

**STOCKTON-ON-TEES BOROUGH COUNCIL**

**CABINET RECOMMENDATIONS**

**PROFORMA**

Cabinet Meeting .....6th November 2008

1. Title of Item/Report

Housing Futures(Options for Future Investment)

2. Record of the Decision

Consideration was given to a report on the findings of the recent option appraisal undertaken in relation the Councils housing stock. The report also sought approval to further explore stock transfer as the only viable option available to the Council at this time that secures future investment needs (stock and service improvement).

Council had previously undertaken two options appraisals of council housing stock. The first option appraisal undertaken was in 2000 and following a positive tenant ballot resulted in the establishment an Arms Length Management Organisation (ALMO). Following acceptance on the Round 1 ALMO Programme, Tristar Homes Limited (THL) was created in April 2002. A further option appraisal of sheltered housing stock was undertaken in 2005 and following an overwhelming ballot in favour of small-scale stock transfer, resulted in the transfer of ownership and management of six sheltered housing schemes (152 units of accommodation) to Erimus Housing in July 2007.

The key driver of each previous option appraisals was to determine how best to secure resources to meet both the investment needs of the housing stock and housing service improvements aspired by tenants.

In August 2007 a report was presented to Cabinet, which sought approval to undertake a third option appraisal. The report outlined that whilst the establishment of THL had ensured investment of circa £120million to achieve the decent homes standard, it was now timely to consider the further management and maintenance of the councils housing stock to ensure the Council was in a position to respond appropriately to changing local and national issues. The key current drivers included:

I. Maintaining property standards following 'decent standard' investment work.

II. Delivering sustainable communities i.e. delivering more than 'bricks and mortar investment' - creating thriving, diverse communities where

people choose to live.

III. Meeting changing tenant needs and aspirations i.e. responding to the increasing demand for socially rented property from a diverse range of potential tenants.

IV. Providing the right type and mix of housing (specifically responding to changing demographics and an aging population).

V. Addressing the problems of 'affordability' and 'access' to the housing market.

Following approval by Cabinet in August 2007 a comprehensive appraisal of all available options had been undertaken. The appraisal followed an inclusive and consultative approach involving both tenants and Members. The options appraised were:

Option 1: Stock retention in the subsidy system

- As an ALMO ('stay as we are')
- Take back in house

Option 2: Stock retention outside of the subsidy system:

- As an ALMO
- Take back in house

Option 3: Stock Transfer

Option 4: Private Finance Initiative (PFI)

Option 5: Regeneration Delivery Vehicle

- 'Whole scale' stock solution or
- 'Hybrid' solution

A summary of each option was attached to the report.

As with the previous option appraisals it was essential that each available option be judged against a number of pre-determined criteria. Four draft criteria were initially agreed by Cabinet and following a period of consultation with all council members (via a Housing Seminar) and tenants a final list of ten criteria were signed off by the Corporate Director of Development and Neighbourhood Services in consultation with the Cabinet Member for Housing and Community Safety. The ten criteria were attached to the report.

In order to inform the option appraisal the Housing Service commissioned Savills Commercial to undertake a stock condition survey. 10% of the 10,527 housing stock were surveyed, (the 10% of stock surveyed was 'representative' based on type, age and location of stock). The purpose of the survey was to:

1. Assess current stock condition.
2. Assess the current and future repairs and maintenance liabilities of the housing stock for the next 30 years.
3. Assess improvements required to the stock.
4. Assess properties against the 'decent homes' standard and
5. Assess requirements beyond decent homes.

The survey was concluded in November 2007, it acknowledged the substantial investment made in the housing stock over recent years to bring properties up to the decent homes standard. The stock condition survey identified investment required to maintain this standard (consistently across all stock), plus a programme of investment on items not included within the 'decent homes' standard i.e. work to non traditional properties, roofs, works to external areas and structural repairs to high rise blocks to improve the thermal performance of these properties. However there were limitations to the 'decent homes' standard; it did not meet the aspirations of our tenants, nor did it meet the broader regeneration proposals of the Council in terms of future 'place shaping' (creating well-designed, quality homes and environments).

The report concluded that stock investment needed over the next 30-years totalled in the region of £596m. However as some recent work had recently been undertaken to high-rise blocks this had reduced to £594m. The headline figures from the survey were detailed within the report.

The profile of investment highlighted:

1. Around £25m per year was required in the first 5-years of the 30-yr programme.
  2. Average capital spend of £18.5m per year for the first 5-yrs.
  3. Average spend of £6.9m per year on cyclical responsive and void works in the first 5- years.
- Within the above totals, the first 5-yrs of investments needs included:
4. High-rise cost £6.9m.
  5. Non-traditional costs £15m and
  6. Environmental (external) improvements £15m.

A comprehensive, financial evaluation of each option available to the Council had been undertaken. The purpose of this exercise was to identify the potential funding that each option would deliver and evaluate whether this funding would be sufficient to maintain a 'consistent' base position for all sustainable housing stock over the next 30-yrs. A summary of the financial evaluation for each option was contained within the report.

