

**AGENDA ITEM**

**REPORT TO CABINET**

**14<sup>th</sup> SEPTEMBER 2009**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**CABINET DECISION**

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

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

1. Summary

To provide a progress update on the 'Housing Futures' project, thereby enabling Members to decide upon their final ('preferred') option for the future ownership, management and maintenance of the Council's housing stock.

Pending Member approval of stock transfer, to seek approval for next stage actions as detailed in the body of the report to bring the project to a successful delivery stage.

2. Recommendations

1. Members acknowledge the publication of the Communities and Local Government (CLG) consultation paper 'Reform of Council Housing Finance' and the likely financial implications of this review for the Council (as detailed in paragraphs 7 – 11 of this report).
2. Members support transfer of the housing stock as their preferred delivery option to secure future stock and service investment needs, subject to financial assumptions regarding overhanging debt and the VAT shelter (as detailed in the body of the report).
3. Members support the work of the Joint Reference Group and their suggestions for a new landlord structure and approve the option to be pursued is the establishment of a new Registered Social Landlord (Tristar Homes) to form part of a new Group structure to be developed with Housing Hartlepool.
4. In order to move forward with the options for housing stock that is not sustainable, Members agree to a programme of consultation with local communities. Following this period of consultation, that delegated authority is given to the Corporate Director of Development and Neighbourhood Services in consultation with the Cabinet Member for Housing and Community Safety to develop appropriate regeneration proposals in conjunction with Tristar Homes.
5. Members approve the development of the draft Offer Document to tenants (should they choose stock transfer as their preferred option).
6. The principles of the Offer Document be presented to Council for final approval prior to being issued to tenants.

7. Pending Cabinet/Council approval of stock transfer, Members approve the governance arrangements for the new Registered Social Landlord and Council be requested to nominate four Directors of the Tristar Homes Shadow Board.

### 3. Reasons for the Recommendations/Decision(s)

To secure long-term funding that will ensure the provision of quality, appropriate and affordable social housing in sustainable communities. 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 considering the business is being held -

- in a 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;
- 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, subject to and in accordance with the provisions referred to above.**

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## DETAIL

### **Background**

1. Members will recall that in August 2007 a report was presented to Cabinet that explained whilst the establishment of Tristar Homes Limited (THL) as the councils Arms Length Management Organisation had ensured investment of circa £120million in capital funding (to achieve the decent homes standard), it was now timely to consider how we could build on this investment to ensure appropriate resources are available for on-going property and service improvements. Cabinet subsequently granted approval to undertake a stock option appraisal.
2. A number of criteria were developed in consultation with tenants and members (and agreed by Cabinet) that each of the potential options available to the Council would be evaluated against.

#### ***Members will recall the ten criteria were:***

- i. Secure appropriate investment to fund property and external environmental investment works i.e. stock improvements, car-parking provision, property and estate security improvements.
  - ii. Regenerate and rejuvenate our neighbourhoods.
  - iii. Meet the housing needs of the Borough (improve and increase the supply of affordable housing options for our tenants and residents).
  - iv. Meet the key national and local agendas (i.e. social inclusion, economic regeneration and the 'green agenda).
  - v. Rents to provide value for money (for both new and existing tenants).
  - vi. Tenants rights to be protected.
  - vii. Provide a 'local' management and presence.
  - viii. Ensure good communication structures with tenants.
  - ix. Deliver opportunities for 'real' tenant involvement, participation and influence at all levels
  - x. Ensure continuous service and quality improvement.
3. To inform the option appraisal we undertake a stock condition survey i.e. to identify the future repairs and maintenance liabilities of the housing stock over a 30-year period. The survey was concluded in November 2007 and whilst it acknowledged the substantial investment made in the housing stock over recent years (to bring properties up to the decent homes standard), it also 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. double glazed windows for all properties, 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.
  4. The report concluded that stock investment needs over the next 30 years totalled £593,767,930. In summary: -

<b>Total funding requirement over 30 years</b>	<b>£593,764,930</b>
Of which:	
Revenue investment <i>(i.e. cyclical responsive and void property works etc)</i>	£216,642,060
Capital investment <i>(to achieve a consistent standard and retain decent standard)*</i>	£377,122,870
<b>Amounting to an average per property of</b>	<b>£56,404</b>

