

Gloucester City Council

Meeting:	Council	Date:	26 February 2015
Subject:	Housing Stock Transfer - Transfer Agreement		
Report Of:	Cabinet Member for Housing, Health and Leisure		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	Yes
Contact Officer:	Martin Shields, Corporate Director of Services and Neighbourhoods		
	Email: martin.shields@gloucester.gov.uk	Tel: 39-6745	
Appendices:	(A) Plain English Summary of the Transfer Agreement		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 This report seeks Council approval to the key terms of the Transfer Agreement, Development Agreement and consequential delegations to enable the transfer of the Council's housing land, housing stock, and associated functions to Gloucester City Homes (GCH).

2.0 Recommendations

- 2.1 Council is asked to **RESOLVE** that

- (1) the Transfer be completed once the Secretary of State for Communities and Local Government has given consent;
- (2) the terms of the Transfer Agreement and Development Agreement be approved;
- (3) authority be delegated to the Corporate Director of Services and Neighbourhoods, in consultation with the Head of Legal and Policy Development, the Head of Finance and the Cabinet Member for Housing, Health and Leisure to resolve any matters that remain outstanding;
- (4) the Head of Legal and Policy Development be authorised to sign and deliver the Legal Opinion as set out in section 13; and
- (5) the Head of Legal and Policy Development be authorised to seal the Collateral Funders Warranty, Transfer Agreement, Development Agreement, the Property Transfer (TR5) and any other deeds that need sealing and to sign any ancillary documentation on behalf of the Council and to do whatever else is necessary or expedient to complete the Transfer.

3.0 Background and Key Issues

3.1 This report brings to a conclusion this major project which began almost five years ago when the Council commenced a comprehensive housing stock options appraisal. This report sets out the issues in order for the project to be concluded covering:

- Assets
- Financial implications
- Legal considerations
- Future monitoring and review
- Staff
- Pensions
- Service level agreements (SLAs)
- Warranties and indemnities

3.2 The Council carried out its first Housing Options Appraisal back in 2008, with an updated Options Appraisal taking place in 2010.

3.3 Last year, Cabinet approved the formal consultation material for the proposed transfer which was distributed to all secure tenants, introductory tenants and leaseholders, in due course, the Cabinet considered the responses received through this consultation exercise. That meeting also approved the undertaking of a ballot of tenants.

3.4 Following the positive tenants' ballot outcome in September 2014, where 89.1% of the 63.7% of the tenants who voted, voted in favour of transfer, the Council started the legal process of negotiating the transfer of its housing stock to GCH, which will convert to a new 'not-for-profit' registered provider of social housing before the transfer. This is an enormous task, critical parts of which are the development of the Transfer Agreement and agreeing with GCH the financial settlement.

4.0 The Transfer Agreement

4.1 Following the vote by tenants that the Council's Housing stock should transfer to GCH, work has continued in both organisations to achieve the transfer. The transfer target date is set for 16th March 2015 and both the Council and GCH have been working to ensure that services to tenants (including payment of housing benefit) continue smoothly on and from that date.

4.2 The Transfer Agreement is the legal contract that transfers the housing stock. It details all the arrangements, warranties, indemnities and conditions of the contract between the two organisations. Agreement of the contents has been the product of prolonged negotiations between the Council's project team and that of GCH.

4.3 The Transfer Agreement will be reviewed on behalf of GCH's funders (RBS), who have agreed to fund the transfer to GCH, by their lawyers. Although the Government (The Department for Communities and Local Government (DCLG)) will not consider the Transfer Agreement in detail, they will be advised on the main terms and will be interested to see that the DCLG transfer guidelines have been adhered to. The regulator, the Homes and Communities Agency (HCA), will need to be assured by

GCH that the Transfer Agreement contains nothing that would prejudice GCH's registration with them as a not-for-profit registered provider.

