

Chichester District Council

CABINET

6 July 2021

Contract amendments: Hyde Large Scale Voluntary Transfer (LSVT)

1. Contacts

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2. Executive Summary

<p>This report seeks delegated powers for the Director of Housing & Communities following consultation with the Cabinet member to agree changes to the LSVT agreement with Hyde. Changes are summarised in para 4.7 & 4.8 and appendix 1. It also seeks delegation to remove restrictive covenants from individual parcels of land where planning permission has been granted for housing .</p>

3. Recommendation

- 3.1 **That delegated powers are granted for the Director of Housing & Communities, following consultation with the Cabinet member for Housing, Communications, Licensing & Events, to sign a deed of release for certain clauses within the LSVT with Hyde and enter into an amended Clawback agreement and a new partnership working agreement.**
- 3.2 **That delegated powers are granted for the Director of Housing & Communities, following consultation with the Cabinet member for Housing, Communications, Licensing & Events, to remove restrictive covenants from individual parcels of land owned by Hyde and transferred at LSVT upon grant of planning permission for housing.**

4. Background

- 4.1 In 2001 the Council set up a housing company called Chichester District Community Housing Limited and transferred its housing stock. The stock required significant investment and the resources available to the Council, to both update existing stock and build new affordable homes, were very much restricted by financial regulations

and the resources available at the time. The Government encouraged, and the Housing Act 1980 enabled, all Councils to transfer their stock to a registered provider (RP), who would raise the funds to both purchase the stock and carry out the necessary backlog of repairs to bring the homes up to the Decent Homes Standard. The local authorities received a capital receipt that they could use to pay off any council debt and also use any remaining funds to provide grants to registered providers to deliver new affordable homes. During the last 20 years the original housing company set up by the Council has been subsumed into Hyde who are now the biggest provider of social housing in the District.

- 4.2 When the housing stock was transferred both parties entered into a Large Scale Voluntary Transfer (LSVT) Agreement, this set out obligations in respect of both parties over 30 years. These obligations included nomination rights to CDC, restrictions on the rents for the initial 5 years, the sale of properties and the development of land.
- 4.3 Over the last 20 years there have been significant changes to the way registered providers are funded which have impacted on the way in which their assets are managed. Also the stock held by Hyde since LSVT is aging, requires relatively high maintenance and will require significant investment if it is to meet the minimum energy efficiency standards introduced by the Energy Efficiency (Private Rented Property)(England and Wales) Regulations in 2015 by 2030.
- 4.4 Hyde have approached the Council with proposals, set down in their Hyde 2050 Strategy (appendix 2), to invest in the District by way of developing amenity and garage sites, potential redevelopment of older hard to let schemes, place making and investment in existing stock to meet climate change requirements and modern standards. Hyde also want to make the best use of stock by ensuring the right people are in the right homes by using a lifecycle model and flexible tenancies.
- 4.5 It should be noted that tenants that transferred at LSVT retain protected rights. Whilst these have evolved due to changes in the relevant housing statutes, these rights will be unaffected by the changes being proposed in this report. The Council will continue to receive Right to Buy receipts. Also any development or redevelopment will be subject to Planning in the usual way and any disposal proceeds will be reinvested in affordable housing in the District.
- 4.6 A summary of the key changes proposed is at Appendix 1. Officers have sought legal advice from an external barrister on the deed of release and partnership working agreement to ensure there are no unintended consequences and will await that advice prior to agreeing the document.
- 4.7 The key changes include:
 - 4.7.1 Disposal Clawback Agreement: Amended so CDC permission to sell a property is no longer required, 100% of proceeds ringfenced for spend in the District and use of the proceeds broadened to include new build, place making, energy efficiency upgrades and stock investment programmes.
 - 4.7.2 Release from various covenants largely now expired or superseded by regulatory or statutory requirements (see 8.1 below: subject to legal advice)
 - 4.7.3 Nominations: Currently CDC has 100% nomination rights on new builds and 75% on relets. This will change to 75% for both new builds and relets.

4.7.4 Garage & Amenity sites: Amended so CDC permission to sell is no longer required, 100% of proceeds ringfenced for spend in the District and use of funds broadened to include new build, place making, energy efficiency upgrades and stock investment programmes.

