Gloucester City Council

Meeting:	Cabinet Council	**Date:**	16th Oct 2013 17th Oct 2013
Subject:	Housing Futures – Joint Strategic Options Review		
Report Of:	Cabinet Member for Housing, Health and Leisure		
Wards Affected:	All		
Key Decision:	Yes	**Budget/Policy Framework:**	Yes
Contact Officer:	Martin Shields, Corporate Director of Services and Neighbourhoods		
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Appendices:	Appendix A: Stock Transfer Process Outline Timetable and Decision Making Flowchart		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To inform Members of the progress made in relation to the Government's Transfer Guidance Consultation.

1.2 To ask Members to formally adopt the **Council and Community Owned** (Co-Co) Plus model for stock transfer in principle, subject to due diligence on the financial business case when the final Housing Transfer Manual is published.

1.3 To ask Members to approve the submission of an application to Government for inclusion of the Council in the 2014/15 Transfer programme, subject to Cabinet finalising the detailed application.

1.4 To ask Members to approve expenditure against the stock transfer budget for the costs of preparation for a Transfer.

2.0 Recommendations

2.1 Cabinet is asked to **RECOMMEND** to Council;

(1) That the Co-Co Plus model for stock transfer be approved in principle subject to the financial business case being satisfactory and subject to subsequent approval of the offer to tenants.

(2) That the Customer Forum's recommendation that Gloucester City Homes (GCH) be selected as the preferred new stand alone landlord in the event of a transfer, be endorsed.

(3) That approval is given for an application to be submitted to the Government for inclusion of the Council in the 2014/15 Transfer programme, subject to Cabinet finalising the detailed application prior to submission.

(4) That approval is given for commencing expenditure against the Stock Transfer budget.

2.2 Council is asked to **RESOLVE** that:

(1) The Co-Co Plus model for stock transfer be approved in principle, subject to the financial business case being satisfactory and subject to subsequent approval of the offer to tenants.

(2) That the Customer Forum's recommendation that GCH be selected as the preferred new stand alone landlord in the event of a transfer, be endorsed.

(3) Approval is given for an application to be submitted to the Government for inclusion in the 2014/15 Transfer programme, subject to Cabinet finalising the detailed application prior to submission.

(4) Approval is given for commencing expenditure against the Stock Transfer budget.

3 Background

3.1 Members will be aware that, following the Housing Futures Options Review which commenced work in November 2010, Members approved the following strategic direction for housing to meet current and future housing need at the Council meeting held on the 22nd September 2011:

1 A **Council and Community Owned (Co-Co) model** be adopted as the best option for this investment and that further work be undertaken with Government to establish, in detail, whether the necessary support for a Co-Co would be given.

and:

2 That a continuation of existing arrangements be regarded as the next best option if a Co-Co cannot be made to work. With a view that in parallel to the work on a Co-Co, the following option known as **ALMO Plus** of enhancing the existing arrangements be agreed for further development;

- Extending GCH's management agreement to 35 years
- Changing GCH's ownership so as to allow it to borrow outside the public sector borrowing requirement.

3.2 Members will recall the recent Housing Options Update report to the Council on the 20th May 2013. It advised that despite numerous meetings / submissions between the Department for Communities and Local Government (DCLG) and the Homes and Communities Agency (HCA), the original Co-Co model proposal was not accepted, primarily because HM Treasury were not persuaded that the retention of housing debt by the Council for a further 30 years would enable the new housing Registered Provider to be seen as truly independent of the Council. It would still be treated as quasi-public sector in the eyes of the Office of National Statistics (ONS) and therefore unable to borrow independently to meet the funding gap in the existing stock.

3.3 Following on from this decision, the HCA and DCLG then indicated that they would welcome a more traditional proposal to transfer homes from the Council to a Registered Provider, which could be GCH (after it has been reconstituted and registered with the HCA).

3.4 This way forward is more advantageous to both the Council and the new Registered Provider as the Government would be willing to write off virtually all the Council's housing debt not covered by the purchase price paid for the stock (write off currently estimated at c£52M), allowing the new company to have a clean opening balance sheet, with the Government taking advantage of reducing national public debt and securing future revenues through, for example, future VAT liability from the new housing provider. It should be noted however, that there will need to be further negotiation with the Government in Gloucester's case in order to extinguish the element of housing debt that is currently placed with private market funders. In order for transfer to go ahead, this matter will need to be addressed and is discussed in more detail at Section 5 of this report.

