

Disposals and Acquisitions Policy

City of York Council, Housing Revenue Account properties

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Contents

1. Context and Policy Aims

Part A: Disposals criteria and procedure

2. Policy aims and replacement of sold properties
3. Delegation and decision making process
4. Disposals decision making appraisal key criteria

Part B: Acquisitions criteria and procedure

5. Acquisition Property Criteria
6. Budget Allocation
7. Acquisitions Procedure

Appendices A-E

1. Context and Policy Aims

- 1.1 From the 2015 Housing Revenue Account (HRA) Strategic Asset Plan onwards, provision has been made for disposal (sale) 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, and supports the delivery of tenant value by avoiding disproportionate financial impact 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 or within the existing stock.
- 1.2 The council is also delivering an ambitious new build programme. This is delivering homes which are environmentally friendly, healthy to live in, and are more accessible. To complement this a smaller number of additional Housing Revenue Account (HRA) homes could be acquired through open market purchases. This would add quality homes of the types needed to council housing stock. This

could be funded through the disposal of homes which offer lesser value to our residents and many of which are expensive to maintain, and would constitute an expansion of the existing Housing Delivery Programme as a result. The principle would be to operate on the basis of one additional home added to the stock for every home which is disposed of.

- 1.3 We have the experience through the Housing Delivery Team of acquiring homes on the open market through the successful second-hand shared ownership programme and a small number of strategic acquisitions. This team have also led on a small number of disposals of high value homes which has provided investment capacity for the new build programme.
- 1.4 To give a sense of scale, in recent years we have sold 3 properties. This policy sets out a methodology to increase this with sale receipts ringfenced for acquisitions. Typical property types that would be expected to be considered for disposal are pre-WW1 homes and other non-traditional construction types.
- 1.5 Many of these homes are more expensive to maintain and would need significant investment in order to achieve an Energy Performance Certificate (EPC) Band C rating. Such levels of investment into a small number of homes is prohibitive at a time of significant cost pressures across the service. Many of the pre-WW1 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. Using a Net Sales Receipt (NSR) methodology as described in Appendix C, their net sales receipt is on average positive, in contrast to the negative estimated NSR for most property types and ages.
- 1.6 It is anticipated that disposals will be linked to a 1:1 purchase of a replacement home into the HRA stock, at a minimum, and with acquisitions exceeding disposals where possible. This is in order to maintain and increase the council's long-term housing asset base, ensuring as many residents on the waiting list as possible can access a council home. Clearly this ambition is dependent on market fluctuations which are outside of our control, and therefore the approach will be closely monitored and if acquisitions become more expensive than disposals, then the programme would stop and a review would take place to develop an alternative plan. Receipts may also be used to fund essential capital works for

significant upgrades to existing homes, in exceptional circumstances.

- 1.7 Consideration will also be given to opportunities for purchase of Section 106 affordable housing into the HRA stock.
- 1.8 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 using the criteria shown in section 4, which will inform decisions on disposals which will be taken through a process described in section 3.

Part A: Disposals criteria and procedure

2. Policy aims and replacement of sold properties

- 2.1 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-WW1 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.
- 2.2 It is intended that a maximum of 15-20 properties would potentially be brought forward annually for potential disposal, this is just 0.2% of council housing stock. This would be dependent on this number of relevant properties reaching the trigger points identified below and the number may be lower than this dependent on circumstances.
- 2.3 Through integrated decision making and strategic planning this policy supports the Housing Charter vision of “*One Team, Healthy Homes, Better Lives*”. Enabling evidence-based decision making and delivering the future aspirations of the Asset Plan “*We Think Forward*”, “*We Think Together*” and “*We Think Home*”.

3. Delegation and decision making process

- 3.1 **Delegated Authority:** authority for approval of individual market value property disposals that are in line with the Decision Stage 1 and 2 criteria below and 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).
- 3.2 For any sales of either single or multiple adjoining properties that may be above £500,000 value, Executive approval must be sought.
- 3.3 Properties may be considered for disposal at any of the following points:
- When they become void
 - When major works or repairs are identified, for example electrical rewiring or home modernisation
 - When a complaint by a tenant or through any other source it is assessed that major works would be needed within the next 3-5 years
- 3.4 Page 39 of the 2023-2028 Housing Asset Management and Energy Efficiency Retrofit Plan “Disposal decisions will be taken in consultation with Executive Member for Housing and in line with agreed delegated authorities.” It is proposed to that Executive approval of this Disposals and Acquisitions Policy will implement this position and confirm the delegation of individual property decisions as shown in 3.1 above.
- 3.5 The process for considering disposals would be that the Sales and Asset Manager or the Housing Strategy Officer, will provide a Property Disposal Report (Appendix A) to members of the Housing Delivery and Asset Management Board and Senior Management Team (SMT) including a recommendation for consideration. The report will utilise the proforma to be included in Appendix A, or as subsequently updated, setting out the property disposals decision criteria alongside any other considerations.
- 3.6 To minimise delays during voids or works planning processes, properties with expected high market value and those likely to be

