

Implementation Executive

Date 25 April 2008



LARGE SCALE VOLUNTARY TRANSFER OF SEDGEFIELD BOROUGH COUNCIL HOUSING STOCK

**Report of; Brian Allen, Chief Executive,
Sedgefield Borough Council**

1. Purpose of the Report

- 1.1. Section 24 of the Local Government and Public Involvement Act 2007 directs authorities which will cease to exist on 1 April 2009 to seek approval for the disposal of any land with a value greater than £100,000. Until the new Council is elected in May 2008 this function is exercised through the Implementation Executive.
- 1.2. CLG have advised that Sedgefield Borough Council's proposal to transfer its housing stock to a standalone Registered Social Landlord would require such a consent.
- 1.3. They further recommend that to provide clarity, and in the interest of a smooth implementation of the new authority, that IE also agree to the transfer proposal.

2. Recommendation

2.1. It is recommended that the Implementation Executive:

- Agree to the Large Scale Voluntary Transfer of housing and associated land held within Sedgefield Borough's Housing Revenue Account to a standalone Registered Social Landlord, subject to a successful tenants' ballot and the Secretary of State's consent under part 2 of the Housing Act 1985.

3. Introduction

3.1 Options Appraisal

The Government in the Sustainable Communities Plan 2003 required each housing stock owning Local Authority to undertake a formal 'option appraisal' to determine the preferred option to meet the investment needs to achieve the Decent Homes Standard, tenants'

aspirations and to support wider plans for delivering sustainable communities.

Sedgefield Borough Council's options study considered:

- The outcome of financial modelling on the future investment needs of the housing stock set against available resources over the next 5 years
- The findings of the Council's Stock Options Appraisal Group
- The findings of a survey of all Council tenants

In simple terms, the outcome of the financial modelling concluded that whilst the Council could meet the minimum Decent Homes Standard, tenants' aspirations for their homes and estates would require an additional £65 million for the next 5 years.

The Stock Options Appraisal Group concluded that LSVT was the preferred option for the future ownership and management of the housing stock to deliver both tenants' aspirations and the Council's wider strategic objective.

74.5% of tenants agreed that it was worth looking at the options to set up a Registered Social Landlord for Sedgefield Borough tenants.

Subsequently on 26 October 2007, the Council agreed LSVT as their preferred option for the future ownership and management of its housing stock. The agreed model for the transfer being a standalone independent not for profit registered social landlord (Housing Association).

This decision was reflected in the Council's Transition Plan which was circulated to all Districts and the County in December as part of the consultation process.

3.2 Transfer Process

Preparatory work including financial modelling, business planning and intensive consultation with tenants and other stakeholders has been ongoing over the last 6 months.

On 24 April 2008 Sedgefield Borough Council approved the outline of its Formal Offer Document to tenants on the transfer proposal.

The offer document will be issued to all tenants and is the basis of formal consultation prior to the balloting of all tenants on the proposals to establish a standalone Registered Social Landlord in the Summer. The Offer Document forms the set of "promises" on investment and service improvements to tenants and is binding on the new landlord.

The Offer Document promises around £100 million worth of repairs and improvement works in the first five years, around £65 million more than the Council could afford. This would include delivering new kitchens,

bathrooms, external and internal doors, other property improvements, together with environmental improvements to estates.

The Business Plan for the new landlord would ensure these investments are maintained over 30 years with a programme of spend in excess of £500 million.

The Offer Document also includes information on rents, tenants' rights and improvements to the repairs and other services. The offer document invites tenants to make written representations on its content to the Council.

Following on from the formal consultation, a Stage 2 notice will be issued to all tenants advising them of any changes to the offer following any substantial comments received from tenants. The Stage 2 notice will also include the ballot paper.

The ballot will operate on the basis of a simple majority and will be conducted by Electoral Reform Ballot Services.

