

Economy and Enterprise Overview and Scrutiny Committee

14 November 2011



Housing Stock Options Appraisal Project

**Joint Report of Lorraine O'Donnell, Assistant Chief Executive
and Glyn Hall, Head of Housing**

Purpose of the Report

1. To provide members of the Economy and Enterprise Overview and Scrutiny Committee with an update in relation to the progress of the Stock Options Appraisal Project prior to consideration of the completed report by County Council at the meeting on the 7 December, 2011.

Background

2. Durham County Council is landlord for around 19,000 homes in County Durham. Durham City Homes, our in house organisation, manages 6100 homes with the two Arms Length Management Organisations (ALMO's), Dale and Valley Homes and East Durham Homes, managing 12,900 homes in the County.
3. On the 29 June, 2010 Durham County Council took the decision to undertake an option appraisal available for the future financing, ownership and management of its housing stock. The option appraisal will assist the Council in understanding the range of actions it may take to access the funding it needs to continue to invest in its homes, neighbourhoods and services over the next thirty years.
4. The main drivers for the Councils decision to undertake an option appraisal of its housing stock are:
 - The completion of the decent homes programme in the Durham City area and the approaching completion in the Wear Valley area together with the need to determine a long term plan for investment into all of the Council's housing stock.
 - A need to identify a long term funding solution for council housing stock in the former District of Easington. East Durham Homes are eligible to access around £65M of investment to improve its homes. However, East Durham Homes estimate that they will need an additional £37M to achieve the standard of decency its customers aspire to.

- The Council has inherited three housing management arrangements and must determine if these are efficient and achieving value for money.
 - Proposals to reform the housing subsidy system. This would enable the Council to retain its rental income for investment into the homes and services in exchange for a readjustment and redistribution of the council's housing debt.
5. The Economy and Enterprise Overview and Scrutiny Committee's review of Durham City Homes recommended that the Committee be engaged in the appraisal work in respect of the future provision of housing services within Durham City. As a result of this members at the Committee meeting on the 4 April, 2011, considered a report and presentation providing information on the key drivers for the Council's decision to undertake an appraisal, the options available to it for future financing, management and ownership of its housing stock. In addition information was also shared at the meeting detailing the process that will be followed to appraise the options and an update on progress in delivering the project to date. It was agreed by members at the meeting that they would receive further reports detailing the progress made in relation to the Stock Options Appraisal and providing members with a further opportunity to make comments in relation to the appraisal process.
6. At the meeting of the Committee held on the 15 July, 2011, members considered a report and presentation from the Housing Stock Options Manager detailing the potential options for the future financing, ownership and management of the Council's housing stock. It was decided at the meeting that a special Economy and Enterprise Scrutiny Committee be arranged to allow members the opportunity for a detailed discussion in relation to the various options.
7. A special meeting of the Economy and Enterprise Scrutiny Committee was arranged for the 28 September, 2011 to allow members the opportunity to respond to the progress to date, potential options and next steps in relation to the Stock Options Appraisal as part of the consultation process. At the meeting the following comments were made by members:
- The Communication and Consultation Plan is robust, inclusive and widespread. The Committee was particularly pleased with the number of consultation events undertaken and the range of stakeholders engaged in the process including the Economy and Enterprise Overview and Scrutiny Committee.
 - The Committee endorsed the work undertaken to date as part of the Stock Options Appraisal process, particularly that of the project lead and the expert advisors CIH and Trowers and Hamblins.

- In relation to the preferred option, the Committee emphasised the importance of ensuring that whatever the preferred option agreed upon for consultation by Cabinet/ Council this model must ensure that there are opportunities for community involvement and engagement within the organisational operating processes of that model.
- In addition, the Committee accepted that significant levels of investment are needed in the thirty year business plan and that a significant proportion of this needs to be made in the first ten years. It is imperative that early negotiations with the Government need to take place on the possibility of Stock Transfer and also the conditions associated with self-financing.

Next Steps

- 8 The presentation at the Economy and Enterprise Overview and Scrutiny Committee on the 14 November, 2011 will provide a further opportunity for Members to comment on the progress and next steps in relation to the Stock Options Appraisal process prior to the consideration of the completed report by County Council at the meeting on the 7 December, 2011.

Recommendations

9. That the members of the Economy and Enterprise Scrutiny Committee note the information and comment upon the progress and next steps in relation to the Stock Options Appraisal process prior to the consideration of the completed report at the County Council meeting on 7 December, 2011.

Background Papers

Housing Stock Options Appraisal (Economy and Enterprise Overview and Scrutiny Report – 15 July 2011).

Durham City Homes Review Report – December 2010.

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Appendix 1: Implications

Finance - The stock options appraisal project will be funded from the housing revenue account.

Staffing - The project will be managed by Marie Roe, Housing Stock Options Appraisal Manager.

Risk - The Authority is running a significant risk of poor quality homes and services if it does not identify an appropriate solution for the long term financing of improvements to its stock.

Equality and Diversity - One of the stock options appraisal project's key objectives will be to address inequality in the quality of housing.

Accommodation - None.

Crime and Disorder - Crime and disorder reduction targets will be reflected in the stock option appraisal's objectives.

Human Rights - None.

Consultation - Extensive consultation is to be undertaken with key stakeholders.

Procurement - An independent Tenant Adviser has been appointed via the procurement process for the duration of the project.

Disability Issues - Appropriate opportunities for all stakeholders to contribute to the stock options appraisal will be provided.

Legal Implications - Significant legal implications for the Council in terms of the future management and ownership of its housing stock.