

COUNCIL

Friday,

26 October 2007

11.00 a.m.

Council Chamber,
Council Offices,
Spennymoor

AGENDA and REPORTS



01388 816166



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العربية (Arabic)

إذا أردت المعلومات بلغة أخرى أو بطريقة أخرى، نرجو أن تطلب ذلك منا.

বাংলা (Bengali)

যদি আপনি এই ডকুমেন্ট অন্য ভাষায় বা ফরমেটে চান, তাহলে দয়া করে আমাদেরকে বলুন।

(中文 (繁體字)) (Cantonese)

如欲索取以另一語文印製或另一格式製作的資料，請與我們聯絡。

हिन्दी (Hindi)

यदि आपको सूचना किसी अन्य भाषा या अन्य रूप में चाहिये तो कृपया हमसे कहे

polski (Polish)

Jeżeli chcieliby Państwo uzyskać informacje w innym języku lub w innym formacie, prosimy dać nam znać.

ਪੰਜਾਬੀ (Punjabi)

ਜੇ ਇਹ ਜਾਣਕਾਰੀ ਤੁਹਾਨੂੰ ਕਿਸੇ ਹੋਰ ਭਾਸ਼ਾ ਵਿਚ ਜਾਂ ਕਿਸੇ ਹੋਰ ਰੂਪ ਵਿਚ ਚਾਹੀਦੀ, ਤਾਂ ਇਹ ਸਾਥੋਂ ਮੰਗ ਲਓ।

Español (Spanish)

Póngase en contacto con nosotros si desea recibir información en otro idioma o formato.

اردو (Urdu)

اگر آپ کو معلومات کسی دیگر زبان یا دیگر شکل میں درکار ہوں تو برائے مہربانی ہم سے پوچھیے۔

AGENDA

1. APOLOGIES

2. DECLARATIONS OF INTEREST

To notify the Mayor of any items that appear later in the agenda in which you may have an interest.

3. UPDATING THE STOCK OPTIONS APPRAISAL STUDY

Report of Director of Housing (Pages 1 - 8)

4. LARGE SCALE VOLUNTARY TRANSFER - CHOICE OF LANDLORD

Report of Director of Housing (Pages 9 - 14)

B.Allen
Chief Executive

Council Offices
SPENNYMOOR

Councillor Mrs. S. J. Iveson (Mayor) and

All other Members of the Council

ACCESS TO INFORMATION

Any person wishing to exercise the right of inspection in relation to this Agenda and associated papers should contact
Liz North 01388 816166 ext 4237 email:enorth@sedgefield.gov.uk

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Item 3

ITEM NO

REPORT TO COUNCIL

26TH OCTOBER 2007

DIRECTOR OF HOUSING

HOUSING PORTFOLIO

UPDATING THE STOCK OPTIONS APPRAISAL STUDY

1. SUMMARY

1.1 Sedgefield Borough Council was one of the first Councils to complete the Government requirement to undertake a Stock Options Appraisal on the future investment and management of its housing stock in 2003. The preferred option as a result of the study was to seek to transfer the ownership of the Council stock to a Registered Social Landlord. This option was subjected to a tenants vote in July 2005, which resulted in the Council retaining its housing stock.

1.2 On the 7th June 2007 Cabinet considered a report that recommended that it would be prudent to revisit the strategic options to consider how the future investment needs of its 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. This report recommends a preferred option for the future management and maintenance of the Council's housing stock based on three key drivers:-

- The outcome of a financial modelling on the future investment needs of the housing stock set against the available resources over the next 5 years,
- The findings of the Council's Stock Options Appraisal Group,
- The findings of survey of all the Council tenants.

The other elements set out in the Stock Options Appraisal Guidance issued by the Government in 2003 have been considered as part of the research to support the outcome of the study.

2. RECOMMENDATION

2.1 That Large Scale Voluntary Transfer be pursued as the preferred option for the future ownership and management of the Council's housing stock subject to further consultation with relevant stakeholders

3. UPDATING THE STOCK OPTIONS STUDY

3.1 The Government in the Sustainable Communities Plan 2003 required each housing stock owning local authority to undertake a formal 'options appraisal' to determine the preferred option to meet the investment needed to achieve the Decent Homes

Standard, tenants aspirations and to support wider plans for delivering sustainable neighbourhoods and regeneration of the Borough. The Council recommended on 12th September 2003 that Large Scale Voluntary Transfer (LSVT) to a Registered Social Landlord (RSL) was the preferred option for the future ownership and management of its housing stock. Tenants support was sought for the LSVT by undertaking a formal ballot in June 2005, which resulted in the Council retaining its stock.

