

# Item 4

**KEY DECISION**

**REPORT TO CABINET**

**8th NOVEMBER 2007**

**DIRECTOR OF HOUSING**

## **HOUSING PORTFOLIO**

### **RESOURCING LARGE SCALE VOLUNTARY TRANSFER – APPROVALS UP TO BALLOT**

#### **1. SUMMARY**

- 1.1 On 7 June 2007 Cabinet considered and approved a report (minute reference CAB.25/07 refers) recommending that it would be prudent to revisit the strategic options to consider how the future investment needs of the Council's housing stock can be met whilst ensuring its ongoing effective management. The study has been set within the context of national and local policy changes over the last two years and builds on much of the intelligence available to the Council through the continuous updating of its information base around its housing stock and the wider needs of its communities.
- 1.2 Cabinet on 11 October 2007 (minute reference CAB.81/07 refers) recommended to full Council on the 26 October 2007 (minute reference C.56/07 and C.56/07 refers) that the preferred option for the future ownership and management of the Council's housing stock was to seek the Large Scale Voluntary Transfer (LSVT) to a stand alone Register Social Landlord (Housing Association). The delivery of a successful LSVT requires a significant financial commitment to provide for expert consultant services, staffing resources and other costs in the pre and post ballot phases.

#### **2. RECOMMENDATIONS**

- 2.1 That the following consultants are appointed to support the Large Scale Voluntary Transfer up to the Ballot: -
- Lead Consultant – Savills.
  - Legal Consultants - Trowers and Hamlins.
  - Independent Tenants Advisor – Priority Estates Project.
  - Communications – IPB Communications.
- 2.2 That the resources identified in the Section 5 of the report are approved to support the LSVT project; to note that Management Team will monitor the project corporately and will report to Cabinet from time to time and, where necessary, may seek further approvals for resources
- 2.3 That a risk based assessment is undertaken of the staffing resources needed to deliver the LSVT. That this assessment is used to identify the skills and competencies required within the LSVT implementation team.

### 3. DELIVERING A SUCCESSFUL LSVT

3.1 Council recommended on the 26 October 2007 Large Scale Voluntary Transfer (LSVT) as the preferred option for the future ownership and management of the Council's housing stock to a stand alone Register Social Landlord. The timetable for the delivery of the project is yet to be finalised and will be subject to future guidance on LSVT arrangements by the Department of Local Government and Communities (DCLG). However if the transfer of the housing stock (which will be subject to a successful ballot of tenants) from the Council to a new Housing Association is to occur between January and March 2009 then a ballot would be required no later than early summer 2008. This timetable will require the effective mobilisation of a variety of resources and skills to delivery the project.

3.2 The LSVT project requires a significant range and volume of work to be undertaken up to (and after) the ballot. In order to support a successful LSVT there are considered to be two main work streams, these are firstly '**communications**' with tenants, members, employees and other stakeholders. Secondly the '**technical**' aspects of supporting the transfer. The LSVT project will require a range of resources to ensure it can be effectively delivered, these are set out in broad terms below: -

- Staffing capacity through the establishment of an internal Council team to deliver an effective Communications Strategy with key stakeholders including tenants, leaseholders, employees and Members.
- The corporate and landlord capacity to deal with the technical aspects of the LSVT project.
- Financial resources to appoint the necessary consultants, to meet any employee costs over the existing structure required to support the LSVT, to meet other costs such as implementing show homes possibly in each housing management area, updating the stock condition survey, booking of meeting venues, production of consultation materials etc.

3.3 A main project team consisting of the consultants and key Council officers will ensure the LSVT is effectively managed and implemented up to the ballot of tenants. However to ensure the effective corporate coordination of the LSVT regular reports will be made to the Council's Corporate Management Team which will act as a Project Board for that purpose .In that capacity Management Team will submit further reports to Cabinet from time to time and may seek additional approvals for resources where necessary. This approach will be supplemented by an internal project team consisting of the officers detailed below who will meet as necessary to support the LSVT effective implementation.

- Deputy Chief Executive,
- Director of Resources,
- Director of Housing
- Borough Solicitor,
- Head of Organisational Development,
- Head of Housing Management,
- Head of Property Services,
- Head of Housing Business Development.

#### 4. LSVT – APPOINTMENT OF CONSULTANTS

- 4.1 It will be necessary to appoint a range of consultants to assist the Council in undertaking the LSVT project. Each consultant brings specific skills and experience that are essential if LSVT is to be successful. The required consultants and their roles are set out below in brief:-

**Lead Consultant** - provide project management support, coordinate the overall LSVT project including the development of the shadow board, business planning advice and work closely with the other consultants and organisations as necessary to support the Council in taking forward the project.

