



Department for
Communities and
Local Government

Transparency in Social Housing Assets Value

Consultation

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About this Consultation

Scope of this consultation

Topic of this consultation:	Transparency in the value of social housing assets.
Scope of this consultation:	This consultation invites comments on proposals: to increase local transparency in social housing value; and to improve local asset management of high value vacant social housing properties.
Geographical scope:	England only.

Basic Information

To:	Local authorities and other social landlords.
Responsibility for the Consultation:	This consultation is being run by the Affordable Housing Management and Standards Division in the Department for Communities and Local Government.
Duration:	From 11 July to 8 August 2014
Enquiries (including requests for the paper in an alternative format) to:	For further information about this consultation please e-mail lahousingassets@communities.gsi.gov.uk
How to respond:	Consultation responses should be submitted by email to: lahousingassets@communities.gsi.gov.uk Or by post to: Affordable Housing Management and Standards Division Department for Communities and Local Government Eland House, Zone 1/E2 Bressenden Place London, SW1E 5DU
Additional ways to become involved:	We are willing to engage with local authority landlords and other interested parties during the consultation process.

After the consultation:

A summary of the responses to the consultation will be published on the Department's website by September 2014.

Compliance with the Code of Practice:

This consultation document and the consultation process have been planned to adhere to the Government Code of Practice on consultation. The period of consultation will be four weeks.

Introduction

1. Self-financing for council housing was introduced in April 2012 to put all local authority landlords in a position where they could support their own stock from their own income. The objectives of the reforms were:
 - To give local authorities the resources, incentives and flexibility they need to manage their own housing stock for the long-term and to drive up quality and efficiency.
 - To give tenants the information they need to hold their landlord to account, by replacing the previous opaque system with one which has a clear relationship between the rent a landlord collects and the services they provide.
2. Self-financing gave each local authority a level of debt it can support based on a valuation of its council housing stock.
3. As the value of stock is a key component of self-financing this Government is committed to increasing locally published information about the value of social housing assets. This is part of the Government's agenda for greater local transparency and accountability. We believe that publishing this information will encourage stock-holding councils to manage their housing assets better and be more accountable while also highlighting the potential for councils to manage their assets in the interests of their tenants and local communities. At the same time we are clear about the need to achieve this while also minimising additional burdens on local authorities.
4. That is why in the Autumn Statement last year we set out our intention to work with all councils to assess how best to ensure transparency in the value of their housing assets. This will build on the existing requirements in the Housing Revenue Account (Accounting Practices) Directions 2011 for local authorities' annual statement of accounts to include disclosure of the total balance sheet value of the land, houses and other property and the vacant possession value of dwellings within the authority's Housing Revenue Account.
5. These proposals are part of a wider commitment to make better use of social housing stock which includes work to tackle tenancy fraud. The Prevention of Social Housing Fraud Act 2013 increases the deterrent to social tenants to sub-let their homes and increases the incentive to landlords to increase their efforts. The Department of Communities and Local Government has given £19m to local authorities to tackle fraud in their stock over the period 2011/12 to 2014/15. Many local authorities will work in partnerships with the housing associations in their area.
6. This consultation seeks views on our proposals to introduce a requirement for stock-holding councils to publish the most recent and subsequent valuation of their housing assets.

7. We are also using this consultation to gather information on how local authorities are already utilising their assets to deliver more homes, and what information they collect on land held in their Housing Revenue Accounts.
8. As outlined above the proposals in this consultation relate to local authorities. The Social Housing Regulator are currently consulting on proposed changes to the regulatory framework which will include proposals that registered providers keep an accurate record of their assets and liabilities.

Chapter 1

Transparent Stock Valuations

9. Councils are currently required to carry out a full revaluation of their stock every five years. Individual local authorities have the discretion to decide if they wish to do this as part of a rolling programme, carrying out revaluations of different parts of the stock annually.
10. Department of Communities and Local Government guidance indicates that the last full valuation should have been carried out in 2011-12 and all councils should have revalued all of their stock by 2016-17.
11. In order to increase accountability and transparency the Government is consulting on introducing a requirement for councils to publish their stock valuations. This requirement could be introduced as a revision to the Local Government Transparency Code 2014¹ or through the introduction of a separate Code issued under section 2 of the Local Government, Planning and Land Act 1980. The Government is proposing this should be a mandatory requirement, whichever route it is implemented.
12. Some local authorities are already using this information to manage their assets more effectively in the interests of tenants and local residents. We believe that publishing these valuations will support all councils to maximise their assets in the same way. The intention is for councils to take a strategic approach to their assets with no intention to focus on the sale of tenanted properties. We propose requiring local authorities to publish this information on an annual basis. This is not intended to change the local authorities' preferred valuation timing but councils should – at all times – publish the most up to date information possible.

Question 1: Do you agree with a proposed start date of 1 April 2015 for local authorities to have to publish their stock valuations?

Question 2: Do you agree with the proposal to introduce a mandatory requirement for local authorities to publish their stock valuations, through a transparency code?

Question 3: Should a publication requirement be implemented by revising of the exiting Code or the introduction of a separate Code for social housing?

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<https://www.gov.uk/government/publications/local-government-transparency-code-2014>

Information to be published

13. Stock-holding councils are under a statutory duty to account separately for their housing stock in their Housing Revenue Account using the “Existing Use Value for Social Housing” as defined by Royal Institution of Chartered Surveyors (RICS). (The full definition is at Annex A). This valuation approach is used as it reflects that the properties are social housing with tenants and that this reduces their value, compared to a value based on vacant sale.

