The void disposal strategy has now been in place for approx 2 years 2009/10 & 2010/11. Table 1 below outlines the overall number of referrals, sales and capital accrued from 2009 to date, under this programme.

Table 1

	2009/10	2010/11
No of referrals	74	69
No of sales	54	37
% sales against referrals	72%	53%
Total Receipts	£7,181,500	£6,766,500

- Total number of sales (to date) - 91
- Capital generated from sales (to date) - £13,948,000 (average of £153,274k per sale).

21. The total number of tenanted council stock in 2009/10 was 36,994 (excl hostels, TMO managed properties and those in temporary use) with 2,350 (6%) properties becoming void during this period. 2,227 fewer properties available for letting than in 2007/8 and an increase in void turnover. 74 (3%) of these 2,350 voids were included in the disposal programme.
22. As shown in table 1, a total of 91 properties have been sold over the two year period 2009-11, generating a capital of £13,948,500 which is short of the sales target (200) and total receipts target (£40,000,000) for the period.
23. Table 2 provides a detailed breakdown of properties earmarked for sale (referrals), the number of sales achieved and the percentage of these against referrals and the overall sales figure for each year.

Table 2

Property type as per criteria	No of referrals		No sold (% of sales against referrals)		% of overall sales	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
Bedsit, 1 & 2 bed above 3 rd floor	41	4	38 (92%)	2 (50%)	70%	5%
Properties valued at £400,000 and above	0	5	0 -	1 (20%)	-	2%
Properties with high % of leaseholders	27	52	11 (40%)	27 (50%)	20%	72%
Listed residential	0	0	0	0		
Difficult to let properties	0	0	0	0		
Pre fabricated homes	0	0	0	0		
Uneconomical to repair	6	8	5 (83%)	7 (87%)	9%	18%
Total	74	69	54 (72%)	37 (53%)		

24. This shows a slight reduction in the number of referrals from 2009/10 to 2010/11 and 17 fewer sales in 2010/11 than in 2009/10. However, the reduction in sales in 2010/11 has not had a significant impact on the level of capital generated between the two years which differs by £415, 000 (see table 1). The reason for this can be attributed to a shift in the type of properties referred and subsequently sold in 2010/11.
25. The notable differences are highlighted below:
- In 2009/10 the majority of referrals and subsequent sales (70%) were small estate based flats, whereas in contrast the majority of the properties sold in 2010/11 (72%) were 1 & 2 bed converted street properties which has impacted on the capital receipt generated in the second year, as street properties tend to achieve higher values. It should be noted that 12 of these properties were initially earmarked for sale in 2009/10 but were not sold until 2010/11 due to protracted negotiations with existing leaseholders.
 - There were no sales of properties valued at £400,000 or above in 2009/10, whereas 3 of these have been sold in 2010/11.

- There has also been an increase of 9% in the sale of properties deemed uneconomical to repair in 2010/11 than in the previous year. This is significant as these tend to be larger street properties which command the greatest value overall, often despite disrepair.

Analysis of unsold properties

26. A number of the properties were unsold or remained void for a longer period than anticipated for a variety of reasons:
- 4 properties were held in the surplus declaration process and could not therefore be marketed.
 - A small number of properties were withdrawn as they failed to sell (after two attempts) and were referred back to housing for reletting.
 - 3 properties were sold at auction to the same buyer consequently these transactions cannot be completed under General Consent A5.1.1 which allows disposal to an individual at market value provided that the buyer has not acquired another property from the council, under this consent in the same financial year.
 - The remainder include flats in converted street properties with resident leaseholders who are given first refusal and the option of purchasing the freehold. These have taken longer to complete or fail to result in a sale and are subsequently referred to auction.
 - A small number of properties have failed to meet the reserve price set at auction and are automatically catalogued for the next auction date.
27. The estimated completion period from referral to point of sale is approx 15 weeks. An analysis of unsold properties in 2009/10 indicated an average of between 11-17.5 void weeks. Void periods for these properties have more recently ranged from 26-47 weeks, with a number of voids in street properties remaining in the programme for longer periods due to ongoing negotiations, as highlighted above.

