

BROMSGROVE DISTRICT COUNCIL

CABINET

5th September 2012

**AFFORDABLE HOMES/BDHT STRATEGIC ASSET DISPOSAL
STRATEGY TO 2017**

Relevant Portfolio Holder	Councillor Del Booth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Sue Hanley, Executive Director of Leisure, Environment & Community Services
Wards Affected	All Wards
Key Decision : Yes	

1. SUMMARY OF PROPOSALS

- 1.1 The report sets out the proposed development programme and strategic Asset Disposal Strategy to 2017 which is being proposed by our major Registered Provider BDHT.
- 1.2 Members are asked to consider the strategy which will result in the disposal of up to 30 units of accommodation (to 2017), many of which may result in a loss of stock from properties in rural locations of the District.
- 1.3 The overall gain in respect of affordable housing provision is expected to be 170 dwellings as a result of the programme.
- 1.4 BDHT are seeking support to the strategy prior to a submission to the Homes & Community Agency (HCA) who are the regeneration delivery agent and social housing regulator for England.
- 1.5 The report seeks to advise Members in totality of the implications of the development and disposal programme and the potential consequences in the delivery of an affordable housing programme.
- 1.6 The report advises of the financial and legal implications in Members agreeing to the strategy.

2. RECOMMENDATIONS

Cabinet is asked to RECOMMEND:

- 2.1 **That Members note the Business Plan/Development Programme that BDHT propose to submit to the HCA in which they seek the Council's support for the delivery of an affordable homes programme to 2017;**

AND

- 2.2 **That Members approve the disposal of 30 units of BDHTs property stock for reinvestment into an affordable homes programme in Bromsgrove in support of the strategy;**

OR

- 2.3 **That Members approve the disposal of up to 30 units of BDHTs property stock up to a value of £4m for reinvestment into an affordable homes programme in Bromsgrove in support of the strategy.**

3. KEY ISSUES

Financial Implications

- 3.1 Registered Provider bids or submissions to the HCA are expected to include and detail the commitment of resources the Registered Providers, and any other public or private contributions can make. This would include free or discounted land, local authority grant, S106 contributions and in this proposal, retention of the full capital return on disposal of stock. All of the disposals as a result of this asset disposal strategy would be considered to be exempt stock disposals and the total capital reinvested in affordable housing by BDHT.
- 3.2 It is a reasoned assumption that no further HCA grant will be available beyond 2015. For BDHT to develop, without grant, an additional 200 affordable housing units between now and 2017 they will require a contribution to the programme for a sum of £4m from the sale of existing units/stock.
- 3.3 Following discussion with BDHT it is proposed that Bromsgrove District Council support disposal of properties up to a maximum of 30 units or a number of disposals to the value of £4m to support the development programme. (See recommendations 2.2 or 2.3).
- 3.4 In treating all the disposals as exempt disposals would equate to Bromsgrove District Council's financial contribution to the programme to be £2m (retained 50% capital receipt).

Legal Implications

- 3.5 The relationship between the Council and BDHT regarding the management of former Council housing stock is set out in the Large Scale Voluntary Transfer (LSVT) agreement dated 29th March 2004.

- 3.6 Clause 3.2 of the LSVT agreement required BDHT not to dispose of any part of those properties without:
- 1) giving the Council 14 days notice in writing of its intention to make a disposal; and
 - 2) accounting for and giving the Council a claw-back sum calculated at 50% of the price received from the disposal, less some specified amounts.
- 3.7 The Transfer Agreement sets out in Schedule 2, a list of 14 specific circumstances where the obligation would not apply but the disposal would be regarded as an “exempt disposal” and includes at (xiv) p7:
- “where it can be demonstrated that the net proceeds are to be entirely invested in a specific Social Housing development that meets the needs identified within the Council’s approved housing strategy from time to time and the Council gives its approval which shall not be unreasonably withheld in the event that the application is supported by evidence that would have qualified the project for Local Authority Social Housing Grant had such grant still been available”.
- 3.7 The governments framework for the delivery of affordable housing from 2011 (and set out in the “*Affordable Homes Programme Framework*”) changed the way that social housing was to be delivered and rather than a specific social housing development (as envisaged by the LSVT agreement) delivery is based on proposals submitted and approved by the Homes and Communities Agency (HCA) the body which took over the regulation of social housing in England on the 1st April 2012.
- 3.8 The BDHT Strategic Asset Disposal policy is the strategic element of its compliance with its delivery options for the period to 2017 to be submitted to HCA.
- 3.9 In committing to the principles of the bid, Members will be agreeing to the full capital receipt from the stock disposals being strategically invested in the development of new affordable housing provision on the basis of any proportion of the capital receipt that could be due to the Council would be waived as a Council contribution towards the development bid for new affordable units.
- 3.10 The requirements for consent on disposals remains. The detailed arrangements that have been agreed are set out below.

Service/Operational Implications

- 3.11 The Homes and Communities Agency (HCA) is the national housing regeneration and social housing regulatory agency for England. The current HCAs Affordable Homes Programme Framework will consider

submissions and bids within the national framework to deliver a supply of affordable housing in the future.