3.2 Since this date national and local policy changes have emerged that mean it is prudent to revisit our Stock Options Appraisal. The key issues that have emerged as part of this changing policy environment are:-

- Increasing construction costs and the impact on the delivery of the Decent Homes programme.
- Tenants aspirations remain at a higher level than the Decent Homes Standard and are closer to the asset management standard for our stock. This is resulting in increasing pressure from tenants to see investment in their homes and estates above the minimum Decent Homes standard.
- Changes to the housing subsidy system, which has seen increasing levels of resources withdrawn from the housing service. In the current financial year this is excess of £3 million and likely to continue to increase in future years.
- An increased focus on sustainable neighbourhoods and place shaping within Government policy.
- Addressing the issue of delivering more affordable housing across the Borough.
- Modernising and extending support services for vulnerable households and our tenants.
- Meeting the challenge of increasing further community involvement in the management of local services and assets.

3.3 The Options Appraisal Study completed in 2003 fully evaluated all 4 options available for the future ownership and management of the Council housing stock these are:-

- Retention,
- Arms Length Management Organisation (ALMO),
- Private Finance Initiative (PFI),
- Large Scale Voluntary Transfer,

The evaluation of these options looked at their ability to deliver a range of strategic and operational objectives. Two of the options, the establishment of an ALMO and PFI, were not considered suitable or appropriate options as they fail to deliver the capacity to address these strategic and operational objectives. The key elements of these two options remain the same as in 2003 and they have therefore been discounted as sustainable options for the future ownership and management Council's housing stock.

3.4 The updated stock options study three key elements considered were as follows: -

- The outcome of a financial modelling on the future investment needs of the housing stock set against the available resources over the next 5 years,
- The findings of the Council's Stock Options Appraisal Group,
- The findings of survey of all the Council tenants.

The findings from each of these areas of the study have been used to inform the decision on the preferred option for the future of the Council's Housing Stock.

4. STOCK OPTIONS APPRAISAL FINANCIAL MODELLING

4.1 One area of specialist work to support the Stock Options Appraisal Study was to carry out a financial appraisal to determine the available investment needs of the service set against income over the medium term. Price Waterhouse Cooper (PWC) were commissioned to conduct the study. The study took account of the following key elements:-

- The cost to deliver the Decent Homes Standard (the focus of the Councils Housing Capital Programme).
- The asset management costs for the housing stock (a standard that meets tenants' aspirations and the other investments needs of the stock).
- The predicted 'responsive' repairs investment requirements.
- The available capital resources to meet these costs.
- The revenue costs of providing the housing service.
- The available resources to meet these costs including the ongoing impact of the negative subsidy system.

The modelling of these elements was projected over a 5 year period with appropriate sensitivity analysis.

4.2 One key finding that was identified early in the study was the increasing impact of negative subsidy on the money available to invest in our housing and services. In 2007/8 the Council will 'pay back' to the Government £3.343 million or the equivalent of £7.49 per week for every tenanted property. The estimated levels of negative subsidy are predicated to increase over the next 5 years as shown below:-

- £3.343 million in 2007/08
- £4.075 million in 2008/09
- £4.835 million in 2009/10
- £5.650 million in 2010/11
- £6.509 million in 2011/12

The Council must also 'payback' to the Government 75% of the capital receipts it receives from Right to Buys in 2007/8 this amounted to some £5 million.

4.3 The study carried out by PWC considered the impact of two scenarios on the Housing Revenue Account (HRA) and the resources available to invest in the housing stock and services. The scenarios were firstly maintaining balances at £2 million and secondly maintaining a contribution from revenue to capital (RCCO) of £1.6 million. However the Council has in the past take a decision to maintain its HRA balances at around the £2million, while attempting to deliver a housing capital

programme of some £8million per annum. This is therefore the main scenario considered in this report.

If the Council wishes to maintain its HRA balances at around a level of £2 million regarded as the appropriate level, the amount of revenue it can contribute to capital (RCCO) will reduce over the next 5 years due to the growing impact of negative subsidy as set out in paragraph 4.2 above. The impact of these changes on the housing capital programme over the next 5 years are set out below:-

	2008/09	2009/10	2010/11	2011/12	2012/13
MRA (£m)	5.093	5.142	5.209	5.282	5.362
Capital (£m)	0.900	0.900	0.900	0.900	0.900
RCCO (£m)	1.318	0.791	0.417	0.043	0.000
Total Spend	7.311	6.833	6.526	6.225	6.262

This shows a reduction year on year and an increasing deficit between the actual investment and our normal capital programme level of £8 million per year. If the Council adopted second scenario of maintaining RCCOs at their current level of £1.6 million over the next 5 years this would see the HRA reserves exhausted by 2010/11.