Average values achieved

28. In March 2009 the average value of a bedsit property was estimated at £99,950; a 1 bed at £169,000 and a 2 bed £215,000, (source – Housing Market Trends Bulletin 21 2008/9) however the value of actual sales achieved over the 2 year period 2009-11 differ as outlined below.
- The average value of estate based bedsits sold in 2009/10 was £80,875, which increased marginally in 2010/11 to £82,500. Whereas a bedsit street conversion achieved £199,000.
 - The average value of a 1 bed estate based flat sold in 2009/10 was £103,375 in comparison to a 1 bed street property flat at £163,550. By comparison in 2010/11 only one estate based 1 bed was sold which achieved a value of £145,000, whereas the average value achieved for a street property of this size remained static.
 - In 2009/10 2 bed estate based flats achieved an average value of £122,107 and 2 bed street properties £256,250. No estate based 2 beds were sold in 2010/11 whereas the value for street properties of this size also remained stable.

29. There has therefore been a general problem of actual values not reaching expectations.
30. Although the estimated value of 3 bed properties were not noted as they were not specifically targeted for disposal, the 3 bedroom properties sold in the first year in the uneconomical to repair category achieved average values of £233,250, increasing to an average of £297,000 in 2010/11.
31. This suggests that widening the disposal categories to allow the inclusion of more street properties or larger homes would be necessary to improve capital receipts generation.
32. The property market had been improving, with house prices in Southwark following the national trend and recording a 14.8% annual increase in July 2010 but falling back within the last two months of the year. (Land Registry House price Index).
33. Sales volumes are still lower than the peak in 2007 and following six months of decline, rose in Nov 2010. A shortage of available stock is cited as partially responsible for the healthy price rises experienced in 2010. However since the summer the housing market has lost some confidence and prices have started to fall but not significantly. Reports from the RICS suggest that transaction levels are likely to remain flat during 2011.
34. Auction sales have been a mix of results for Southwark stock. The street properties have out performed any stock placed for sale from the estate portfolio. The location of the voids for sale is a significant factor on the receipt received.

Method of sale

35. At present leaseholder/s in occupation of a street conversion which includes a void property earmarked for sale are offered first refusal with the ultimate aim of simultaneous disposal of the freehold title, in order to divest the council of its liability for the management and repair of the structure of the building. This is particularly relevant where the void is in disrepair. However, in situations where sales are not completed following negotiation; the property is progressed for sale through the auction route, lengthening the overall void period.
36. As a result of this approach 6 freehold sales have been achieved, 2 in 2009/10 and 4 to date in 2010/11.
37. The majority of the properties are currently being sold via two auction houses who each hold 7 auctions per year. The property team currently has capacity for the referral of 20 properties to each auction limiting potential sales to 140 per annum. It is considered that submitting any more properties to each auction may cause a diminution of value achieved.
38. The fees associated with this work are generally absorbed by the buyer thus reducing operational costs.

KEY ISSUES FOR CONSIDERATION

39. The shortfall of throughput and target receipts to date will impact on the level of investment available for the delivery of the council's Decent Homes and Hidden Homes programmes. This suggests the need for a revised disposal criteria and a more proactive approach in terms of identifying suitable high value and other properties for sale.
40. It is anticipated that broadening the criteria will result in an increase in the number of referrals. To date referrals have been ad hoc as properties become void, with little or no targeting.
41. The main focus of disposals in the past has been street properties. With the exception of ex Right to Buy (RTB) sales local authority estate based flats have not generally been sold on the open market. The outcome has been positive as the majority have sold at auction, but due to the type and higher floor levels these properties have a limited pool of buyers; will attract higher service charges and S20 liabilities and tend to generate lower capital receipts than street properties, therefore more of them need to be sold to achieve the target sum per annum.
42. As the majority of the council's stock is estate based it is not feasible to remove these types of properties from a general disposal policy. However if the proactive targeting of higher value properties is successful it is anticipated that fewer of the estate based properties will need to be sold.
43. To date £13, 948,000 capital receipts have been generated from the sale of 99 units. Other authorities who have adopted similar disposal policies have had varying results - L. B. Lambeth's void disposal policy agreed in May 2009 aimed at raising £8.5m through the disposal of 100 long term voids generated £6.7m as at September 09, although the numbers sold to achieve this are unknown. In contrast L.B Camden has generated £35.7m from the sales of 105 units since commencing their programme in 2007. Whilst the type and value of housing stock in Southwark is not comparable to that within Camden, this points to the need for a new approach to disposals with a view to generating greater capital receipts.