3.5 The HCA indicated that the Government had set aside a budget to assist councils (like Gloucester) who had made a strong business case for change, linked to a compelling need for future housing investment that could not be funded under the current Housing Revenue Account (HRA) self-financing arrangements. This budget has to be used by the 31st March 2015 and would be lost after this date as a result of the new spending review.

3.6 Under this amended proposal the stock would transfer to the new provider under the Co-Co Plus arrangements, subject to: the Government accepting the Council's bid to be included in the 2014-2015 Transfer Programme; a vote by tenants in favour of the proposal; and Council and Secretary of State approval.

4 The Housing Investment Need in Gloucester

4.1 Members will recall that, for all local authorities who own housing stock, the previous HRA subsidy system was replaced with self-financing for the HRA from the 1st April 2012. This allows the Council to keep <u>all the rents</u> from its social housing properties and the income is used to manage, maintain and invest in its homes to ensure that the properties are maintained to the Government's Decent Homes Standard. In return for this freedom, the Council took on a one-off additional debt of £2.143m, which it is expected to service and be able to repay within 30 years if required. This one-off debt redistribution bought Gloucester out of a system whereby it was paying an annual sum of c£3m (and anticipated to increase yearly) to Central Government.

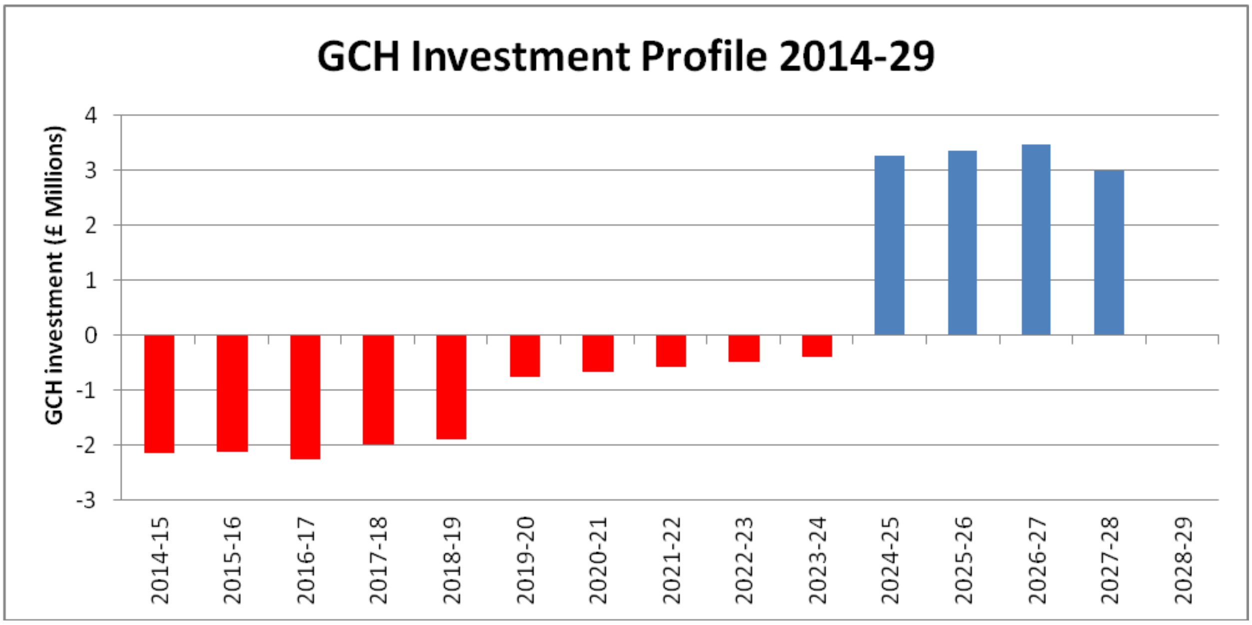
4.2 The Council's overall housing debt at 1 April 2012 was £56m. Under self-financing, each Council was also set a "debt cap", the maximum to which it can borrow at any time for the purposes of managing and maintaining its properties. Gloucester's debt cap is £62.75m. The Council's borrowing since 1st April 2012 (to ensure that the homes meet the Decent Homes Standard) means that the Council has now reached that debt cap and cannot borrow any more. This means that in future, if the level of repairs and investment on the properties each year exceed the amount of rental income (less management costs and interest payments), then the homes will start to fall back into non-decent standard.

