

Meeting:	Executive
Meeting date:	18 th July 2024
Report of:	Director of Housing and Communities
Portfolio of:	Cllr Michael Pavlovic, Executive Member for Housing, Planning and Safer Communities

Decision Report: Improving the standard of council housing through the adoption of an acquisitions and disposals policy

Subject of Report

1. This reports seeks Executive approval to adopt an acquisitions and disposals policy for a small number of council houses, with all sales proceeds from disposals being ringfenced for the acquisition of replacement homes. The policy will impact less than 2% of the housing owned by the council and will be gradually implemented over several years.
2. The council owns and manages around 7400 homes. These range from homes built in the early 20th century right through to the present day. Homes built prior to 1920 are often more expensive to maintain, more complicated and expensive to retrofit to high levels of thermal comfort, and are often more difficult to adapt to meet the changing needs of residents. Some of these homes are also in areas with higher values. This therefore presents an opportunity to seek to dispose of some of these homes and to replace them with more modern homes which better meet the needs of council house customers. The business case supports a plan to replace any homes sold on a 1-1 basis. This will ensure we retain council housing numbers but transition into more suitable and modern housing stock.
3. As well as better meeting the needs of our residents, this approach can help to control costs in terms of both repairs and maintenance but also retrofit activity. Homes of non-traditional construction or without cavity walls require a level of retrofit works which can be

cost prohibitive. The same level of investment could deliver positive outcomes for a greater number of customers who live in our more standard house types.

4. The council has sold a small number of 'high value' council homes on an ad hoc basis since the 2015 Housing Revenue Account Strategic Asset Plan. This paper seeks to accelerate and add greater structure and a formal process around this approach.
5. A formal policy which it is proposed to be adopted is attached at Annex A. The policy proposes that disposal decisions will be considered for suitable homes when it becomes void (i.e. when a tenancy is ended by the customer), when major disruptive works are planned (e.g. home modernisation), or when a resident complaint reveals that major disruptive works are needed in the coming years and there are more suitable alternative accommodation options.

Benefits and Challenges

6. Disposals will be linked to a 1:1 ringfenced delivery of a replacement home into the HRA stock, and with acquisitions exceeding disposals where possible. As this approach is dependent on market fluctuations, the policy will be closely monitored and if acquisitions become more expensive than disposals, the programme would pause for a review to take place or until market conditions allow it to continue.
7. The aim of the policy is to improve stock quality and the cost effectiveness of the council's landlord services by prioritising high quality homes at genuinely affordable rents. The aim would be to add one additional home to the stock for every home which is disposed of. This policy seeks to ensure that we can provide the best long-term homes for our tenants by providing more homes that meet our priority housing need, higher levels of energy efficiency, and homes which are already adapted or are easier to adapt to support independence.
8. The Housing Delivery Team has significant experience in both acquisitions on the open market and disposals of high value homes.

Policy Basis for Decision

9. The HRA disposals policy aligns with the following objectives within the Council Plan:
- **Increase the supply of quality affordable housing** – the disposal policy would help to improve the condition of current social housing. The funds used from the disposal of expensive to maintain or improve houses can be used to acquire replacement homes that better meet the needs of residents.
 - **Cutting carbon, enhancing the environment for our future** – the cost of retrofitting some of our older housing stock is high. To do so would disproportionately utilise investment funds within the HRA. By targeting retrofit investment into more modern buildings, we can retrofit a greater number of homes reducing carbon emissions from our stock.
 - **A health generating city for children and adults** – some of our housing stock is more difficult to adapt to meet the changing needs of some of our residents. By replacing this with more modern housing we are able to provide homes which are both warmer and easier to adapt to meet the needs of council house residents.

Financial Strategy Implications

10. It is important that the council seeks to maintain, and where possible increase the amount of council housing available. These homes support low-income residents to have somewhere safe and affordable to live. Maintaining stock is also important for supporting HRA investment plans, as any reduction in homes reduces rental income and therefore our ability to spend.
11. It is proposed that any homes disposed of would be replaced on a 1-1 basis as a minimum. Sales receipts will be ringfenced to enable the purchase of alternative and more modern homes. An allowance is included in the project plan for staffing, agent and legal costs to enable the disposal and acquisition of homes. The Housing Delivery team have purchased and sold over 100 homes

in the last few years through the second-hand shared ownership programme and disposals at Lowfield Green.

