

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting14th January 2010

1. Title of Item/Report

Housing Futures (Options for Future Investment)

2. Record of the Decision

Members were reminded that in September 2009, Cabinet formally endorsed 'stock transfer' as the Authority's preferred delivery option to secure future stock and service investment needs. Since then a number of key work streams had been taken forward including; the establishment of the new-style Tristar Homes Shadow Board, identification of 'other' assets that may transfer (for example associated land and estate shops), consultation with tenants in estates that were deemed not to be sustainable in the long term, ongoing financial modelling, the development of the Offer document and critically negotiations with the Homes and Communities Agency (HCA) leading to the submission of a formal Transfer Application. A progress summary of each was provided to Members.

The Shadow Board had met on a number of occasions to progress the business of the potential new landlord.

It was explained that as part of the transfer the Council needed to consider if it was appropriate to transfer associated assets such as estate shops, land and park and cemetery lodges.

Members noted the position with regard to these and it was explained that on completion of further work reports relating to shops and land would be presented to Members.

With regard to the 11 properties within the HRA which were either park or cemetery lodges it was suggested that, given 'strategic' importance of these properties, in terms of future regeneration, their location in terms of accessing the various parks/cemeteries, as well as practical issues such as occupancy linked to employment they should be retained by the Council. Advice has been sought from the Council's legal advisors who have confirmed it was possible for the Council not to include these properties in the transfer (and still close the Housing Revenue Account), however to achieve this they would need to be transferred to the General

Fund which will require Secretary of State consent.

Members noted the extensive consultation that had been undertaken with tenants in un sustainable areas.

It was explained that two key areas of work have been progressed in terms of the financial modelling:

Mitigating the implications of stock transfer on the Council:

Members were reminded that the proposed transfer would involve writing off the Council's remaining housing debt (referred to as "overhanging debt") by the HCA. The calculation for debt that was written off was usually calculated as a 'notional figure' (the capital subsidy financing requirement). In Stockton this figure was 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. 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.. The Council had made a formal Transfer Application to the HCA and as part of the HCA assessment and sign-off process the Authority expected a formal response on this issue.

Members note that if the 'notional' debt write off position was not achieved it would create a revenue pressure in the region of between £600k/£800k per annum and seriously question the viability of the transfer. On this basis Members were asked to agree to proceed to formal tenant consultation on the understanding that the HCA make a favourable reply back to the Council. If it is not, an urgent report would be brought back to Cabinet.

Stock valuation financial modelling and the new landlord Business Plan

As part of the Authority's Transfer submission, the Council was required to submit a Single Transfer Model (SMT), the STM detailed, for example; the stock valuation, details of the new landlords investment plan, details relating to the Housing Revenue Account debt, the cost of funding the transfer (i.e. the level of private finance required) and how the transfer proposal provides value for money to the Government and hence the taxpayer.

Members noted that following Cabinet approval to progress transfer immediate contact was made with the HCA to commence the transfer negotiations. At the HCAs request a letter was sent to both the HCA and the Communities and Local Government Department (CLG) to re-affirm the Authority's position on transfer and significantly that this decision had

been taken following detailed consideration of the ongoing HRA review.

On the 22nd October 2009, a meeting was held with HCA representatives (London and North East). At this meeting the Authority sought clarification on timescales for a formal Transfer Application. The HCA strongly advised the Council that if it wanted to progress transfer (on the current more advantageous terms and not those proposed as part of the HRA review) that it needed to submit both the Transfer Application (with the associated financial modelling) and the draft Offer document by the end of November 2009.

Despite earlier attempts to clarify timescales, this was the first time this submission timetable had been raised by the HCA and was considerably earlier than the Authority had been working to.

As members will recall the financial proposals contained within the HRA review regarding stock transfer were financially less advantageous than the current terms of transfer, on this basis it was vital that the Council moved forward as a matter of urgency to ensure that we did not lose this 'window of opportunity'. Following the HCA meeting a submission date of the 27th November was agreed and a formal request made by the Authority that the HCA assess the Authorities application and formally replied by the 8th January 2010.

To ensure this new application timetable was achieved officers of the Housing Service in partnership with Tristar Homes revised the Housing Futures project plan and fast tracked these critical areas of work. It had been originally anticipated that as the Offer document developed that members would be involved and be provided with the opportunity to comment on early working drafts, unfortunately given the new timetable this was not viable. Immediate contact was made by the Head of Housing to the Cabinet Member for Housing and Community Safety and each party Leader to explain the revised submission timescales and the implications of this. With their agreement a draft copy of the Offer Documents was issued to each for comment before the final version was submitted. To ensure that all Members were aware of the commitments/promises detailed in the Offer two briefings had been held prior to Cabinet.

