

## STOCK RATIONALISATION

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Stock Rationalisation Service  
Savills \* Red Loft \* Lewis Silkin

## STRATEGIC PURPOSE

- Vision
- Business Plan
- Service Strategy
- Growth Strategy
- Asset Management Strategy

## KEY BUSINESS DRIVERS

- Efficiency Agenda
- Achieving DHS – 2010
- Sustainable Communities
- Service Quality
- Capacity to Grow

## ASSET MANAGEMENT – KEY ISSUES

❖ *Assessment*  
Demand/Need  
Financial Contribution  
Geography  
Investment Needs

❖ *Options*  
Retain  
Review in 3/5 years  
Remodel  
Redevelop  
Rationalise/Dispose

## STOCK RATIONALISATION

### THREE FORMS:

1. Changing property ownership
  - Stock swaps
  - Buying or selling
2. Retaining ownership – changing management
  - Management agreements
  - Leases
  - New entity to manage
3. Partnership working
  - Joint Service contracts
  - Policy harmonisation

## THE SHAFTESBURY EXPERIENCE

- Audit Commission Report 2003/4
- Enforced Supervision
- Recovery Plan
- Disposal Plan – 87 to 40 Las
- Dispose of Care Business
- Deliver £100m over 3 years
- New Board & Executive 2005

### THE DISPOSAL PLAN

- Leadership/Co-Ordination
- Financial Target £33m Gross/£16m Net
- Establish the Team
- Identify Priority Projects
  - Care Business £20m
  - Bishops Cleeve 290 units circa £12m
  - Southern Portfolio 295 units circa £15m
  - Halifax Special needs project
  - Empty properties
  - High Maintenance voids
- Confirm Title/Covenant
- Programme/Project Plans
- Marketing Plan – Prospectus/2 stage tender

### RSL SELECTION CRITERIA

- 4 Green Traffic Lights – Corporation
- Service Quality – Audit Commission
- Local Presence
- Financial Capacity
- Resident Involvement
- Specialist provider – Diversity
- Work with the LA Partners
- Can deliver to time scale

### STAKEHOLDERS

- Board
- LA (Housing)
- LA (Social Services)
- Tenants
- Leaseholders inc businesses
- Contractors
- Housing Corporation
- Funders
- Local Politicians
- Staff team
- Disposal/Housing/Property Services/Financial/Resident Staff/HR/IT/Treasury/Rents & Services/Legal
- Professional Team – Legal/Architects/Valuers

### ISSUES TO CONSIDER – CHECK LIST (1)

- Property Ownership/Title/Type: GenNeeds/Sheltered/Support/Voids
- Grant & Source (land/funding)
- Development/Redevelopment Potential
- Legal/Financial Covenants
- Planning/Development/Nomination/Overage Agreements
- Section 9 Consent – Corporation
- Treasury Implications (security for loans/charging/recharging)
- RCGF Implications
- Existing use vs Open Market Valuations

### ISSUES TO CONSIDER – CHECK LIST (2)

- Know the local market inc RSL ambitions in the area
- Rents- current, target rents, arrears, bad debts, service charges Payment for arrears – CIPFA/negotiate
- Leaseholders & Business Leases
- Management & Maintenance Issues/Latent Defects/Planned Works Programmes
- RTB/RTA Applications/Eligibility
- Service/Maintenance Contracts – Risks
- Supporting People Contracts (levels/deficit) - Assignments

### ISSUES TO CONSIDER – CHECK LIST (3)

- Decision Making – Delegation/Authority Levels
- Data Protection
- IT Links/Interface
- Financial Accounts up to date
- Tenancy Type – Assured/Secure/AST
- Garages – Tenancy/Accounts
- TUPE Issues/Resident/Local Dedicated Staff
- Warranties – Limitations – Impact on Accounts

### OUT TURN RESULTS

- 05/06 Gross £35m & £18m net
- 06/07 Gross £35m (ex Care)
- Values £74 - £100K per unit
- Bishops Cleeve £21.5m
- Southern Portfolio £22/27m
- Care Business £20m
- SHG out of supervision
- Funders Confidence

### Stock Rationalisation - the legal and regulatory position

- Can RSLs sell homes on the open market to maximise sale price?
- How about charitable housing associations?

### Objects of RSLs

“to carry on, for the benefit of the community, the business of providing housing, accommodation, and assistance to help house people [in necessitous circumstances] ....”

- Sale by non-charitable RSL to another RSL
- Sale in pursuance of housing objects so can sell at below market value
- Board must be satisfied sale (and price) in the best interests of RSL
- Housing Corporation grants section 9 consent if satisfied tenants properly consulted

### Sale by charitable RSL to a non-charitable RSL

A charitable RSL can sell to a non-charitable RSL in 2 circumstances:

1. Pursuant to its charitable objects
  - As means of making use of its assets in furtherance of its charitable purposes
  - i.e. ensuring continuing provision of social housing to those in “necessitous circumstances”
  - Purchaser must contract only to house those in necessitous circumstances
  - Seller need not obtain highest price

### Sale by charitable RSL to a non-charitable RSL (cont.)

#### 2. Disposal of surplus assets

Board must:

- be satisfied:
  - Sale in best interests of RSL (better to sell than keep)
  - Disposal is on best terms reasonably obtainable
- obtain advice on timing and method of disposal
- ensure land is marketed to encourage most offers
- accept the best financial offer (may include non-monetary elements)

**Sale by RSL (charitable or non-charitable to a non-RSL)**

- No legal barrier to sale to private sector
- Regulatory barrier – no S9 consent from Housing Corporation
- Policy to protect tenants
- Guarantee from private purchaser insufficient as Corporation cannot enforce it

**Policy Decision**

- Tenants' rights –v-maximising assets
- Grant to developers so why not private sector sales?

**Stock Disposal Agreement**

- What are you selling? Plans. Title Deeds
- Grant – transfer or repay?
- Tenancy agreements – find them! Affects value
- Leases – RTB and commercial
- Staff – TUPE – warranties
- Rent arrears – assignment – price
- Supply Contracts