

## **CABINET ITEM COVERING SHEET PROFORMA**

**AGENDA ITEM XX**

**REPORT TO CABINET**

**6 NOVEMBER 2008**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

## **CABINET DECISION/KEY DECISION**

***Housing and Community Safety – Lead Cabinet Member – Councillor Nelson***

### **HOUSING FUTURES (OPTIONS FOR FUTURE INVESTMENT)**

#### 1. Summary

To report back to Members the findings of the recent option appraisal undertaken in relation the Councils housing stock.

To seek Member approval to further explore stock transfer as the only viable option available to the Council as this time that secures future investment needs (stock and service improvement).

#### 2. Recommendations

1. Members acknowledge that stock transfer is currently the only viable option available to the Council to secure future stock and service investment needs.
2. Members support further exploration of the stock transfer model and further exploration of a Regeneration Delivery Vehicle (to address areas of housing stock which may not be sustainable in the long term and may require regeneration).
3. Cabinet endorse the establishment of a Member Reference Group and the continuation of the Homes for the Future Tenants Group.
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. Members support the appointment of appropriate consultant support as detailed in the body of the report. Funding for such appointments can be afforded within current resource allocations.

3. Reasons for the Recommendations/Decision(s)

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

4. Members Interests

Members (including co-opted members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting is being held –

- I. in the case where the member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- II. in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

**Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc.; whether or not they are a member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room during consideration of the relevant item.**

## **COUNCIL DECISION/CABINET DECISION/KEY DECISION**

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#### **RECOMMENDATIONS**

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#### **DETAIL**

##### **Background**

1. Members will recall the Council has 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.

2. 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.
3. 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 is in a position to respond appropriately to changing local and national issues. The key current drivers include:
  - 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.
3. Following approval by Cabinet in August 2007 a comprehensive appraisal of all available options has 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

(**Appendix A** provides a summary of each option)

## Evaluating the options

4. 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 are detailed in **Appendix B**.

## Future Investment Needs (Stock Condition)

5. 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:
  - I. Assess current stock condition.
  - II. Assess the current and future repairs and maintenance liabilities of the housing stock for the next 30years.
  - III. Assess improvements required to the stock.
  - IV. Assess properties against the 'decent homes' standard and
  - V. Assess requirements beyond decent homes.
6. 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 as Members are aware there are limitations to the 'decent homes' standard; it does not meet the aspirations of our tenants, nor does it meet the broader regeneration proposals of the Council in terms of future 'place shaping' (creating well-designed, quality homes and environments).
7. The report concluded that stock investment needs over the next 30-years totalled in the region of £596m. However as some recent work has recently been undertaken to high-rise blocks this has reduced to £594m. The headline figures from the survey are:

	£m
Over 30 yrs (as at Nov 07)	596,003,795
Less adjustment for work recently undertaken on high rise	2,238,865
<b>Total funding requirement</b>	<b>593,764,930</b>

Of which:

Revenue investment (i.e. cyclical responsive and void property works etc)	216,642,060
Capital investment (to retain decent standard)	377,122,870

<b>Amounting to an average per property of</b>	<b>56,404</b>
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8. The profile of investment highlighted:
  - I. Around £25m per year is required in the first 5-years of the 30-yr programme.
  - II. Average capital spend of £18.5m per year for the first 5-yrs.
  - III. 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:

- IV. High-rise cost £6.9m.
- V. Non-traditional costs £15m and
- VI. Environmental (external) improvements £15m.

### **Analysis of the options available to the Council**

9. A comprehensive, financial evaluation of each option available to the Council has been undertaken. The purpose of this exercise was:
  - I. Identify the potential funding that each option would deliver and
  - II. Evaluate whether this funding would be sufficient to maintain a 'consistent' base position for all sustainable housing stock over the next 30-yrs.

#### **Option 1: Stock retention in the subsidy system**

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

10. Both of the above 'sub' options would equate to the same financial position over a 30-year period. Taking into account anticipated income (available from Option 1) there would be two significant problems for the Council in achieving the required level of property investment:
  - I. Over the 30 years there would be a £81m shortfall, even if all surpluses made on the revenue account were targeted towards the capital investment required.
  - II. Over the first 5-yrs, to meet the expenditure profile set out in the stock condition survey the shortfall would be almost £50m.

In addition this option would not secure any additional resources for service improvements.