- 4.4 The Transfer Agreement is at an advanced stage but remains in draft stage at present. The draft will be amended to reflect the final terms of the "commercial deal", (once they have been agreed with GCH and their funders) together with some background information, which is currently being collated. The report states the position based on current draft documentation. The Council is asked to approve the Transfer and to delegate authority to the Corporate Director of Services and Neighbourhoods (who is also the Acting Head of Paid Service) in consultation with the Head of Legal and Policy Development, the Head of Finance and the Cabinet Member for Housing, Health and Leisure to settle any outstanding points.
- 4.5 An introduction to the transfer agreement, which explains the contents and structure of the document is attached at Appendix A.

5.0 Assets to Transfer

- 5.1 The Council owns some 4,438 dwellings across the City that will be transferred to GCH as part of the Transfer. A significant proportion of Housing Revenue Account (HRA) land associated with these dwellings will also be transferred to GCH as part of this proposal.
- 5.2 The Council jointly with GCH produced and adopted an Asset Transfer Protocol which set out how assets vested within the HRA would be treated at the point of transfer. In relation to assets, the Transfer Agreement reflects the provisions agreed in the Asset Transfer Protocol.
- 5.3 The HRA assets comprise the 4,438 tenanted homes, 275 leasehold flats and maisonettes, 48 shared ownership properties, 31 shops, 806 garages and approximately 500 distinct titles covering all HRA land.
- 5.4 Along with the specific assets to transfer to GCH mentioned in paragraph 5.3 above, there will also be a limited amount of communal land. It has also been agreed to transfer a number of sites which have development potential to GCH. This will facilitate the delivery of 100 new homes in the first four years after transfer as per the commitment in the Council's Offer Document.
- 5.5 Plans have been made available for viewing by all Members, indicating the land and properties to be sold as part of the transfer.
- 5.6 Part of the asset portfolio to be transferred by the Council consists of a number of pieces of land which are designated as public open spaces. There are several such areas of land. Whenever a Council intends to dispose of such pieces of land it must advertise its intention to do so by public advertisement pursuant to section 123(2A) of the Local Government Act 1972. The Council will discharge this obligation by placing an appropriate advertisement in issues of the Gloucester Citizen in two successive weeks.
- 5.7 The Council has a small number of miscellaneous assets, including two hostels, in the HRA, which it is planning on retaining but these are still subject to discussion. Assuming they are retained, they will need to be transferred out of the HRA. They

would need to be appropriated to the General Fund, which will allow closure of the HRA, in due course. Section 122 of the Local Government Act 1972 permits the Council to appropriate land which belongs to the Council where the land is no longer needed for the purpose for which it is held immediately before the appropriation.

6.0 Staff

- 6.1 GCH has its own staff, most of whom transferred to GCH when the ALMO was created. Although there are 2 posts within the Council directly affected by the transfer, there is only 1 member of Council staff transferring to GCH on completion. A number of posts have been identified as ones where there may be a TUPE transfer (Transfer of Undertakings – Protection of Employment) once the relevant SLAs have come to an end. More information is given on this aspect in section 14 below.
- 6.2 There is an ongoing issue over the Council's liabilities as regards GCH's current staff. In essence, GCH and its funders are seeking to require that the Council meet the pension underfunding in respect of such employees and also provide certain limited warranties in respect of them. The Council's position has been that these are matters for the negotiations and these are continuing.

7.0 Service Level Agreements (SLAs)

- 7.1 It has been agreed in principle that the Council will provide the following services to GCH following transfer:
- Grounds Maintenance
 - Management of commercial premises (shops)
- 7.2 It has also been agreed in principle that GCH will provide the following services to the Council:
- Management of the Council's Homeless hostels
 - Project SOLACE (antisocial behaviour service for the private sector)
- 7.3 The specifications and terms of these SLAs are being finalised. All of these are time limited ranging from one year to seven years in duration.

