

## IMPACT OF THE HOUSING TRANSFER BALLOT RESULT

Agenda Item 5a.

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**Background Papers:-** None  
**Financial Implications:-** Identified in the report  
**Equalities Implications:-** None identified  
**Legal Implications:-** None identified

**Options:**

- To amend the process, terms of reference and delegation levels
- To agree additional loans as detailed in the report

**Risks:**

- The capital receipt is insufficient to meet the proposed costs
- Agreement cannot be reached with GCH to enable the transfer to take place on the due date

### EXECUTIVE SUMMARY

Following the result of the positive tenants vote to transfer the Housing stock it is necessary to agree the process between now and transfer. This report covers the ballot result, appointment of consultants, transfer date, delegation and financial arrangements, as well as the proposed process.

### DECISION

1. To note the ballot result, appointment of consultants and the proposed transfer date
2. To agree the process, terms of reference and delegation to the Programme Board as detailed in the report
3. To agree the S25 loan request of £3.575m and post ballot budget of £395,000
4. To request officers to consider the benefits/risks of other loan requests detailed in the report

## IMPACT OF THE HOUSING TRANSFER BALLOT RESULT

### 1.0 Introduction

Following the positive result of the tenants ballot to transfer the Council's Housing stock to Greenfields Community Housing (GCH) it is necessary to agree the arrangements and processes to ensure a satisfactory transfer of the stock within 12 months of the ballot date. This will include lending GCH money to meet their set up costs, which will eventually be met out of the capital receipt.

### 2.0 Ballot Result

Details of the ballot result were announced by Electoral Reform Services on 15<sup>th</sup> December 2006 as follows: -

#### Tenants

Total number of eligible tenants	10,325
<i>Total number of votes received by post</i>	6,427
<i>Total number of votes received by telephone</i>	252
<i>Total number of votes received by internet</i>	245
Total number of votes received	6,924
Overall rate of participation	67%
Total number of spoilt/blank ballot papers	14
Therefore, total number of valid votes counted	6,910

#### RESULT

Number voting YES .....	4,304	(62.3% of the valid vote)
Number voting NO .....	<u>2,606</u>	(37.7% of the valid vote)
TOTAL	<u>6,910</u>	(100% of the valid vote)

#### Leaseholders

Total number of eligible leaseholders	566
<i>Total number of votes received by post</i>	221
<i>Total number of votes received by telephone</i>	10
<i>Total number of votes received by internet</i>	18
Total number of votes received	249
Overall rate of participation	44%
Total number of spoilt/blank ballot papers	0
Therefore, total number of valid votes counted	249

#### RESULT

Number voting YES .....	184	(73.9% of the valid vote)
Number voting NO .....	<u>65</u>	(26.1% of the valid vote)

TOTAL 249 (100% of the valid vote)

### **3.0 Appointment of Consultants**

The lead and legal consultants appointed to assist the organisations with this process are as follows: -

	<b><u>Council</u></b>	<b><u>GCH</u></b>
Lead	PricewaterhouseCoopers	Penningtons
Legal	Trowers & Hamlin	Anthony Collins

### **4.0 Proposed Transfer Date**

The Council is required to complete the transfer by 12 months from the date of the ballot result (ie 15<sup>th</sup> December 2007) However, following discussion with the consultants, the proposed date for transfer is 1<sup>st</sup> November 2007.

### **5.0 Process**

The Cabinet agreed the Housing Transfer process up to ballot at its meeting on 18<sup>th</sup> July 2005. This included the setting up of a Shadow Board to represent the Housing Association and a Programme Board to represent the Council. It is intended to continue with this arrangement and revised terms of reference for the Programme Board are attached at Appendix A.

It is proposed that the Programme Board is given delegated authority to initially agree all issues, so that only the proposed final transfer agreement of the Housing stock and related assets is considered by Cabinet and Council at the respective meetings in October.

Issues to be considered will include: -

1. The extent of housing related assets to transfer
2. The transfer of staff under TUPE legislation
3. Agreement of Service Level Agreements
4. Agreement of Right to Buy sharing arrangements
5. VAT shelter arrangements
6. Pension Fund deficit

The proposed management arrangements are detailed on Appendix B.

### **6.0 Financial Position**

#### **6.1 S25 Loan**

Between now and the date of transfer GCH will need to incur costs to set up the new organisation. Although it will be registered and thereby will have a legal entity, it will not have any money.