*\*This does not include enhanced or aspiration improvements*

#### Option appraisal overview

5. Members will recall that the findings of the option appraisal were reported back to Cabinet on 6 November 2008. Cabinet was advised that should the Council wish to retain the housing stock there would be: -
- A shortfall of £81m over the 30-year investment period (even if all surpluses made on the revenue account were targeted towards the capital investment required).
  - A significant funding shortfall in the early part of the 30 years when investment was greatest and
  - No additional resources for service improvements.
6. In conclusion, Cabinet was advised that ***“unless Members, on behalf of tenants were prepared to accept a much lower standard of investment than is required, the only viable option available to the Council at this time is stock transfer”***. However as CLG were at that time undertaking a review the housing finance system, Members asked that an update report detailing the implications of this review be brought back to Cabinet before a final decision on stock transfer be made. On this basis Cabinet agreed to the following recommendations at the November 2008 meeting:
- Members acknowledged that stock transfer is currently the only viable option available to the Council to secure future stock and service investment needs.
  - Members supported 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).
  - Cabinet endorses the establishment of a Member Reference Group and the continuation of the Homes for the Future Tenants Group.
  - Agreed a further report be brought back to Cabinet following further exploration of the stock transfer.
  - Agreed a further report be brought back to Cabinet providing a detailed financial appraisal of the impact of stock transfer on the Councils General Fund.
  - 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.
  - Members supported 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.

The purpose of this report is to update members on work undertaken by officers since the November 2008 Cabinet and to seek endorsement for next steps.

## Housing Revenue Account (HRA) Review/Consultation

7. On the 30<sup>th</sup> June 2009 the Housing Minister, John Healey announced the findings of the long awaited Housing Revenue Account Review (with the consultation paper issued on 21<sup>st</sup> July 2009). The consultation period has now commenced and will conclude on the 27<sup>th</sup> October 2009. A summary of the responses to the consultation is expected in early 2010 and subject to satisfactory working with the local authorities and Parliamentary time, the Government expect the proposals to be legislated and to be in operation (at the earliest) by 2012 – 2013.
8. The main proposal of this consultation paper is to dismantle the current Housing Revenue subsidy system and replace it with a fairer, more transparent system; increasing local responsibility and accountability for councils and allowing local councils to keep all the rental income from tenants as well as any proceeds from Right to Buy sales to reinvest locally.
9. To enable the Government to dismantle the current subsidy system (which redistributes Housing subsidy, throughout the country) the Government propose a one-off reallocation of debt with the aim of putting all councils in a position to support their stock from rental income in the future. In order to achieve this each council will be required to secure an updated stock condition survey and prepare a 30-year business plan. The amount of debt attributable to a council will be based on the tenanted market value (TMV), the same valuation as used in the stock transfer model. This opening debt will be increased or decreased depending on whether the valuation is in surplus or deficit. The net effect of this is that some local authorities that are currently 'debt free' will have debt given to them while other councils who have high levels of debt will benefit from a reduction. We anticipate strong opposition to this proposal from Local Authorities that are currently 'debt free'. An alternative approach being considered is for the Government to hold all housing debt and charge each council for the cost of servicing an amount equal to the sum they would have been allocated. In either case some councils will pay more for debt than at present, while others will pay less.
10. In order to determine the implications of the HRA review on Stockton, we have financially analysed the proposals detailed in the consultation paper to plot the Authority's position. We have modelled the impact of the level of additional debt that would be allocated to Stockton and then compared this to the existing subsidy system. The financial scenarios modelled confirm that whilst the revenue account is sustainable, there would still be a **shortfall** in the 30-year capital programme (the programme of investment required in the stock condition survey). We have considered alternative means of funding and have identified that:
  - None of the proposed redistribution scenarios provide sufficient capital resources to meet the housing stocks investment needs during the first 5 years. It is unlikely that the Council could be allowed to prudentially borrow to meet this shortfall.
  - 1 option may deliver the 30-year investment needed, but only if investment works were deferred until sufficient revenue finance becomes available. Clearly this option is risky, as it would result in works being delayed for more than 5 years (potentially 'storing up' problems for a later day) and assumes additional revenue monies will become available to the Council, (which is not anticipated).
11. As the financial proposals contained in the HRA review are financially less advantageous than the current terms of stock transfer, we have concluded - "The Council is currently able to go ahead with its transfer proposal and this window of opportunity is likely to provide the best housing standards for existing and future tenants". On this basis Members are asked to confirm stock transfer as their preferred investment option.