3.3 Post Ballot

Presuming that the ballot is successful, the Council would then need to seek consent from the Secretary of State under part 2 of the Housing Act 1985 to transfer the asset to a Registered Social Landlord. The new RSL would also be required to meet the registration requirements of the Housing Corporation before the transfer can proceed.

The transfer would then commence with the council and the new RSL being assisted by consultants through this process which typically can take around 6 months. In the event of this timescale extending beyond 1 April 2009, early indications from CLG is that the transfer would proceed, albeit as a partial transfer of the new authority's stock.

4. **Land Transfer**

4.1 The following criteria have been taken into consideration in the determination of assets that it is proposed will transfer to the new Registered Social Landlord. These criteria are in common with the vast majority (230) transfers that have already been completed.

- All housing stock currently accounted for within the Housing Revenue Account
- Landlord assets
- Play areas/fields only if land locked
- Developable land – brownfield land only within Council housing estates only
- Amenity land only within 'Council housing estates'
- Commercial Housing Assets only within 'Council housing estates'
- Garages, allotments, off street parking only within housing land

- Footpaths/Rights of Way/Cycleways only within Council housing estates'

The price that the new RSL would pay for the assets is calculated as a Tenanted Market Value (TMV). This is based upon a government formula that takes account of:

- The rents payable by tenants over a 30 year period
- The cost of the programme of repairs and improvements
- The fact that tenants keep their rights and that the housing must be kept available at affordable levels
- The cost of managing the homes and carrying out the other promises in the offer document.

The financial model prepared by the Council's consultants indicates that once the Council's overhanging housing debt of around £23 million is taken into consideration, the transfer would be cost neutral.

5. Conclusion

- 5.1 The Government requires Housing Authorities to undertake option appraisals to determine the best way to manage and maintain Social Housing in its area. Sedgfield Borough Council have resolved to ballot tenants to seek approval to transfer its stock to a standalone Registered Social Landlord facilitating an additional £65 million of investment over the next 5 years. The transfer of housing stock and associated land requires the approval of Durham County Council, a function exercised through the Implementation Executive. Financial modelling taking into account the repayment of Sedgfield Borough's overhanging housing debt indicates that the transfer will be cost neutral.

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Appendix 1: Implications

Local Government Reorganisation

Section 24 of the Local government and Public Involvement Act 2007 directs authorities which will cease to exist on 1 April 2009 to seek approval for the disposal of land with a value greater than £100,000.

Finance

The transfer of Housing from Sedgefield Borough Council to a standalone Registered Landlord will be cost neutral.

Staffing

Staff transferred to the new RSL will be fully protected by TUPE.

Equality and Diversity

Full account has been taken of the Council's obligation to promote Equality and Diversity in the development of the project.

Accommodation

The new RSL will be required to provide its own accommodation post transfer.

Crime and Disorder

The Offer Document enhances the role of Tenancy Enforcement and the RSL's approach to anti social behaviour.

Sustainability

No additional issues have been identified.

Human Rights

No additional issues have been identified.

Localities and Rurality

The establishment of a RSL managing and maintaining Social Housing locally is considered to compliment the County Council's approach to LGR.

Young People

No additional issues have been identified.

Consultation

In preparing the Formal Offer Document comments have been invited from:

- The Shadow Board of Sedgefield Borough Homes
- Tenants
- Independent Tenants Advisor
- The Housing Corporation
- CLG
- Trowers – Legal Advisors to the Borough Council

Health

The provision of affordable decent homes is generally recognised as one of the wider determinants to good health.

Background Papers

Letter to Brian Allen, Chief Executive, Sedgefield Borough Council from CLG
15 April

Report to Sedgefield Borough Council 26 October 2007 Updating the Stock
Options Appraisal Study

Report to Sedgefield Borough Council Cabinet 13 March 2008 Transfer of
Assets Agreement of Principles

Report to Sedgefield Borough Cabinet 26 April 2008 Formal Offer Document