low performing will be identified proactively and highlighted on the Open Housing system subject to developing a method with the Open project management team. This will enable the property to be considered for disposal in a timely manner as set out in this policy. It is intended that in where possible, the required information for the appraisal should be identified and a decision recommendation produced within 2 weeks. The property will remain recorded as a general needs Void until the point at which the Property Disposal Report is approved. After which time the property will be shown as 'non-offerable' and will be removed from the voids list.

- 3.7 It is expected that the decision criteria will be used to determine disposals of HRA homes at market value. Any other disposal options such as transfer into the General Fund for open market let, sub market value disposals to a Registered Provider or specialist care provider, for example, would need to be made by Executive or Executive member following appropriate consideration of legal obligations.
- 3.8 It is anticipated that in most or all cases, significant works will not be carried out to properties prior to sale. This is to avoid additional cost through a longer void period, and to maximise the net sales receipt by selling properties with the new owner having the flexibility to carry out cosmetic and any structural changes to their own preference. In certain circumstances, works such as damp remediation could be carried out by the council prior to sale however there would need to be a clearly demonstrated rationale that this delivers better value for the HRA.
- 3.9 Disposals, receipts and acquisitions will be recorded and monitored and on an ongoing basis to enable evaluation of the policy impact and update of the strategic approach where needed to ensure policy aims are delivered.

4. Disposals decision making appraisal key criteria

- 4.1 These criteria are to guide decision making and to ensure that the decisions contribute to HRA asset performance, in respect of both financial position and tenant value. However it is important to note that this offers a general guide to maximising net benefits for the

council and its tenants, and cannot encompass every possible situation.

4.2 Accordingly there is scope for exceptional circumstances where properties that do not meet the majority of the criteria are nevertheless considered suitable for disposal.

4.3 A Net Sales Receipt (NSR) methodology is proposed for inclusion as noted in Appendix C to estimate the value of inflation/indexation-adjusted rents net of expected repairs, maintenance and investment expenditure over 30 years. This is a recognised approach for appraising asset performance in the social housing sector and has been developed with advice from the council’s Finance team. Transaction costs are taken into account for each property including legal/conveyancing, estate agent’s costs, projected Stamp Duty Land Tax for a replacement purchase typically around £7,500-10,000 and up to £5,000 to resource council capacity for carrying out the disposals and acquisitions.

Potential disposal checks: stage 1

4.4 The checks below should be carried out and recorded in the Property Disposal Report.

Table 1: Stage 1 disposal checks	Decision impact if Yes?
Is the property a flat or maisonette in a block where significant HRA ownership remains?	Disposal unlikely to be suitable
Is the property in an area likely to be the site of significant redevelopment in future?	Consider impact of disposal on future plans
Is the property in a rural area and meets an important need, where replacement is unlikely to be possible?	Disposal unlikely to be suitable
Does the property have particular value due to adaptations that make it particularly suitable for tenants with a disability?	Disposal unlikely to be suitable

Table 1: Stage 1 disposal checks	Decision impact if Yes?
Can a replacement property be purchased that is more suitable for HRA ownership?	This should usually be met if disposal is considered
Is the property a single dwelling at value below £500,000, and no adjoining properties are being considered for concurrent disposal?	Suitable for delegated authority decision
Is there potential for sale of either single property or multiple adjoining properties to exceed £500,000?	For single/multiple adjoining disposal above £500,000, Executive approval needed

Decision key criteria: Stage 2

- 4.5 Each of the criteria below should be addressed in the Property Disposal Report.
- 4.6 The Net Sales Receipt (NSR) estimation has been shown in Appendix C. The method for this calculation has been produced in discussion with the Finance team.

