

Subject:	Brighton and Hove Seaside Community Homes - Registered Provider application		
Date of Meeting:	12 June 2014		
Report of:	Executive Director for Environment, Development & Housing		
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Wards Affected:	All		

FOR GENERAL RELEASE

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that late discussions with Brighton and Hove Seaside Community Homes changed the focus of the report.

1. PURPOSE OF REPORT AND POLICY CONTEXT:

- 1.1 This report is seeking support for Brighton and Hove Seaside Community Homes Limited (BHSCH) to become a Charitable Registered Provider with the Homes and Communities Agency (HCA).
- 1.2 BHSCH was set up to enable the Council to help meet a funding gap of £45 million needed to carry out works to its housing stock and thereby deliver a 'Decent Homes' to all council tenants. Approval was previously granted for the Council to transfer 499 units of vacant housing stock from the Housing Revenue Account (HRA) to BHSCH by a series of long leases. The properties are managed on behalf of BHSCH by the Council's Housing Service Temporary Accommodation team.
- 1.3 Further information is set out in the 16.09.2011 Cabinet Report.

2. RECOMMENDATIONS:

- 2.1 That the Committee agree in principle to Brighton and Hove Seaside Community Homes Limited becoming a Registered Provider with the Homes and Communities Agency and authorise the Head of Law to vary the existing agreements and complete any new documentation as necessary.
- 2.2 That the final agreement be subject to BHSCH undertaking the necessary consultation with tenants and lenders.

3. CONTEXT / BACKGROUND INFORMATION:

- 3.1 The business case rationale for the setting up of and transfer of properties to BHSCCH was that the capital receipts would enable the council to bring the remaining HRA properties up to decent homes standard and in addition that long term empty properties would be refurbished and brought back into use. It was envisaged that the ethos of BHSCCH would be to work in partnership with the council such that surpluses achievable over the medium to long term would be reinvested for the benefit of Brighton and Hove residents, in particularly for deprived communities in defined Super Output Areas.
- 3.2 The project has progressed well:-
- So far the council has transferred 416 properties of which 393 have been refurbished and allocated to vulnerable homeless households who would otherwise have spent longer in emergency accommodation.
 - At the end of 13/14 a capital receipt to the HRA of £16.188 million and £6.504 million for the General Fund had been achieved, giving an overall total of £22.692 million. Current estimates are that by the end of 2015/16, the HRA will receive a total of £19.437million and the General Fund £9.050 million; i.e. £28.487 million in total for the 499 properties. The capital receipts for the General Fund relate to the reimbursement of the capital works on the properties undertaken by the General Fund, the properties remain under the freehold ownership of the Housing Revenue Account.
 - Many of the properties refurbished were major voids or properties that were no longer fit for purpose, such as old temporary accommodation properties that had shared facilities. These have now all been brought up to the decent homes standard.
 - In addition the council has achieved 100% decent homes in the HRA housing stock.
- 3.3 As part of the original business plan feasibility, certain risks were highlighted. As the project has been well managed the majority of those risks have been mitigated or not been realised. For instance, there were concerns that the number and/or size of properties modelled would not become available, or that the average costs of the refurbishments would go over modelled budget, neither of which has occurred to date. .
- 3.4 Other risks highlighted related to the rent guarantee and the Local Housing Allowance Rate (LHA) rate of Housing Benefit (HB). The council guarantees to pay BHSCCH 91% of the modelled rent, uplifted on an annual basis by 3.2%, based on the historic trend that the LHA rate of HB had increased annually at a rate close to 3.2%.
- 3.5 If BHSCCHs attained RP status then they would bring them in line with other social housing providers in the city and they would be subject to the same regulatory regime.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 If the committee was minded to reject the proposal that BHSCCH becomes an RP this could increase the call on the guarantee, as the difference between the modelled rent guaranteed to be paid by the council and the rent that can be realised as aligned with the LHA rate of HB grows.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Apart from the required HCA consultation and registration process, there has been no consultation by the council regarding the proposals set out in this report.

6. CONCLUSION

- 6.1 The recommendations have been made so as to reduce the financial exposure of the Council in the short/medium term until BHSCCH starts to make surpluses. In the longer term, as BHSCCH does make surpluses then they can be shared and reinvested in housing, rather than offsetting debt incurred covering rental shortfall. This will provide better value for money for the Council.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The rent guarantee was identified as a key financial risk in the report to Cabinet dated 16th Sept 2011. This risk has now materialised due to the growing divergence between the LHA rates and the modelled rent rates.
Finance Officer Consulted: Michelle Herrington Date: 16 April 2014

Legal Implications:

- 7.2 In order to become a RP, BHSCCH need to satisfy certain criteria derived from s112 Housing and Regeneration Act 2008. Given it's objectives, BHSCCH should satisfy these criteria and should not need to change it's constitution or governance arrangements.
- 7.3 If RP status is granted to BHSCCH, the documentation regulating the council's relationship with BHSCCH will be amended to reflect that change and the opportunity taken to clarify or modify other provisions therein.
- 7.4 The other legal implications of these proposals have been integrated into the main text of the report

Lawyer consulted:

Bob Bruce

Date: 17.04.14

Equalities Implications:

- 7.5 The higher rents will be covered by Housing Benefit and so the impact will be negligible providing the majority of BHSCCH tenants remain eligible for full housing benefit allowances.

Sustainability Implications:

- 7.6 Being able to charge higher rents that can be covered by Housing Benefits will mean that there is less likely to be a shortfall between actual rents and modelled rents and hence the rent guaranteed by the Council will be a lesser amount. While any monies paid is recoverable from BHSCCHs in the future once they start making surpluses, it would mean there is less opportunity to share those surpluses for future development. Hence sustainability would be improved if BHSCCHs were to achieve RP status.

Crime & Disorder Implications:

- 7.7 None.

Risk & Opportunity Management Implications:

- 7.8 The proposal will contribute to the council's strategic priorities of obtaining better use of public money and provide opportunity to create surpluses in the future for investment.

Corporate / Citywide Implications:

- 7.9 This proposal will minimise the financial exposure of the Council and enable us to invest more in the city in the future on housing development as BHSCCHs starts to make profits that will be shared rather than offsetting rental shortfall.

SUPPORTING DOCUMENTATION

Documents In Members' Rooms:

None.

Background Documents:

None.