4.8 In addition to the clauses that Hyde wish to amend they are seeking to facilitate delivery of housing by speeding up the process of removal of restrictive covenants that were placed onto amenity sites and garage sites at LSVT. The recommendations in this report also, therefore, include a delegation for the Director of Housing & Communities, following grant of Planning permission and consultation with the Cabinet member, to remove the restrictive covenants where it will assist in the provision of housing in the district without the need for a Cabinet report.

4.9 A new partnership working agreement will be put in place setting down the obligations of each party and how we intend to work together. This will sit alongside the remaining LSVT clauses which will expire as originally intended in 2031. It is also worth noting that Hyde are subject, along with all RP's, to regulation by the Regulator of Social Housing and are bound to meet their standards of governance, viability and efficiency.

5. Outcomes to be Achieved

5.1 The outcomes of these changes will be to facilitate the delivery of the Hyde 2050 Strategy (appendix 2)

6. Proposal

6.1 It is proposed that delegated powers be given to the Director of Housing & Communities, following consultation with the Cabinet member for Housing, Communications, Licensing & Events, to sign the deed of release from certain clauses in the LSVT agreement.

6.2 It is also proposed that delegated powers be given to the Director of Housing & Communities, following consultation with the Cabinet member for Housing, Communications, Licensing & Events, and the grant of Planning permission for housing, to lift restrictive covenants on individual parcels of land transferred at LSVT.

7. Alternatives Considered

7.1 Officers have been in negotiation with Hyde for some time over these proposals and various alternatives have been considered. The final agreement will seek to give Hyde the freedoms they need to deliver Hyde 2050, but will protect tenants, in particular tenants that transferred at LSVT.

7.2 Another alternative would be to not agree to the proposals. This could result in Hyde deciding to invest in other areas of their portfolio and the opportunity to invest in Chichester District housing could be missed or delayed.

8. Resource and Legal Implications

- 8.1 The Divisional Manager for Democratic Services has been working with Hyde’s legal advisors throughout this process and has advised on all aspects of the deed of release and partnership working agreement. Additional legal advice has been procured, particularly around release of covenants, and the final report is awaited. The documents will not be signed ahead of this advice being received.
- 8.2 There are no direct financial implications for the Council as the Right to Buy receipts will continue to be paid to the Council, and other proceeds will continue to be paid into a Designated Reserve Account to be spent in the district. It is only the scope of spend that has been amended.
- 8.3 In the past a small sum has been sought from Hyde when restrictive covenants have been lifted to reflect the uplift in value of the land, however, the delegation requested includes the proviso that Planning permission for housing is in place and it seems incongruous to request a sum of money from a RP of social housing (i.e. not for profit) who may also be accessing grant funding from the Council. It must also be recognised that as a not for profit organisation Hyde may need to cross subsidise social rented housing with low cost home ownership models or market housing.

9. Consultation

- 9.1 The Cabinet and SLT have been consulted.

10. Community Impact and Corporate Risks

- 10.1 The Community impact of these changes is minimal, however, the impact of Hyde 2050 being delivered will be positive as more housing will be delivered by a RP, as well as investment in existing stock.
- 10.2 A risk of making these changes may be any unintended consequences, however, external legal advice has been procured and the Councils legal team has been involved throughout. Also the LSVT expires in 2031 and since it’s agreement no major disputes have occurred between the Council and Hyde (or it’s predecessors), and Hyde will continue to be regulated by the Regulator of Social Housing who carries out the relevant oversight role for housing providers including Hyde.

11. Other Implications

	Yes	No
Crime and Disorder		x
Biodiversity and Climate Change Mitigation – the proposals within this report will not have any impact, however, Hyde 2050 will have a positive impact on climate change – see appendix 3	x	
Human Rights and Equality Impact – the proposals within this report will not have any impact, however, Hyde 2050 will have a positive impact due to improved access to housing– see appendix 3	x	
Safeguarding and Early Help		x
General Data Protection Regulations (GDPR)		x
Health and Wellbeing – the proposals within this report will not have	x	

any impact, however, Hyde 2050 will have a positive impact due to improved access to housing– see appendix 3		
Other (please specify)		

12. Appendices

- 12.1 Summary of changes to LSVT
- 12.2 Hyde 2050 strategy
- 12.3 Impact assessment

13. Background Papers

- 13.1 None