4.3 As properties become non-decent they may become unlettable and the level of rental income received will start to fall. Consequently, future income will not be enough to meet future on-going costs, so properties will fall further into non-decent standard. If the correct level of investment in the homes is not made, then it is likely that it will cost even more to do general repairs and there will be even less money available to invest in the homes. The Government's Decent Homes Standard is not particularly high and the requirement to replace elements to maintain the standard on a regular basis (life cycle replacement) means that homes continually fall into non-decent standard and need investment to rectify this.

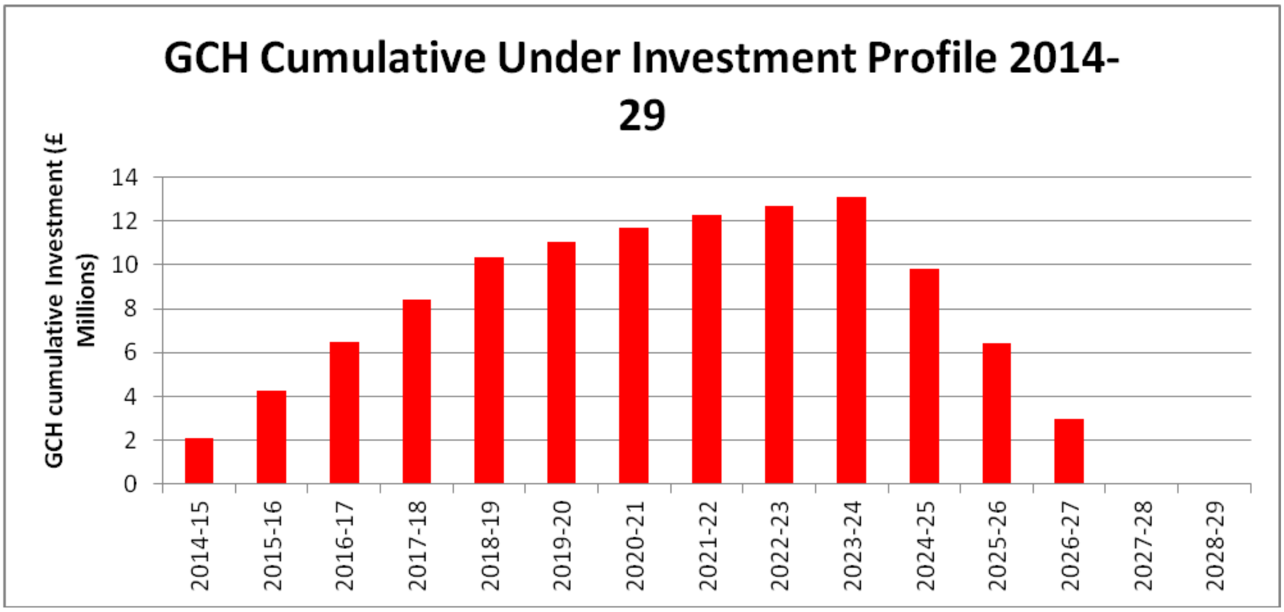
4.4 The Council has procured an independent stock condition survey of the homes and related assets owned by Gloucester City Council. It has also undertaken extensive surveys of the "non-traditional" built properties that make up about a third of the housing stock. These properties require extensive additional investment to ensure that they continue to be sustainable as a decent home for at least 30 years. The stock condition survey informs the Council how much it needs to spend and in which years to ensure that it meets its responsibility to maintain the Decent Homes Standard. The survey indicates that the work on these non-traditional properties needs to be done over the next 10 years or the properties potentially become undesirable and hard to let. The amounts required to be spent on the homes and estates each year for at least 11 years exceed the amount of rental income forecast to be received. The Council cannot borrow to do the works as it has reached its debt cap. Over the next 11 years, the cumulative value of work that cannot be done is estimated to be £13.07 m.