## Exploration of the Stock Transfer – progress to date

12. Following earlier Cabinet approval to explore stock transfer a number of workstreams have commenced. They include:

a. Financial modelling/stock transfer valuation

13. Additional work has been undertaken to establish a more detailed stock valuation. Our valuation modelling includes the need to improve the housing stock in accordance with the stock condition survey requirements, undertake some environmental improvements (this could include fencing, additional external lighting, footpath repairs etc), plus the provision of limited funding to deal with non-sustainable properties. The valuation as explained in the previous Cabinet report is a unique valuation only used for the purpose of stock transfer.

14. The final valuation must be agreed with the Homes and Communities Agency (HCA) as it will affect the amount of debt the Government has to write off in a transfer situation. In summary, the Council has housing debt both before and as a result of the borrowing for the ALMO. We receive subsidy on an annual basis from Government to pay this debt. At the point of transfer, any positive capital receipt from the valuation (less admissible costs incurred by the Council and the set up costs of establishing the new transfer organisation) will be paid to Government to offset the debt we owe. On this basis the HCA are very strict about what can be included in a valuation and we have been in detailed consultation with them to determine the detail of our valuation. Communication is ongoing with the HCA and future meetings are programmed for late September 2009.

b. Landlord Selection

15. Following the November 2008 Cabinet an elected member reference group was established, initially to work alongside the already established Homes for the Future Tenants Group. The two groups quickly decided they would come together to work on the landlord selection process. The **Joint Reference Group (JRG)** was established with a remit to consider options for landlord choice before making a recommendation back to Cabinet for their consideration.

16. The Joint Reference Group consisted of 9 elected members of the Council representing all political parties and 9 tenants representing different parts of the borough. Also in attendance were 2 trade union representatives to ensure the views of the work force were also considered. An officer from the HCA North East (the agency responsible for both the overseeing and sign-off of the option appraisal process) also attended JRG meetings.

17. The process followed by the JRG is detailed below:

- The JRG first met in February 2009 to agree a terms of reference and a set of more detailed criteria against which potential landlord options would be judged.
- A long list of potential landlords (including both national and north east housing organisations) was evaluated by the JRG against the agreed criteria. Following this evaluation the JRG agreed a short-list of options. These options were:
  - I. Transfer to Tristar Homes as a newly created stand-alone Registered Social landlord (RSL).
  - II. Transfer to Tristar Homes as a newly created RSL, which would form a new Group structure with Housing Hartlepool (an existing RSL).
  - III. Transfer to Tristar Homes as a newly created RSL, which would form part of the existing Fabrick Group (alongside Erimus Housing and Tees Valley Housing Limited).

IV. Transfer to Tristar Homes as a newly created RSL, which would form part of the existing ISOS Group (alongside NomadE5, Castle Morpeth, and Milecastle).

- All four organisations were invited to make an initial expression of interest and following this were required to make written submissions based on the completion of a detailed questionnaire. The questionnaire covered areas such as their knowledge and track record; in dealing with stock improvement, in housing regeneration, partnership working, staff issues (including trade unions etc.), tenant involvement and community focus and financial management (value for money, procurement etc). The Councils appointed Lead Advisor - Tribal - in conjunction with senior Council officers initially evaluated written submissions. This evaluation was then presented to the JRG for their consideration. Following this evaluation a series of issues requiring clarification were highlighted and each organisations was then issued with a series of bespoke supplementary questions.
- The JRG undertook a showcase visit to each organisation and finally a formal interview of all partners was held.
- The work of the JRG concluded with a final assessment day on the 13<sup>th</sup> July 2009. It should be noted at all four submissions were of an extremely high standard. At the assessment day each submission and supporting information was considered in detail and ranked against the set criteria. Each JRG member then completed a preference sheet and asked to indicate the option they considered to be the stronger for each of the assessment criteria. If considered 'equal' JRG members were advised either to leave blank or provide a 'cross' for option. Preference sheets were then totalled to indicate an overall preference for each JRG member. **16 preference sheets were completed:**
  - Total number of preferences to transfer to Tristar Homes as a newly created stand-alone Registered Social landlord: **4**
  - Total number of preferences to transfer to Tristar Homes as a newly created RSL, which would form a new group structure with Housing Hartlepool: **11**
  - Equal scores: **1**

18. The results of this exercise were then shared with JRG members. All JRG members agreed that the report to Cabinet would state there was "**majority support for Housing Hartlepool and Tristar Homes in a new Group structure**" (on the basis of 11 preferences to 4).