8.0 Pensions

- 8.1 The Council and GCH have been in detailed discussions with Gloucestershire County Council Pension Fund (GCCPF) as regards the future pensions position of staff that transferred to GCH in 2007, staff who became pensioners between 2002 and the proposed date of completion of the stock transfer and the one transferring employee. As is usual in stock transfer, the parties have agreed that the transferee organisation should be fully funded as at the date of admission into the scheme. GCCPF's actuaries have calculated that the deficit as at 15th March 2015 in respect of the GCH employees is some £1.9m. An exact figure will be available shortly after transfer has taken place and is therefore subject to confirmation.
- 8.2 The arrangements to deal with this deficit are set out in section 12 below.

9.0 Warranties and Indemnities

- 9.1 The Council will be required to provide various warranties and indemnities both to GCH and its funders, all the subject of varying degrees of liability and risk. Specific details of the legal and financial issues arising from these are outlined in the respective parts of section 13 below.

10.0 Monitoring Arrangements

- 10.1 The Council will retain the important duty of monitoring GCH's performance of its obligations under the Transfer Agreement and, in particular, its carrying out of the promises made to tenants by the Council in the Council's Offer Document. There are reporting processes within the Transfer Agreement with which GCH must comply and a process that will allow Members to continue to raise concerns on behalf of their constituents and Wards, as they do now.

11.0 Risks

- 11.1 There is a risk that both/either parties fail to agree the terms of the Transfer and Development Agreement or that funders will not agree to fund it. These risks are relatively low.
- 11.2 There is a risk that the long-term relationship between the Council and GCH will fail if the Transfer and Development Agreement negotiations are not conducted in a fair and reasonable manner, by both Parties.
- 11.3 There is a risk that the promises in the Council's Offer Document will not be properly complied with (although it should be noted that the Transfer Agreement gives the Council the legal right to take action to force GCH to comply with the commitments it is to deliver).
- 11.4 There will be a number of residual financial risks for the Council post transfer resulting from the indemnities, warranties and guarantees given in the Transfer Agreement and these could be significant if called upon. The most significant are the risks of GCH bringing claims against the Council in respect of asbestos works costs overrun and environmental clean-up costs. However, the Council has these risks and liabilities now as Landlord and Landowner, so the issue is dealing with the loss of control over them (to GCH) and considering how the Council can manage its risks after the transfer has taken place.
- 11.5 There is a risk in terms of any liabilities arising prior to transfer in respect of transferring employees. This is not considered to be great given that only one Council member of staff is transferring.
- 11.6 There is also a risk in respect of liabilities arising from contracts entered into by GCH prior to transfer.
- 11.7 Loss of control is dealt with to a certain extent by the mitigation and other provisions inserted into the Transfer Agreement to ensure that GCH cannot simply sit back and pass claims over to the Council; it must mitigate the matter. In relation to asbestos there is specific financial provision in GCH's business plan and, with regard to

environmental clean-up costs, there is provision within the set-up costs for environmental insurance cover to be obtained by the Council.

11.8 In addition to the above, the Council will not lose its enduring residual liabilities at the point of transfer as these will have arisen from the Council having been both the landlord and the landowner.

11.9 If the Transfer did not proceed, the Council would face the following risks and issues:

- The Council would forego the positive benefits to tenants of transfer outlined in previous reports.
- There would not be the considerable inward investment with the consequential benefits to the local economy.
- The abortive set-up costs would need to be charged to the General Fund.
- The Council would need to decide whether it wanted an ALMO to continue managing its stock.
- Reputational damage - tenants and other stakeholders who expected the transfer to happen.

11.10 The Council is undergoing a risk management assessment and considering options to protect the Council from the major financial risks arising from the transaction. These include consideration of insurance for the residual environmental risks for which specific provision will be needed. The aim of this will be to minimise the costs potentially to be made under any claim and to maximise cover for the authority.

12.0 Financial Considerations

12.1 The specific financial implications for the Council need to be considered alongside the economic benefits of the transfer across the City.

