

Economy and Enterprise Overview and Scrutiny Committee

15 December 2014

Housing Stock Transfer Project – Update



Report of Ian Thompson, Corporate Director, Regeneration and Economic Development

Purpose of the Report

- 1 To provide Members of the Economy and Enterprise Overview and Scrutiny Committee with a further update in relation to the progress of the Housing Stock Transfer Project.

Background

- 2 The Economy and Enterprise Overview and Scrutiny Committee have received regular update reports on the Council's plans to transfer the ownership of its housing stock to a new "group" which will be made up of its existing housing management organisations since December 2012.
- 3 The most recent update was provided to committee on the 22 September 2014, when Members received details of the outcomes of the consultation process and the ballot; and the next steps in the transfer process.
- 4 The Economy and Enterprise Overview and Scrutiny Committee were advised at the meeting on the 22 September 2014 that the Department for Communities and Local Government (DCLG) has asked the Council to complete the transfer of its homes by the 31 March 2015, if it is to access the financial support it has requested.

Current Position

- 5 The Economy and Enterprise Overview and Scrutiny Committee were updated at the meeting on the 22 September 2014 that Durham County Council's Cabinet had accepted the positive outcome of the ballot, in which 11,316 tenants voted with 9,149 (82%) of tenants voting in favour of the proposed transfer. Cabinet subsequently agreed to proceed with the transfer process.
- 6 Economy and Enterprise Overview and Scrutiny Committee were also advised that there is a significant amount of work that will need to be completed by the Council and the County Durham Housing Group if the transfer is to complete within the timescales set by the Government.

Therefore Council and the County Durham Housing Group are working closely together to meet the challenging timescale by completing the following key pieces of work:

- Conversion of the council's existing housing management organisations into Community Benefit Societies and registration with the Financial Conduct Authority (FCA) and HMRC as charities.
 - Appointment of an Executive Management Team for the County Durham Housing Group.
 - Securing offers of funding from potential lenders and the development of a Funding Agreement to support the transfer.
 - Development of a Transfer Agreement between the Council and the County Durham Housing Group.
 - Mapping, searches and the provision of warranties for land that will transfer to the County Durham Housing Group.
 - Cabinet agreement to seeking final consent from the Secretary of State (CLG) for the transfer to take place.
 - Completion and signing of the Transfer Agreement and Funding Agreement with the transfer taking place on the 23 March 2015.
- 7 Dale & Valley Homes, Durham City Homes, East Durham Homes and the County Durham Housing Group Ltd's were converted to Community Benefit Societies when they were successfully registered with the FCA in November 2014. Registration with HMRC is ongoing and is expected to be completed early in 2015.
- 8 The County Durham Housing Group Chief Executive and the Group Director of Finance and Resources were recruited in October 2014. Recruitment for the remaining posts in the Group's executive management team (Group Director for Assets and Regeneration and Group Director for Performance and Business Planning) will be completed by the end of January 2015.
- 9 Six potential funders (including banks, building societies and institutional lenders) visited the County in November 2014 to learn more about the proposed transfer and see the types of homes and neighbourhoods that will transfer to the County Durham Housing Group. Funders' visits are an important part of the transfer process as they inform funders' decisions as to whether they will make an offer to support the transfer of homes from the Council to the new County Durham Housing Group.
- 10 Offers of funding will be received by the County Durham Housing Group Ltd Board in early December 2014, with a decision on the preferred funder (or funders) by the 19 December 2014. Once the preferred funder (or funders) has been identified the Group will work with them to prepare a legally binding Funding Agreement. The Funding Agreement will set out the terms of the loan being offered and the covenants that the Group will be expected to meet.

- 11 A detailed Transfer Agreement is already in development and sets out:
- The schedules and contracts agreeing the transfer of land and other assets to the County Durham Housing Group.
 - A Deed of Covenant which underpins the delivery of the promises the Council made in its Offer Document.
 - The proposed Service Level Agreements between the Council and the County Durham Housing Group.
 - A Development Agreement.
 - Information related to the Transfer of Undertakings and Protection of Employment (TUPE) transfer issues for staff affected by the transfer proposal.

The Transfer Agreement will continue to be developed until March 2015.

