



# AGENDA

For a SPECIAL meeting of the
<b>RESOURCES DEVELOPMENT AND SCRUTINY PANEL</b>
to be held on
<b>THURSDAY, 22 DECEMBER 2005</b>
at
<b>9.00 AM</b>
in
<b>COMMITTEE ROOM 1, COUNCIL OFFICES, ST. PETERS' HILL, GRANTHAM</b>
Duncan Kerr, Chief Executive

Panel Members:	Councillor Robert Conboy, Councillor Dorrien Dexter, Councillor Brian Fines, Councillor Kenneth Joynson, Councillor John Kirkman (Vice-Chairman), Councillor Reg Lovelock M.B.E. (Chairman), Councillor Andrew Roy Moore, Councillor Gerald Taylor and Councillor John Wilks
Scrutiny Officer:	Paul Morrison 01476 406512 <a href="mailto:p.morrison@southkesteven.gov.uk">p.morrison@southkesteven.gov.uk</a>
Scrutiny Support Officer:	Rebecca Chadwick 01476 406297 <a href="mailto:r.chadwick@southkesteven.gov.uk">r.chadwick@southkesteven.gov.uk</a>

**Members of the Panel are invited to attend the above meeting to consider the items of business listed below.**

**1. COMMENTS FROM MEMBERS OF THE PUBLIC**

To receive comments or views from members of the public at the Panel's discretion.

**2. MEMBERSHIP**

The Panel to be notified of any substitute members.

**3. APOLOGIES**

**4. DECLARATIONS OF INTEREST**

Members are asked to declare any interests in matters for consideration at the meeting.

**5. CALL-IN OF CABINET DECISION 5TH DECEMBER 2005 - LARGE SCALE VOLUNTARY TRANSFER: PROGRESS REPORT**

The following decision taken by Cabinet on Monday 5<sup>th</sup> December 2005 has been the subject of a request for call-in by Councillors O'Hare, Kerr, John Hurst, Gibbins and Bisnauthsing, in accordance with rule 16 and in compliance of section 16(c) of the Overview and Scrutiny Procedure Rules:

**DECISION:**

**That Cabinet**

- (1) accepts the progress report and notes that there will be Council briefing on 14<sup>th</sup> December 2005, as requested by the chairman of the Council, to consider the information in relation to the strategic choice of landlord.**
- (2) recommends to Council, for the purposes of negotiating and developing an "Offer to Tenants", that in the event of a transfer of the Council's housing stock proceeding that:-**
  - (a) 50% of the available usable capital receipt from transfer be made available for affordable housing after protecting the General Fund from the impact of transfer;**
  - (b) 100% of any share of "Right to Buy" receipts be made available for affordable housing.**

The reasons for exercising the call in are:

- (1) "Any lump sum received if the Transfer (sale) of Council Housing proceeds is an asset coming from Housing and should go back to Housing.
- (2) The principle of ring fencing Housing finance – so that Councils can not apply housing money to non housing purposes – is well established. No case is made to abandon that principle.
- (3) A significant cry in favour of proceeding down the transfer route has been that it will release money to develop affordable housing: you do not develop affordable housing by taking half the lump sum away from Housing.
- (4) A real belief in the need for Affordable Housing should mean at least 75% of any lump sum being ring-fenced for Affordable Housing – with the remaining 25% going on Strategic Housing.
- (5) When the category A priorities were first set there was no chance of this Council receiving a lump sum from possible Housing Transfer. Those priorities were set on being able to deliver from money **then available.**"

Copies of the call-in request form, the relevant Cabinet minute and report to Cabinet are attached.



**REQUEST FOR CALL-IN OF A CABINET DECISION**

TO: THE CHIEF EXECUTIVE

MINUTE/DECISION NUMBER CO90

SUBJECT MATTER: Large Scale Voluntary Transfers

DATE OF DECISION: 5/12/05

DATE OF PUBLICATION: 6/12/05

I, being the Chairman\* [or]

We, being <sup>5</sup>/<sub>3</sub> members\* of the Council

~~Development and Scrutiny Panel~~ request that the above mentioned decision be called in for scrutiny.

[\* delete as appropriate]

I/We certify than none of us has subscribed to more than 3 requests for call-ins during the current Municipal year.

**REASONS FOR EXERCISING CALL-IN:**

(i.e. where it is considered that a decision has not been taken in accordance with the principles of decision making as set out in Article 13 of the Constitution, for example:

- It is outside the budget or policy framework;
- It is outside the delegated powers of the Cabinet;
- It is a key decision which has not been included in the Forward Plan;
- There has been inadequate/insufficient consultation;
- Insufficient consideration of all options/relative weighting of options.)