Valuation

12.2 The valuation determines the purchase price that GCH will pay to acquire the Council's housing stock. The valuation is known as a tenanted market valuation (TMV) and is prescribed by the DCLG. The TMV assumes that the housing will continue to be used as social rented housing in the future and is based upon a comparison of income and expenditure associated with the stock over a 30 year period. These 30 year financial projections are then discounted to reflect the value of money over time. The valuation of the housing stock is currently £20.3m. This will not, however, provide a useable capital receipt to the Council as the transfer price is only sufficient to cover the costs of the transfer along with some agreed HRA debt repayment.

Financial Negotiations

12.3 A major part of the negotiations so far have centred on the need for the Council to minimise the revenue impact of the transfer. Apart from the purchase price for the housing stock, the resources generated from the transfer are the VAT which is available to share between the Council and GCH. It should be noted that £10.1m (50% of the VAT shelter) was included in the valuation to DCLG and the only beneficiary of this is the Government. What happens with the remaining 50% is still the subject of negotiation between the parties. However, it is currently proposed that it is split equally between the parties. Any of the VAT shelter paid to the Council,

would count as a capital receipt and would be used towards funding Council regeneration and housing priorities.

12.4 If the transfer does not proceed, the Council will remain liable for the costs incurred on the transfer work and GCH's costs would have to be paid out of its surpluses.

12.5 Members' attention is drawn to the following specific cost implications;

Pension Deficit for transferring staff

12.6 The Government's transfer guidelines state that the pension fund should be fully funded for the transferees' staff on completion of the transfer. In order to achieve this, Gloucestershire County Council's pension service will effectively transfer additional pension fund assets from the Council's share of the pension fund to the new fund element in respect of relevant GCH staff.

12.7 The current proposal is to transfer £1.9m of pension fund assets to the GCH pensions pool which will be sufficient to cover the existing deficit of £1.9m. GCH has been advised its future employer contributions will need to increase from the current level of 16.2% to 18.6%.

12.8 The Council will deal with the deficit by a payment from the HRA balances.

VAT Shelter Arrangements and Development Agreement

12.9 The VAT shelter arrangement enables the Council's VAT exemption on its capital works to continue. This is achieved by the Council entering into a Development Agreement with GCH, which allows GCH to recover any VAT incurred in carrying out the works. The VAT shelter scheme applies to first time improvement works only and therefore will diminish over a period of time. The VAT shelter is expected to last for 15 years.

12.10 To assist both the Council and GCH in making the necessary arrangements, a joint appointment of Baker Tilley as VAT shelter advisors was made. Based on an assessment of works to be undertaken, it is estimated that approximately £20.1m of VAT will be able to be recovered under the VAT shelter arrangement. The VAT will be recovered by GCH as works are undertaken.

12.11 £10.1m of the VAT shelter has already been earmarked for GCH as it was used in increasing the valuation agreed by DCLG.

12.12 The current proposal is that the balance of VAT shelter savings will be shared between the Council and GCH. The Council will receive a minimum of 50% of the balance of the VAT shelter which is estimated to be £5m, excluding the effects of future inflation.

12.13 This approach to sharing VAT shelter savings will help to mitigate both parties' risks. Any sums received by the Council under this arrangement will need to be treated as Capital receipts.

12.14 Under the Development Agreement, which is entered into immediately before the Transfer Agreement is completed (whilst the Council still owns the properties), GCH

undertake to carry out certain property works, in accordance with the promises made to transferring tenants in the Offer Document. GCH are required to complete those works within the timescales set out in the Offer Document (except where GCH is prevented from doing so by circumstances outside of its control).

- 12.15 GCH will invoice the Council for these works at completion and the works fee will be deducted from the transfer price to be paid by GCH to the Council at completion of the transfer. As the transfer price for the properties reflects the value of the properties as if the works have already been carried out, the set off of the works fee (payable by the Council) against the transfer fee (payable by GCH) results in the net transfer price reflecting the value of the properties in their true state as at completion (i.e. before these works are carried out.)