11. As the Council is not allowed to run a Housing Revenue Account (HRA) that goes into deficit it would need to make savings against the 30-year investment programme. In summary £81m would need to be removed from the investment programme and the time profile of works delayed. The impact of such action would ensure tenant priorities (such as environmental improvements) are not delivered and potentially by delaying investment the Council may be 'storing up' future liabilities.

#### **Option 2: Stock retention outside of the subsidy system:**

- **As an ALMO**
- **Take back in house**

12. The Government recently announced a review of the current housing finance system. The review was launched in March 2008 and is being jointly managed by the Communities and Local Government (CLG) Department and the Treasury. The principles behind the review are that a sustainable, long-term system for financing council housing should:

- Be fair to both tenants and taxpayers
- Give a clear and accurate picture of the balance of support from central and local Government
- Enable the deliver of agreed standards of service and accommodation
- Provide incentives to landlords to improve the quality and efficiency of service
- Be affordable.

13. The scope of the review is wide ranging and will consider for example rent and service charge policies, the use of capital receipts, subsidy paid to LA housing landlords and the operation of the Housing Revenue Account (HRA).

14. The review is not expected to report back until Spring 2009, with consultation taking place over the summer of 2009. Realistically, any changes that emerge from the review will mean that there are likely to be winners and losers amongst Authorities (i.e. those that will gain financially and those that will not). Unfortunately at this time it is not possible to know the potential impact (negative or positive) on Stockton and there are too many unknowns that could swing the finances in favour or against 'stock retention'.
15. A further concern regarding this option is the potential for the timetable to slip; the investment needs of the stock specifically in the imminent future mean that waiting indefinitely is not a viable option for the Authority.

### **Option 3: Stock Transfer**

#### Stock valuation

16. The financial modelling carried out to inform the stock transfer option has been undertaken against a methodology prescribed by CLG. As part of the stock transfer process, the Council has to develop a valuation of its stock. The valuation model is unique to stock transfer and incorporates a variety of measures including; income, costs, expenditures over 30 years, with values then 'discounted' back to present day prices. Ultimately should the Authority decide to pursue stock transfer a final valuation would need to be agreed with CLG, however at this stage the key issue for the Authority was to establish whether the valuation was 'positive' or 'negative'. LA's in a negative valuation have traditionally required 'gap' funding from CLG, however recent messages from CLG have stated they are no longer in a position to provide this funding. Modelling completed to date concludes the Authority would be in a 'positive' valuation position.
17. Whilst Stockton has a 'positive' valuation, the Authority would not receive a capital receipt should it decide to pursue stock transfer. Whilst the Council can redeem 'admissible' costs it may have incurred in pursuing a stock transfer the remaining capital receipt would then be paid back to CLG to help clear our outstanding housing debt.

#### Stock and service investment

18. Stock transfer would ensure that the full stock condition survey could be funded and the profile of investment would be achieved in accordance with the findings of the stock condition survey. The projected income profile of a stock transfer organisation (based on their ability to borrow and income from rents etc.) also indicates they would have access to additional revenue resources (estimated to be in the region of £1.6m per year) to secure further property and service improvements. The stock transfer organisation would have access to these additional funds, as they would not be subject to the current HRA and subsidy determination system.

#### Impact of stock transfer on the Council

19. Currently the HRA is charged for a degree of costs for services, which are currently undertaken by the Council rather than the ALMO (for example strategic housing and financial support services). A review of all such costs is currently ongoing to determine whether the Stock Transfer Organisation would in future carry out these services (leading to potential TUPE implications) or whether they would remain with the Authority. As the Authority would no longer have a HRA these costs would need to be borne in the future by the General Fund. In order to determine the true 'hit' of these costs and whether they are one off or ongoing a detailed financial appraisal is being undertaken.
20. As stated previously the Authority will not receive a capital receipt from stock transfer, however there is potential for one-off windfall financial benefits and once again they are

being evaluated. Potential windfall benefits include for example, an opportunity to share capital receipts (for a fixed period of time) from the sale of properties post transfer with the stock transfer organisation.

21. Once the financial appraisal of the impact of stock transfer on the Authority has been complete it is proposed that a further report be present to Members.

