



DIVESTMENT POLICY

Lead Manager:	Operations Director
Responsible Senior Manager:	Managing Director
Approved By:	EMT and DSSI
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Linked Policies:	-
Linked Procedures:	Property Divestment Procedure

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1. INTRODUCTION

- 1.1 Shropshire Towns and Rural Housing (STAR) manages the Housing Revenue Account (HRA) stock owned by Shropshire Council. In line with the council's strategic objectives to reduce HRA capital expenditure, maximise value for money and improve the quality of affordable housing, STAR has been tasked with identifying and divesting poor-performing or non-viable assets. This policy sets out STAR's approach to divestment, including the methodology for identifying underperforming properties, the principles guiding disposal and the governance framework for decision-making.
- 1.2 The overarching aim is to generate capital receipts to offset HRA borrowing requirements and, where surplus is achieved, reinvest in new affordable homes. STAR's Strategic Asset Performance (SAP) model underpins this approach, enabling data-driven identification of assets that present above-average future costs, compliance risks or operational inefficiencies.

2. SCOPE

- 2.1 This policy applies to all residential and non-residential assets managed by STAR within the HRA portfolio owned by Shropshire Council. It covers:
 - Identification of poor-performing or non-viable assets using the SAP model and supporting datasets (e.g. rent, repairs, investment schedules, stock condition surveys).
 - Criteria and categories of properties considered suitable for divestment, including:
 - Void properties.
 - EPC non-compliant units.
 - Hard-to-let properties.
 - Blocks with no HRA tenants.
 - Timber-framed homes with unresolved fire safety issues.
 - Governance and decision-making processes for recommending divestment, including Asset Team ownership, Board oversight, and quarterly reporting.
 - Procedures for tenant relocation, consultation with regeneration teams, and assessment of wider development opportunities prior to disposal.
 - Monitoring and evaluation of divestment outcomes using defined performance metrics (e.g. SAP score uplift, maintenance cost reduction, net sale proceeds).
- 2.2 This policy does not apply to properties outside the HRA portfolio or to disposals undertaken solely for regeneration purposes unless aligned with the criteria and principles set out herein.

3. STRATEGIC CONTEXT

3.1 STAR manages the rented residential units on behalf of Shropshire Council. This policy supports delivery of the following aims and objectives:

- Shropshire Council's Housing Strategy 2020-2025 and Draft Housing Strategy 2025-2030 set out a requirement for delivery of quality affordable homes.
- Shropshire Council's Asset Management Strategy 2020-2025 sets out a requirement to minimise expenditure and maximise income across all assets.
- To ensure retention of and investment in properties that provide good quality, energy efficient, safe and modern homes that comply with all the regulatory standards.
- STAR's Asset Management Strategy identifies that non-performing stock should be identified for divestment.

4. STRATEGIC GOALS

4.1 The divestment of poor performing properties will:

- Remove properties from the STAR managed HRA portfolio that are financially inefficient / on average more expensive to maintain.
- Reduce financial, compliance, repair and administrative burden for blocks where it is viable to sell the freehold.
- Improve quality of accommodation provided via STAR, improving tenant satisfaction.
- Generate capital receipts to offset against HRA borrowing requirements or where surplus is generated invest this in new affordable homes.

5. HOW WE WILL DELIVER

5.1 Selection of assets for divestment will be based on these 3 principles:

- Minimising impact to tenants, by targeting void properties where possible.
- Identifying properties that perform badly, e.g. high future investment, high repairs, sustainability targets, and current/future regulatory requirements that could place an increased demand on the HRA as identified by SAP. (Decent Homes 2 and revised 'Minimum Energy Efficiency Standard' are both currently in consultation.)
- Seeking sale revenue without loss of rental income, by prioritising divestment of the Freehold of blocks with only homeowners in occupation, where viable.

5.2 STAR has analysed the HRA housing stock and developed a SAP to identify where properties are underperforming.

5.3 Data used for the SAP model has been drawn from various STAR databases used to manage HRA properties, which include rent, repairs history and costs, future investment programmes and their schedule of rates, and other data gathered from stock condition surveys.

- 5.4 Scoring methodology has been developed to focus on future costs and management, but also includes other metrics such as geography, letability, and other administrative burdens.
- 5.5 The SAP model identified individual units that present future high investment challenges or current high maintenance costs. Homes have been identified in the following categories:
 - Freehold sale of blocks with no Housing Revenue Account (HRA) tenants, just leaseholders or shared owners.
 - Flats in STAR-managed blocks with only 1 remaining tenant. Subsequent sale of freehold of block upon disposal of remaining flat.
 - Low scoring properties identified through the SAP.
 - Flats that are unable to attain EPC C and are owned leasehold.
 - Houses that cannot achieve EPC C.
 - Timber framed houses (un-remediated fire safety).
 - Properties which are categorised as hard to let due to the location, size, or type of unit.
- 5.6 Priority will be given to any properties in the categories above that become vacant through natural tenant turnover.
- 5.7 Any potential development opportunity in the wider area will be assessed before disposal and consultation with development and regeneration teams would take place to ensure that such property would not be included in any regeneration review/programme.
- 5.8 Where properties are found to be performing badly but have an incumbent tenant, a proactive approach to relocate the resident to alternative accommodation will be considered. Any tenant relocation would be done in line with current procedures and compensation policies.
- 5.9 The Divestment Policy is owned by STAR's Asset Team, who will make recommendations when required to STAR's Board and in quarterly management reports.

6. HOW WE WILL MONITOR PROGRESS

- 6.1 Progress will be measured through the following metrics:
 - Net proceeds of sales.
 - Reduction in the overall average 'per unit/per annum' maintenance cost.
 - Increased average SAP score across all units.
- 6.2 These metrics will be reported to STAR Board and in quarterly management reports.

7. HOW WE WILL KNOW WE HAVE BEEN SUCCESSFUL

7.1 Success will be measured by:

- Reduction in the overall average 'per unit/per annum' maintenance cost.
- Increased average SAP score across all units.

8. PROCEDURE

8.1 This policy is supported by the Property Divestment Procedure which sets out the process that must be followed for homes identified for divestment.

9. EQUALITY AND DIVERSITY

9.1 STAR is committed to applying this policy fairly and consistently to all customers. Discrimination, whether direct or indirect, on the grounds of race, religion, age, gender, marital status, sexual orientation, disability or any other protected characteristic outlined in our Equality and Diversity Policy will not be tolerated.

9.2 In implementing this policy, STAR will act with sensitivity to the diverse needs of individuals and communities.

9.3 Where appropriate, STAR will take positive action to help reduce discrimination and harassment within local communities.

9.4 This policy, along with any related publications, is available in alternative formats upon request to ensure accessibility for all.

10. REVIEW

10.2 This policy will be reviewed every three years or because of a change in legislation to ensure it is relevant with legal and regulatory requirements and best practice.

11. VERSION CONTROL

Renewal Date	Version	Approved By	Comments
11 2025	1	TBC	First version of policy