*See attached*

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**Signed:**

*[Signature]*

(Political group) *Lib Dem*

*A.V. Rowe*

(Political group) *Independent*

*[Signature]*

(Political group) *Lib dem.*

*[Signature]*

*LABOUR*

*[Signature]*

*LABOUR*

DATE: 12/12/05.

## Grounds to Call in

1. Any lump sum received if the Transfer (sale) of Council Housing proceeds is an asset coming from Housing and should go back to Housing.
2. The principle of ring fencing Housing finance – so that Councils can not apply housing money to non housing purposes - is well established. No case is made to abandon that principle.
3. A significant cry in favour of proceeding down the transfer route has been that it will release money to develop affordable housing: you do not develop affordable housing by taking half the lump sum away from Housing
4. A real belief in the need for Affordable Housing should mean at least 75% of any lump sum being ring fenced for Affordable Housing - with the remaining 25% going on Strategic Housing.
5. When the category A priorities were first set there was no chance of this Council receiving a lump sum from possible Housing Transfer. Those priorities were set on being able to deliver from money **then available**.

Stt Mr  
A.V. Redd

W. Redd

J. Redd

YB Sub

**EXTRACT FROM CABINET MINUTES – 5<sup>TH</sup> DECEMBER 2005**

**CO90. LARGE SCALE VOLUNTARY TRANSFER: PROGRESS REPORT**

**DECISION:**

**That Cabinet**

- (1) accepts the progress report and notes that there will be Council briefing on 14<sup>th</sup> December 2005, as requested by the chairman of the Council, to consider the information in relation to the strategic choice of landlord.**
- (2) recommends to Council, for the purposes of negotiating and developing an “Offer to Tenants”, that in the event of a transfer of the Council’s housing stock proceeding that:-**
  - (a) 50% of the available usable capital receipt from transfer be made available for affordable housing after protecting the General Fund from the impact of transfer;**
  - (b) 100% of any share of “Right to Buy” receipts be made available for affordable housing.**

Considerations/Reasons for decision:

- (1) Report number DRS23 by the Corporate Director of Regulatory Services explaining the current work programme of the project team, which included formation of working groups, strategic choice of landlord, communications and development of the Shadow Board, and future issues, mainly delivering the preferred landlord option and developing and negotiating an “offer to tenants”;
- (2) Large Scale Voluntary Transfer is the preferred stock option for the future ownership and management of the Council’s housing stock, as resolved by Council at its meeting on 26<sup>th</sup> May 2005;
- (3) Consultants have identified that the Council is likely to receive a share of “Right to Buy” income in the future;
- (4) 50% capital receipts for the General Fund from a Transfer will help fund the Council’s priorities that affect Council tenants as well as all other residents.

# REPORT TO CABINET

REPORT OF: CORPORATE DIRECTOR (REGULATORY SERVICES)

REPORT NO: DRS23

DATE: 5<sup>TH</sup> DECEMBER 2005

<b>TITLE:</b>	<b>LARGE SCALE VOLUNTARY TRANSFER: PROGRESS REPORT</b>
<b>FORWARD PLAN ITEM:</b>	No
<b>DATE WHEN FIRST APPEARED IN FORWARD PLAN:</b>	Not Applicable
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	No

<b>COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:</b>	COUNCILLOR FRANCES CARTWRIGHT, HOUSING PORTFOLIO
<b>CORPORATE PRIORITY:</b>	AFFORDABLE HOUSING – CATEGORY A
<b>CRIME AND DISORDER IMPLICATIONS:</b>	NONE
<b>FREEDOM OF INFORMATION ACT IMPLICATIONS:</b>	NONE
<b>BACKGROUND PAPERS:</b>	PREVIOUS REPORTS TO COUNCIL, MINUTES OF STOCK OPTION APPRAISAL COMMISSION, SUPPORTING PAPERS. REPORTS AND MINUTES TO DEVELOPMENT SCRUTINY PANELS FOR COMMUNITY AND CAPACITY AND RESOURCES.

## **1. INTRODUCTION**

- 1.1 The purpose of the report is to provide a progress report to members on Large Scale Voluntary Transfer, (LSVT), the preferred stock option for the future ownership and management of the Council's Housing Stock, as resolved by the Council at its meeting on 26<sup>th</sup> May 2005.