However, under S25 of the Local Government Act 1988 the Council can apply to the relevant minister to get permission to 'provide financial assistance by way of grant or loan to another organisation for housing purposes'. It is usual for the set up costs to be met from the capital receipt when received, whilst costs incurred to commence work (pre-transfer costs) are met by the Housing

Association on the day of transfer. In connection with this the Leader has received two letters from the Chairman of the Shadow Board requesting: -

- (1) A loan of £3.575m to facilitate the creation of GCH as detailed in Appendix C.
- (2) A loan of £5m to acquire the land, commission relevant specialists and proceed with the construction and fitting out of the offices.

or

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 latter) - £830,000.

Whilst (1) above is thought by our consultants to be in line with normal levels for set-up costs, the requests in (2) are more unusual and would be unlikely to be able to be met from the capital receipt. Therefore, it is proposed to seek S25 approval for set-up costs of £3.575 and to ask officers to consider the benefits/risks of the requests in (2) above and report back to a future meeting.

## **6.2 Budget**

The proposed budget for the process for the Council (following advice from consultants) is £395,000 as detailed below: -

Lead Consultants	50,000
Legal Consultants	95,000
VAT Shelter	50,000
Conveyancing Fees	65,000
Sundry Costs	35,000
Salaries	<u>100,000</u>
	<u>395,000</u>

A summary of the pre-ballot costs is attached at Appendix D. These costs will also be met from the capital receipt.

## **6.3 Impact on the General Fund**

The potential impact on the General Fund and actions being taken to minimise this is dealt with in the budget report elsewhere on this agenda.

**Braintree District Council****HOUSING TRANSFER PROGRAMME BOARD: DRAFT TERMS OF REFERENCE****PURPOSE**

The principal roles of the Housing Transfer Board (HTPB) following the ballot are: -

- To establish the strategic direction and then oversee the process to transfer the Council's housing stock and related assets to Greenfields Community Housing
- To act as the initial decision making forum for issues, seeking support from Cabinet as required
- To advise the Cabinet on the terms agreed for the final transfer of the housing stock and related assets

**MEMBERSHIP**

Consisting of elected members and senior officers, the HTPB will be a sub group of the Cabinet. It will comprise: -

<b>5 BDC Members</b>	<u>Currently</u> Councillors Butland, Lager, Walsh, Coughlan and Tincknell
<b>Chief Executive</b>	Allan Reid
<b>Finance Director</b>	Chris Fleetham

supported by: -

<b>Head of Asset Management</b>	Andrew Epsom
<b>Audit Manager</b>	Lesley Day
<b>Lead Consultant</b>	PricewaterhouseCoopers
<b>Legal Consultant</b>	Trowers & Hamlin

**ORGANISATION/ARRANGEMENTS**

The HTPB will exist for the period up to the date of transfer.

The HTPB will be a 'working group' and will therefore meet in private. Attendance at the meetings will be by invitation only.

Administration of meetings will be in accordance with the normal Council procedures.

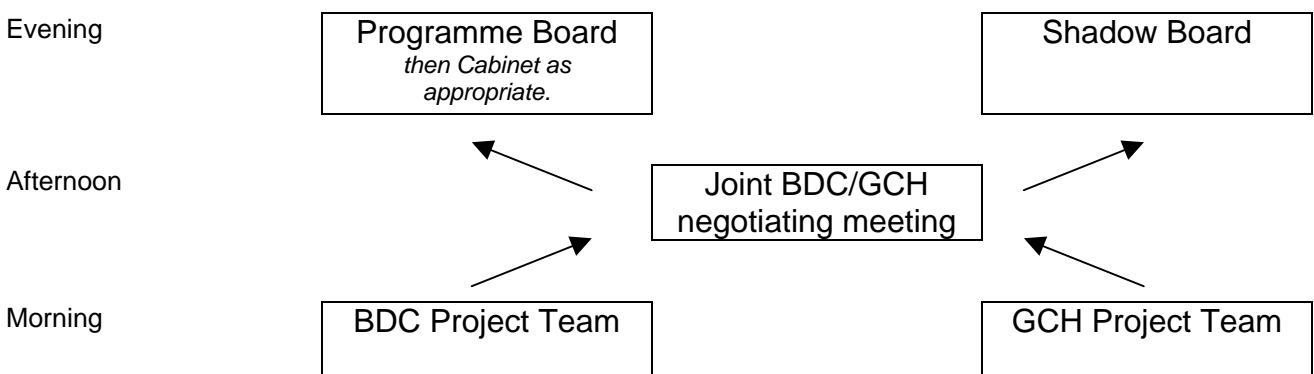
**REPORTING ARRANGEMENTS**

The HTPB will make all decisions within the delegated authority conferred by the Cabinet. It will make any recommendations directly to the Cabinet. The Cabinet will, in turn, recommend significant policy/budget issues to Full Council, in accordance with the Council's Constitution.