**Legal Consultant** - provide advice on all legal matters in consultation with the Council's legal services in the run up to the ballot, advise the Council on the type of organisation to receive the stock, the Company's legal constitution and the statutory consultation process.

**Independent Tenants Advisor (ITA)** - The role of the ITA is to offer independent and impartial advice to tenants throughout the LSVT process, this role is required to comply with DCLG guidance.

**Communications Consultant** – Develop and implement an agreed communications strategy in consultation with the Organisational Development Section's internal resource, leading up to the ballot including supporting the preparation of newsletters, production of a DVD and development of the formal offer document etc.

- 4.2 These consultants relate to the implementation of the landlord element of the transfer and the Council would need to determine what external support it requires to support the corporate element of the LSVT project at an appropriate point in the process. The normal arrangements for a transfer are to appoint these consultants up to the point of the ballot, following a successful ballot there is a requirement to seek further external support in establishing the RSL, particularly where the RSL is a stand alone organisation.
- 4.3 The updating of the Council's Stock Options Appraisal Study required the appointment of a lead consultant with suitable experience of this area of work along with an ITA to support the Council and tenants through this complex process in a relatively short timescale. The delivery of the LSVT up to the point of ballot will build on the work carried out in updating our stock options appraisal study. Set out below are details of the arrangements for the engagement of consultants to support the LSVT project.

**Lead Consultant** – Savills consultancy were appointed to support the updating of the Council's Stock Options Appraisal Study. Savills are a market leader delivering in delivering LSVTs. It is essential to ensure the capacity and continuity of support is in place to move the LSVT project forward within the timescales agreed. Therefore negotiations have taken place to extend the existing arrangement with Savills whilst delivering value for money. It is recommended that Savills are appointed as lead advisor to take forward the LSVT.

**Legal Consultant** – The legal work associated with the delivering a ballot is specialist in nature with a limited number of consultants having the necessary experience to provide this service. Quotations were sought from three leading firms specialising in this area of work. Towers and Hamlin Solicitors returned the most

economically advantageous quote and it is recommended they are appointed as legal consultants.

**Independent Tenants Advisor** – Priority Estates Project (PEP) supported the updating of the Council’s Stock Options Appraisal Study. PEP have broad experience in supporting tenants through the LSVT process, it is also essential to ensure the capacity and continuity of service is in place to move the project forward within the timescales agreed. Therefore negotiations have taken place to extend the existing arrangement with PEP whilst delivering value for money. It is recommended that PEP are appointed as the ITA.

**Communications Consultant** - The communications work associated with the delivering a ballot is specialist in nature with a limited number of consultants having the necessary experience to provide this service. Quotations were sought from three leading firms specialising in this area of work for the core elements of delivering a Communications Strategy. IPB communications returned the most economically advantageous quote and it is recommended they are appointed as communications consultants.

## 5. RESOURCE IMPLICATIONS

5.1 The delivery of the LSVT project will require sufficient resources to meet both consultancy costs and other key work streams. The costs to deliver the first stage of the LSVT project up to the ballot are set out in the tables below, however these costs represent the landlord costs only at this stage. Further approvals for the commitment of resources are envisaged and will be reported separately. Table 1 below sets out the consultancy costs required to deliver the ballot.

**Table 1 Consultancy costs**

<b>Cost Area - Consultancy</b>	<b>Cost (£s)</b>	<b>Comment</b>
Lead - Savills	48,750	Expenses capped at 15% of the total.
Legal – Trowers and Hamlin	15,000	Expenses capped at 15% of the total.
ITA – Priority Estate Project	26,950	Expenses capped at 15% of the total.
Communications - IPB	27,220	Inclusive of Expenses
Total	122,920	
<b>Total</b>	<b>131,525</b>	<b>Inclusive of Expenses</b>

5.2 There are a range of other key elements that will make up the effective delivery of the LSVT project these include the following broad elements:-

- Implementation of the communications strategy including production of newsletters, DVD, Formal offer document and undertaking the ballot.
- Establishment of LSVT team to take forward the implementation of the project. This composition of this team will reflect the capacity levels, skills and competencies required, which will be determined following a detailed risk assessment. In the meantime a temporary team of initially three volunteers with further administrative support to be identified as required, will be

established from within the Housing Department to ensure early progress and to facilitate the establishment of the main implementation team.