4.5 The under investment in the Council's stock will start in the 2014-2015 financial year with budget falling behind investment need by £2.124 million in that year. This will mean that for the first time since GCH was created, properties will slip back into non–decent standard. The under investment in the stock will continue each year until 2023-2024 when the shortfall will peak at £13.07m. After this 10 year period, if the properties have not deteriorated to such an extent that they become unlettable, then there should be a surplus of rental income to be able to catch up the investment that has been deferred. However, it will not be until 2028 or Year 15 of the plan that the HRA will fall back to a positive investment profile. Loss of income or increases in the cost of repairs as a result of the inability to invest in the homes will increase the deficit for longer.

The graph below shows the shortfall in budget to spend requirements from 2014-2015. It is only in 2024 that the profile reverses:



The cumulative impact of the investment profile shortfall is shown below:



4.6 The Council will be at its HRA debt cap until it has caught up on the works that it has deferred, as it will be using all of its income to keep up its investment responsibility. It cannot redeem any debt nor build cash reserves for any other purpose. In the above estimate that would mean the Council is at its debt cap for at least 15 years.

4.7 It cannot therefore borrow against the HRA for at least 15 years to build any new homes, or regenerate deprived communities or build alternative accommodation to move tenants into whilst their own homes are replaced, or to re-house tenants who wish to move as a result of under-occupancy of their current property. The lack of ability to invest will impact on local economic activity.

4.8 Without stock transfer, the Council will need to manage within the HRA resources it has available from rents each year. This means that it will have to reduce investment in the properties or reduce the service standards currently offered to tenants or, in reality, a combination of both. “No change” is not an option.

4.9 Stock transfer offers the new landlord (Registered Provider) the ability to borrow to do investment works at the time required, and the potential to invest to develop and regenerate estates without the debt cap if it can be demonstrated that the loans required throughout the life of the business plan can be repaid from the rental income within 30 years (a fully costed and feasible business case). This would potentially provide an opportunity to take local areas out of deprivation, stimulate the local economy and improve local communities through regeneration in line with both the City Vision and the Corporate Plan.

4.10 The tenanted market value of the homes is currently estimated to be around £10.2m and if the new landlord is able to purchase the homes at that price, it will need to borrow up to around £65m in future (something which the Council is unable to do as a result of the debt cap, even if it could afford to repay the debt). The new landlord can afford to repay these loans within 30 years without increasing rents beyond the limits placed on local authority rents under current Government guidance, so Members and tenants can be assured that the works required for their homes can be delivered at the right time without rents increasing above that which they would have been charged if they stayed with the Council.. Using these loans the new landlord can maintain the Decent Homes Standard and build new homes and/or regenerate estates. The closest option to providing the levels of decency and services that tenants want from the Council now has to be a stock transfer as the only realistic option. The council reports of 10th May 2013 and 22nd September 2011, which detail the options that have been considered in reaching this conclusion are available online and in the Group Rooms.

5 Government Guidance

5.1 The Government published the draft Housing Transfer Manual for consultation on 22nd July 2013 and the consultation closed on 2nd September 2013. A meeting was also held on 23rd July 2013 with DCLG and the HCA in order that they could explain the process behind the new cost benefit analysis which forms part of the application assessment. As expected the manual covered the application process, consultation with tenants and the Secretary of State’s approval process.

5.2 A number of technical accounting issues have been raised with the HCA as part of the Council’s response to the consultation, but the key challenge arising that would specifically affect Gloucester’s ability to transfer is that the Government has set out in the manual that HM Treasury will only consider paying off Public Works Loans Board (PWLB) loans and any associated early repayment premia. HM Treasury is not currently considering writing off market or private loans, or the associated early redemption premia. This is not, as such, a change from previous policy, but in many earlier transfers, most local authorities have usually only had PWLB. In a very limited number of transfers, some market debt has been paid off by the Treasury. It is in more recent years that councils have considered market or private loans as a cheaper and more flexible way of managing their treasury strategy, encouraged to do so by Government.

5.3 Within the HRA debt portfolio, £30m of the £62.75m total Council debt is made up of market or private loans which are not due to mature until 2040/41. The cost of paying these loans off by 2015 as part of the transfer is estimated at around £7m to £9m. The purchase price for the housing stock can be used to pay off around £10m of the market debt and HM Treasury would agree to pay off the £32.75m of PWLB debt, but if the policy is not changed, this would leave £20m of market debt plus the premia costs to be paid off.