Table 2: Stage 2 disposal checks	Appraisal impact
Net Sales Receipt (NSR) (or comparable assessment)	Higher NSR: More likely to be suitable for disposal
Desktop market valuation	High market valuable: More likely to be suitable for disposal
Value of property type to tenants	Appendix B shows assessment by property type. Higher tenant value would result in lower likelihood of disposal.
Does the property meet the minimum energy performance standards, or can do so for up to £10,000?	Yes: unlikely to be suitable for disposal Up to £10,000 needed: less likely to be suitable for disposal £10,000 or more needed: may be suitable for disposal

Table 2: Stage 2 disposal checks	Appraisal impact
Has the property been identified as unsuitable for meeting need for any other reason?	Unsuitable for meeting tenant needs: more likely to be suitable for disposal

4.7 A summary of expected outcomes for a number of relevant typologies is shown below.

Table 3: Typology Analysis

Property typology	Considerations	Expected recommendation
Small pre-1919 house with uninsulated walls	Cost to achieve EPC C, likely high disposal value, other works that may be needed	Disposal
1920s house on existing estate, damp works required and EPC D	High value to tenants, lower disposal value, lower costs to achieve EPC C typically, location	Retain and carry out works
Pre-1918 maisonette with uninsulated walls	Cost to achieve EPC C, likely moderate/high disposal value, may not be popular for existing tenants, other works that may be needed	Disposal
Flat in existing block with HRA freehold	HRA freehold of block would usually determine no need to bring recommendation	Retain, no need for matrix assessment

Part B: Acquisitions criteria and procedure

5. Acquisition Property Criteria

- 5.1 Allocations data, homelessness strategy objectives and other evidence will be used to prioritise housing types for purchase with an annual target set prior to April each year, which will be agreed at Senior Management Team (SMT) or equivalent meeting. The template shown in Appendix D to this policy will be completed annually as part of this process.
- 5.2 Purchases of priority property types will be assessed with consideration given to the following:
- Acquisition of properties that are adaptable or already adapted to meet identified accessibility needs that are difficult to meet through the existing social housing stock
 - Acquisition of new build properties including through use of grant funding where feasible and viable
 - Lower Quartile [ONS data](#) price for existing properties is likely to be a useful source of reference in considering property price, alongside valuation of an individual property cost effectiveness will need to be demonstrated
 - All bedrooms should usually be double bedrooms for lettings purposes
 - No major repairs will be needed, unless there is a specific resourced plan in place to carry these out – decision based on inspection report
 - The Housing Management Officer must be able to confirm that there are no significant ASB issues associated with the immediate area
 - There should be good evidence of demand for the property type and area
 - Inclusion within the acquisitions mix of good quality, more recent build properties under 15-20 years of age, where possible, to modernise the HRA stock profile over time
- 5.3 Exceptions to the above may be agreed if there is a strong likelihood of regeneration in an area or other special circumstance, for example purchasing a property to meet a specific customer need that would be unlikely to be addressed through existing stock.

6. Budget allocation

- 6.1 Receipts from disposals of Housing Revenue Account properties will be prioritised for use to deliver replacement acquisitions on a minimum basis of 1:1, or better. Where properties are sold and/or purchased on other than an individual basis there may be some additional flexibility in the timescale over which 1:1 replacements are achieved. This may occur as opportunities for multiple sales/purchases over a short period arise.
- 6.2 Additional opportunities to obtain grant funding for acquisitions will be accessed where available, in recent years this has included the Rough Sleepers Accommodation Programme (RSAP) and Local Authority Housing Fund (LAHF).
- 6.3 A Housing Delivery viability appraisal will be completed for proposed purchases across the acquisitions programme to demonstrate cost effectiveness and value for money. Legal and other transaction costs in addition to any works/renovations requirements will be taken into account in this appraisal.

7. Acquisitions Procedure

- 7.1 This procedure will be carried out in all purchases. The council is required to demonstrate robust compliance with audit and value for money obligations in making asset acquisitions.
 - 7.1.1 When a property that complies with the criteria above is under consideration, an initial visit should be carried out with a Construction Management Lead or other suitably qualified professional acting on behalf of the council
 - 7.1.2 Where this check indicates a property is in good condition, the property details proforma will be completed and forwarded to appropriate colleagues within the council:
 - a. Property Services
 - b. Building Services
 - c. The area's Housing Management Officer
 - d. The Housing Revenue Account (HRA) accountant, who will monitor use of the funds such as Right to Buy receipts and other budgetary aspects

e. The Housing Policy Team, to advice on energy performance

7.1.3 If steps 1.-2. indicate a likelihood that the property is suitable for purchase:

- a. The Housing Delivery Asset & Sales team will arrange an independent valuation, which binds the council's purchase offer and negotiations
- b. A council bespoke general condition report will be carried out, or alternatively a Homebuyer's Report will be obtained if necessary