- 3.12 In the previous bidding round in April 2011 Bromsgrove District Council Cabinet accepted that BDHT would have to sell 20 units of stock as a financial contribution in order to build 200 new affordable homes. As BDHT only received 28% of what they bid for in the programme, the disposals were proportionately scaled down to six disposals as this was all that was necessary to build the 57 units that the grant was awarded on. The Council supported the programme.
- 3.13 To date BDHT have sold four properties, with a further one approved/ agreed following consultation with Bromsgrove District Council.
- 3.14 BDHT are to propose to the HCA a future development programme for the delivery of affordable housing to 2017.
- 3.15 BDHT Corporate Improvement Plan strategic initiative is to access additional finance to provide a further 200 affordable homes by 2017. The provisional development programme has been provided and is enclosed for Members at Appendix 1.
- 3.16 BDHT have also provided to the Council their Board report which outlines the methodology in assessment of the return on assets and approach to disposal. This includes a projection of the sale of 30 units and other assets to generate £4m capital receipts by the 31st March 2017 (Appendix 2).
- 3.17 In order for the Council to give its full commitment to the principles of the strategy and the programme, there are some sensitivities to be addressed, which include:-
 - a) The loss of social housing in particular in rural areas through stock disposal;
 - b) The level and degree of involvement of the Council in the disposal programme. Officers have recently met with the Chief Executive of BDHT and have agreed the following:-
 - i) The previous commitment given to the Council will be maintained in the future programme:

“Where BDHT disposes of a rural asset, being a property within a small settlement (as defined in Table 2 of the District’s settlement hierarchy, Bromsgrove District Council, Core Strategy 2), 50% of the capital receipt, after the deduction of reasonable and properly incurred BDHT expenses, will be ring fenced by BDHT, for a period of 30 months, to be dedicated to a Rural Exception scheme,

where there is a commitment by the District and Parish Councils and a strategic acknowledgement by the Planning Department of a need, as opposed to a demand, for the development.”

- ii) BDHT have agreed to the strengthening of the disposal process at an Officer level so that the Council will be consulted to ensure that the property/properties considered for disposal has gone through a full impact assessment. The impact assessment will take into account known housing needs for the property and number of remaining units of affordable housing in the area and any impacts the loss of the unit will have on the Council’s homelessness duty and welfare reform.

3.18 To support the delivery of a programme of an additional 200 affordable homes in Bromsgrove it will require BDHT to sell properties with a high value and/or likely to sell quickly. Undoubtedly this will deplete stock in the rural areas. Officers will work with BDHT to mitigate the loss of stock and try to prevent unreasonable depletion of stock, however, there may be areas which are disproportionately affected as there is little control as to which properties become available first. The Council will need to commit to responding quickly to any requests and discussion regarding the impact assessment. Whilst there will still be the required approval of the Council’s Chief Executive to disposals, a greater involvement of the Housing Strategy Team is envisaged.

3.19 In considering support to the programme for the delivery of affordable housing by BDHT the following issues also need to be taken into account:-

- a) The Strategic Housing Market Assessment shows that the turnover of social lettings alone within Bromsgrove District is insufficient to meet the continued need for affordable housing. As a result, delivery of new affordable housing will be necessary if the authority is to meet the housing needs of its residents. The Housing Market Assessment shows that an additional 219 units of affordable housing are required per year to meet the district’s housing need.
- b) Welfare Reform has the potential to significantly impact the Council’s Homelessness duty which could have severe financial consequences. Our research shows that over 300 households will be affected by changes to the Local Housing Allowance pricing them out of the Private Rented Sector. Due to the need to move residents to smaller accommodation (due to the reduction of housing benefit for under occupying social housing) the impact could result in the Council having over 100 homeless households in temporary accommodation within the next two

years. The potential cost to the Authority could be in excess of £1m.

Customer / Equalities and Diversity Implications

3.20 The actions and recommendations set out in this report identify the Council's support to the housing needs of Bromsgrove and to assist BDHT as the primary Registered Provider to invest in affordable housing in accordance with identified needs and priorities.

3.21 There could be an impact on the availability of affordable housing in rural areas as a result of the disposal strategy.

4. RISK MANAGEMENT

4.1 Should the strategy be agreed by the Council, the risks can be identified as primarily:-

a) Depletion of stock, particularly those in rural areas;

4.2 Should the strategy not be supported by the Council, the risks can be identified as primarily:-

a) The development programme could still be considered by the HCA and agreed, without the support of the Strategic Housing Authority (Bromsgrove District Council).

b) Risk of lack of affordable housing to meet the needs of the residents of Bromsgrove;

c) Potential increased homelessness costs with added pressures on accommodation/ stock, due to Welfare Reform proposals.

4.3 On balance Officers consider the risks of not supporting the programme of delivery of affordable housing to be greater than the loss of existing stock.

4.4 It is considered that with strengthened consultation arrangements, prior to disposal, the risks can be mitigated.

5. APPENDICES

Appendix 1 BDHT Provisional Development Programme

Appendix 2 BDHT Return on Housing Assets & Approach to Disposal

6. BACKGROUND PAPERS

- Terms of LSVT 29th March 2004

- Affordable Homes Programme Framework – Cabinet Report 6th April 2011
- Support to Principal Preferred Partner Registered Providers in the Delivery of Affordable Housing – Cabinet Report 5th October 2011

7. AUTHOR OF REPORT

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