Way forward

44. The analysis of sales to date shows that :
 - An increase in the number of properties sold and the values achieved is required in order to meet targets.
 - There is a need to reduce the void period between referrals and sales.
45. Based on this it is proposed that the disposal criterion is widened and a different approach taken to disposal of street properties, with an existing leaseholder, with a view to increasing the number of sales and values achieved.

46. It is generally accepted that street properties attract a greater level of capital receipt than estate based flats. Widening the disposal criteria in respect of street conversions to include void properties where there are no existing leaseholders and reducing the value limit from £400,000 to £300,000 will increase the pool of void properties available for disposal, however more desirable and larger family homes will be sold as a result.
47. The highest value achieved through general void sales to date is £345,000 reducing the value of properties considered for sale to £300,000 would result in approximately 1,073 more properties being available for inclusion in the programme.
48. These figures have been taken from "beacon valuations" used to establish the value of the council's Housing stock for the purpose of the Financial Statement. Because of limitations in this approach the values reported here are not the results of detailed valuations of specific properties. Nevertheless they may be relied on as being indicative of the approximate value level at the valuation date of 1st April 2009. Analysis of market trends suggest that value levels of council properties found then would generally be in line with those applying today. However, we would recommend that the position is reviewed on a quarterly basis to capture the effects of any movement in the residential property market.
49. The revised disposal criteria would therefore include:
- Bedsits, 1 and 2 bed A & B street flats at 1st and 2nd floors with a view to disposal of the freehold.
(Widened to include properties where there are presently no other leaseholder present in the building, with the exception of ground floor units).
 - Bedsits, 1 and 2 bed properties located on 3rd floor or above.
 - Void properties valued in excess of £300,000 irrespective of bedsize.
50. Exceptions to the above are likely to include the following:
- Ground floor properties that may meet medical needs or are suitable for adaptation.
 - Properties suitable for rehousing households on regeneration schemes.
 - 3 bed+ family units withdrawn from the programme as a result of a Review Panel meeting.
51. In order to ensure sales targets are met and that properties are not held as void for extended periods, it is proposed that leaseholders in converted properties are no longer offered first refusal of adjacent voids, instead that they are given advance notice at the point that a property is earmarked for sale providing them with approx 6-8 weeks to gear up in legal and financial terms to purchase the property should they so wish. This would also ensure that all properties are properly market tested.
52. It is also proposed that the target number of sales is increased up to maximum of 140 per annum. This is based on the existing capacity for disposal via auction and therefore potentially achievable.

53. Table 3 below shows the number of potential disposals and value of the potential receipt if the disposal criteria is widened as proposed.

Table 3

Property type against proposed criteria	Estimated no of available units	Void turnover 2009/10	Average value (based on actual sales)	Potential receipt value
Street A, B or C flats at 1 st and 2 nd floors	917	68	2x0@80,875 52x1@163,550 14x2 @256,250	£12,253,850
Bedsits, 1 and 2 bed flats located at 3 rd flr and above	7,185	563	18x0 @80,875 182x1@103,375 363x2@122,000	£64,546,000
Properties valued in excess of £300,000	1,073	33		£9,900,000
Total	9,175	9,839		£86,699,850

54. Widening the disposal criteria should go some way to increasing the number of disposals per annum and therefore income stream. As shown in table 1 the average receipt per property generated to date is £153,274, which should generate £21,458,360 if the maximum sales of 140 properties per annum were actually achieved. However, despite being useful as an upper limit, it is anticipated that if the disposal criteria were extended, the actual throughput would build up gradually. The table below shows a more realistic indicative income stream from sales, based on a gradual increase in annual sales building up from 55 properties to 75, again based on the average value of £153,274.