**Post Ballot Management Arrangements**

	<b>BRAINTREE DC</b>	<b>GREENFIELDS CH</b>
<i>Member Lead</i>	<b>Programme Board</b> <i>then Cabinet as appropriate.</i>	<b>Shadow Board</b>
<i>Officer Lead</i>	<b>Chris Fleetham</b> Patrick Dempsey Andrew Epsom Lesley Day Support team	<b>Rob Atkins</b> Martyn Woodward Don Townshend Steve Ketley Support team
<i>Project Mgt</i>	BDC Project Plan	GCH Project Plan
<i>Principal Advisors</i>		
• <i>Lead</i>	<b>PWC</b> (Simon Martin)	<b>Penningtons</b> (Mark Seaborn)
• <i>Legal</i>	<b>Trowers &amp; Hamlin</b> (Rob Beiley)	<b>Anthony Collins</b> (Peter Hubbard)
• <i>Communications</i>		<b>IPB</b> (Steve Fox)
<i>Accommodation</i>		GCH team to relocate to Housing reception area (Mar 07) Temporary accommodation being made available for GCH in Housing Area from Nov 07

**Meetings Arrangements : Monthly Cycle**



## GCH Post Ballot / Pre transfer Costs

GCH Post Ballot Set Up Costs	£000s	Pre Transfer Costs	£000s
<b>Consultants</b>		Board training	10
Lead Consultants	90	Staff training	10
Legal advisors	160	Programme delivery	60
PR advisors	10	Recruitment	20
ITA	30	ICT Costs	457
Funders valuation	20	Tenant Handbook	52
Stock condition survey validation	10	Rebranding	22
Business plan validation	20	Office acquisition	10
Funding advisors	20	<b>Sub-total</b>	<b>641</b>
Taxation Advisors	25	Unrecoverable VAT	113
Risk & Insurance Advisors	15		
Audit Consultancy	15	<b>Total</b>	<b>754</b>
HR Consultancy	20		
Estates Consultancy	20	<b>Grand Total - Section 25 Loan</b>	<b>3575</b>
Expenses & Incidental Costs	25		
<b>Sub-total</b>	<b>480</b>		
<b>Organisational Establishment</b>			
Communications	41		
Board training	10		
Board meetings	10		
Staff training	10		
Venues and catering	15		
Recruitment	75		
Pension fund valuation	20		
DSO business plan	10		
Community Gateway	116		
Staff team salaries	450		
<b>Sub-total</b>	<b>757</b>		
<b>Funding</b>			
Funders lawyers	70		
Loan arrangement fee 1.25%	1200		
<b>Sub-total</b>	<b>1270</b>		
<b>Miscellaneous</b>			
Land registry fees	30		
NHF affiliation fee	1		
Office costs	20		
<b>Sub-total</b>	<b>51</b>		
<b>Sub-total</b>	<b>2558</b>		
Unrecoverable VAT	263		
<b>Total</b>	<b>2820</b>		

**HOUSING TRANSFER BUDGET**

<b>Pre Ballot Costs</b>	<b>Revised budget</b>	<b>Total Spend to date</b>	<b>Outstanding Costs</b>	<b>Projected Total</b>
Lead Consultants	<b>250,000</b>	225,760	20,000	<b>245,760</b>
Market Research	<b>40,000</b>	16,914	21,384	<b>38,298</b>
Independent Tenant Adviser	<b>150,000</b>	130,528	10,000	<b>140,528</b>
Legal Fees	<b>40,000</b>	57,632	0	<b>57,632</b> *
PR Advice & Disbursements	<b>300,000</b>	278,545	28,000	<b>306,545</b> *
Offer Document	<b>60,000</b>	62,698	0	<b>62,698</b>
Home Visits	<b>20,000</b>	24,414	0	<b>24,414</b>
Ballot Administration	<b>15,000</b>	0	32,869	<b>32,869</b> *
VAT Shelter	<b>10,000</b>	11,486	0	<b>11,486</b>
Environmental Survey	<b>25,000</b>	13,955	7,595	<b>21,550</b>
Training, Development & Sundry Costs	<b>30,000</b>	52,142	0	<b>52,142</b>
	<b>940,000</b>	<b>874,074</b>	<b>119,848</b>	<b>993,922</b>
Salary Costs	<b>400,000</b>	398,690	63,000	<b>461,690</b> *
<b>Total</b>	<b>1,340,000</b>	<b>1,272,764</b>	<b>182,848</b>	<b>1,455,612</b>

**Notes**

- 1) Additional legal fees, consultancy costs & staff time were incurred as a result of delaying the ballot to ensure its successful outcome.
- 2) Cost of showhomes of £148,000 charged directly to the HRA
- 3) Initial estimate of ballot administration costs were insufficient