#### **Option 4: Private Finance Initiative (PFI)**

22. In 2008, CLG announced Housing PFI Round 6. A detailed evaluation of the guidance has been undertaken to determine its suitability with regard to future housing investment. Work undertaken has concluded it is not a viable option, on the basis that:
  - Round 6 is focused explicitly on “delivering and supporting transformational change” through a programme of demolition and new build rather than stock investment and refurbishment.
  - Whilst there are areas of council housing which are non sustainable in the short to medium and may benefit from this level of change the PFI Round 6 programme is seeking “large complex schemes” in the value of £100m PFI credits. Schemes in Stockton would not qualify, as they do not meet the scale required in terms of the £100m PFI credits.

#### **Option 5: Regeneration Delivery Vehicle**

- **‘Whole scale’ stock solution or**
- **‘Hybrid’ stock solution**

23. The principle behind a Regeneration Delivery Vehicle is it effectively creates a community of interest where the Council, an RSL partner, private sector investors and others facilitate, shape, influence the direction and speed of development activity across the Borough. There is no pre-determined format for the Vehicle, it would be shaped by the regeneration vision and strategy for the Borough and aligned to key Council priorities.
24. Consideration of this option as a ‘whole scale’ stock solution has concluded it is not a viable option as this model would be predominately focused on major regeneration and stock renewal.
25. However within the current housing stock there are concerns regarding the long term viability of some estates; areas were ‘bricks and mortar’ investment is not appropriate and what is required is estate regeneration along the lines of the current schemes at Hardwick and Mandale.
26. On this basis Members are asked to endorse further exploration of the ‘hybrid model’ as this model would operate alongside either options 1 (Stock retention in the current subsidy system), 2 (Stock retention outside of the subsidy system) or 3 (Stock Transfer) - which would deliver investment into sustainable housing stock. With housing renewal and regeneration delivered by a Regeneration Delivery Vehicle. This model would:
  - Potentially attract third party investment.
  - Allow the Council to retain strategic influence over the direction of housing regeneration in specified neighbourhoods.
  - Deliver ‘added value’.

In summary this proposal would allow housing to sit within the broader economic and social regeneration ambitions of the Authority, allowing the potential for the pooling of resources and/or assets and the opportunity for greater ‘transformation’ within the Borough.



## **Evaluation Matrix**

27. Attached at **Appendix 3**, is an evaluation of all 4 of the 5 options against the 10 pre-determined criteria. Evaluation against Option 2: Stock retention outside of the subsidy system cannot be undertaken until CLG releases it's Housing Finance consultation paper (anticipated) spring 2009.

## **Work undertaken by the Homes for the Future Tenants Group**

28. 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 require tenants to be at the 'heart' of the option appraisal process. Throughout the process the Group have been supported by an Independent Tenant Advisor (ITA) and held regular meetings to 'parallel' the exercise undertaken by the Council. The Group have recently finished their option appraisal exercise and have concluded that at this time the only viable option to secure necessary stock investment is stock transfer.
29. The Group have 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 has been placed in the Members Library.

## **Conclusion**

30. A comprehensive evaluation of all potential options available to the Council has been undertaken. In conclusion, unless Members, on behalf of tenants are prepared to accept a much lower standard of investment than is required (as detailed in the stock condition survey), the only viable option available to the Council at this time is stock transfer.
31. As the implications to the Council of the current HRA Review are unknown, Members should be reassured that as soon as the consultation paper is released a detailed evaluation will be undertaken to determine whether this would option would provide a viable alternative option to stock transfer.
32. However to prevent any unnecessary delay, it is proposed that further work is undertaken in terms of further exploration of the stock transfer option. There are a number of key stages involved, they include for example:
- a. **Understanding the choices/models available to the Council and its tenants in terms of stock transfer.** Options include:
    - A newly established free-standing Registered Social Landlord (RSL)
    - Establishing a number of newly established RSLs that comprise a new group
    - A newly established RSL joining an established group structure
    - Incorporation into an existing RSL
    - Community Gateway Models
  - b. **Preliminary assessment of each of the above models** – i.e. considering the potential 'pros and cons' of each.
  - c. **Development of a Landlord Specification** – this allow tenants and Members the opportunity to develop their vision for the future landlord based on expectations, priorities and needs. Issues taken into account may include:
    - The general ethos of the new organisation alongside control and governance
    - On what scale should any new landlord operate and how localised will its service delivery points be?
    - What approach should it take to tenant participation and to neighbourhood management?
    - Should there be divisions along geographical lines?
    - How should it interact with the overall strategic objectives of the council?

