

North Tyneside Council

Report to Cabinet

Date: 11th February 2013

ITEM 6(e)

Title: Sale of Acquired Properties Response to Finance Sub Committee

Portfolio(s): Housing

Cabinet Member(s): Cllr Paul Mason

Report from Directorate: Community Services

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Wards affected: All Wards

PART 1

1.1 Purpose:

This report is provided in follow up to the previous report to Cabinet on 10 December 2012 outlining the concerns raised by Finance Sub Committee at its meeting on 21st November 2012 regarding the Council's policy to sell off acquired dwellings. This report is provided for the purpose of responding to those concerns.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (1) Note the concerns raised by Finance Sub Committee;
- (2) Grant delegated power to the Head of North Tyneside Homes, in consultation with the Elected Mayor and the Cabinet Member for Housing, to consider the business case for retaining or marketing for sale each acquired dwelling that becomes vacant on an individual property basis.

1.3 Forward Plan:

At its meeting on 10 December 2012, Cabinet received a report from Finance Sub Committee expressing their concerns about the disposal of acquired dwellings, Under section 122 of the Local Government Act 2007 Cabinet is required to consider the recommendations and provide a response to Finance Sub Committee within two months of the date they were received by Cabinet. Accordingly this report is required to be considered at this meeting of Cabinet.

1.4 Council Plan and Policy Framework

The report supports the aims set out within the Sustainable Communities Strategy in relation to improving the quality of life and promoting a sense of place by maintaining a good housing supply to meet a variety of housing needs and providing sustainable and inclusive neighbourhoods.

1.5 Information:

1.5.1 Background

At a meeting of Cabinet on 14th June 2010 a report on properties surplus to requirements was considered. At the time the Council there were 106 acquired properties within the Borough located within areas of private housing. It was proposed that these properties should be declared surplus and sold by the Council as and when they become vacant.

These properties range from 1 bedroom to a 7 bedroom home and were not originally provided as council housing and have been acquired by the Council in the past over a number of years.

All of the properties currently meet the Decent Home Standard but may require element replacements at various times depending upon the lifetime of the various components.

At this time Cabinet agreed to declare the acquired properties surplus to requirements and market them for sale as and when they became vacant.

On 14 June 2010 Cabinet agreed to:

- Grant delegated authority to the Head of North Tyneside Homes, in consultation with the Senior Manager Corporate Property, the Elected Mayor and the Cabinet Member for Housing, to declare any acquired dwellings within the housing stock that become vacant, surplus to Council requirements; and
- Grant delegated power to the Senior Manager Corporate Property, in consultation with the Head of Investment and Regeneration, the Director of Finance and Resources and the Elected Mayor, to market each acquired dwelling that becomes vacant and to accept the best bid for that property.

At its meeting on 21 November 2012 Finance Sub Committee raised concerns regarding the Council's policy to sell off acquired dwellings, especially in the light of the high number of people currently on the waiting list for Council homes and the costs associated with building new homes. The Sub-Committee felt that greater value for money may be provided if these acquired dwellings were to be refurbished and then added to the Council homes stock.

On 10 December 2012 Cabinet received a report setting out Finance Sub Committee's concerns and resolved that the report of the Finance Sub-Committee and the concerns detailed therein be noted, and that a response be provided to a future Cabinet meeting.

1.5.2 Progress

The acquired properties are located in areas where there are high proportions of owner occupied stock making them particularly saleable assets.

This however also makes them particularly attractive to sitting tenants under the rejuvenated Right to Buy scheme. Under the Right to Buy Scheme discounts of up to

60% are available in respect of a house and 70% in the case of a flat up to a maximum cash value of £75k.

Under the existing proposal pursuant to Cabinet's decision on 14 June 2010 each of the properties are valued and sold on the open market for their full open market value with no discount.

Since this time 5 properties have been sold on the open market as follows:

- 54 Holly Avenue – 1 Bedroom Flat £44,000
- 10 Cambo Avenue – 3 Bedroom House £156,111
- 31 Hylton Street – 1 Bedroom Flat £37,000
- 6 Laet Street – 2 Bedroom Flat £49,000
- 20 Whitley Road – 1 Bedroom Flat £51,925

The total value of the capital receipts from the acquired properties which have been sold amounts to £338,036

A further 3 properties are under offer

- 56 Holly Avenue – 1 Bedroom Flat £40,500
- 18 Waldo Street – 3 Bedroom Flat £51,500
- 1 Styan Avenue – 3 Bedroom House £140,000

1.5.3 Comparison against sales under Right to Buy

The rejuvenated Right to Buy scheme came into operation on 1st April 2012 and since this time 47 homes have been sold, with an average sale price of just under £44,000.

The average percentage discount on these properties has been 51% and the average discount awarded has been £44,767.

The highest valuation under the Right to Buy scheme this year has been £119,750 with a sale price £47,900 and a discount of £72,000.

The lowest valuation has been £33,500 with a sale price of just £10,050.