Target number of sales	2011/12	2012/13	2013/14	2014/15	2015/16
55	8,430,109	-	-	-	-
60	-	9,196,440	-	-	-
65	-	-	9,962,810	-	-
70	-	-	-	10,729,180	-
75	-	-	-	-	11,495,550

Effect on investment programme

55. Receipts from the sale of void properties are earmarked for the Housing Investment Programme. While they are not ring-fenced to individual schemes or sub-programmes, any increased level of programme resources assists in the delivery of programme priorities. These include the decent homes programme to achieve warm dry and safe homes, and the creation of new homes through the hidden homes and government grant assisted new build programmes.

56. While the original target was to generate £20m per year over 3 years, the number of properties successfully sold at auction and the receipts achieved against estimated values under the current criteria have made it necessary to assume receipts at a lower rate of approximately £8m per year, over a longer period. This has contributed to a reduction in resources for the HIP which is slowing delivery of the planned programme and, if allowed to continue, may necessitate a reduction in the allocation for Decent Homes related works.

Monitoring arrangements

57. The capital receipts achieved for the HIP are monitored and reported to the regular Investment Programme Group meetings, including a breakdown by type of disposal including voids sales, and incorporated into the level of anticipated resources for planning the longer term programme. It is proposed that a monitoring report is provided on a quarterly basis for the Deputy Leader and Cabinet Member for Housing.

Impact of disposal on housing need

58. The disposal of any type or size of property in the council's housing stock will impact on the council's ability to meet current need. As of February 2011 there were 18,125 households on the council's housing register as follows:
- 837 in Band 1 (includes decant cases, statutory overcrowding and under occupiers);
 - 1,270 in Band 2 (includes overcrowded medical cases; homeless medical and urgent medical cases);
 - 7,135 in Band 3 (includes overcrowded, homeless and medical cases);
 - 8,235 in Band 4 (the majority of which are waiting list and transfer list cases);
 - 648 other cases including disability and external applicants.
59. The majority of these 14,572 (80%) required 1 and 2 bed roomed properties whilst the remaining 3,553 (20%) households requiring 3 bed roomed and larger properties. This shows that there is demand for all types and sizes of housing stock within the borough and that any disposal will impact on those on the housing list.
60. New supply of socially rented family sized accommodation in the borough is via Registered Social Landlord (RSL) developments. In 2009/10, 430 new units were developed for letting; of these 108 were 3 bed plus. In the 2010/11, 335 were completed, 93 of which were 3 bed plus. The Mayor's Housing Strategy sets a target of 42% of social rented homes having 3 or more bedrooms, and the Homes and Communities Agency (HCA) aim to reach this output across their 2008-11 London programme, although not on every scheme. The Core Strategy sets targets ranging from 10-30% of 3 bedroom plus units on developments over 10 units, depending on the density levels.

Review Process

61. The existing disposal criteria was shaped around the need to balance disposals against the need to retain certain types of properties to meet particular housing need. In view of this a filtering process has been applied to some of the referrals via consultation between officers. This has ensured that certain types of properties are retained for reletting. For example, a 3 bedroom house with a garden was included in the programme on the basis that it was uneconomical to repair and required investment above £10,000 however; the property was subsequently withdrawn due to its size and type and refurbished at a cost of £16.5k; in comparison a property of a similar type was disposed of due to the need for more costly repairs i.e. underpinning.
62. It is anticipated that widening the disposal criteria will result in the inclusion of a greater number of 3 bed plus properties in the programme. In view of this it is proposed that an officer Review Panel is established to closely manage the disposal programme and specifically to consider the sale or retention of 3 bed plus properties on individual merit. As stated above, it is also proposed to a monitoring report is provided on a quarterly basis for the Deputy Leader and Cabinet Member for Housing.