Service Level Agreements (SLAs)

- 12.16 Detailed discussions have also taken place with GCH on the range of services they would initially like to see provided by the Council. These will provide income to the Council which will be offset against the residual costs which the Council faces.
- 12.17 At the end of any Service Level Agreement period, there will be issues to resolve about any staff involved in this service provision who may then have statutory employment rights to transfer to GCH, or alternative service providers. Therefore a provisional 'deferred TUPE list' of posts affected will be agreed.
- 12.18 Where the transfer results in a loss of recharge income to the Council's General Fund (either now or at the end of the SLA period) the strategy will be to reduce costs by a significant amount, wherever possible. However some costs are likely to prove to be fixed or irreducible, in which case the impact on the General Fund will need to be managed over a period of time.

Future Right to Buy (RTB) Receipts

- 12.19 As part of the Transfer Agreement, the Council will ensure that a proportion of any post transfer RTB sale proceeds arising from sales to transferred tenants will be used by GCH for new housing provision. Reductions in the housing stock have a negative effect on GCH's business plan. This issue is addressed by GCH retaining the net income foregone from each RTB sale together with an administration allowance. The capital receipt remaining from each sale, after deduction of the net income foregone and administration allowance, is available to be used for new social housing provision. This aspect is still subject to negotiation but the potential receipts are relatively low in value in comparison to the VAT shelter sums.

General Fund Impact

- 12.20 The transfer has an impact on the General Fund. The Money Plan 2014/15 approved by the Council in February 2014, accounted for the £400k impact on the General Fund. The following paragraphs of this report aim to explain the main impacts on the General Fund.

Corporate Impact on Central Support Service Recharges

12.21 The HRA is currently recharged via support services for costs incurred by the Council including HR, IT, Finance, Legal, Grounds maintenance and accommodation etc. In addition to this, the HRA also contributes to the Council's central democratic costs. In total the current budgeted charge from the General Fund to the HRA including the building operation is in the region of £0.4m per year. Following transfer, the General Fund will no longer receive all of this income from the HRA and therefore the General Fund will bear these additional costs. However, there are a number of actions that the Council has already taken to mitigate these costs.

- 1 member of support staff will transfer to GCH under the TUPE arrangements
- As part of the Transfer Agreement a number of Service Level Agreements will be entered into to enable the Council to continue to provide some of these services to GCH. The SLAs are listed in paragraph 7 above. The income that these SLAs will generate for the Council is approximately £0.2m in a full year. The SLAs are still to be confirmed and will only generate marginal income for the Council.

12.22 Where any of the SLAs are not renewed, staff working on delivering the services under the SLAs may have a right under deferred TUPE to transfer to either GCH or to any new service provider.

12.23 Although details will change during the course of the SLAs, a number of posts are expected to transfer at the end of the SLAs.

HRA Arrears / Rent Free Weeks

12.24 The HRA currently has uncollected income (arrears) in respect of housing rents, service charges and other general debtors. Normal practice in a stock transfer is that an element of these arrears would be sold to GCH, with the balance remaining with the Council. The HRA currently includes a bad debt provision calculated in accordance with a Chartered Institute of Public Finance and Accountancy (CIPFA) recommended formula but this may not be enough to meet the residual arrears following transfer. Any residual arrears in excess of the current bad debt provision would be a cost to the HRA should these arrears not be subsequently recovered. Final negotiations around the arrears to be transferred to GCH are still to be concluded.

12.25 As is normal in stock transfer, where rent free weeks come after the transfer date, an agreement is made to reimburse the new landlord for rent already received by the Council. This is based on a formula which takes into account what the relative amount of rent weeks have been for that period and has been finalised.

Warranties, Indemnities and guarantees

12.26 The financial warranties, indemnities and guarantees to be given to GCH by the Council in order to make the transfer fundable are significant in terms of risk and potential claims value.

