DECISION-MAKER:	CABINET
SUBJECT:	DISPOSAL OF HRA PROPERTIES
DATE OF DECISION:	1 AUGUST 2011
REPORT OF:	CABINET MEMBER FOR HOUSING
STATEMENT OF CONFIDENTIALITY	
Not Applicable	

BRIEF SUMMARY

This report seeks formal approval for the disposal of up to 50 HRA properties per year that are either, structurally unsafe, require substantial major capital investment, or that are not suitable for housing requirements.

The intention is to utilise the Capital receipt to help bridge the current funding gap and generate additional funding to support the estate regeneration programme.

The report shall also seek permission to dispose of Freeholds where all of the properties within a block have over the years been sold, but the Council still has responsibilities for communal areas.

RECOMMENDATIONS:

(i) To approve a policy for the sale of up to 50 HRA dwellings per annum where:

- The sale is in accordance with the General Housing Consents 2005; and
- The council can keep 100% of the sale proceeds

(ii) To delegate authority to the Environment Director to determine which dwellings should be disposed of having regard to the criteria set out in this report.

REASONS FOR REPORT RECOMMENDATIONS

1. The voluntary sale of up to 50 HRA properties is not currently possible under delegated powers as it is a new policy. This has to be approved by Cabinet.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The proposal in this report is one of the options for helping to close the resources gap in the HRA capital programme.

DETAIL (Including consultation carried out)

3. The HRA budget report to Council in February 2011 noted that the HRA capital programme was £3.079M short of resources in the period to the end of 2012/13.

4. The HRA capital and revenue outturn report submitted to Council in July noted that this overall resource position has not materially changed.

5. One of the options is to generate capital receipts from asset sales. In addition to considering which assets to dispose of, there are two specific legal and financial issues that need to be addressed. These relate to the legal powers for such disposals and the ability of the Council to retain 100% of the receipts from such sales.

6. The only way it is possible to keep 100% of the sale proceeds would be to sell a vacant dwelling to somebody who did not occupy the dwelling "as his only or principal home". The main market would therefore be other landlords. It would be essential that the Council obtained some form of "guarantee" from the purchaser that this requirement would be met. If this was not the case the council would be required to pay 75% of the receipt to Government.

7. With this constraint on sales, the General Housing Consents 2005 contain the following provision which could be utilised:

> *"A local authority may, subject to the provisions of this consent, dispose of one vacant house or vacant flat or vacant converted house to any individual for a consideration equal to its market value, provided that the purchaser (alone or with others) has not, under the consent in this paragraph A5.1.1, acquired another dwelling-house from the authority previously in the same financial year."*

8. This would provide a limited market for voluntary sales but it would still be possible to undertake such sales.

9. It is understood that the Government intends to relax the legal and financial frameworks as part of the self-financing proposals for the HRA but detailed proposals have not yet been published. It should also be noted that any such amendments are independent from the provisions in the Localism Bill (which makes provision for the self-financing proposals). It is possible for the Government to make the changes at any time by the issue of amended regulations. So whilst it is the Government's stated intention to make the changes at the same time as self-financing starts this may not be the case. Should the current legal and financial frameworks be amended, the policy proposed in this report can, of course, be reconsidered.

10. In terms of the assets to be disposed of, Asset Management will work closely with other departments to identify properties within the HRA portfolio and prioritise those for disposal. These will include:-

    a) Properties which are surplus to requirement i.e. Hostels which have been recently been returned to the Authority, but are not suitable for conversion into standard dwellings.
    b) Properties where the structural integrity of the building has been severely compromised.
    c) Properties where the amount of Capital investment required to ensure the Decent Homes' standard is met, is substantially higher than the average cost.
    d) Other dwellings from the HRA general stock that are no longer needed to meet priority housing needs.

    In addition there are also some blocks of flats that have been sold in their entirety but where SCC still remains the freeholder and is therefore responsible for communal services. It is the intention to dispose of these freeholds, reducing the cyclical testing requirements to the blocks and the ongoing repairs cost.

11. At the Overview and Scrutiny Management Committee held on 28th June 2011 it was agreed that the criteria to be applied when deciding to sell void properties would be circulated to OSMC members. This has now happened.

RESOURCE IMPLICATIONS

Capital/Revenue

12. The expected sales would generate additional capital receipts for the HRA. This will help bridge the funding shortfall and, depending on the overall level of sales, generate additional resources to fund further spending on estate regeneration.

13. In economic terms it is essential that sales are only undertaken where:
    - It is possible for the council to retain 100% of the capital receipt or
    - Where an assessment of income and expenditure shows that there is a net benefit from the sale, taking into account the sales income and savings on capital expenditure.

14. Sales that are completed before 31 March 2012 can be excluded from the self-financing debt calculations. After this, the economic assessment will need to allow for repayment of the outstanding debt on the property.

15. The capital receipts generated will depend on the dwellings that are finally sold and their condition. As a guide, the gross average value of a dwelling sold under the Right-To-Buy scheme is approximately £90,000. Total sales proceeds could therefore reach £4.5M in a full year (less costs of disposal). In practice, total sales proceeds and likely to be less than this but there will also be lower demands on the capital programme if properties sold are those needing a comparatively high level of capital investment.

Property/Other

16. The HRA Capital programme is fully reflected in the Corporate Property Strategy.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

17. The Council has power to make these disposals under the General Housing Consents 2005, or by specific application to the Secretary of State.

Other Legal Implications:

18. None

POLICY FRAMEWORK IMPLICATIONS

19. None

AUTHOR:	Name:	Geoff Miller	Tel:	023 8083 4987
	E-mail:	geoffrey.miller@southampton.gov.uk		

KEY DECISION? Yes/No YES

WARDS/COMMUNITIES AFFECTED:	All wards in the city

SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	None

Documents In Members' Rooms

1.	None

Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes

Other Background Documents

Integrated Impact Assessment and Other Background --- documents will be available for inspection in the Members Room (these will be supplied in paper format)

Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	Integrated Impact Assessment	