

HOUSING TRANSFER – SECTION 25 LOAN UPDATE

Agenda Item 6(e).

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Background Papers:- None
Financial Implications:- Detailed in the report
Equalities Implications:- None
Legal Implications:- None
Options: To agree, amend or reject the proposals
Risks: In the unlikely event that the transfer of the Housing stock to GCH did not go ahead, and the money had been spent on acquiring land, the Council would have to recover the loan by selling the land to a third party. Any costs incurred would either have to be met from the receipt or from balances.

EXECUTIVE SUMMARY

Greenfields Community Housing (GCH) have requested an additional loan to enable them to start the acquisition of land for new premises as soon as possible.

As part of agreeing to the request, it is proposed to require them to continue to meet the costs that they are currently charged for using the Council's facilities until 31st December 2008.

DECISION

To recommend to Council, that subject to approval by the Department for Communities and Local Government (DCLG), the Council lends GCH an additional loan of up to £1.5m under Section 25 of the Local Government Act 1988, subject to the terms and conditions detailed in the report.

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BACKGROUND

On 19th February 2007 the Council agreed the loan of £3.575m to facilitate the setting up of Greenfields Community Housing (GCH) under Section 25 of the Local Government Act 1988. Permission for this was subsequently received from the DCLG on 11th April 2007.

GCH had also indicated that they would like either: -

- (a) A loan of £5m to acquire the land, commission relevant specialists and proceed with the construction and fitting out of the offices.

or

- (b) A loan to commence the project to purchase an appropriate site and commission specialists up to the point of the commencement of construction, or transfer of the Housing stock (whichever is the later) - £830,000.

The Council proposed that officers should consider the benefits/risks of the request and the results be reported back to the Housing Transfer Programme Board (HTPB).

FURTHER PROGRESS

Subsequent to the decision, GCH have requested that the amount for option (b) needed to be increased to up to £1.5m.

The options were discussed by the HTPB on 11th April 2007 and, subject to some further details being provided, were supportive of option (b), together with conditions being placed on GCH as detailed below.

PROPOSAL

In discussing the proposals the HTPB recognised the risk to the Council of having to meet the accommodation costs currently charged to Housing before it is clear of its own future requirements.

Therefore the following proposal was agreed.

It is proposed to agree to provide the loan of up to £1.5m to GCH on the 19th June 2007, subject to approval of Cabinet, Council and the DCLG on the following terms: -

- (i) GCH to repay the loan, with interest (rate to be in line with that earned by BDC on its investments during the period) on the day of transfer.

- (ii) GCH to agree to pay at least their current accommodation costs until 31st December 2008, ie: -

	<u>Per Annum</u>
Causeway House	£ 87,410
Millennium Tower	£167,300
Cordons Farm	£164,480

- (iii) The Council will seek to minimise the costs to GCH if they vacate any part of the accommodation prior to 31st December 2008 by letting the space/facility to a third party, or if this is not possible, by applying for empty business rate relief.
- (iv) In the event of the transfer not going ahead, any unspent money would be returned to the Council and any assets acquired would be owned by the Council.
- (v) Expenditure would be jointly authorised by the Resources Director of GCH and the Finance Director of the Council.