- 4.4 The alternative approach is to consider the resources required to achieve the Decent Homes Standard compared to the asset management standard and identify the funding gap between the two. These figures are shown in the table shown below:-

Projected Costs	2006 to December 2010
Decent Homes	£25,628,781
Asset Management	£56,096,182
Total	£81,724,963
Anticipated HRA Budgets	£36,688,000
Shortfall	£45,036,963

- 4.5 In simple terms over this period up to the end of the calendar year 2010 to meet the asset management needs the housing stock (including tenants aspirations) the Council face a shortfall of £45 million. Therefore the Council will be able to deliver the Decent Homes Standard only but not meet the aspirations of its tenants for their homes and estates.

5. THE STOCK OPTIONS APPRAISAL GROUP

- 5.1 A Stock Options Appraisal Group chaired by the Housing Portfolio Holder was established in July 2007. The group was made up of tenants drawn from the Tenants Housing Services Group, Tenants Conference and Leaseholder representation.
- 5.2 The Group was facilitated by consultants from Savills who have experience in conducting stock options appraisals, housing finance and other key related areas of

expertise. The Group were also supported by an Independent Tenants Advisor (ITA) Priority Estates Project as required by the guidance on Stock Option Appraisals. The Group met on a number of occasions over the summer to consider the options for the future management and maintenance of the Council's housing stock, the group received presentations, verbal and written reports and participated in workshop sessions covering the issues each option presented.

- 5.3 The Group's conclusion was that Large Scale Voluntary transfer was the preferred option for the future ownership and management of the housing stock to deliver both tenants aspirations and the Council's wider strategic objectives.

6. STOCK OPTIONS TENANTS SURVEY

- 6.1 In addition to the work of the Stock Options Appraisal Group a newsletter and survey was sent to all Council tenants, approximately 10,500 as joint tenants were consulted. A specialist market research company independently administered the survey on behalf of the Council. The ITA also provided a newsletter setting out their role and provided a freephone telephone help line. The Council's newsletter set out the challenges facing the Council in meeting the investments needs of the Housing Stock and tenants aspirations.

- 6.2 The survey asked 9 questions which focused on capturing tenants understanding of the housing related issues and gathering their views on the option of undertaking further work to develop a Housing Association for the tenants of Sedgfield Borough Council. A total of 2102 (20%) of surveys, however the key question was:-

Do you think it is worth looking again at the option to set up a housing association for Sedgfield Borough tenants?

The results were 74.5% would support this option, 23.7% would not and the question was not answered by 1.8% of respondents.

7. STOCK OPTIONS CONCLUSION

- 7.1 The Financial Appraisal, Stock Options Appraisal Group's findings and the results of the tenants survey indicated the preferred option for the future management and maintenance of the Council's Housing Stock would be to seek its transfer subject to a tenants ballot to a Register Social Landlord.
- 7.2 A place would have to sought on the Housing Transfer Round 2008/9 and it is recommended that delegated authority is given to the Chief Executive in consultation with the Leader of the Council and Portfolio Holder for Housing to seek such a place. It will be necessary to bring further reports to Cabinet on a range of issues to support the delivery of the preferred option.

8. RESOURCE IMPLICATIONS

- 8.1 A further report will be present to Cabinet detailing the financial implications of taking forward the preferred option for the future of the Council's Housing stock.

9. CONSULTATIONS

- 9.1 Tenants, Leaseholders and other key stakeholders were consulted as set out in this report as part of updating the Stock Option Appraisal. The transfer of the Council housing stock to a Registered Social Landlord would be subject to a ballot of all tenants after a period of both informal and formal consultation. Early discussions have started with the Department of Communities and Local Government regarding the implementation of the Council's preferred option.
- 9.2 In the transition period leading up to the implementation of the proposed Local Government Restructuring that consultation is undertaken with key stakeholders to ensure broad support for the Council's proposals

10. OTHER MATERIAL CONSIDERATIONS

10.1 Links to Corporate Objectives/Values

The Community Strategy Outcomes include a Borough with Strong Communities where residents can access a good choice of high quality housing. The Council's ambitions, which are linked, to the Community Strategy outcomes and are articulated through the Corporate Plan and the Medium Term Financial Plan. Our 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 can continue to support these objectives into the future.