5.4 Officers, together with advisers, are considering options that would improve the business case, either by increasing the purchase price of the stock in order to provide a receipt with which to repay more of the market debt, switching the loans to PWLB prior to transfer, or convincing HM Treasury that the benefits of writing off of all forms of debt, including PWLB, outweigh the cost and that market debt should be treated in the same way PWLB debt. Again, a combination of these options may provide a final solution.

5.5 Officers included comments in the Council's response to the Government's Housing Transfer Manual consultation, making it clear that the debt policy within the manual, together with the accounting and borrowing restrictions placed on local authorities make it very difficult to reach a resolution that will allow the market debt to be redeemed and for transfer to succeed. The response requested that the Government be willing to negotiate on paying off market loans to the extent that they are not covered by the transfer capital receipt and any associated premia and be flexible with regard to the price of the stock.

5.6 HCA has not yet issued any formal response to the Council as a result of the consultation and the final Housing Transfer Manual has not yet been issued. It should be noted that any successful transfer application will be for inclusion in the 2014-2015 transfer programme only and must result in an actual transfer by 31 March 2015. Whilst there is an allocation of funding for transfers after this date, the rules in the transfer manual will be applied to those authorities on the 2014-2015 programme. The Government has reserved the right to make amendments to guidance for any transfer beyond 31st March 2015.

6 Applying for inclusion on the 2014/15 Transfer Programme

6.1 The processes set out in the draft guidance for applying for and being accepted on to the 2014-15 Transfer Programme are unlikely to change significantly (not withstanding the continued discussion between DCLG/ HCA and HM Treasury over the treatment of the debt issue). The typical timescales for each stage of the process from application to transfer are set out in the manual and are included at **Appendix A** to this report for information in the form of a flowchart. This flowchart describes the points at which Council will be asked to make a decision on whether to proceed further through the transfer process.

6.2 An application to the HCA will need to be submitted before the end of December 2014. The application consists of a full business case for transfer to include:

- the **Strategic Case** covering drivers for change, with strong emphasis on macro benefits;

- the **Economic Case** covering the macro financial position which monetises the benefits shown in the strategic case to demonstrate the benefit to cost case;

- the **Commercial Case** covering indicative fundability of the transfer, asset management, delivery risks and landlord selection;

- the **Financial Case** covering the specific costs of the proposed transfer. Criteria include demonstrating that the transfer value has been maximised and any debt write-off requirements minimised: the benchmark for assessing this criterion is the self-financing valuation of the same stock. Evidence includes submission of information allowing Government to assess the costs and benefits of a proposal and a Transfer Value Reconciliation;

- the **Management Case** covering the timely delivery of the transfer project.

6.3 In order to meet a transfer deadline of 31st March 2015, the Council must also complete the tenant consultation, formally ballot tenants and undertake post ballot contractual arrangements.

6.4 The draft Housing Transfer Manual introduces a “cost benefit analysis” to determine whether the cost of debt write off in excess of the purchase price (and where required PWLB debt premia) is exceeded by the benefits that transfer can deliver in comparison to self-financing.

6.5 The Cost Benefit Analysis is made up of three specific tests, all of which must be passed in order to show value for money:

- Primary Test = Five Year Fiscal Flow – this measures the short term reduction on public sector net debt, so essentially means that the closer that the transfer valuation (purchase price) is to the level of housing debt that the Council has, the better the application will score (pressure to achieve a greater transfer price);

- 30 years’ Net Present Value for public sector must be positive – DCLG prefer money sooner rather than later, so for example, they would rather have a higher price paid on day one, than irrecoverable VAT trickling back to HMT over future years – this test measures the total difference between what HMT pay off on day one and what is recovered over 30 years in terms of identifiable monetary items such as VAT, housing benefit savings from voids prevented, new social housing build saving (housing benefit is less than local housing allowance in private sector renting);

- 30 years' wider social impacts is greater than one - this test measures the value of non-monetised benefits (converted to a monetary figure). Examples are apprenticeships (but not job impacts), health improvements, energy savings, educational impact and labour mobility. This will be measured as a percentage of the debt write off.

6.6 Each test has a different weighting with the five year fiscal flow weighting being highest, so the impact of the purchase price compared to debt can be seen as the main driver. This process was not part of the consideration for stock transfers of the past.