Hidden Homes Review

63. The commencement of voids disposal initiative in March 2009 was also introduced the Hidden Homes programme. Hidden Homes was initiated with the aim of converting vacant or disused integral spaces on housing estates into residential accommodation, also as a result of the Executive decision in March 2009, and is therefore linked to void disposals.
64. The programme was initially funded through the council's Void Disposal Strategy although external funding from the GLA targeted funding stream for tackling overcrowding has been accessed for part funding of the larger units which enabled the creation of several larger family sized homes. Where the opportunity presented itself in terms of size and access, 3 bed plus, fully accessible wheelchair units were also created, meeting the council's requirements for this type and size of property.
65. To date 10 units have been delivered as part of the scheme providing a range of properties between 2 and 5 bedrooms, including 2 x 3 bed plus fully accessible wheelchair units.
66. All properties created to date have been developed through existing housing major works schemes or contracts, and for social rent.
67. The current cost of developing a new build unit on a standard development i.e. not a tall building, is approximately £1,600 per metre squared (based on a recently tendered new build scheme in the borough). In comparison the cost per sq metre of the Hidden Homes units delivered to date ranges from £841-£1,505 per m2.

68. It is considered that these costs are high particularly given that we have been working within the envelope of existing buildings, and therefore options for reducing the cost of delivery are currently being explored with a view to capping this to £1,000 per m² for rental units.
69. There are approximately 10 further units in the pipeline subject to planning permission being obtained. It is proposed, in line with the original self financing principle of the scheme, that all or most of these units, are worked up with an initial focus on them being developed for sale, to generate capital receipts. Individual appraisals will be undertaken to ensure that if investment resources are to be committed, projected sales values are commensurate with the cost of works.
70. In terms of the lessons learnt, there were a number of difficulties experienced on some sites which led to a delay in completion. This was mainly due to the requirement for attendance on site by utility suppliers in connection with the removal of defunct main service pipes or provision of a supply on the completion of the scheme, thus identifying the need for contact to be established with utility suppliers early on in the process.
71. Constraints with the structure of some the sites also led to some units being removed from the scheme or unusual configurations in terms of internal design e.g. changes to the council's Planning Policy Residential Design standards led to a number of the smaller sites no longer meeting space standards.
72. It is proposed that the Hidden Homes project continues to be delivered, and progress reported regularly to the Deputy Leader and Cabinet Member for Housing.

Policy implications

73. Capital resources generated through the implementation of this strategy will contribute to the improvement of housing stock borough wide thus working towards meeting the wider corporate objective of providing more and better homes. As set out in the key objective of the council's Housing Strategy 2009-2016 'Improving the quality of existing housing and use it more efficiently' this is to be achieved by striving to meet the Decent Home Standards through area investment schemes; looking at local solutions for high investment estates and ensuring that existing assets are used effectively.

Community impact statement

74. The sale of council housing will have a negative impact in terms of the number of properties available for re letting borough wide and adversely affect applicants on the council's housing register. However, this will be offset through new supply gained through new RSL developments; the council new build scheme and hidden homes programme.
75. Any additional resources obtained through the sale of housing stock will be recycled into the Investment programme to enable the delivery of the area investment programmes and in particular particularly decent homes schemes which will benefit residents throughout the borough.

Investment implications

76. The Housing Investment Programme includes a provision for fees and internal charges incurred in connection with the disposal of housing properties, pending the receipt from the sale being available. While there may be some minor delay in the relative timing of costs and receipts, the proposed increase in the volume of disposals will have a minimal impact on programme expenditure, while programme resources will benefit from any such increase.

