

## Minute Item 27

### Appendix A to Housing CMM Minutes 22 July

#### Questions posed by Councillor Simpson

*Question: Which tenants were consulted with as regards to these proposals?*

*Answer:* Widespread consultation with tenant representatives and all council tenants and leaseholders has been or will be undertaken before Cabinet decides whether to establish a Local Delivery Vehicle (LDV).

The tenant and leaseholder representatives at Housing Management Sub-Committee (HMCC) have fully supported the development of the proposals. They are elected from Area Housing Management Panels and citywide tenants' groups and play a key role in the council's tenant participation and consultation arrangements. Tenant representatives supported the proposal to review Housing Green Paper options, agreed by HMCC at its meeting on 11 March 2008, which led to the proposal to set up an LDV. Tenant representatives' indicative vote at HMCC on 22 July was also unanimously in favour of proceeding to the development and finalisation phases of Stage 2 of the review. And they endorsed the proposed consultation arrangements with tenant and leaseholder representatives before the Cabinet takes any final decision to establish an LDV.

Now that the LDV proposals are being further developed, further information will be provided to tenants via a publication of *Homing In*. Special consultation meetings are also planned for tenants and leaseholders in September. The LDV proposal will be reported to Housing Management Consultative Committee on 23 September, as further consultation with tenants and their representatives before the report goes to Cabinet.

*Q: Why 499 properties?*

*A:* Following tenants' "No" vote to large scale stock transfer in February 2007, the council is committed to retaining the stock and to its tenants remaining with the council. The LDV proposal involves leasing a relatively small number of vacant properties in need of investment to the LDV, so they can be used to raise investment both to refurbish them and improve council homes. A maximum of 499 properties over a five year period has been set because under current legislation, if the council wished to lease more than 499 Housing Revenue Account (HRA) dwellings to any body within a five year period, it would first have to be included by the Secretary of State in a disposals programme. 499 properties would amount to only 4% of the stock.

*Q: Will the council be setting up more LDVs to lease over further tranches of homes?*

*A:* There are no plans to set up further LDVs or lease over further tranches of homes. The financial modelling which has been undertaken to establish the viability of an LDV and the impact on the council is based only on leasing 499 properties.

*Q: What sort of properties will be transferred and how will they be selected?*

A: As part of asset management planning, an initial tranche of 106 HRA properties currently used for temporary accommodation has been identified as suitable for leasing to the LDV. The Temporary Accommodation units are scattered street properties owned by the HRA, many having shared facilities and high maintenance and repair requirements. They are currently occupied by non-secure tenants, whose tenancy lasts around six months on average, and have a high turnover.

For leasing of future empty properties to the LDV, up to the limit of 499 over five years, it is proposed that we set criteria based on negative Net Present Value to the HRA and requirement for reinvestment.

*Q: Are we keeping properties vacant in order to transfer them?*

A: No properties are being kept empty for the purposes of the LDV.

*Q: Will it be a private organisation running this asset backed LDV?*

A: If the council agrees to set up the LDV, it will be a separate legal entity established by the council specifically for this project. It will be not-for-profit and may be a charity.

*Q: The figure for the capital receipt is quite high if the properties also need a lot of investment. How robust are the projected figures?*

A: The financial model has been produced in line with best practice. The figures for the capital receipt are prudent and will be subject to further work as the proposal is further developed.

*Q: How would the capital receipts be paid to the council, up front or over a period of years?*

A: The lease premiums would be paid as and when properties are leased to the LDV.

*Q: What will the LDV charge in rents so as to pay back the £92k per property, plus refurbishments?*

A: Rent levels used for financial modelling are prudent, based on existing Housing Benefit levels for the client groups for whom the LDV would provide accommodation.

*Q: What could the effect of rising inflation have on these proposals?*

A: Inflation has been modelled in the financial modelling undertaken by PricewaterhouseCoopers which indicates the financial viability of the project.

*Q: What is meant by regeneration projects; will all the money be for council housing?*

A: If the proposal goes ahead, the council proposes to use all of the capital receipts from leasing properties on improvements to existing HRA stock.

The receipts can be exempt from the government's pooling regime if they are to be used for affordable housing or for regeneration projects, as defined in the Capital Finance Regulations 2003. Improving existing council homes is included within the definition of affordable housing in the regulations.

*Q: The 125 year leases will have a break clause at 30 years – presumably for either party to finish the arrangement. The debt at that time would be £40 million. What effect would that have on the council at that time?*

A: This would be a council break clause so, when choosing whether to exercise the break, the council would have to take the effects into account at that time.

*Q: What will the criteria of the new LDV be for accepting tenants?*

A: There would be a 100% nominations agreement between the council and the LDV, so the council would nominate all the tenants of the LDV. The proposal is that the LDV would provide housing for homeless households and other clients for whom the council has a duty to provide housing, from the Children and Young People's Trust, Learning Disabilities and Adult Social Care.

*Q: What will be the new rent?*

A: See above. Rents would be within Housing Benefit levels already used when providing accommodation for the client groups in question.

*Q: What happens to tenants evicted by the LDV – will they be allowed back into LDV leased properties – if not where will they go?*

A: Controls would be put in place by the council in the lease and nominations agreement governing issues such as eviction. Any tenants evicted by the LDV would be treated in the same way as existing clients in the same situation.

*Q: Will the LDV have their own criteria in relation to who they accept to be housed by them? If so there would potentially more delay in getting a transfer with increased uncertainty.*

A: The nominations agreement would give the council the right to nominate 100% of tenants. The nomination process from the council is unlikely to result in any significant delays.

*Q: Households wanting to transfer to an empty property will have to go into a leased (or remortgaged) property. This will delay the amount of available properties coming through as legal paperwork relating to the leasing arrangement will have to be completed first.*

A: No. Existing arrangements for council tenants would not change. The empty properties leased to the LDV would be only a small proportion of council homes becoming empty and available for reletting over a five year period. They would represent only 4% of the stock and there would be no net loss of homes due to the development programme, which has delivered an average of 250 new homes per year.

*Q: No mention of long-term availability of the LDV or what happens to homes if LDV goes bust.*

A: The LDV would have long term business planning with the security of a 125 year lease. The council would retain freehold ownership of the properties.

*Q: What is the cost of setting up the LDV and is it budgeted for?*

A: The costs will depend on the outcome of the Stage 2 review during which the proposals are being developed.