- d. **Landlord choice** – CLG have advised that there are a number of equally acceptable forms which this stage can be undertaken for example an appropriate RSL may be identified (either a newly established free-standing RSL or an existing RSL) or there is scope for competition (where a process of short listing and selection would be undertaken).
33. It is prerequisite of CLG and GO NE that throughout the above stages tenants and leaseholders remain central to the process and that their views are given due regard. As stated previously the Homes for the Future Tenants Group have worked closely with the Council throughout the option appraisal process, this group have advised the Council they are willing to continue to meet throughout the 'stock transfer exploration' stage.
34. In addition to the 'Homes for the Future Tenants Group' it is also suggested that a 'cross party' Member Group be established. It is proposed that membership of the group be representative of each of the political parties in the Borough. Whilst the remit of this group will be agreed with group members it is 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.
35. It will be necessary to appoint specialist consultants to support Officers of the Council in progressing the 'stock transfer option', they include 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 should be assured that the appointment of consultants will only be undertaken when appropriate and their role will be to support and advise Officers within the Council, there will be no duplication of duty.
36. In addition to the above work that will be undertaken on stock transfer, further cross-authority work will also be undertaken on modelling potential Regeneration Delivery Vehicles (to inform the 'hybrid' solution). This project will pull together Officers from across the Council and will be steered via the Corporate Capital and Asset Management Group.

## **Timescales**

37. It is proposed that the exploration of stock transfer will commence immediately and that a report be presented back to Cabinet in Spring 2009. This report will include:
- I. (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.
  - II. A detailed financial appraisal of the impact of stock transfer on the Authority.
  - III. 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.
  - IV. A progress update (outlining next steps) in relation to the development of a potential Regeneration Delivery Vehicle.
38. In this future Cabinet report Members will be provided with a comprehensive range of information, asked to make the final choice of option and landlord if stock transfer remains the preferred option.

## **FINANCIAL IMPLICATIONS**

Resources have been identified within the Medium Term Financial plan to complete the 'exploration stage' of stock transfer.

As stated within the body of the report stock transfer will have a potential hit on the General Fund. A comprehensive report on all potential impacts (positive and negative) of the stock transfer option will be reported in the Spring 2009 Cabinet report.

## **LEGAL IMPLICATIONS**

None specifically at this stage.

## **RISK ASSESSMENT**

The 'exploration of stock transfer option' has been categorised as a medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

## **SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS**

The option appraisal and proposed next steps contribute to the following key policy platforms within the Sustainable Community Strategy:

- Economic Regeneration and Transport: supports wider economic and social regeneration.
- Environment and Housing: property investment, 'place shaping', addressing housing need.
- Safer communities: investment in the environment to improve the quality of place.
- Health and wellbeing: improving the quality of accommodation and provision of services to housing and vulnerable households
- Stronger communities: by contributing to the wider sustainable communities agenda.

## **EQUALITIES IMPACT ASSESSMENT**

This report is not subject to an Equality Impact Assessment, as a preferred option has not been chosen at this stage. An EIA will be undertaken as part of the exploration of stock transfer and reported back to Members in a future Cabinet report.

## **CONSULTATION, INCLUDING WARD COUNCILLORS**

### Tenants and Leaseholders

As stated within the body of the report, tenants through the Homes for the Futures Tenants Group have worked with the Council to inform the option appraisal. In addition a series of 'Your Home, Your Say' newsletters have been produced and issued to all council tenants and leaseholders.

### Ward Councils

All members have been consulted as part of the option appraisal at various stages of the process. For example a Member Seminar was held in September 2007 at the commencement of the exercise to consider the proposed criteria which each of the options would be evaluated. To keep members up to date throughout the option appraisal process a series of Member Briefing notes have been distributed and more recently (throughout September and early October) a series of member focus groups were held to advise Members on the key findings of the option appraisal and seek their views on the options available. All Members were invited to attend one of these small focus group meetings.

### Future consultation

During the exploration of the stock transfer option, tenants and councillors will continue to be key consultees. In addition it is proposed that broader consultation is undertaken with other stakeholders including the Renaissance.

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**Background Papers**

Housing Futures Report to Cabinet 2<sup>nd</sup> August 2007

**Ward(s) and Ward Councillors:**

All

**Property**

The option appraisal is considering the future investment needs of the Boroughs XXXX Council owned properties. Due regard has been given to the process to the Councils Capital Programme and Assessment Management Plan.