19. In summary the key reasons for the choice of landlord preference were as follows:

*Transfer to Tristar Homes as a newly created RSL:*

- Tristar Homes is acknowledged to be a good organisation with a two star rating and promising prospects (Audit Commission) and they would continue managing the borough's council housing stock with this option.
- Tenants would be voting for a known brand in Tristar Homes.
- Tristar is based locally.
- Tristar is a good employer with high staff satisfaction.
- Tristar has a good knowledge of the housing stock and experience of carrying out housing improvements such as the extensive decent homes programme of works
- Tristar homes have excellent customer satisfaction ratings.



*Establishing a new housing Group:*

- Doubts were expressed over whether the wider expectations of the Council (specifically our new build and wider regeneration criteria) could be met with Tristar as a stand alone organisation in the early years of the transfer, due to limited business plan capacity and no established track record in these areas.
- The Group option offers wider benefits in terms of efficiencies; potentially improved capital borrowing rates, procurement, sharing of skills etc.

*Forming a new Group with Housing Hartlepool:*

- Housing Hartlepool is an established stock transfer organisation (5 years).
- It has available resources within its business plan that it can use to secure new build properties in the Borough (Housing Hartlepool has promised 100 new homes in the two years following transfer), thereby securing much needed new social housing. These properties will be branded as Tristar properties and Tristar will manage them. In addition Tristar will have the opportunity in the future to buy them from Housing Hartlepool, once it has the financial capacity within its own business plan (Tristar would benefit from the rise in capital values during this period).
- It has a track record and experience of moving forward regeneration.
- It has an impressive tenants involvement strategy including a tenant resource centre.
- It has offered to underwrite 50% of the Council's pre ballot risk should there be a negative tenant ballot.
- It has provided a clear commitment that no jobs will be lost as a direct result of the Group proposals.
- It has offered to provide interim loan finance to Tristar for one off set up costs at zero% interest (thereby saving the Council/Tristar borrowing costs).
- It will develop a joint funding prospectus to bring together Housing Hartlepool's existing business plan and funding portfolio with Tristar's portfolio - ensuring a critical mass and building on Housing Hartlepool's track record – thereby reducing funding risk and giving confidence to lenders and improving borrowing rates.

Members can be reassured that in the group option Tristar will be the asset owner of council former properties. Tristar will have its own business plan and Stockton rents will fund the proposed improvement programme in Stockton.

c. Non-sustainable housing stock

20. When developing a 30-year business plan it is the responsibility of the Council to ensure that investment is made in stock that is sustainable. On this basis, Members will recall that detailed sustainability modelling of the stock had been undertaken. To recap, all of the housing stock (divided into 44 local areas) was scored against a range of measures including; levels of crime and disorder, vacancy levels, stock turnover, number of people on the housing register, the number of tenants seeking transfer, stock condition needs etc. This work highlighted that two specific estates will require significant additional investment (along the lines of the Hardwick and Mandale regeneration areas).
21. The options for non-sustainable properties need to be further explored and it is proposed (pending Cabinet approval) to commence consultation with tenants of these neighbourhoods and for tenants to work with the Council on area regeneration proposals. All non-sustainable stock will transfer to Tristar, however a number of options are currently being explored and they include for example the proposal that as part of the stock transfer an agreement would be made with Tristar for them to demolish and hand a cleared site back to SBC (the costs incurred by Tristar plus the associated costs of home loss etc. are currently included in the stock valuation and in the new landlord business plan). The site would then be brought forward by a number of partners, potentially by the formation of a special purpose vehicle including the Council and the new RSL with likely input from the HCA plus a private sector partner. Ward Councillors have been consulted on the affected proposed regeneration areas.

## **The financial implications of stock transfer on the Council**

22. If the Council progresses with stock transfer there are a number of financial implications which given there would be no 'ring fenced' Housing Revenue Account (HRA) would impact on the Councils General Fund resources.