If we applied the average discount of 51% to the acquired properties sold on the open market the selling price would have been £165,637

As a consequence of selling the properties on the open market the Council has potentially gained an additional £172,399 in the form of a capital receipt.

1.5.4 Treatment of capital receipts

Where properties are sold under the Right to Buy provisions there is a requirement to pool 75% of the receipt back to the Government. Within the self financing settlement the Government made assumptions about the level of likely sales based upon the Right to Buy scheme that existed at the time and the estimated income the Government would receive. For North Tyneside it was assumed that we would sell around 40 homes per annum with the income levels to the Government being based upon sale values and discounts available during 2011/12 i.e. a maximum discount of £22,000.

The Government then introduced the rejuvenated Right to Buy scheme which increased the levels of discounts available and therefore reduced the capital receipt available from each sale. The Government has not adjusted its income target, thereby requiring the Council to achieve significantly higher sales to generate the same income targets.

With regard to any receipt generated from the sale of a vacant property the Council is now able to retain 100% of the receipt provided that it is targeted towards maintaining decent homes or HRA regeneration activity.

In both cases it is considered prudent to set aside sums equivalent to the debt allocated on each property to repay debt.

In the case of the sale of a vacant property on the open market it would still leaves a significantly higher proportion of the value of each property to allocate to the HRA Capital Plan. These projections have been built into the HRA Capital Plan, and will help to fund the overall plan, as well as some of the new build.

In relation to the receipts generated from Right to Buy sales over and above those originally assumed under self-financing must now be targeted toward the provision of new homes in line with the Right to Buy agreement the Council signed up to with DCLG. The Right to Buy receipts can only be used to fund up to 30% of the cost of each new build home.

1.5.5 Impact of Welfare Reform

Impending Welfare Reform changes is likely to increase the demand for smaller properties. Cabinet may wish in the light of this to consider whether it would be more appropriate to retain an individual property where there is a particular housing need, the property is in a reasonable state of repairs and the capital receipt is not required to support the HRA Business Plan.

Each acquired property when vacated could be considered for disposal on an individual basis by the Head of North Tyneside Homes in conjunction with the Elected Mayor and the Cabinet Member for Housing depending on the business case in each instance.

1.6 Decision options:

The following decision options are available for consideration by Cabinet

Option 1

Agree to amend the policy of selling acquired properties on the open market when they become vacant, so that consideration is given to the sale or retention of an acquired property on an individual basis by the Head of North Tyneside Homes in consultation with the Elected Mayor and the Cabinet Member for Housing.

Option 2

Maintain the status quo and retain the policy of selling acquired properties on the open market to the highest bidder as they become vacant.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

This takes account of the potential impact of the Welfare Reform changes and the potential increase in demand for smaller properties. It amends the policy of selling of any acquired properties on the open market when they become vacant. Each acquired property when vacated would be considered for disposal on an individual basis by the Head of North Tyneside Homes, in conjunction with the Elected Mayor and the Cabinet Member for Housing, depending on the business case in each instance.

1.8 Appendices:

None.

1.9 Contact officers:

Ian Conway, Head of North Tyneside Homes tel: 0191 6437501
Darrell Campbell, Principal Accountant tel: 0191 643 7052

1.10 Background information:

The following background papers have been used in the compilation of this report and are available at the office of the author:

1. Cabinet report 14th June 2010, Property Surplus to Council Requirements
2. Right to Buy agreement
3. Report from Finance Sub-Committee to Cabinet, 10 December 2012, Disposal of acquired dwellings.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

Any receipts realised from the sale of these acquired properties will be fully utilised, a proportion will be set aside to meet the self-financing attributed debt on the properties, and 100% of the balance will be used to support Capital programme investment either in existing stock or in the delivery of new build properties.

Where a vacant property is sold on the open market it would still leave a significantly higher proportion of the value of each property to allocate to the HRA Capital Plan. These sales will contribute to the 2013-2014 HRA Business Plan, firstly by increasing set aside for debt repayment and then the balance supplementing the HRA Capital Plan, or alternatively funding any new council house building.

2.2 Legal

The Council has the power to dispose of land which has been held for housing purposes pursuant to section 32 of the Housing Act 1985. This is subject to the local authority obtaining the Secretary of State's consent to the disposal. However as from 18 May 2012 the Secretary of State has provided a general consent to all disposals of housing land. This consent is subject to the Authority disposing of the property for market value. Regard should also be given to s123 of the Local Government Act 1972 which requires a local authority to obtain best consideration when disposing of land.

2.3 Consultation/community engagement

Internal consultation has been undertaken between relevant officers, Elected Mayor and the Cabinet Member for Housing.

2.4 Human rights

No significant implications.

2.5 Equalities and diversity

No significant implications.
2.6 Risk management

No significant implications.

2.7 Crime and disorder

No significant implications.

2.8 Environment and sustainability

No significant implications.

PART 3 - SIGN OFF

- Chief Executive X
- Strategic Director(s) X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Strategic Manager Policy and Partnerships X