6.7 Whilst the final Housing Transfer Manual is not yet available and the specific deadlines for submission have not yet been issued, representations are still being made about the write-off of market debt and premia. However, the time available to put together a quality application worthy of persuading the Government to write-off the debt is becoming limited if the deadlines are to be met.

6.8 In order to give the Council the best opportunity to prepare a strong and robust submission and to measure and demonstrate that the benefits of transfer can outweigh the total cost of writing off the housing debt, officers are recommending that the Co-Co Plus model be adopted as the vehicle for transfer and that Council approves this to form the basis of an application to Government for inclusion on the 2014/2015 Transfer Programme. The Council cannot take the decision to formally consult with, and undertake a ballot of, tenants unless it is accepted on to the Transfer Programme. It is likely that the solution to the issue of market debt for Gloucester will arise from the strength of the business case provided to HCA. The result of the application process will confirm whether Government will be willing to provide sufficient financial support to enable the transfer to take place at a level to allow the new Co-Co Plus Registered Provider to sustainably and affordably deliver its proposed 30 year business plan. If there is insufficient support to allow a transfer to take place then it is unlikely that the Council will be offered a place on the Transfer Programme and it will have to adopt an alternative, reduced HRA provision.

6.9 A successful application does not mean that transfer will take place, as this is reliant on a positive vote from the tenants. The Council will be required to approve the offer upon which tenants will be consulted and will also need to consider the result of the ballot before making any final decision on transfer. The Council will also be asked to consider the details of the final business case before requesting the Secretary of State's permission to transfer the housing stock.

7 Implications for the Council and Tenants

7.1 Council Implications

7.1.1 If either the Council does not recommend transfer, or is unsuccessful in obtaining a place on the Transfer Programme, or receives a negative vote in the tenant's ballot, it will be required to make savings in the investment in homes and/or reduce the service provided to tenants in order to address the £13.5m gap in HRA funds available over the next 10 years. Reductions in investment will mean that the Council is at risk of not maintaining the Decent Homes Standard. Where homes become un-lettable, the loss of income may leave the Council unable to maintain its loan repayments.

7.1.2 The amended Co-Co Plus proposal is potentially more advantageous to the Council as it would expect to see all of the HRA debt redeemed on the day it transfers ownership of the housing stock to the Co-Co Plus. It would also no longer have the liability for finding the extra resources to keep existing stock at the decent standard and would benefit from a potential regeneration of the city's older housing estates as well as continuing to improve the current housing stock if transfer goes ahead. It is reliant on the Government providing sufficient financial resources to make the transfer feasible for the Council and to ensure that the Co-Co Plus's 30 year business plan is both sustainable and affordable.

7.1.2 The delay by the Government in producing the latest guidance and inviting bids has pushed back any transfer of stock well into the following financial year 2014-2015. This means that there could be up to a year's worth of under investment in the housing stock which will have to be made up post transfer and may have an effect on the purchase price that can be afforded.

7.2 Implications for tenants

7.2.1 The Housing Transfer manual sets out clearly that tenants are expected to play a significant role in the selection of the form of new landlord and the identification of that landlord. In September 2013, the Tenant Participation Advisory Service (TPAS) worked independently with your active tenants - The Housing Futures Residents' Panel (HFRP) who undertook a robust evidence-based landlord selection process based on:

- Financial and legal options reports from independent advisers;
- Annual reports to tenants and published accounts of landlords with housing stock in Gloucester;
- A review of all potential landlords' shop windows, i.e. their website by the Independent Tenant Adviser, TPAS, as a "Mystery Shopper" exercise. TPAS applied the principles of the TPAS Resident Involvement Quality Accreditation Scheme for the areas of Tenant Communications and Accountability in conducting this exercise on 14th September 2013. This exercise was designed to compare the landlords with regard to tenant empowerment, influence and involvement, all of which are important to tenants from a future landlord;

- Verbal presentation by Sector on the various options available;
- The opportunity for the HFRP to challenge the professional advisers;
- Attendance, on their on account, by members of HFRP at various housing association benchmarking events to enable them to speak directly to tenants of other associations to understand their experience with landlords of differing sizes and structures.