10.2 Risk Management

The key risk associated with the report is delivering a successful ballot result, effective informal and formal consultation support by appropriate communications consultants will be key in reducing the risk of a negative result.

10.3 Health & Safety

No additional issues have been identified.

10.4 Equality & Diversity

Full account will be taken of the Council's obligation to promote equality and diversity in the development of this project.

10.5 Legal & Constitutional

Further detailed advice and support will be required from the Council's Legal Service in delivering the preferred options.

10.6 Sustainability

No additional issues have been identified.

10.7 Information Technology

No additional issues have been identified.

10.8 Crime and Disorder

No additional issues have been identified.

10.9 Human Rights

No additional issues have been identified.

10.10 Social Inclusion

No additional issues have been identified.

10.11 Procurement

No additional issues have been identified.

11. OVERVIEW AND SCRUTINY IMPLICATIONS

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

12. LIST OF APPENDICES

12.1 No appendix are attached.

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Ward(s)

All

Key Decision Validation:

(ii) Any decision made by the Cabinet in the course of developing proposals to the full Council to amend the policy framework.

Background Papers:

Sustainable Communities Plan 2003
Sedgefield Borough Stock Option Study 2003
Stock Options Appraisal Group Assessment 2007

Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Councils Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Councils 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"/>

Item 4

REPORT TO COUNCIL

26th OCTOBER 2007

DIRECTOR OF HOUSING

HOUSING PORTFOLIO

LARGE SCALE VOLUNTARY TRANSFER - CHOICE OF LANDLORD

1. SUMMARY

- 1.1 On 7th June 2007 Cabinet considered a report that recommended that it would be prudent to revisit the strategic options to consider how the future investment needs of its housing stock could be met whilst ensuring its ongoing effective management. The approach adopted was to update the Stock Options Appraisal Study completed in 2003. The updating of the Study was 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 11th October 2007 agreed to recommend to Special Council on 26th October 2007 that the preferred option for the future ownership and management of the Council's housing stock was to seek its Large Scale Voluntary Transfer (LSVT) to a Register Social Landlord. In the light of that recommendation this report recommends the preferred choice of landlord to accept the Council housing stock following a successful ballot of tenants.

2. RECOMMENDATIONS

- 2.1 That a new standalone Registered Social Landlord for Sedgefield Borough is established as the preferred choice of landlord for the Large Scale Voluntary Transfer of the Council's housing stock.

3. CHOICE OF LANDLORD

- 3.1 Sedgefield Borough Council following the completion of its Stock Options Appraisal Study in 2003 determined that the preferred option was to seek the Large Scale Voluntary Transfer of its housing to a Registered Social Landlord as part of an existing Group Structure. This option was subjected to a tenants vote in July 2005, which resulted in the Council retaining its housing stock.
- 3.2 Following the decision of the Council to update its Stock Options Appraisal Study, and the current recommendation to pursue the Large Scale Voluntary Transfer as its preferred option it has been necessary to consider the choice of landlord. The new landlord would receive the housing stock after transfer, it is also considered that the chosen landlord type will have a critical role in shaping tenants views on the proposed transfer prior to any ballot.

- 3.3 The choice of landlord process is set out in the Community Housing Task Force's Guidance Note 9 "*Choosing a new Landlord*". The guidance sets out the main options for the transfer of stock to a Registered Social Landlord following a successful ballot on LSVT, these are: -
- An existing Registered Social Landlord (RSL)
 - A newly established subsidiary of an existing RSL (either in part of an existing group structure or through the creation of a new group structure)
 - A newly established free-standing RSL
 - A number of newly established RSL's that will make up a new group.
- 3.4 Whatever the choice of landlord type is determined it is vital that the interests of Sedgefield Borough tenants are addressed with a clear focus on its estates, housing investment, the quality of the Housing service along with the wider strategic contribution that the RSL can make to the Borough.
- 3.5 There is no requirement for a competitive process for landlord selection on transfer proposals. However it is considered good practice to demonstrate clearly that tenant representatives have been made fully aware of all the new landlord options, and that they have been fully involved in deciding the eventual landlord choice. That process has included consideration of:-
- the range and quality of landlord services to be provided.
 - the degree of local control and autonomy that would be exercised through the new landlord,
 - organisational ethos and management style,
 - opportunities and commitment to tenant involvement,
 - local knowledge of housing issues,
 - diversity and equality and
 - customer service standards.
- 3.6 The Stock Option Appraisal Group established after the Tenants Conference was the most appropriate group to undertake the evaluation of each of the options. The Group carried out a workshop with the specialist support from Savills and the Independent Tenants Advisor, Priority Estates Project (PEP) to consider the advantages, disadvantages (these are detailed in Appendix 1) and risks of each option. The Stock Option Appraisal Group having considered the issue in detail taking account the different advantages and risk factors determined that the establishment of a standalone RSL was the preferred choice of landlord for Sedgefield Borough. This choice took into account the advantages offered by a group structure, which include, resources to support the transfer process, economies of scale, etc. However the Stock Option Appraisal Group felt these were out weighed greatly by the advantages of establishing a new standalone RSL for Sedgefield Borough these include maintaining local autonomy and accountability, a strong local identity and the very significant advantage that this gives to the delivery of a successful ballot.
- 3.7 It is recommended that the Council establish a standalone Registered Social Landlord for Sedgefield Borough as its preferred choice of landlord to receive its housing stock following a successful ballot.