## **2. RECOMMENDATIONS**

- 2.1 The Cabinet is recommended to
- (a) accept the progress report and note that there will be Council briefing on 14<sup>th</sup> December 2005, as requested by the Chairman of the Council, to consider the information in relation to the strategic choice of landlord.
  - (b) recommend to Council, for the purposes of negotiating and developing an "Offer to Tenants", that in the event of a transfer of the Council's housing stock proceeding that:-
    - (i) 50% of the available usable capital receipt from Transfer be made available for affordable housing after protecting the General Fund from the impact of transfer;
    - (ii) 100% of any share of "Right to Buy" receipts be made available for affordable housing.

## **3. DETAILS OF THE REPORT**

- 3.1 Following the decision of Council in May 2005 to identify (LSVT), as the preferred option for the future ownership and management of the Council's housing stock, the project team has been progressing with the work required to enable a ballot of tenants to be undertaken in 2006.
- 3.2 The current work programme focuses on four key areas:-
- Formation of working groups
  - Strategic Choice of Landlord
  - Communications
  - Development of the Shadow Board
- 3.3 At the meeting of Council in September, elected members were identified to serve on various working groups within the Council and also those groups where they will work jointly with tenants. Tenant groups have also been formed and representatives identified to work with Councillors on the 'Strategic Choice of Landlord Group' and the 'LSVT steering group.'
- 3.4 A staff focus group has been formed and two members of staff have been identified as co-optees to the Strategic Choice of Landlord Group.

- 3.5 The first key task to be completed is the strategic choice of landlord. To enable both tenants and elected members serving on the 'Strategic Choice of Landlord Working Group' to be able to make an informed recommendation to Council, visits to stock transfer organisations have been organised. The first visit has already taken place (at the time of writing the report) to Amber Valley Housing based in Derbyshire. This visit enabled members of the Working Group to see at first hand the workings of this organisation which was newly created organisation specifically for the transfer of the Amber Valley Council's housing stock. Tenants, members and staff were provided with presentations from both the Chief Executive and the Director of Operations. They also had a tour of some of the Housing Stock to view the refurbishment programme which is currently underway post transfer. There was also the opportunity for those members of staff who wished to have the "freedom to roam" and meet individual members of staff whilst the rest of the party undertook the visits.
- 3.6 A second visit will take place on 28<sup>th</sup> November 2005 to Stort Housing Association based in Hertfordshire. This Association has been formed to create an Housing Association with an individual identity within a group structure. During the Stock Option Appraisal process the Stock Option Appraisal Commission (SOAC) ruled out a merger with an existing organisation, which is the third option available for the Strategic Choice of Landlord. This was ruled out as it was felt important that any Stock Transfer organisation should have its own identity and provide the opportunity for local decision making. Therefore a visit has not been organised to a post transfer organisation which has merged with an existing organisation.
- 3.7 A Jury day for the Strategic Choice of Landlord Working Group is in the process of being finalised and will take place following the final visit. The Jury day will enable tenants, members and staff to fully consider each of the options and finalise the working groups recommendation then to make a recommendation to Council for the extra-ordinary meeting arranged for 5<sup>th</sup> January 2006. Following discussions with the Chairman of the Council, he has requested that an opportunity be provided for all Council members to attend a private briefing on 14<sup>th</sup> December 2005 to enable detailed presentations of the two strategic choices to be given, together with the opportunity to ask questions or to clarify issues in advance of the Council meeting on 5<sup>th</sup> January 2006.
- 3.8 Work on Communications has also commenced. This has involved the formation of a Tenants Communications Group. Some of the tenants on this group have attended a series of media briefings around the district to brief the local media on the LSVT process.
- 3.9 Further development work is also proceeding on the Communications Strategy. The first edition of the Council's Newsletter "Your Home – Your Choice" has been distributed to all Council tenants and a considerable amount of the content was provided by the Tenant Communications Group. The Independent Tenant Advisor is currently working on a first edition of a newsletter which will also be distributed to tenants. The information provided at the media briefings covered the following topics:-

- Reasons for transfer
- Facts and figures
- Choice of Landlord
- Rents
- Tenant involvement
- Tenant's rights
- Impact on staff

3.10 With regard to the information made available to the media relating to facts and figures the following facts were provided:-