<p><b>OPTION 1: STOCK RETENTION IN THE SUBSIDY SYSTEM</b></p> <p>Key features:</p> <ul style="list-style-type: none"> <li>- Ownership remains with the Council.</li> <li>- No change to the current or new tenancy agreements.</li> </ul> <p><b><i>As an Arms Length Management Organisation 'ALMO' ('stay as we are').</i></b></p> <ul style="list-style-type: none"> <li>- The Council established its ALMO, Tristar Homes Limited (THL) in 2002. THL is a not for profit controlled company of Stockton Borough Council. The role of THL is to manage and maintain the Councils housing stock. THL is managed by a Board of Directors, equally made up of tenant representatives, Council nominees, and independent representatives.</li> </ul> <p><b><i>Take back in house</i></b></p> <ul style="list-style-type: none"> <li>- This option would require the dissolution of THL and the return of property management and maintenance functions to the Council.</li> <li>- Potentially this action may have a negative impact on the Councils reputation as an action of this nature may externally be viewed as 'negative/backward'.</li> </ul>
<p><b>OPTION 2: STOCK RETENTION OUTSIDE OF THE SUBSIDY SYSTEM:</b></p> <p><b><i>As an ALMO or Take back in house</i></b></p> <p>The detail of this option is as yet unknown. The ongoing Housing Finance Review will inform this option.</p>
<p><b>OPTION 3: STOCK TRANSFER</b></p> <p>Key features:</p> <ul style="list-style-type: none"> <li>- Ownership transfers to non-profit organisation registered with the Housing Corporation (with effect from Dec. 2008 this will be the new Homes and Communities Agency).</li> <li>- Allows access to private finance (backed by rental income stream) which can fund investment works).</li> <li>- Change of tenancy (assured rather than secure) for all tenants although many rights preserved for <u>existing tenants</u> e.g. Right to Buy.</li> <li>- Rents for existing tenants will be protected under the Councils current rent restructuring policy. Rents for new tenants may be different i.e. the new landlord may charge the restructured rent from the day the tenancy commences.</li> <li>- Requires demonstration that the majority of tenants are not opposed to the proposal (usually demonstrated in a formal ballot).</li> <li>- New landlord can be an existing RSL, a newly created organisation or potentially a 'communality ownership' model.</li> </ul>
<p><b>OPTION 4: PRIVATE FINANCE INITIATIVE (PFI)</b></p> <p>Key features:</p> <ul style="list-style-type: none"> <li>- Involves a long-term contractual commitment (typically 30 years), under which the contractor generally manages and maintains the properties in the scheme.</li> <li>- Can operate as HRA PFI and Non-HRA Schemes.</li> <li>- Significant set-up work required.</li> <li>- Needs support from tenants but no specific requirement for a formal ballot.</li> </ul>

**OPTION 5: REGENERATION/DEVELOPMENT DELIVERY VEHICLE**

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

Key features:

- Joint ventures or area specific vehicles.
- Can attract 3<sup>rd</sup> party investment
- Can (under certain models) recycle receipts allowing the public sector to share in and reinvest values associated with successful regeneration.

**APPENDIX B:  
EVALUATING THE OPTIONS (pre-determined criteria)**

Finalised criteria following consultation with Members and tenants.

- Objective 1: Secure appropriate investment to fund property and external environmental investment works:
- Physical stock improvements, stock remodelling, the external environment (including car parking provision) and future proofing.
  - Property and estate security improvements ('safe and secure' homes and estates).
- Objective 2: Regenerate and rejuvenate our neighbourhoods (deliver sustainable communities)
- Objective 3: Meet the housing needs of the Borough (improve and increase the supply of affordable housing options for our tenants and residents).
- Increase the supply of affordable housing, broaden the scope for mixed tenure estates and deliver a range on intermediate tenure options.
- Objective 4: Meet the key national and local agendas
- Social inclusion, economic regeneration and the 'green agenda'.
- Objective 5: Rents to provide value for money (for both new and existing tenants).
- Objective 6: Tenants rights to be protected.
- Objective 7: The landlord to provide a 'local' management and presence.
- Objective 8: The landlord to ensure good communication structures with tenants.
- Objective 9: The landlord to deliver opportunities for 'real' involvement, participation and influence at all levels:
- Good tenant participation structures
  - The landlord to be accountable
- Objective 10: Ensure continuous service and quality improvement.