7.2.2 The HFRP recommended the preferred type of landlord to the Customer Forum. The recommendation was accepted by the Customer Forum unanimously on 18 September 2013. The Customer Forum is recommending to the Council that, in accordance with the process set out in the housing manual, their choice would be for GCH to be their new landlord in the event of a transfer. The key reasons for this decision are set out in the bullet points below in paragraph 7.2.3. Council is asked to endorse this recommendation.

7.2.3 Having considered various group structure options as set out in the report described at paragraph 7.2.5, the Customer Forum would support GCH as a stand-alone new not-for-profit charitable company. Their key reasons are:

- It provides the closest match to the Co-Co Plus model as described above;
- It provides a landlord who is based in Gloucester and has a strong strategic partnership with the Council. They would want the existing good Governance arrangements to remain with 1/3 Council, 1/3 Tenants and 1/3 independents on the new board.
- It delivers the most effective form of customer influence and involvement in the organization;
- It can deliver a "mutual" organization in future, if desired;
- It is the closest to a "no change" option (note that if transfer does not take place then the current level of service / improvements may need to be reduced) and is the most likely to achieve a successful tenant ballot.

7.2.4 In addition, the conversion of GCH to a stand-alone private registered provider is likely to be the quickest to achieve and gives the Council a reduced risk of not meeting the 31 March 2015 transfer deadline.

7.2.5 TPAS has produced a comprehensive report for the Council setting out the process and providing copies of the evidence considered by HFRP in making their recommendation. This report will be available in the Group rooms.

8 Future Work

8.1 Comprehensive negotiations conducted by the Council and GCH senior management teams supported by professional advisors still need to be concluded to make transfer and the Co-Co Plus financially viable. A bid needs to be submitted by mid December 2013, a tenant ballot held during the late early summer of 2014, and a transfer of ownership to the Co-Co Plus needs to occur, possibly in late 2014 but certainly no later than 31st March 2015.

8.2 The joint project board of cross party councillors, GCH Board members and tenants is chaired by the Cabinet Member for Housing, Health and Leisure and meets monthly to monitor progress based on advisory support from the Council's Chief Executive and GCH's Chief Executive. The board will continue to direct the resources of the project and ensure key actions are taken in line with the project plan deadlines.

9 Financial Implications

9.1 If the proposal to consult with tenants with a view to transferring the housing stock to GCH under the Co-co Plus model is accepted, there are three stages that will require the Council and/or GCH to incur set up costs:

1. The application process – if the Council's application is unsuccessful, then further costs will not be incurred;

2. The pre-ballot stage – the costs of consultation, but if the ballot is not successful or the Council choose not to proceed to transfer, then further costs will not be incurred;

3. Post ballot stage – the final completion of the transfer and conveyancing of the homes to GCH.

9.2 Expenditure incurred in carrying out the consultation required under section 106A of the Housing Act 1985, including the cost of any ballot, is considered to be in connection with the management of dwellings held within the HRA and therefore must be charged to that HRA. Other costs of transfer, such as pre-ballot and post-ballot costs are, in DCLG's view, not incurred in connection with the management of houses held within the HRA and therefore must be met from elsewhere. In past transfers, where a positive ballot has occurred and transfer proceeded, all set up costs could be offset against the capital receipt before using the remainder receipt to set against debt. Offset of set up costs against the transfer receipt is no longer allowed in the new manual, as DCLG want to ensure that the transfer receipt is maximised to offset against debt. In the event of a no vote, costs must be borne by the HRA or the General Fund, as described above for successful transfers, depending on whether or not they are incurred in connection with the management of housing.

9.3 The total set up costs, if the full transfer is completed, are estimated to be £2.7m. The cost of works up to the end of the ballot are expected to be in the order of £900,000 and post ballot, £1.8m. It is likely that about £300,000 of the £900,000 will be saved if the application to HCA is not successful. Initially, it is the intention to try to fund the set up costs from the new landlord's business plan. However, if this cannot be afforded in full, then the balance will need to be funded by the Council from HRA reserves or alternatively, VAT shelter income, if this allowable. In the short term, the costs are being funded partially by the General Fund and the HRA.

9.4 At the point of transfer, the level of HRA related borrowing is anticipated to be at the debt cap of £62.75m. Once netted down against the current transfer valuation of £10.2m, this would result in a potential write off of £52.5m of overhanging debt plus any debt premia, which could be as much as £9m. These initial figures are subject to change and will undoubtedly be the subject of further negotiation with the Government, which will be reported back to Council for final approval.