Recommendation and Reasons

12. Executive is asked to:
 - a) Approve the adoption of the Housing Revenue Account Acquisitions and Disposals Policy attached at Appendix A
 - b) Approve the delegated authorities set out in the Housing Revenue Account Acquisitions and Disposals Policy to enable the acquisition and disposal of council homes which meet the criteria set out in the policy.
 - c) Note that updates on acquisitions and disposals will be included in future Housing Delivery Programme Executive updates.

Background

13. The council own and manage around 7400 council homes. These are spread across the city and vary significantly in age, size, energy efficiency, and construction type. A small number of these homes, around 140, are in relatively high value areas and are of an age and construction type which creates significant complexity and cost in terms of maintenance, adaptation, and energy efficiency.
14. Executive approved a Housing Asset Management Plan in December 2022. This set out the principles of sound long term asset management principles to ensure that we provide the best quality housing we can within our financial resource capacity. Included within the Plan was a commitment to consider the long-term suitability of our homes. Where a home is unsuitable in the long term a disposal will be considered. This report and the attached process at Annex A seeks to add greater detail and transparency around this objective. Delivering on this objective will enable us to provide a greater number of residents with a home which better suits their needs and which provides a greater level of thermal comfort. The approach proposed within this paper is consistent with good practice utilised by a number of providers of social housing, locally and nationally. Over time, this approach can modernise the overall stock profile.

15. Prior to the adoption of the proposed process (Annex A) decisions around disposals have been taken on an ad hoc basis using officer delegations where appropriate and in the case of higher value homes, through Executive decisions. This report seeks to create a clear and transparent approach around decision making with suitable delegations ensuring we can act swiftly in responding to suitable opportunities to dispose of or acquire homes.

Consultation Analysis

16. The Housing Asset Management Plan 2023-28 which included high level plans to dispose of council housing which is considered unsuitable (both financially and in terms of meeting customers needs) was developed following extensive cross departmental working. The plan was approved at Executive in December 2022. This report seeks to add detail and transparency around the process for making decisions to dispose of and then replace council homes.

Options Analysis and Evidential Basis

17. The 2015 Housing Revenue Account (HRA) Strategic Asset Plan onwards made provision for the disposal of the lowest performing HRA homes and assets. This is in line with good asset management practice across the social housing sector and sound long-term asset planning. This approach supports the delivery of council house customer value by avoiding disproportionate financial impacts from a very small number of low performing properties. This policy aims to maximise the standard and cost effectiveness of the council's landlord services by prioritising high quality homes at genuinely affordable rents despite the challenges of budget pressures. The policy establishes that receipts from disposals will be reinvested through expansion of HRA stock. The principle would be to operate on the basis of one additional home added to the stock for every home which is disposed of. Consideration will also be given to opportunities for purchase of Section 106 affordable housing into the HRA stock.
18. We have the experience through the Housing Delivery Team of acquiring homes on the open market through the successful second-hand shared ownership programme, some grant funded acquisitions and a small number of strategic acquisitions. This team have also led on a small number of disposals of high value

homes as well as significant sales at Lowfield Green which have provided investment capacity for the new build programme.