- Proposed transfer would involve approximately 6,500 homes
- Housing Revenue Account - Business Plan is not sustainable beyond the year 2012 based on Tenants priority aspirations for improvements
- Payment is made to a national housing fund by SKDC tenants of £4.4 million per year, equivalent to almost £13 per tenant per week through the subsidy mechanism
- Government take £3.5 million per year from "Right to Buy" receipts in SKDC area through the 'Pooling of Receipts' mechanism
- Transfer creates resource for new affordable housing

3.11 The final piece of work that is currently in progress at this stage, is preliminary work for the formation of a Shadow Board. It is proposed that a Shadow Board will comprise of 5 tenant representatives, 5 Council nominees and 5 independents. An advert will shortly be placed for independent representatives and a seminar for interested board members is currently being organised. It is proposed that the Shadow Board will be formed early in the New Year following the Council's decision on the Strategic Choice of Landlord. Discussions will also continue in relation to this aspect of the work programme with both the Community Housing Task force (part of the Office of the Deputy Prime Minister) and the Housing Corporation.

3.12 Other work areas which are currently in progress are the formation of the project team and, at the time of writing the report, officers are currently awaiting guidance on the application for transfer programme which is anticipated imminently.

#### **4. FUTURE WORK PROGRAMME**

4.1 Once the strategic choice of landlord decision has been made, work will then progress on delivering the preferred landlord option.

4.2 In addition, work will also commence on developing and negotiating the "Offer to Tenants". The "Offer to Tenants" will include details of:-

- The Council's housing transfer proposal, including an explanation of why the Council is proposing transfer and the key benefits it would bring to homes and services.

- Details of improvements to homes including environmental improvements and providing new homes.
- Rents and service charges.
- Continuation and improvements to services.
- Tenant involvement in running the service.
- Tenants rights.
- The new Landlord.
- The legal requirements for tenant consultation.
- A guide to terms used.
- The proposed tenancy agreement.

In preparation for the development of the 'Offer to Tenants' the Cabinet is asked to make a policy recommendation to Council regarding the potential use of capital receipts from the transfer and any future share of Right to Buy (RTB) Receipts. Clearly, this decision will be subject to detailed negotiations relating to the offer to tenants.

Affordable Housing has been approved as a Category A priority of the Council. In addition, following SOAC's recommendation to Council for the future ownership and management of the Housing Stock in May 2005, the Council resolved that LSVT was the preferred option of the Council for the future ownership and management of the Housing Stock. One of the five reasons for the decision was "to provide the opportunity for investment in affordable housing". One of the five reasons for the decision was to provide the opportunity for investment in affordable housing.

The Beha Williams Norman Ltd report to the Council identified that it is usual for the receipts from RTB that occur post transfer are shared between the new landlord and the Council and indicative figures provided in the report show that based on projections of previous RTBs this would range from £1.5m to £2m per annum during the first five years. The BWNL report also identified an estimated impact on the General Fund; which takes account of interest on capital, diseconomies of scale and provision of the strategic housing function, a key factor that needs to be taken into account when considering any future use of the available transfer receipt.

Therefore, the Cabinet are asked to recommend to Council, for the purposes of the negotiation and development, the offer to tenants that, in the event of transfer of the Council's housing stock following a ballot of tenants that:-

- (a) 50% of the available useable capital receipt from transfer, after protecting the General Fund for diseconomies of scale, be made available for the investment in affordable housing;
- (b) 100% of any share of Right to Buy receipts be made available for affordable housing post transfer.

**5. COMMENTS OF DIRECTOR OF FINANCE AND STRATEGIC RESOURCES**

- 5.1 I agree with the recommendations contained within the report. They ensure the General Fund is protected whilst ensuring a receipt gained from Social Housing is re-invested into Affordable Housing. The recommendation on the use of RTB receipts is in accordance on our current treatment of Housing Capital receipts.

**6. COMMENTS OF CORPORATE MANAGER, DEMOCRATIC AND LEGAL SERVICES (MONITORING OFFICER)**

- 6.1 The progress is noted as is the appointment of external legal consultants to advise on the legal issues relating to the pre ballot process.

**7. CONCLUSIONS**

- 7.1 Members will note that, since the Council's decision in May 2005 to identify LSVT as the preferred Stock Option, work is progressing on the first stage of this process in relation to forming the Working Groups; developing the Communications Strategy, and determining the Strategic Choice Landlord. Having determined the Strategic Choice of Landlord the next stage of the work programme will be in developing the offer to tenants and developing the Shadow Board.

**8. CONTACT OFFICER**

- 8.1 Sally Marshall, Corporate Director of Regulatory Services  
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