

Economy and Enterprise Overview and Scrutiny Committee

13th February, 2012

Housing Stock Options Appraisal Project



Joint Report of Lorraine O'Donnell, Assistant Chief Executive and Ian Thompson, Corporate Director Regeneration and Economic Development

Purpose of the Report

1. To provide members of the Economy and Enterprise Overview and Scrutiny Committee with a further update in relation to the progress of the Stock Options Appraisal Project.

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 29th June, 2010 Durham County Council took the decision to undertake an option appraisal 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 Council's 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.
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 - 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 4th 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 15th 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 Overview and Scrutiny Committee was arranged for the 28th 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 Hamlins.
 - 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.
- 8 At the meeting on the 14th November, 2011, members of the Economy and Enterprise Overview and Scrutiny Committee received a further update focusing on stakeholder involvement within the Options Appraisal process, consultation undertaken, key messages from the consultation exercise including comments received from Overview and Scrutiny and next steps.
- 9 It was also confirmed at this meeting that a report would be considered by Cabinet at the meeting on the 14th December, 2011, advising of the outcome of financial analysis and consultation on potential options for the future financing, ownership and management of Durham County Council's housing stock.
- 10 The Economy and Enterprise Overview and Scrutiny Committee agreed that a further update presentation in relation to the Stock Options Appraisal project would be provided to a future meeting of the Committee early in 2012.

Current position

- 11 The Stock Options Appraisal Project report was considered by Cabinet at the meeting on the 14th December, 2011, when the following recommendations were agreed by members:
- The Council should continue to make arrangements for the implementation of self financing, including continued discussions regarding a potential stock retention scenario by:
 - Assessing the impact of the final determinations of self financing debt allocation, on both the HRA MTFP and the 30 year

business plan. The 30 year business plan should also be updated to take into account any changes in our long term assumptions i.e. inflation and interest rates.

- Completing a transparent review of self financing, including a final analysis of the number, shape and organisational structures of retained housing management arrangements.
- Developing a comprehensive Asset Management Strategy that considers the long term sustainability of neighbourhoods and stock types; develops a comparable investment standard across all areas informed by customer consultation; and links asset modelling and business plan efficiencies to secure financial viability.

During this process the Council should continue to explore options for the transfer of its housing stock by:

- Considering the guidelines set out in the revised Housing Transfer Manual once published by the DCLG;
- Reviewing the tenanted market value of the stock and the issues associated with debt reduction and value for money and determine optimum transfer combinations that maximise investment for the whole stock;
- Developing a comprehensive communication and consultation strategy to raise awareness amongst all stakeholders of the role of the Council, promote transfer options, explain the implications of stock transfer and include a plan for engaging with hard to reach groups;
- Aiming to submit a formal transfer proposal where feasible to the DCLG by the end of December 2012.

Next steps

- 12 The presentation at the Economy and Enterprise Overview and Scrutiny Committee on the 13th February, 2012, will provide a further progress update for members in relation to the Stock Options Appraisal project and an opportunity for additional comments.
- 13 That the Economy and Enterprise Overview and Scrutiny Committee continue to receive further progress updates in relation to the Stock Options Appraisal project.

Recommendations

- 14 That the members of the Economy and Enterprise Overview and Scrutiny Committee note the information provided in the presentation and comment upon the progress and next steps in relation to the Stock Options Appraisal project
- 15 That the Economy and Enterprise Overview and Scrutiny Committee receive a further progress update in relation to the Stock Options Appraisal project at the meeting on the 6th July, 2012.

Background Papers

Housing Stock Options Appraisal (Economy and Enterprise Overview and Scrutiny Report – 15th 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.