HRA Balances

- 12.27 Any balances relating to the transferring stock will be retained by the Council on completion of the transfer. It is anticipated that all of these will potentially be required to offset pension deficit and debt premia shortfall and also any future environmental insurance costs.

13.0 Legal Issues

GCH's Covenants

- 13.1 This is the part of the Transfer Agreement that enables the Council to take action to make sure that GCH fulfils the promises made to tenants during consultation – and on which they voted for transfer. The Transfer Agreement contains a covenant by GCH to deliver promises set out in the Offer Document on the Council's behalf. The Transfer Agreement also obliges GCH to stand by its non-financial commitments (eg: to appoint Council and tenant board members to its Board). To satisfy funders there are the usual "safety valves" that allow GCH to defer compliance with these covenants if circumstances outside its control prevent it or to do so would put it in default under its loan agreement.

Warranties

- 13.2 The Council is required to provide GCH and its funders with a set of property warranties in respect of the land being transferred. These are in standard form and we have ensured that there are the usual mitigating provisions contained therein. In particular, GCH is under a legal obligation to mitigate the Council's exposure under the warranties so the risk of unreasonable or spurious claims is minimised. The warranties will last for up to 30 years from the date of transfer, as that is a funder requirement.
- 13.3 The aim is to negotiate caps on the liabilities in the GCH warranty which follow industry norms. As is usual, the funders will not accept any financial cap on their warranty.
- 13.4 A significant proportion of the land to transfer is now registered at the Land Registry and all outstanding applications have been made to the Land Registry, so the likelihood of claims under the title warranties is small.

Environmental Warranties

- 13.5 It is standard practice and a funder requirement that the Council retains the risk and liability arising out of any contamination of the land transferred. The Transfer cannot proceed without these warranties because GCH has no monies or reserves to meet any such liabilities and the funders would not fund GCH unless this risk is dealt with.
- 13.6 It needs to be stressed that the Council already has these possible liabilities arising from its ownership of the land. Notwithstanding this, the Council has made its own investigations and commissioned external consultants to assist it in identifying the risks of claims under these environmental warranties in relation to the land to be transferred. If a claim did arise, there are provisions in the Transfer Agreement requiring GCH to mitigate its loss but the Council's residual liability is potentially

significant. The liability in the case of a claim that the funder has suffered loss is unlimited. In the case of GCH, the Council's liability will be capped.

Asbestos Indemnity

- 13.7 In addition to the environmental warranties, there is an asbestos indemnity in respect of (a) the costs of the removal / encapsulation / remediation of asbestos from the property; and (b) claims in respect of death / personal injury due to asbestos on the property.
- 13.8 GCH has provision within its business plan for the removal/ encapsulation remediation of asbestos of up to an average of £ 375 per property. The Council is required to cover any additional cost over and above that figure. There has been some concern as to whether the provision made by GCH for asbestos treatment is large enough. We are therefore seeking to include a process within the asbestos indemnity giving the Council a degree of control over how asbestos is dealt with by GCH and hence an ability to control the costs.

Council's liability after a Change of Use and/or Redevelopment

- 13.9 In accordance with past practice the warranties continue to apply if there is a change of use and/or redevelopment of the property which could increase the risk of claims to the Council. This follows normal practice. We are seeking to limit this to redevelopment for social housing and related use.

Legal Opinion

- 13.10 The funders require a legal opinion from the Council confirming that the Council has properly authorised the entry into and performance of its obligations under the Transfer Agreement and related documents (including the funders' collateral warranty). It is in standard form and it is requested that the Council's Chief Legal Officer sign this and hand it to the funders on completion as it is a condition of GCH's loan.

Statement Confirming That Consideration Has Been Given To Relevant Legislation

- 13.11 All relevant legislation has been adhered to and the Council has sought to comply with DCLG's transfer guidelines.