### **Revenue Implications**

23. The pre-ballot costs likely to be incurred by the Council are estimated to be £650,000. Of this, the costs of communicating the proposals to tenants would be met from the HRA. If the ballot outcome is successful remaining costs are 'admissible' and recovered from the transfer receipt. If the vote is unsuccessful, Housing Hartlepool has agreed to underwrite 50% of the admissible costs incurred by the Council.

24. Some services funded from the HRA will transfer to the new RSL; in this case the staff would be transferred under TUPE arrangements. These include for example; some valuation and estates services, Right to Buy administration and Arboricultural services. The new landlord will also purchase other services such as the housing adaptations service, concierge and some aspects of the ASB service directly from the Council under contractual arrangements. The Tenant Services Authority (one of the RSL regulators) will insist that such arrangements provide value for money. Therefore these services will be subject to value for money testing (not necessarily full tender exercises), potentially within the first 3-years of the transfer. Should these services not continue in their current form staff providing services under these contractual arrangements may be subject to deferred TUPE arrangements.

25. There are a number of costs charged to the HRA, which would not directly transfer to the new RSL. Whilst these costs have been challenged/reviewed by Heads of Service and subsequently reductions made, any residual costs would fall on the Council's General Fund. These are summarised below and are currently anticipated to be approximately £600k per annum (this is common in all transfer situations):

- Allocation of overheads (£230k)
- ICT capacity (£77k)
- Pension Deficit (£300k)

### **Other Revenue Issues**

26. Establishing agency agreements with the new landlord could generate ongoing cost savings. Some transferring authorities have for example entered into arrangements for maintaining the waiting list or managing choice based lettings.

27. With regard to the transfer of liabilities it is important that potential risks are mitigated as far as possible through the ongoing valuation negotiations. We need to ensure there is adequate provision for asbestos, subsidence, un-adopted infrastructure and to deal with environmental contamination. Any residual risk under the environmental warranties would be mitigated through appropriate insurance.

### **The Councils external debt**

28. The proposed transfer would involve writing off of the Council's remaining housing debt (referred to as "overhanging debt") by the HCA (AND this naturally requires their agreement). Discussions around this area are very technical; in summary the calculation for debt that is written off is usually calculated as a 'notional figure' (the capital subsidy financing requirement). This figure is usually higher than the 'actual housing debt', thereby giving a positive receipt to the Authority to help mitigate any potential costs and liabilities arising from the transfer. Discussions are ongoing with HCA to verify this position, if this were not to be the case it would create a revenue pressure of £600k per annum and seriously question the viability of the transfer. The clearing of debt would generate a saving

to the Council's General Fund of £0.93m in the first year, reducing thereafter by 4% per annum.

### Capital Resources

29. The Housing Capital Programme is partly funded through capital receipts generated from right-to-buy sales. We currently retain only 25% of such sales, one benefit of transfer is that the RSL will retain 100%.

30. Although the vast majority of capital expenditure will be funded by the RSL post transfer, some elements outlined below will remain with the Council.

Projected Capital Heading	Amount (£'000)
Home Repair Assistance	90
Priority Action Area Assistance	200
Staffing	120
Energy Efficiency	50
Facelift schemes	200
Fee Income	70
Disabled Facility Grants	440
<b>Total Capital Costs</b>	<b>1,170</b>

31. As part of the establishment of the RSL, the Council will negotiate to retain a proportion of the benefit of the retention of the full capital receipts in order to continue to fund the aforementioned capital schemes. This can range anywhere between 50% and 100%, and if say 75% were agreed, this would be £1.76m per annum in the first year, although this would diminish over time.

32. Most transfers benefit from a VAT shelter agreement. Local authorities are able to reclaim VAT spent on their housing stocks while RSLs are not. With the agreement of HM Revenue & Customs, the Council and the RSL enter into an agreement over the amount of future improvement works required at transfer. Thereafter the new landlord can reclaim VAT on major repairs and improvement costs covered by the agreement. The VAT shelter usually lasts for 10 years although there are now examples of 15-year arrangements. This can generate significant resources, which in other transfers have been shared between the council and the RSL. Our early discussions with HCA indicate they would expect 50% of the VAT shelter savings to be factored into the valuation, thereby reducing the level of 'overhanging' (outstanding housing) debt. Assuming agreement with the HCA on VAT sharing there would be a significant resource (potentially up to £10m) to feed into the negotiations with the new RSL. Failure to obtain an agreement on sharing the VAT benefit would impact on the viability of the transfer.