7.1.4 An assessment will be made of the valuation and the condition report to appraise the value for money offered by the property and the suitability for addition to the council's stock

7.1.5 If step 4. confirms that the property is suitable for purchase, the completed property decision proforma will be circulated to the relevant senior officers to request authorisation for the purchase

7.1.6 Following authorisation, Housing Delivery Asset & Sales will instruct Legal Services to enact the purchase and the HRA accountant will prepare the necessary funds for payment.

Policy review

The policy will be reviewed 12 months after implementation to assess the effectiveness of the scheme up to that point.

Contact:

Andrew Bebbington: Housing Strategy Officer
andrew.bebbington@york.gov.uk

Vicky Japes: Head of Housing Strategy and Performance
Vicky.japes@york.gov.uk

Appendix A: Property Disposal Report template and guidance

A.1 The calculation detailed below should be included in each Property Disposal Report using good quality estimates and a suitable market valuation of the property.

Item (cost or receipt)	Amount
<i>Property specific cost 1</i>	
<i>Property specific cost 2</i>	
<i>Property specific cost 3</i>	
<i>Property specific cost 4</i>	
<i>Property specific cost 5</i>	
<i>Property specific cost [...]</i>	
Property-specific costs of retention in stock total	£
Sales valuation	
Estimated transaction costs	
Net receipt from disposal total	£
Estimated land cost of new replacement	
Estimated build cost of new replacement	
Estimated total cost of new replacement	£
Net receipt plus property-specific costs (A)	£
(A) net of new build replacement cost	

- A.2 The report will set out the Potential Disposal Checks and Disposal Key Criteria as established in Section 4 of this policy, “Disposals decision making appraisal key criteria”. This is to enable transparency and high quality decision making in every case.
- A.3 Other property-specific factors will also be noted, along with Implications comments in each case from:
- Legal Services
 - Property Services
 - Financial Services

Appendix B: Property types tenant value reference

B.1 This is informed by demand data from bids placed on different property types over the past 5+ years. This is in addition to a wider appraisal of needs. The Score is calculated by reference to the property type and number of bedrooms, with any subtraction due to the “Size adjustment” applied. A higher score indicates greater tenant value for a typical property.

<i>Property score</i>	House	Flat / maisonette	Bungalow	Size adjustment
1 bed (ground floor)	8	8	8	<40m2: -3
1 bed (upper floor)	<i>n/a</i>	7	<i>n/a</i>	<40m2: -3
2 bed (ground floor)	10	3	7	54-60m2 house: -2 <54m2 house: -8
2 bed (upper floor)	<i>n/a</i>	0	<i>n/a</i>	<i>n/a</i>
3 bed	7	0	7	<68m2 house: -3
4+ bed	7	0	5	<90m2 house: -3

Score	Tenant value for appraisal
8-10	Very high tenant value
5-7	High tenant value

4-6	Moderate tenant value
2-3	Low tenant value
0-1	Very low tenant value

B.2 Properties with a very small bedroom that would be let as one bed smaller than true bedroom numbers are let as the reduced number: e.g. a 3-bed house with a bedroom of a size that it is let as 2-bed is also counted as 2-bed “property type” above.

Appendix C: Net Sales Receipt (NSR) calculation

- C.1 This calculation estimates the market sale valuation, plus any known additional investment costs; net of 30-year projected rents. This is the method used to assess on a stock-wide basis. The property-level detailed calculation for each Property Disposals Report follows a similar principle but with more information included, and is set out in Appendix A above.
- C.2 The “known additional investment costs” are estimates for any works that are additional to typical repairs and capital projects costs for the stock as a whole.

Market sales valuation [i.e. receipt]

+

Known additional investment costs [avoided costs]

-

30-year indexed projected rents [capitalised income]

- C.3 For example at a property with:
- Market sales valuation: £240,000 [A]
 - Damp remediation works costs of £8,000 [B]
 - 30-year indexed projected rents of £234,500 [C]
- C.4 The NSR would be [A] + [B] – [C]: £240,000 + £8,000 - £234,500 for an NSR estimated at **£13,500** (positive). This would be a property potentially more suitable for disposal than most in the stock.