An evaluation of all 4 of the 5 options against the 10 pre-determined criteria was attached to the report. Evaluation against Option 2: Stock retention outside of the subsidy system could not be undertaken until CLG releases its Housing Finance consultation paper (anticipated) spring 2009.

Following approval by Cabinet in August 2007, a 'Homes for the Future Tenants Group' was established. CLG and Government Office North East (GO NE) both required tenants to be at the 'heart' of the option appraisal process. Throughout the process the Group had been supported by an Independent Tenant Advisor (ITA) and held regular meetings to 'parallel' the exercise undertaken by the Council. The Group had recently finished their option appraisal exercise and had concluded that at this time the only viable option to secure necessary stock investment was stock transfer.

The Group had held a formal feedback session and presented their findings to the Head of Housing and the Cabinet Member for Housing and Community Safety on 6.10.08. A copy of the Groups final report had been placed in the Members Library.

As the implications to the Council of the current HRA Review were unknown, as soon as the consultation paper is released a detailed evaluation would be undertaken to determine whether this would option would provide a viable alternative option to stock transfer.

However to prevent any unnecessary delay, it was proposed that further work be undertaken in terms of further exploration of the stock transfer option. There were a number of key stages involved, which included:

- a. Understanding the choices/models available to the Council and its tenants in terms of stock transfer.
- b. Preliminary assessment of each of the above models
- c. Development of a Landlord Specification
- d. Landlord choice

It was prerequisite of CLG and GONE that throughout the above stages tenants and leaseholders remained central to the process and that there views were given due regard. As stated previously the Homes for the Future Tenants Group had worked closely with the Council throughout the option appraisal process, this group had advised the Council they were willing to continue to meet throughout the 'stock transfer exploration'

stage.

In addition to the 'Homes for the Future Tenants Group' it was also suggested that a 'cross party' Member Group be established. It was proposed that membership of the group be representative of each of the political parties in the Borough. Whilst the remit of this group would be agreed with group members it was proposed that the Member Reference Group work in partnership with the 'Homes for the Future Tenants Group', supported by Officers of the Housing Service (and others as appropriate) to complete the four stages previously detailed.

It would be necessary to appoint specialist consultants to support Officers of the Council in progressing the 'stock transfer option', they included for example an Independent Tenant Advisor to work with and support tenants, a Communication Specialist to ensure that key messages to tenants and all other stakeholders are delivered in an appropriate and timely manner, Legal Advisor and a Lead Advisor ('specialists' in the stock transfer process). Members were assured that the appointment of consultants would only be undertaken when appropriate and their role would be to support and advise Officers within the Council, there would be no duplication of duty.

In addition to the above work that would be undertaken on stock transfer, further cross- authority work would also be undertaken on modelling potential Regeneration Delivery Vehicles (to inform the 'hybrid' solution). This project would pull together Officers from across the Council and would be steered via the Corporate Capital and Asset Management Group.

It was proposed that the exploration of stock transfer would commence immediately and that a report be presented back to Cabinet in Spring 2009. This report will include:

1. (Pending release by CLG) a financial evaluation of the Housing Finance Consultation Paper, detailing the implications for Stockton and advising whether this option would deliver an alternative option to stock transfer.
2. A detailed financial appraisal of the impact of stock transfer on the Authority.
3. A detailed project update of the work of Homes for the Future Tenants Group and Member Reference Group in undertaking the 'exploration of stock transfer' stages.
4. A progress update (outlining next steps) in relation to the development

of a potential Regeneration Delivery Vehicle.

In this future Cabinet report Members would be provided with a comprehensive range of information, asked to make the final choice of option and landlord if stock transfer remained the preferred option.

RESOLVED that:-

1. Stock transfer is currently the only viable option available to the Council to secure future stock and service investment needs.
2. Further exploration of the stock transfer model and further exploration of a Regeneration Delivery Vehicle be supported (to address areas of housing stock which may not be sustainable in the long term and may require regeneration).
3. The establishment of a Member Reference Group and the continuation of the Homes for the Future Tenants Group be endorsed.
4. A further report be brought back to Cabinet following further exploration of the stock transfer.
5. A further report be brought back to Cabinet providing a detailed financial appraisal of the impact of stock transfer on the Councils General Fund.
6. Following the publication of the CLG Housing Finance Review Consultation Paper (anticipated Spring 2009) a further report be brought back to Cabinet detailing the potential impact of the proposals on the Authority.
7. The appointment of appropriate consultant support as detailed in the body of the report be supported. Funding for such appointments can be afforded within current resource allocations.

3. Reasons for the Decision

To secure long term funding that would ensure the provision of quality, appropriate accommodation in sustainable neighbourhoods. The accommodation would meet the housing needs and aspirations of current council tenants and future generations of the Borough.

4. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

Councillor Nelson declared a personal non prejudicial interest in respect of this item as he was a member of Tristar Homes Board.

6. Details of any Dispensations

Not Applicable

7. Date and Time by which Call In must be executed

Not later than Midnight on Friday, 14 November 2008

Proper Officer  
10 November 2008