Disposals Approach and Criteria

19. To give a sense of scale, in recent years we have sold just 3 HRA properties. This paper seeks support to increase this with sale receipts ringfenced for acquisitions. Typical property types that would be expected to be considered for disposal are built pre-1920 and other non-traditional construction types built over the subsequent decades.
20. Many of these homes are more expensive to maintain and would need significant investment in order to achieve an EPC C rating. Such levels of investment into a small number of homes is prohibitive at a time of significant cost pressures across the service. The same level of investment into the rest of our stock would deliver positive outcomes for many more households. Many of the pre-1920 houses are valued at a significantly higher amount than the average council house across the stock, providing an opportunity to replace any sold homes with a more modern home.
21. This broad approach is incorporated within the 2023-2028 Housing Asset Management and Energy Efficiency Retrofit Plan, which were approved by Executive in December 2022. This policy adds detail to the plans, setting out a cost-benefit appraisal process, adding transparency and accountability to any future disposals.
22. There are around 140 properties within HRA ownership that would be likely to be considered a priority for disposal as set out in this policy. These are predominantly pre-1920 houses, in higher value areas. These homes would require significant investment to meet our retrofit and decent homes ambitions over the next 30 years. Selling these properties at market value would generate receipts that could be invested in the purchase of more suitable homes.
23. Around 500 council houses a year become void. It is anticipated that a no more than 20 of these would potentially meet the disposals criteria, this is just 0.2% of total council housing stock.
24. Properties may be considered for disposal at any of the following points:
 - When they become void and therefore the house has no tenant;

- When major works or repairs are identified and this will cause major disruption and incur significant cost, for example full home modernisation; or
 - When a complaint by a tenant or through any other source and it is assessed that major works would be needed within the next 3-5 years.
25. Alongside considering the asset, consideration will be given to the needs of the occupant (in the event the house has not become void). If there are clear benefits for the existing resident to staying in the current house and there is not suitable alternative accommodation that is acceptable to the resident then the house will not be sold at this time and the necessary investment work will be undertaken.

Acquisitions Approach and Criteria

26. Purchases of replacement properties will be prioritised utilising the criteria set out below:
- Priority will be given to properties that are adaptable or already adapted to meet identified accessibility needs that are difficult to meet through the existing social housing stock
 - Homes which are of modern construction will be prioritised to reduce the average age of our housing stock
 - Homes which have double bedrooms
 - Homes which require no major repairs
 - Homes will be pepper potted throughout the city where there is good evidence of demand for the property type with good sustainable transport connections
 - Homes which are at EPC C or above or require only a modest investment to achieve that standard
 - Homes which meet a priority need
27. It is proposed that Executive approval of this Disposals and Acquisitions Policy will implement this position and confirm the delegation of individual property disposal decisions in line with the strict criteria set out in the policy. Individual acquisitions and disposals up to a value of £500,000, will be delegated to the Section 151 Officer, in consultation with the Director of Housing and Communities. This in line with the council's Constitution, as set out in Financial Regulations, Part D, paragraph 44c(i). For any

sales of either single or multiple adjoining properties that may be above £500,000 value, Executive approval must be sought.

Organisational Impact and Implications

- **Financial**

The sale of any property or to have a property empty means a loss of rental income therefore a priority is to re-let a property or replace that property as soon as possible. Grant income is available to increase the energy efficiency of the council stock however this requires resources of officer time and match funding from the council. During the time a property is undergoing development the council receives no income. In cases where the capital receipt available will enable the purchase of new property of a more suitable type and location will be a benefit to the council HRA account. The capital receipt is also available to help fund new build developments of energy efficient properties of a more suitable design.

- **Human Resources (HR)**

There are no direct HR implications within this report.

- ***Legal.***

Unlike other property owners, local authorities are subject to some legal constraints when they come to dispose of land or buildings in their ownership.

The Council has a statutory power under Section 32 of the Housing Act 1985, to dispose of any HRA land held by the Council (including granting a lease). Although Section 32 requires that the consent of the Secretary of State is obtained for a disposal of HRA land (whether at or below market value), General Consent Orders automatically give SoS consent to disposal/leasing of such land in specified circumstances.

In relation to potential purchase of properties by the Council for use as additional affordable housing, S.120 of the Local Government Act 1972 gives the Council power to acquire land for

the purposes of any of the Council's functions or for the purpose of the benefit, improvement or development of the Council's area.

These powers provide the backdrop against which decisions to dispose of property in the Council's ownership or acquire new properties must be made.

It is appropriate to have a transparent framework for reviewing and making decisions on disposals and acquisitions of properties which addresses changing requirements.

- ***Procurement.***

There are no direct procurement implications contained within the report.