Adjusted Vacant Possession Value (Beacon Method)

This approach seeks to obtain a value for the asset, based on the Fair Value (market value) assuming vacant possession of the asset which is then adjusted to reflect the asset’s use for social housing with a sitting tenant. A representative asset is normally used as the basis for valuing a set of similar assets.

This method is widely used as the basis of valuation of Housing Revenue Account properties in England.

Discounted Cashflow Method

This valuation method seeks to quantify the cash-generating potential, stated at present value, of the housing operation. This is the underlying approach which presents a starting point for negotiations if a ‘stock-transfer’ (e.g. to a housing association) is to be undertaken.

This methodology is primarily desk-based and is not commonly used in England.

14. We propose that the publication of asset valuations should use the Existing Use Value for Social Housing. This definition is widely understood and has been designed to reflect the actual value of the stock. Using a non-tenanted market value would mean the ‘book value’ of a council’s stock is different to the actual market value based on its use. An alternative option would be to require local authorities to publish the market value of their housing stock alongside the Existing Use Value for Social Housing.

Question 4: Do you agree that the valuations to be published should use the Existing Use Value for Social Housing when valuing their housing stock?

Question 5: Do you believe that local authorities should also be required to publish the market value of their housing stock?

15. These published valuations will not indicate individual property valuations. But in order to make the information as useful as possible we are consulting on four publication options:

- **Publishing the number and types of property and size within ‘price bands’.** Under this option each council would be required to publish stock valuations within locally set deciles of value, that is each local authority would prescribe ten value bands that they would publish the information within. This is our preferred option as it is easy to apply and understand while giving the maximum amount of information about the type and value of property locally.
- **Publish the numbers and types of properties by valuation ‘beacons’.** Under this common approach to stock valuation valuers set values for a number of ‘beacon properties’ and then apply these to other similar properties in the local area. This is a simple way of presenting information but we know that not all councils use the ‘beacon’ method and that councils vary in the numbers of ‘beacons’ that are set locally.
- **Publish valuation ranges by type of property** e.g. the price range for houses and flats by the number of bedrooms.
- **Publish valuations on line by postcodes,** e.g. postcode districts or postcode sector levels. Under this option, councils will list the number of properties that were social properties, as well as the value of each individual social property within that postcode. However, we would ensure that particular properties in that postcode that are social housing would not be identifiable so to ensure individual properties are not being disclosed.

Question 6: What valuation method does your local authority currently use?

Question 7: If you use the Beacon method, how many beacons do you set?

Question 8: Do you consider that there are any alternative valuation methods to arrive at market value? Please provide brief details (including the costs involved) and set out reasons why that method is your preferred option.

Question 9: Which publication option do you think is best?

Question 10: Regarding the proposed postcode method, what do you think should be the lowest postcode level at which this information should be published and not disclose individual properties?

Housing Revenue Account Land

16. Many local authorities are already taking action to ensure that land they own is brought forward for housing – bringing positive benefits to the local economy, decent accommodation for local people and increases in council tax and New Homes Bonus revenue.
17. All stock holding councils will be aware of the need to understand the value of their land as part of the Housing Revenue Account. We want to use this consultation to gather information on how local authorities currently collect information on Housing Revenue Account land, how they assess whether it is

suitable for housing or other purposes, and how they account for its value in their Housing Revenue Account.

18. The review of local authorities' role in housing supply announced in the Autumn Statement, and led by Natalie Elphicke and Keith House, is considering what more councils, stock-holding and non-stock holding, could do to support housing supply including how councils are using their own land to support their own or other's house building and what more could be done to bring surplus or redundant local authority land into productive use.

Question 11: How does your local authority currently collect information on Housing Revenue Account land?

Question 12: How does your local authority currently assess which Housing Revenue Account land is suitable for housing or other purposes?

Question 13: How does your local authority account for the value of its land in the Housing Revenue Account?

High Value, Vacant Properties

19. Many councils are already being proactive and considering how they can use high value, vacant properties held by councils to help fund new affordable homes. This has been included as a criteria in the Housing Revenue Account bidding round.
20. We would like to use this consultation to explore what actions local authorities are already taking in this area, and what more they think could be done. We want to avoid placing burdens on those authorities who are already proactively managing their assets but need to consider how to bring about change to reassure local people that their councils are doing all they can to actively manage their stock in the interest of their local communities. This includes councils who are too ready to simply re-let such properties rather than consider whether the sale of these properties could release resources to build a greater number of homes for local people.

Question 14 – Does your authority already have a policy on disposal of high value, vacant properties, or are you considering introducing such a policy?

Question 15 – How are you using high value, vacant properties to fund new homes?

Question 16 – What future plans do you have in this area?

How to tell us your views

21. We would welcome your views on the proposals in this consultation paper.
Please send your comments to: lahousingassets@communities.gsi.gov.uk
22. The closing date for responses is 8 August.

Annex A: Definition of Existing Use Value for Social Housing

“Existing Use Value for Social Housing” is defined (by RICS) as the estimated amount for which a social housing property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arm’s-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following further assumptions that:

- The property will continue to be let by a body pursuant to delivery of a service for the existing use;
- At the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor’s ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body’s requirements;
- Properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession; and
- Any subsequent sale would be subject to all of the above assumptions.