33. A combination of the VAT shelter and negotiated retention of capital receipts would secure the resources to fund the Capital Programme remaining with the Council over the medium to long term.

### Additional costs and risks

34. In addition to the costs detailed, the Council will also be exposed to risks under indemnities and environmental warranties that a new landlord requires at the date of transfer. These risks include items such as:

- Asbestos remediation
- Unadopted roads and infrastructure
- Subsidence

- Environmental contamination

A risk assessment will be carried out to identify and minimise these risks prior to transfer.

## **NEXT STEPS**

35. If Cabinet grants approval to move forward with the stock transfer there are a number of key work streams we will need to pursue:

### Development of an Offer Document

36. The Offer Document is the Council's offer to tenants. It sets out to tenants a series of 'promises' in relation to property improvements and the standards of service they would receive (and will specify for example arrangements for area management and tenant involvement/participations structures) should tenants vote in favour of stock transfer. The Offer Document also details to tenants the implications of a 'No vote'.
37. It is essential that the Offer Document reflects the aspirations of tenants, the resource levels available to the new RSL and is shaped by the Council. Much of the detailed work to develop the Offer Document will be undertaken in consultation with the established Housing Futures Customer Group supported by the Independent Tenants Advisor. There will also be ongoing communication with all tenants during this period (via newsletters/meetings etc.) to ensure tenants views are fed into the developing Offer Document.
38. As we progress all elected members will have the opportunity to be actively involved in identifying property and service improvements via Drop-In sessions and briefings. In recognition of the ongoing role of members a protocol between the Council and the new landlord detailing communication and involvement post transfer will also be developed.
39. Prior to ballot the principles of the Offer Document will be brought back to Cabinet (currently programmed for January 2010) and Council for final approval. At this stage we are aiming for a Spring 2010 ballot.

### Establishment of a Shadow Board

40. Prior to ballot the new RSL will need to begin the legal process of establishing a new shadow board. It is recommended in accordance with current practise the Board will consist of 12 members and offer equal representation: 4 representatives of the Council, 4 tenant representatives and 4 independent members. It is proposed the 4 Council representatives are elected members nominated by the Authority (nominations for these positions will be sought at Council on 21.10.09).
41. In terms of establishing the Shadow Board, tenants' representatives will be appointed following a selection process (agreed with tenants representatives), council nominees will be sought at Council and independent board members will be selected via a skills audit based on guidance available for developing an RSL Board. Some of the existing ALMO independent board members who have the necessary skills may wish to apply for the positions. It is anticipated that the position of chair will be appointed to by the shadow Board.
42. Once the shadow board is established it will act independently from the current ALMO Board. The current ALMO board will cease at the point the new RSL is legally established (at the point of transfer).

### The Group Board

43. Work will also need to be undertaken in conjunction with Housing Hartlepool to establish a new Group board and staffing structures. Whilst the new Group would not come into play until after ballot it could operate in a shadow form before then. In accordance with current

practice the Group Board will consist of 9 board members, 3 from the newly created Tristar Board, 3 from the Housing Hartlepool Board and 3 Independents to be chosen by the initial 6 appointments subject to a skills assessment. It is anticipated that the position of Group Chair will be an independent, which would be appointed by the Group Board.

#### The Group staffing structure

44. All efforts will be made to manage the costs in the new Group staffing structure. The majority of group posts are likely to be populated by existing staff, following a skills assessment. In addition, over time any initial duplication of posts between the Group and two partner RSLs will be ironed out via staff vacancies and natural wastage etc.

#### Conflicts of Interest

45. Members and Officers will need to avoid any conflicts of interests, both actual and perceived, before, during and after the ballot of tenants. Guidance issued by the Office of the Deputy Prime Minister recommends an appropriate degree of independence between the disposing Authority and the prospective acquiring new landlord to avoid conflicts of interests arising or any perception of such conflict. A protocol has been issued by the Director of Law and Democracy to assist Members and Officers in this process. However, specific advice can be sought from the Director of Law and Democracy and the Head of Legal Services.

#### Further negotiations on financial implications

46. As the Offer Document is being devised negotiations will continue between the Council and the proposed new RSL to further develop the detail of the financial arrangements post transfer and means of mitigation to the Council.