- ***Health and Wellbeing***

Housing is more than just a physical structure. The Health Foundation report *How does housing influence our health?* (2019) considers a healthy home to be: an affordable, safe and secure base; provides for all household needs; allows people to feel safe and comfortable; and is connected to community, work and services. Having a healthy home is a key wider determinate to overall health and wellbeing, reduces incidences and conditions, keeps people out of hospital and reduces GP visits. Quality housing also plays an essential role in supporting those with mental health conditions.

Any initiative which supports people into affordable, safe housing is supported by Public Health

- ***Environment and Climate action***

While council owned homes generally have a higher environmental performance than other housing stock across the city, certain property types make retrofit works expensive and challenging to undertake. The Green Building Council recognises the purchase of a new home as an important trigger point for retrofit and therefore, this approach could create an opportunity to improve the environmental performance of these properties. To capitalise on this, homes that are disposed of should be referred to the Retrofit-

One-Stop-Shop for York to ensure support is available to the new homeowners.

- ***Affordability***

The recommendations in this report will mean that resulting homes will be in better condition and energy efficient, resulting in a reduction in household costs particularly in relation to costs of electricity and fuel.

- ***Equalities and Human Rights***

A full EIA is included in Annex B

- ***Data Protection and Privacy***

As there is no personal data, special categories of personal data or criminal offence data being processed, there is no requirement to complete a data protection impact assessment (DPIA). This is evidenced by completion of DPIA screening questions AD-07211

- ***Communications***

Resources are already in place to support the work of the Housing team. Work, outputs and outcomes are overseen and managed in a relationship between the two services, subject to a service level agreement.

While it is envisaged that current resources will be sufficient to meet any additional demand generated by the activity outlined in this report, monitoring of the requirements will continue in the relationship, and consideration given to increasing the communications resources as required.

- ***Economy***

Approximately 3,500 properties in York are bought and sold each year. Although the recommendations in this report relate to commercial activity in the housing market, the report makes it clear that the maximum number of properties that the new policy would apply to would be 20 per annum, representing less than 0.6% of market transactions.

By increasing the number of properties owned by the council that are suitable for retrofit, the recommendations would have a positive impact on measures being undertaken to increase the supply of skills in this part of the construction sector. Taking this indirect impact into account, the overall effect of the proposals would thus represent a positive impact on the local economy.

Risks and Mitigations

28. There are multiple risks associated with the recommendations in this report that will need to be managed and mitigated where possible. The key risks are considered to be:
- *Housing market fluctuations* – the value of houses can change quickly with market fluctuations. The acquisitions and disposals policy seeks to replace sold council houses on at least a one for one basis. During periods of high house price inflation, there is a risk that the value achieved on the disposal of a house may not be sufficient to acquire a replacement house that better meets our residents needs. To mitigate this risk we will seek independent market valuations before disposing of any homes, continue to monitor house prices in the city, and ensure that we seek to acquire a replacement home as quickly as possible once a home is disposed of. We will update Executive on the numbers of acquisitions and disposals as part of Housing Delivery Programme update papers and will keep the policy under review.
 - *Temporary reduction in homes available to rent* – this policy proposes to dispose of a small number of council homes over a number of years and to replace these with homes more suitable for our residents over the long term. However, this process may result in a small reduction in the number of homes available to rent whilst we replace homes. This will be mitigated through a process of disposing of small numbers of homes per year and seeking replacements as quickly as possible. It is likely that this policy will only be applied to around 0.2% of council homes and the majority at the point they become void and therefore are not in use by council tenants.
 - The Council's Constitution, as set out in Financial Regulations, Part D paragraph 44c(i) require that decisions above £500,000 require a full Executive decision. Whilst very few of the homes allocated for disposal within this policy are currently at that value,

there is a risk that future house price inflation in York could result in many disposals requiring a full Executive approval prior to disposal which could result in significant void times.

Wards Impacted

29. *All*

Contact details

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Background papers

Executive paper – December 2022 - 2023-2028 Housing Asset Management and Energy Efficiency Retrofit Plan

Annexes

- Annex A: Proposed Disposals and Acquisitions Policy
- Annex B: Equalities Impact Assessment