9.5 Any relevant VAT, duty, insurance or other financial implications will be identified as preparation for transfer progresses.

10 Legal Implications

10.1 Under the Housing Act 1985, the Council has powers to manage, regulate and control its housing stock and to enter into management agreements in respect of its housing stock.

10.2 The Council also has powers to transfer its housing stock, provided certain conditions are met and defined procedures are followed. Depending on the outcomes of continuing preliminary work, there are likely to be further legal implications for the Council and these will be identified in future reports.

10.3 Stock transfer will involve a Transfer Agreement, setting out various matters relevant to the transfer. Detailed work will need to be carried out to identify the land and housing that is to be transferred and to ensure that appropriate obligations are transferred, and appropriate rights are retained, by the Council.

10.4 The EU procurement rules are not applicable to transfers of land, such as stock transfer and there is therefore no requirement for a competitive process to select the RP to whom the stock is transferred.

10.5 The reconstitution and registration of GCH with the HCA mentioned at paragraph 3.3 of the report would need to be completed before any decision to transfer the stock to GCH could be taken.

(Legal services have been consulted in the preparation of this report.)

11 Risk Management Implications

11.1 There are several significant risks to the project, these being:

- That private market debt cannot be written off as part of the transfer deal - officers are working with the Council's Lead Financial and Funding advisers for Stock Transfer, together with its Treasury Management advisers to identify options to manage any private debt and market premia that the Government will not write off in the process. A solution, either from HM Treasury alone or combined with changes to the valuation / treasury management will be negotiated as part of the application process. If this cannot be resolved, then it is unlikely that the Council will be given a place on the Transfer Programme and a ballot cannot take place;

- The Government will only accept the application to be placed on to the Transfer Programme if the Council can show that transfer will offer good value for money and benefits in excess of the write off of HRA debt. This will be measured by the Cost Benefit Analysis (CBA) in the Housing Transfer Manual which DCLG have not previously used in the transfer process. Officers feel that the evidence suggests that the Council has a strong case for transfer and have employed consultants specifically to identify and quantify the hidden benefits. The application must pass the CBA test in order for the Council to get a place on the Transfer Programme;

- If the Council is successful in being placed on the Transfer Programme, then there is a risk that there will not be a positive vote in the ballot. From work with the Customer Forum there is an appetite for transfer. The largest risk is likely to be “voter apathy”, i.e. the idea that GCH is already the landlord and there is no need to vote, or that “its OK because someone else will do it”. The HFRP have identified this in their report and the Independent Tenant Adviser is considering other transfers to see whether an incentive to record a vote (not to encourage which way to vote) is still allowable. Experienced Communications Consultants will also be employed to help ensure that the face to face consultation on the Offer Document is carried out in order to achieve the best chance of a strong turn-out in the ballot;

- The new landlord will also need to ensure that it can obtain the necessary private funding required to support the transfer business plan. Funding specialists are employed to communicate with the banks. The Housing Regulator will review the funding offer as part of the registration of the new landlord and will not register the landlord if he is not happy with the support from banks.

11.2 Risks within stock transfer tend to be generic in the main and have been managed many times in the past by the relevant specialists employed in the transfer process. Risks will be monitored and mitigating actions taken.

12 People Impact Assessment (PIA):

12.1 A PIA will be completed as part of the options evaluation work and will be a significant part of the work with tenants when determining the best option.

13 Other Corporate Implications

Community Safety

13.1 Refurbishment of existing homes, regeneration of estates and the provision of new build housing will also contribute positively to enhanced levels of community safety as existing and new homes will incorporate more Secure By Design measures as recommended by the Association of Chief Police Officers.

Sustainability

13.2 Refurbishment of existing homes, regeneration of estates and the provision of new build housing will also contribute positively to enhanced levels of sustainability as existing and new homes will incorporate more environmental sustainability measures as recommended by the Government and adopted as best practice by the social housing sector.

Staffing & Trade Union

13.3 If the revised Co-Co proposal is agreed, there will need to be discussions with Council staff and trade unions about the proposal and any possible impacts of a change in service delivery arrangements.

Background Documents:

Gloucester City Council Response to the Consultation – 2 September 2013 – available in Group rooms

TPAS report on tenant evaluation of prospective landlords – September 2013 – available in Group rooms