- 12 The Council has established a team of legal conveyancers and GIS mappers to identify the land that will transfer to the County Durham Housing Group and complete the required searches to provide the necessary warranties for the Group to take ownership of land. The Council's team continue to work closely with the County Durham Housing Group to review proposed sites and discuss emerging issues based on the report Cabinet received on the 10 September 2014 which set out the principles of land transfer.
- 13 A report will be submitted to Cabinet in February 2015 which will explain the terms of the Transfer Agreement, next steps in the transfer process and should recommend that the Council applies to the Secretary of State for consent to dispose of its housing stock. Providing the Cabinet agree the recommendation, the Council will submit a letter to the Secretary of State (CLG) formally applying for consent under section 32-34 and/or 43 of the Housing Act 1985 at least four weeks before the proposed transfer date.
- 14 The Funding Agreement and Transfer Agreement are scheduled for completion by mid-March 2015 with the transfer planned to take place on the 23 March 2015.

Recommendations

- 15 That the Members of the Economy and Enterprise Overview and Scrutiny Committee note and comment upon the information provided in the report.
- 16 That the Economy and Enterprise Overview and Scrutiny Committee continue to receive further progress updates in relation to the development, impact and delivery of the new arrangements for housing in County Durham.

Background papers:

- Durham County Council Cabinet Report 10 September 2014
- Economy and Enterprise Overview and Scrutiny Committee Report 22 September 2014

Appendix 1: Implications

Finance

The Council is currently operating within a HRA self-financing debt cap of £245m (as of April 2012). This debt cap has almost been reached and the Council is therefore unable to borrow any further to invest in areas such as new build housing development. The proposed housing stock transfer will enable the new group of landlords to borrow additional funds to invest in housing, regeneration and support services for tenants. In order to qualify for debt write-off, Government have however directed that the transfer must be completed by 31 March 2015.

Staffing

Detailed work continues on the impact of the proposed transfer on the Council's services and staff associated with Council housing and its support. This work is being undertaken by Human Resources and Legal Services in full consultation with potential staff affected. Staff potentially affected by a TUPE transfer either from the Council or within the proposed new group of landlords will be fully informed and consulted with as part of the formal TUPE consultation.

Risk

The transfer of the Council's homes must be planned and managed effectively by both the Council's transfer team and the County Durham Housing Group to ensure the challenging deadline is achieved by the end of March 2015.

Equality and Diversity

The formal consultation process has provided all individuals and organisations with an interest in the future of the Council's housing stock with the best opportunity to express their view on the transfer of the Council's homes in County Durham. The formal consultation process has been delivered through the implementation of a communication and consultation plan and active tenant engagement in the development of the Offer Document.

The Offer Document makes specific provisions for:

- Tenants with a disability
- Elderly tenants
- Young tenants
- Tenants experiencing problems with managing money and debt
- Improving quality of life for tenants across the county

According to the Equality Impact Assessment undertaken on the proposed transfer it will impact on protected characteristics. Impacts in terms of stock transfer are positive, as accessing additional funding will improve housing, neighbourhoods and services and will stimulate the local economy. This may be particularly beneficial for women who have an increased demand for social housing and disabled and older people who require homes to meet specific housing needs. Younger people and people raising a family will also benefit from an improved social housing offer resulting from stock transfer. Transfer may also enable access to additional funding to strengthen and improve tenancy support services to mitigate the effects of welfare reform.

Accommodation

The proposed new group of landlords will continue to work with the Council to identify suitable accommodation for the proposed new County Durham Housing Group Limited ahead of the transfer deadline.

Crime and Disorder

None

Human Rights

None

Consultation

Formal consultation has been undertaken with all secure and introductory tenants, providing an opportunity for 21,908 tenants and 193 leaseholders to comment and vote on the Council's transfer proposal.

Procurement

None.

Disability Issues

None

Legal Implications

There is a clear process for the transfer of homes set out in the Government's Housing Transfer Manual. The transfer of homes can only go ahead if the Council observes the outcome of the ballot that a majority of tenants voting in the ballot voted in favour of the proposal.

The transfer process will continue to be supported by the Council's legal advisers for stock transfer and the County Durham Housing Group's legal advisers.