

BURCOT LANE DEVELOPMENT – Disposal of Affordable Housing Units at Burcot Lane

Relevant Portfolio Holder	Councillor Shirley Webb
Portfolio Holder Consulted	Yes
Relevant Head of Service	Sue Hanley, Deputy Chief Executive
Report Author Derek Allen	Job Title: Strategic Housing Manager Contact email: derek.allen@bromsgroveandredditch.gov.uk Contact Tel: Ext 1278
Wards Affected	All
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	Affordable and sustainable homes
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATIONS

Council is asked to RESOLVE that:

- 1.1 Officers appoint an external consultant to undertake a competitive exercise on behalf of the Council, for the disposal of the affordable housing units on the site to a registered provider; and**
- 1.2 Delegated authority is given to the Head of Housing and the Head of Legal, Democratic and Property Services to negotiate the terms of disposal with the successful party and effect the disposal.**

2. BACKGROUND

- 2.1 This report follows the Cabinet reports in September 2017, October 2018, August 2020 and January 2021 whereby the Council agreed the transfer of the affordable housing units on the site to Bromsgrove District Housing Trust (BDHT). As this was not achieved, this report sets out proposals for next steps in relation to the disposal of these units.
- 2.2 At the Cabinet meeting on 8th August 2020 a report was considered which proposed that the Council set up a Housing Company and that the affordable housing at Burcot Lane be transferred to BDHT.
- 2.3 Cabinet and Council endorsed this direction of travel, and officers sought a valuation to ensure that the affordable housing units would not be disposed of for less than best value in line with Section 123 of the Local Government Act 1972.

- 2.4 Meanwhile officers at BDHT prepared and submitted a financial offer for the affordable housing units for the Council's consideration.
- 2.5 Council officers wrote a report recommending that BDHT's offer be accepted which Council considered on the 20th January 2021.
- 2.6 At this meeting of Council it was decided to defer the decision to accept BDHT's offer pending further discussion between the Council and BDHT. This dialogue took place and as a result BDHT formally withdrew their offer to purchase the affordable housing units at Burcot Lane.
- 2.7 BDHT's decision to withdraw their offer to purchase the affordable units means that the Council needs to secure a purchaser via another route. Affordable housing can only be disposed of to a Registered Provider so it will now be necessary to run a competitive exercise to secure a purchaser. It should be noted that BDHT may still compete in such an exercise.
- 2.8 The main advantage to securing an external consultant to run the competitive exercise is that the expertise will be in place to ensure a legally compliant and independent process will be in place to select a purchaser for the affordable housing at Burcot Lane. As part of their brief the consultant will be required to ensure any disposal demonstrates best value and also to establish a 'reserve' price for the units on behalf of the Council. The Head of Housing will carry out the recommendations of the consultant and negotiate the terms of disposal, and the transaction implemented by the Head of Legal Democratic and Property Services.

3. FINANCIAL IMPLICATIONS

- 3.1 There will be a cost associated with hiring external support to run a competitive exercise. Currently these costs are estimated to be in the region of £15k. A contingency fund was put in place in the approved business case and this cost will be funded from this. This will be kept under review to ensure that the contingency budget is not exceeded.
- 3.2 Disposal of the affordable units will generate a capital receipt which will be allocated towards the costs incurred by the project.

4. LEGAL IMPLICATIONS

- 4.1 The Council is required to comply with its overarching best value obligations in terms of income, capital receipt and social benefit. This best value duty must be factored into decisions regarding disposal of any of the units.

- 4.2 The Council must ensure that any market exercise is legally compliant and commercially independent.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

- 5.1 The scheme will result in the delivery of affordable and sustainable housing for local residents living in the district.

Climate Change Implications

- 5.2 There are no climate change implications arising from the disposal of the affordable housing units.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1 Increasing the supply of affordable housing in the district helps households on low incomes by providing them with good quality and secure accommodation options. Improvement in the market rent sector will help rebalance the private rented sector in the district.

Operational Implications

- 6.2 These are outlined in detail in the 2017, 2018 and 2020 reports.

7. RISK MANAGEMENT

- 7.1 The main risk to consider is that insufficient or inadequate bids might be received from bidders, the consequence being that the Council would have to revisit its position. The appointment of an experienced consultant with knowledge of the market to run the competitive exercise is intended to mitigate this risk. Should these circumstances arise however, the Council would still have other options available to it. In these circumstances the Council could step in and establish a Council owned registered provider or, more likely, (given the administrative requirements of owning a registered provider), follow the lighter touch regime to register itself as a Registered Provider, in either case taking on the affordable housing itself.

8. APPENDICES and BACKGROUND PAPERS

N/A

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Cllr Shirley Webb	5 th July 2021
Lead Director / Head of Service	Sue Hanley	5 th July 2021
Financial Services	Chris Forrester	5 th July 2021
Legal Services	Claire Felton	5 th July 2021
Policy Team (if equalities implications apply)	N/A	N/A
Climate Change Officer (if climate change implications apply)	N/A	N/A