#### Corporate Issues/Assets

47. As with financial issues there is also work to do in relation to; drafting a schedule of land that will transfer and the future ownership of estate shops (specifically those which have secure tenants above). As with the financial issues a further report will be presented to Cabinet detailing progress in these areas.

#### Staffing Issues

48. There will be a number of staffing issues as part of the proposed transfer and these will need legal advice and the involvement of senior staff from Human Resources from the Council, the new RSL and Housing Hartlepool to take forward issues relating to TUPE and pensions etc.

#### Communications

49. Effective communication will be essential throughout the transfer process. Our appointed communications consultant (IPB) will be working alongside us to develop effective communications with tenants, elected members, staff (across the partner organisations) and other key stakeholders.

#### Retained services

50. Implications for retained services post transfer are also being considered. The impact of transfer is not as significant as in traditional transfers as many of the issues were resolved during the ALMO set up.

#### Ongoing involvement with CLG, HCA and TSA

51. Throughout the next stages of this process we will continue to liaise with a number of key organisations who will be key to agreeing and supporting the process.

### Management of the process

52. A Project Board has already been established and consists of senior staff from across the Council. The Board will continue to meet monthly with a remit to steer the project forward, risk assessing key areas and ensuring the project plan is followed. A Joint Project Team will be established to include the managing directors of Tristar and Housing Hartlepool and council officers supported by our appointed consultants. It is anticipated the Joint Project Team will need to meet fortnightly to ensure key milestones are actioned and a Spring ballot is achieved.

### **FINANCIAL IMPLICATIONS**

Financial implications are set out in the main body of the report.

The remaining key financial risks to the Council relate to the uncertainty surrounding the VAT shelter, the level of debt write-off by HCA and the negotiation of retention of RTB capital receipts.

### **LEGAL IMPLICATIONS**

To ensure that the Council is appropriately advised throughout this process a senior Legal Officer sits on the Project Board and a specialist external legal advice has been procured to ensure that the Council's interests are protected.

### **RISK ASSESSMENT**

Stock transfer has been classified as a high-risk project. A risk assessment plan has been drafted and appropriate management systems are in place to control and reduce ongoing risk. In addition IPB our communication consultants have extensive experience of tenant ballots and will be market-testing tenants' opinion before we finalise the ballot date which will further reduce the risk. Ongoing risk assessment will also be a key area for the Project Board to manage.

### **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. It has been agreed with the Councils Equality and Diversity Team that an EIA will be undertaken on both the Consultation Plan and the Offer Document. This will be reported back to members in a future Cabinet report.

### **CONSULTATION INCLUDING WARD/COUNCILLORS**

Tenants and leaseholders: Ongoing communication has been maintained via the publication and distribution to each council property of the 'Your Home, Your Say' tenants newsletter. The

newsletter provides regular project updates and seeks tenants' views/opinions on key issues. In addition, Officers of the Housing Service have attended a series of tenants and residents meetings.

Ward members: Members have been consulted at key stages of the project i.e. a Member seminar was held in September 2007 at the inception of the exercise and further members briefs held before the November 2008 Cabinet. In addition the Joint Reference Group (which undertook the Landlord Choice process) included nine councillors, representative of the various political parties. Following the conclusion of the Landlord Choice further Member Drop-In sessions were held in August/early September 2009; all ward members were invited to attend.

All Members also receive copies of the 'Your Home, Your Say' newsletters before distribution to tenants.

Other key stakeholders: a progress report has also been tabled at the Renaissance partnership and the Housing and Neighbourhood Partnership.

Future consultation: During the pre-offer stage tenants, leaseholders and members will continue to be key consultees.

**Name of Contact Officer: Julie Nixon**  
**Post Title: Head of Housing**  
**Telephone No. 01642 527072**  
**Email Address: Julie.nixon@stockton.gov.uk**

Background Papers

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

Housing Futures Report to Cabinet 6<sup>th</sup> November 2008

CLG consultation paper Reform of Council House Finance July 2009

Ward(s) and Ward Councillors:

All

Property

The transfer of the housing stock will mean the Council will no longer be the owners of the stock. Consideration is being given as part of the transfer programme as to other assets that will/may need to be transferred such as some of the housing land, estate shops etc. More detail on what is required and the implications will be detailed in a future Cabinet report.