- Renewing the stock condition survey. The updated survey is used to develop the investment “promises” to tenants and these form a fundamental part of the formal offer document. Further detail is provided in paragraph 5.3 of this report.
- It is prudent given the complex nature of the project and timescales for its delivery to include a contingency element with the budget.

Initial estimates of costs for these areas is £280,000.

- 5.3 The updating of the Stock Condition Survey is a key element of develop a robust business plan for the new Housing Association and would be a requirement of the Housing Corporation and funders. It will be necessary therefore to carry out a full update of the survey to support the LSVT project. Therefore negotiations have been entered into independently with Savills who carried out the last survey, the work will be procured in accordance with the Council’s Contract Procedure Rules.
- 5.4 A final key element of a successful LSVT project is the use of show homes to demonstrate to tenants the levels of investment they would receive if the ballot were successful. Suitable arrangements will have to be made to implement such show homes from the Housing Capital Programme if they are to form part of the communications strategy.
- 5.5 In total the initial estimates amount to £411,525. In the event of a successful transfer then these costs would all be recovered from any capital receipts associated with the sale of stock to the new RSL. However, in the event of a no vote these cost would fall upon the council and those costs not related to consultation would fall to be met from the General Fund. The estimate split of identified costs is 60% HRA and 40% General Fund and it is considered prudent to earmark reserves to cover the costs at this stage.

## **6. CONSULTATIONS**

- 6.1 Early discussions have started with key stakeholders including the Department of Communities and Local Government, Housing Corporation, Audit Commission and Durham County Council regarding the implementation of the Council’s preferred option.
- 6.2 Consultations with employees within the Housing Department will be held to establish their early views/opinions on the actions/decisions necessary to ensure the success of this project.

## **7. OTHER MATERIAL CONSIDERATIONS**

### **7.1 Links to Corporate Objectives/Values**

The contents of this report support the Council’s Community Outcome of a Borough with Strong Communities, where residents can access a good choice of high quality housing. The Council’s ambitions, which are linked to this Community Outcome, are articulated through the Corporate Plan and the Medium Term Financial Plan. Importantly ambitions include delivering a Borough with Strong Communities with good quality affordable housing in safe neighbourhoods. The preferred option would

ensure the Council's housing stock could continue to support these objectives into the future.

## 7.2 Risk Management

The two key risks associated with the LSVT project are:-

- i. The failure to deliver a successful ballot.
- ii. The failure to develop appropriate capacity to deliver the LSVT project plan within the timescales identified.

A STORM assessment will be undertaken of these two key risks to inform the methodology of reducing them to an acceptable level.

## 7.3 Health & Safety

No additional issues have been identified.

## 7.4 Equality & Diversity

Full account will be taken of the Council's obligation to promote equality and diversity in the development of this project through the direct involvement of the Organisational Development Section.

## 7.5 Legal & Constitutional

Further detailed advice and support will be required from the Council's Solicitor in delivering the preferred option. The Solicitor advises that Members and Officers should note the relevance of the report approved by Standards Committee on 10<sup>th</sup> February 2005 entitled "Report to Sedgefield Borough Council - Conflicts of Interest and Decision Making Arrangements". This report gives guidance on potential probity issues during the process of decision taking. The Council's Solicitor will circulate copies of that report shortly in order to appraise members and officers, albeit that the guidance does not supersede the revised Member Code of Conduct, which is also material to this process.

## 7.6 Sustainability

No additional issues have been identified.

## 7.7 Information Technology

No additional issues have been identified.

## 7.8 Crime and Disorder

No additional issues have been identified.

## 7.9 Human Rights

No additional issues have been identified.

## 7.10 Social Inclusion

No additional issues have been identified.

## 7.11 Procurement

The Council's contract procedure rules will be followed with regard to the procurement of consultancy services and other requirements detailed in section 5 of the report.

## 8. OVERVIEW AND SCRUTINY IMPLICATIONS

8.1 There are no Overview and Scrutiny Implications of this report.

## 9. LIST OF APPENDICES

9.1 None

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**Ward(s)** All

### Key Decision Validation:

Decision is likely to result in the Council incurring expenditure, or making savings of £100,000 or above.

### Background Papers:

Report to Cabinet 21 June 2007 – Updating in the Stock Options Appraisal Study  
Report to Cabinet 11 October 2007 – Updating in the Stock Options Appraisal Study  
Report to Council 26<sup>th</sup> October 2007 – Updating in the Stock Options Appraisal Study  
Report to Council 26<sup>th</sup> October 2007 – Choice of Landlord

### Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Council's Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Council's S.151 Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. The report has been approved by Management Team	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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