C.5 Average NSR estimates for houses are shown below, before accounting for any individual property additional costs:

C.6 It is important to note that consideration of properties that are “high value” will generally be relative to the housing stock as a whole, and would often still be below the average for the City across all tenures. As an illustration, some stock-wide valuation averages are shown below by comparison to the Land Registry City-wide data:

- Land Registry City of York average: **£332,641** at August 2023
- Average valuation across HRA general needs stock: **£184,401**
- Average valuation of HRA houses: **£223,319**
- Average valuation of HRA pre-WW1 houses: **£274,209**

Appendix D: Annual acquisitions target template

D.1 Targets are subject to budget constraints. A rationale will be included in the report to SMT incorporating this template.

Property type	Target for year []	Accessibility / other specialist details	Budget information if available
1-bed flat in CYC-owned block			

Property type	Target for year []	Accessibility / other specialist details	Budget information if available
2-bed house			
3-bed house			
4+ bed house			
Other property types	In exceptional circumstances where a clear need is demonstrated		

- D.2 The Head of Housing Services or equivalent position will arrange for the SMT report to be provided prior to April each year.
- D.3 Properties with a very small bedroom that would be let as one bed smaller than true bedroom numbers are let as the reduced number: e.g. a 3-bed house with a bedroom of a size that it is let as 2-bed is also counted as 2-bed “property type” above. This should be reflected in Acquisitions decision making.

Appendix E: Statutory Basis for Policy

E.1 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 where:

- the disposal is at market value; or
- the sale price has been decided upon by the local authority even if the price is below market value provided that the land does not have any dwellings on it at the time of disposal; or
- by way of “short tenancy” comprising a lease for a term not exceeding 7-years (but on the expiry of such tenancy a further short tenancy of the land cannot be granted pursuant to such General Consent until at least 1-year after the original short tenancy has expired).

E.2 Regarding HRA land, Section 25 of the Local Government Act 1988 prohibits a local authority from providing/giving “financial assistance or gratuitous benefit” when disposing of HRA land (including disposing for a price below market value) without the consent of the Secretary of State. However, a General Consent Order (“GCO”) does give SoS consent to the provision of financial assistance/gratuitous benefit in the limited circumstances specified in such GCO, including to the provision to any person of financial assistance or gratuitous benefit consisting of the disposal of an asset comprising a dwelling house or hostel where:

- the aggregate amount or value of the financial assistance or gratuitous benefit provided by the local housing authority to all persons under this consent in any financial year shall not exceed the sum ascertained by multiplying the population of the area of the authority by the figure of £3.00;

- the disposal must be:
 - by way of a lease for a term not exceeding 21-years; and
 - to either:
 - a registered provider of social housing; or
 - a person who intends to use the accommodation for occupation by persons with a special need; and
 - the aggregate number of dwelling-houses comprised in the disposal and any previous disposal by the local authority under this consent in the same financial year must not exceed a number (the “ceiling”) equal to the greater of 50, or one quarter of one per cent of the number of dwelling-houses owned by the authority at the commencement of the financial year in which the disposal takes place.

In any event, it is considered that General Consents give CYC power to dispose (by way of leases for a term up to 7-years) of the necessary properties to the appointed service provider without needing to apply for and obtain express consent from the Secretary of State.

- In relation to potential purchase of properties by the Council for use 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.
- If the Council intends to dispose of land (either by freehold transfer or by grant of long lease) to a registered provider with the object of the purchasing R.P. developing (100%) affordable housing on the land then it should be noted that:

- The Council can impose a restrictive covenant prohibiting use of the land for any purpose(s) other than solely affordable housing. However, whilst this probably wouldn't reduce the capital receipt obtained by as much as the imposition of a positive development obligation please note:
 - (a) this wouldn't entitle the Council to require that the purchaser actually builds any affordable housing on the land (instead the purchaser might potentially sit on/landbank the land until they wish to develop it);
 - (b) there are legal complexities with successfully enforcing covenants restricting use of land and there is a risk that the purchaser might be able to subsequently successfully apply to the First Tier Tribunal under S.84 of the Law of Property Act 1925 for modification or release of such restrictive covenant(s)

- The Council has statutory powers to acquire (whether by freehold purchase or by taking a long lease) property for the purpose of any of its functions or for the purpose of improving the benefit, improvement or development of its area.