4. RESOURCE IMPLICATIONS

- 4.1 A further report will be presented to Cabinet detailing the financial implications of taking forward the preferred option for the future of the Council's Housing stock.

5. CONSULTATIONS

- 5.1 Tenants, Leaseholders and other key stakeholders were consulted on the option of establishing a standalone Registered Social Landlord as its preferred choice of landlord to receive its housing stock. The transfer of the Council housing stock to a Registered Social Landlord would be subject to a ballot of all tenants after a period of both informal and formal consultation.

6. OTHER MATERIAL CONSIDERATIONS

6.1 Links to Corporate Objectives/Values

The Community Strategy Outcomes include a Borough with Strong Communities where residents can access a good choice of high quality housing. The Council's ambitions, are linked, to the Community Strategy outcomes and are articulated through the Corporate Plan and the Medium Term Financial Plan. Our 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.

6.2 Risk Management

The key risk associated with the report is delivering a successful ballot result, the choice of establishing a standalone RSL with a local identity familiar to tenants will help mitigate this risk. The risk will further be reduced by effective informal and formal consultation support by appropriate communications consultants will be key in reducing the risk of a negative result.

6.3 Health & Safety

No additional issues have been identified.

6.4 Equality & Diversity

Full account will be taken of the Council's obligation to promote equality and diversity in the development of this project.

6.5 Legal & Constitutional

Further detailed advice and support will be required from the Council's Legal Service in delivering the preferred options.

6.6 Sustainability

No additional issues have been identified.

6.7 Information Technology

No additional issues have been identified.

6.8 Crime and Disorder

No additional issues have been identified.

6.9 Human Rights

No additional issues have been identified.

6.10 Social Inclusion

No additional issues have been identified.

6.11 Procurement

No additional issues have been identified.

7. OVERVIEW AND SCRUTINY IMPLICATIONS

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

8. LIST OF APPENDICES

8.1 Appendix 1 Summary of issues of preferred choice of landlord.

Contact Officer Ian Brown
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Ward(s) All

Key Decision Validation: Not a key decision

Background Papers:

Sustainable Communities Plan 2003

Sedgefield Borough Stock Option Study 2003

Guidance Note 9 “*Choosing a new Landlord*” Community Housing Task Force

Updating the Stock Options Appraisal Study Cabinet Report 11th October 2007

Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Councils Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Councils 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"/>

Appendix 1 Summary of issues of preferred choice of landlord.

Stand Alone vs Group Structure

Transfer to a newly created Housing Association

POSITIVE

- Local autonomy and accountability – decisions cannot be ‘vetoed’ by a parent organisation
- Board has full control-local tenants, people and Councillors
- More seamless transfer
- More fully reflects the current position
- Reflects tenants aspirations
- Builds on local strengths, experience and identity
- Deliverable in shorter timescales
- Can decide at a later date to join a group

TO CONSIDER

- Substantial impact on staffing and financial resources
- Lack of staff & board expertise
- Loss of economies of scale – fund own set-up costs
- Less easy to fund new development
- Housing Corporation would need to be satisfied business plan is viable as would lenders

Transfer to a new subsidiary of an existing Group Structure

POSITIVE

- Resources for the process- staff and financial, access to loans etc
- Economies of scale
- Expertise available
- Local Board-local tenants, people and Councillors but beneath parent board
- Local control and accountability to an extent
- Housing Corporation support as already know the group
- Staff opportunities

TO CONSIDER

- Parent RSL needs to approve Business Plan
- Role of Parent RSL on local Board
- Harder to influence the overall group structure
- Need to get the ‘relationship’ right at the start- the agreement
- Potential requirement to adopt group wide policies

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