14.0 Staffing/Personnel Implications

- 14.1 There is a transfer of one employee to which TUPE and the Statement of Practice on Staff Transfers in the Public Sector applies. This ensures that the employee's terms and conditions of employment are protected, their continuity of service is maintained and their pension provision is guaranteed. There is a contractual provision to ensure that this is also the case with the employees who may undergo a deferred TUPE transfer.
- 14.2 For any deferred" TUPE transfers, the relevant work will not transfer on the 16th March 2015 but will continue within the Council via SLAs. The work, and therefore the employees engaged on that work, may then transfer at the end of the SLAs.

- 14.3 The Council must provide GCH with information on the numbers and certain employment details as regards these deferred TUPE transfers but these must be kept anonymous until any transfer is confirmed.

15.0 Consultations

- 15.1 Throughout this project there has been a high level of consultation with the principal affected stakeholders which are:

- Tenants and leaseholders of the houses, flats and bungalows affected
- Employees who are directly affected – principally these are GCH employees
- Elected Members of the Council

- 15.2 As Members will be aware, the principal requirement of the Government is that there should be a ballot of tenants on any proposed transfer and this was successfully undertaken last year.

16.0 Financial Implications

- 16.1 The financial implications have been dealt with in the body of the report.

(Financial Services have been consulted in the preparation of this report)

17.0 Legal Implications

- 17.1 The transfer process to date has been subject to scrutiny and evaluation by the Council's legal advisors – Anthony Collins Solicitors LLP.

- 17.2 The formal consultation and ballot process, as stipulated by the Government in the Housing Transfer Manual 2013 and the statutory requirements contained in the Housing Act 1985 Schedule 3A – have been thoroughly observed.

- 17.3 Under Article 4 of the Council's Constitution, any application to the Secretary of State in respect of any Housing Land Transfer is reserved to full Council.

- 17.4 The remainder of the legal implications are as set out in the main body of the report.

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

18.0 Risk and Opportunity Management Implications

- 18.1 If the Council does not agree to transfer the housing stock to GCH, the housing stock will remain within the local authority housing finance system.

- 18.2 The impact and risks associated with remaining with the Council have been explored in detail in the Offer Document and summarised below.

- 18.3 The following could occur if the Council continues to manage and maintain the housing stock under the self-financing system:

- Potential increase in tenant dissatisfaction;

- Undermining the investment made over the last eight years to achieve the Decent Homes Standard;
- Potential loss of availability for rent of up to a third of the Council's housing stock as properties fall into disrepair;
- Likely increase in response repair costs due to lack of necessary resources;
- Potential increase in health related problems for tenants;
- Increasing difficulty in keeping the Housing Revenue Account in balance, with likely consequential reductions in staff;
- Little or no investment possible in the local environment on estates;
- Possible future reductions in service standards; and
- Very little possibility of building new homes in the near future.

Conversely the transfer presents a range of opportunities including:

- Major investment in the stock
- Construction of 100 plus new affordable homes in the City
- Maintenance of the Decent Homes standard for all GCH homes
- New apprenticeships with GCH and job opportunities
- An injection of spending in the local economy
- Addressing the growing numbers of applicants on the housing register

19.0 People Impact Assessment

19.1 The promises, as set out in the 'Offer Document', which will be embodied in the Transfer Agreement between the Council and GCH, seek to ensure that there is a common standard for all tenants - so that all will benefit equally.

19.2 In addition, there are provisions aimed at maintaining or improving the quality of life for:

- those who have some form of disability;
- those who are elderly;
- those who are young;
- families
- those who are in poverty; and
- those who live in those parts of the City which are more deprived.

20.0 Other Corporate Implications

Community Safety

20.1 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.

Environmental

20.2 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

- 20.3 The direct staffing implications arising from this aspect of the transfer process are as set out in the report
- 20.4 In due course there may be further implications, which would involve staff transferring under TUPE at the end of any Service Level Agreement entered into on transfer.

Background Documents:

Gloucester City Housing Transfer Bid- January 2014
Gloucester City's Offer Document- 2014
CLG Transfer Manual -2013