It was vital (and a clear expectation of both the HCA and TSA – Tenant Services Authority) that the Offer was developed by tenants for tenants and that the commitments detailed in it have been fully costed up and could be afforded by the new landlord. To recap, the Offer document was the Council's offer to its tenants, it set out to tenants a series of 'promises' in relation to both property and service improvements and clearly detailed the implications of either 'staying with the Council' (a 'no'

vote) or transferring to the new-style Tristar Homes (a 'yes' vote).

To achieve the new Offer document timetable the Housing Futures Customer Group – HFCG (the tenant consultation group) supported by their appointed Independent Tenants Advisor agreed to meet with Officers of the Council and Tristar on a weekly basis. These meetings have enabled the Council to draft a document that truly reflects the aspirations and priorities of tenants. Without the time commitment made by members of the HFCG the Council would not have developed the Offer and on this basis Members are asked to 'formally thank' HFCG members.

A copy of the draft Offer document was provided to Members. Before the Offer could be issued to tenants it needed to be signed-off by both the HCA and TSA, on this basis Cabinet was asked to endorse the current document and delegate any final revisions or amendments to the Director of Development and Neighbourhood Services in consultation with the Cabinet Member for Housing and Community Safety.

To ensure that the Council was in a position to take full advantage of the current 'transfer window' it was imperative that once the HCA approved the Councils Transfer Application (and Offer document) that we proceeded immediately to the formal stages of consultation with tenants. The timetable for consultation was prescribed by Government and detailed below:

- Offer Document issued to each secure and introductory tenant (Stage 1). This would be followed by a 28 day consultation period, in this period tenants would be invited to provide feedback (via pre-paid reply cards) on the transfer proposal.

- The Council would then take account of tenants' comments and decide whether the transfer proposal needed to be altered and whether to proceed to ballot.

- If the Council decided to go ahead a letter would be sent to all tenants (called a Stage 2 letter).

- A confidential ballot would then be organised by the Council (to be carried out by an independent organisation – the Electoral Reform Society). A 28 day ballot period was considered to be the norm.

1.To ensure any unnecessary delays which would adversely affect the Authorities transfer proposal Members were asked pending:

- i).Formal sign-off of the Authorities Transfer Application and securing

Ministerial approval for transfer and

ii).The position regarding the write-off of housing debt is clarified as detailed in paragraphs 14/15.

to proceed with the formal stages of tenant consultation (and ultimately a tenant ballot).

In addition, delegated approval be given to the Corporate Directors of Development of Housing and Neighbourhood Services and Law and Democracy in consultation with the Cabinet Member for Housing and Community Safety to consider all feedback received following the issuing of the Offer document, decide whether any changes are required and following this assessment make a final decision to proceed to ballot.

A report detailing the outcome of the tenant ballot would be reported back to Members.

RESOLVED that:-

1.Subject to Secretary of State approval that 11 park and cemetery lodges are transferred and appropriated using powers in Section 19 of the Housing Act 1985 from the Housing Revenue account to the General Fund.

2.Subject to receiving ministerial approval and approval in principle regarding the write-off of housing debt (as summarised in the report) that formal tenant consultation is carried out with tenants on the transfer proposal.

3.Delegated authority be given to the Corporate Director of Development and Neighbourhood Services to consider comments received following the issuing of the Stage 1 consultation (Offer document to tenants) and to determine whether any changes are required, in consultation with the Cabinet Member for Housing and Community Safety.

4.Following the above, to authorise the Corporate Director of Development and Neighbourhood Services to make a final decision on whether to proceed to ballot (Stage 2 tenant consultation) in consultation with the Cabinet Member for Housing and Community Safety.

5. Members formally thank the Housing Future Customer Group for their hard work and commitment in working with the Council to develop the offer.

6. A further report is brought back to Cabinet on assets, the financial

implications of stock transfer, means of mitigation to the Councils General Fund and the outcome of the tenants' ballot.

RECOMMENDED to Council that:-

7.The draft Offer document be endorsed.

8.Subject to the above, delegated authority be given to the Corporate Director of Development and Neighbourhood Services to make any final revisions to the Offer Documents (prior to going to print) in consultation with the Cabinet Member for Housing and Community Safety.

3. Reasons for the Decision

To secure long-term funding that would 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. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

None

6. Details of any Dispensations

Not Applicable

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

By no later than midnight on Friday 22nd January 2010 in respect of resolutions 1 – 6.

Proper Officer
18 January 2010