

**6 July 2012**

**Housing Stock Options Appraisal  
Project**

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

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**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 Members will recall that at the Economy and Enterprise Overview and Scrutiny Committee on the 4 April 2011 a report and presentation was considered 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 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 appraisal and providing Members with further opportunities to make comments in relation to the appraisal process.
- 3 A special meeting of the Economy and Enterprise Overview and Scrutiny Committee was arranged for the 28 September 2011 to provide Members with the opportunity to respond/comment upon 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.
- 4 Members of the Economy and Enterprise Overview and Scrutiny Committee received a further update at the meeting held on the 14 November 2011 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. It was also confirmed at this meeting that a report would be considered by Cabinet at the meeting on the 14 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.
- 5 The Stock Options Appraisal Project report was considered by Cabinet at the meeting on the 14 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.
  - During this process the Council should continue to explore options for the transfer of its housing stock.
- 6 A further update was provided at the Economy and Enterprise Overview and Scrutiny Committee meeting on the 13 February 2012 providing a recap of the process to date and outcomes, detail of governance arrangements, progress of appraisal process, engagement with key stakeholders and next steps.

### **Current position**

- 7 The option appraisal's governance arrangements were revised in February 2012 to ensure that all stakeholders are provided with a variety of opportunities to contribute to the direction, management and outcomes of the option appraisal project.

8 The aim was to create a series of groups (while strengthen existing engagement groups) to lead and take part in discussions on the future of Council housing; take decisions; and ensure a regular flow of information between individuals, groups and organisations. The Governance groups include:

- **Project Board:** Responsible for monitoring the project's progress against its action plan.
- **Project Team:** Brings together experience from across the Council and its housing provider organisations to contribute to the achievement of milestones set out in the option appraisal project plan.
- **Steering Group:** A major consultative group that brings tenants, staff and Councillors together to review options and consider their implications for stakeholders.
- **Customer Working Group:** Responsible for assisting in the development, implementation and monitoring of a Communication and Consultation Strategy and a Tenant Empowerment Statement and leading the appointment and management of an Independent Tenant Adviser.
- **Housing Provider Group:** Another major consultative group that brings together Board members, Councillors and officers from the Council's three housing management organisations.
- **Three Task and Finish Groups:** Time limited groups of Council staff, housing management organisation staff, advisers and other stakeholders who are working together to fulfil a specific project brief and conduct in depth review of services or issues.

9 All groups have worked in partnership with the Council's advisers and stakeholders to:

- Appoint Open Communities to act as Independent Tenant Adviser (ITA) and provide tenants and leaseholders with independent and impartial advice on options.
- Complete a series of visits to Council's and other housing organisations to explore options, their implementation and outcomes.
- Collate evidence of the financial performance of the housing stock.
- Develop a comprehensive County wide sustainability matrix to test the sustainability of housing and neighbourhoods in a consistent way.

- Start to draft an Asset Management Strategy and Investment Plan for the Council's housing stock.
  - Identify and achieve £1.3M of efficiency savings to invest back into the improvement of the housing stock through better procurement, restructure and the joining up of services.
  - Review existing housing management arrangements and identify potential changes to ensure affordability and sustainability in the long term.
  - Complete financial projections of the long term investment needs of the housing stock and compare these to available financial capital investment.
  - Develop a comprehensive risk assessment for the project and for potential options for the future of the housing stock.
  - Agree and prioritise objectives for the option appraisal and developed these into a series of tests for the suitability of options.
  - Identify a selection of suitable options and started to consult with key stakeholders on the implications of options, advantages and disadvantages and potential risks.
- 10 The project's Communication and Consultation Strategy was reviewed at the same time as governance arrangements. This was to ensure that groups that aren't directly involved in the project or with their local housing management organisation are regularly updated on progress in appraising options and provided with opportunities to engage with the appraisal of options. The revised Strategy now focuses on four main communication themes which are:
- Explaining the findings of the extensive consultation completed with stakeholders in 2011 and illustrating how stakeholder views have influenced decision making.
  - The options the Council are considering.
  - Progress in the identifying and appraising options and likely options for consideration by Cabinet.
  - The Council's decision on the future financing, ownership and management of the housing stock, next steps and implications for stakeholder groups.

## **Next steps**

- 11 A presentation to the Economy and Enterprise Overview and Scrutiny Committee on the 6 July 2012 will provide a further progress update in relation to the Stock Options Appraisal project and an opportunity for additional comments to be made by Members.
- 12 The Economy and Enterprise Overview and Scrutiny Committee will continue to receive on a regular basis further updates in relation to the Stock Options Appraisal project.
- 13 A report will go to the Council's Cabinet in November 2012 that sets out the findings of the option appraisal, outcomes of consultation and makes a recommendation on the most suitable option for the future of the housing stock.

## **Conclusion**

- 14 The option appraisal process has progressed significantly since the project was considered by Overview and Scrutiny Committee in February 2012.
- 15 The project has become one of the Council's major strategic projects and governance arrangements have been formalised to reflect this.
- 16 The project continues to engage with stakeholders across County Durham. This will help the Council to ensure that its final decision on the future of its homes is informed by the views of its communities.

## **Recommendations**

- 17 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
- 18 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 19 November 2012.

## **Background Papers**

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

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## **Appendix 1: Implications**

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**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.