Consultation

77. Options for generating additional resources for the investment programme (including the disposal strategy) were developed in conjunction with members of the Decent Homes Working Group (DHRWG) comprising of tenant and leaseholder representatives previously involved with the Options Appraisals work undertaken in 2004/5. This was subsequently widened to seek the views of area housing forums and Tenants and Home Owner Council and the outcome appended to March 2009 Executive report.
78. Ongoing consultation with Tenant and Homeowner Council is a valuable and important part of the process. It is therefore intended that their views are sought via the Decent Homes Review Working Party. Comments and suggestions for amendment to be fed back and agreed by the Leader.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

79. It appears that the properties proposed to be disposed of are held for housing purposes under Part II of the Housing Act 1985. Therefore, any disposal must proceed in accordance with Section 32 of the Housing Act 1985 for which purposes the consent of the Secretary of State for Communities and Local Government is required ("CLG"). However, the CLG has issued a number of consents under the General Housing Consents 2005 which enables local authorities to dispose of properties held for housing purposes without obtaining specific consent, subject to satisfying certain criteria/conditions of the consent.
80. For example, if a buyer intended to purchase one of the properties for owner-occupation then the council could dispose of the said property under General Consent A.3.1 which provides that a local authority may dispose of a vacant dwelling-house to an individual, who intends to use it as his only or principal home, provided that the property is sold for a price equal to its market value. Ensuring that the buyer used the property as his only or principal home would be difficult but to satisfy the condition under this consent, the council could make the disposal subject to the condition.
81. In the case of vacant properties that are in need of substantial works of repair, improvement or conversion the council could, under General Consent A.3.2 dispose of the said property, at a price equal to its market value, but the person buying would have to enter into a covenant with the council to carry out those works and then to dispose of the said property or properties created from it (in case of conversion) to an individual who intends to use it or any property created from it as his only or principal home. To dispose of a property under this consent

the council would need to ensure that the said covenant is incorporated in the sale documentation.

82. Under General Consent A5.1.1, the council may also dispose of a property to any individual for a price equal to its market value, provided that the buyer (alone or with others) has not, under this consent, acquired another property from the council previously in the same financial year. This consent permits the sale of a vacant dwelling to any person regardless of the use to which the buyer intends to put it. Usually the property will be unsuitable for either reletting or discounted sale to a first time buyer. The council should keep a record of properties purchased under this consent, along with the names of the buyers. The council should also make the Contract for Sale conditional upon the buyers not having purchased another property from the council in the same financial year.
83. Therefore there are several General Consents under which the council could dispose of the properties but it is clear that in doing so, the council would need to put in place procedures to ensure that the conditions under the said consents are satisfied, including making sale contracts conditional in certain circumstances.
84. The Constitution provides that authority for disposals of property up to a market value of £500,000 is delegated to the Head of Property so disposals authorised by this report can be approved individually by the Head of Property unless their market value exceeds £500,000

Finance Director

85. Sale of HRA stock as outlined generates Housing capital receipts, which may be retained by the council providing there is sufficient remaining Capital Allowance, based on an approved capital expenditure programme of affordable housing and regeneration. The council's Capital Allowance is reviewed periodically and an update can be recommended and approved as necessary.
86. Retained capital receipts may be used to finance capital expenditure, with any earmarking to particular schemes an internal matter controlled by the Director of Finance. As far as possible the proposed use of asset sales proceeds is followed but some flexibility needs to be operated in financing the overall capital programme each year. Currently void sales provide a significant element in funding the HRA Decent Homes programme.
87. Concentrating on sale of higher value dwellings will generally minimise the revenue loss to the HRA from total sales because rent restructuring limits the rents of high-value properties. Hence selling a property double the value of two others will incur less rent loss. For each property sold there will be rent loss of perhaps £5,000 p.a. but this is offset by repair and other direct cost savings. Stock loss is allowed for in base budget calculations and will result in a budget-setting savings requirement elsewhere in the HRA.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Ian Wingfield, Deputy Leader and Housing Management	
Lead Officer	Eleanor Kelly, Deputy Chief Executive	
Report Author	Maurice Soden, Regeneration Initiatives Manager	
Version	Final	
Dated	20 May 2011	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	20 May 2011	

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		Dated: 15 March 2011	