

**7 April 2014**

**Housing Stock Transfer Project**

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**Report of 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 Housing Stock Transfer Project.

**Background**

- 2 At its meeting held on 12 December 2012, the Cabinet received a report which detailed the findings of its Housing Stock Options Appraisal. At that meeting Cabinet agreed to select the large scale voluntary transfer of its housing stock to a group structure of its existing housing management organisations as its preferred option for the future financing, ownership and management of its homes.
- 3 Cabinet received a report on the 30 October 2013 asking for approval to develop and submit an application to transfer the council's homes to the Homes and Communities Agency (HCA). The report also asked for Cabinet's approval to set up a Shadow Parent Board for the new group of landlords to take key decisions on the establishment of the new group.
- 4 The Economy and Enterprise Overview and Scrutiny Committee have received regular update reports on the progress in implementing the council's preferred option for the future of its housing since 2011.
- 5 The most recent update was provided to committee on the 9 December 2013 when Members received an update on the outcome of informal consultation with tenants on the future of their home; progress with the transfer process and proposed governance arrangements for the new group.

**Current Position**

- 6 On the 12 November 2013 the HCA published the Housing Transfer Manual. The Manual sets out a series of guidelines for council's interested in transferring ownership of their homes for them to follow. The Housing Transfer Manual is relevant to transfers proposed in the period up to 31 March 2015. If the council is to access financial support for its proposed stock transfer from the Government, it must complete the transfer process by the end of March 2015.

- 7 The Council submitted an application to transfer its homes to a group structure of its existing housing management organisations to the HCA in December 2013. The application was based on the guidelines set out in the Housing Transfer Manual 2013.
- 8 The HCA and the DCLG evaluated the council's application and considered its proposal to transfer its homes at two DCLG sub committees in February 2014.
- 9 The Council received notification from the DCLG on the 24 March 2014 that its application to transfer its homes had been approved and financial support for its proposed stock transfer will be made available. The HCA will contact the council in due course to agree the next stage in the transfer process which will include formal consultation on the proposal with all tenants.
- 10 The formal consultation process will involve over 22,000 tenants and will end in a confidential, legally binding ballot. All tenants will be asked to vote on whether or not they support the transfer proposal. The transfer can only be completed if a majority of tenants who vote in the ballot, vote in support of the proposal.
- 11 The statutory guidance on tenant consultation and the ballot is set out in the Government's publication "Statutory Guidance: The Housing Act 1985 Schedule 3A – Paragraph 3: Requirements as to Consultation".
- 12 The Guidance sets out the requirements for a formal two stage consultation process; the language and tone that should be used in the Stage 1 of the consultation (the issuing of an Offer Document to tenants); the conduct of Stage 2 (the ballot of all secure and introductory tenants); the Council's post ballot tasks and the rights of interested parties to make representations about the transfer proposal to the Secretary of State.
- 13 The Offer Document represents Stage 1 in the formal consultation process. It sets out:
  - The Council's proposal to transfer its homes;
  - The reasons behind the proposal;
  - The implications of the transfer for tenants; and
  - The changes and improvements to homes, neighbourhoods and services tenants can expect if the transfer was to go ahead.
- 14 As part of the consultation process the council must ensure that all tenants are:
  - Fully informed of the transfer proposal;
  - Encouraged and able to vote on the proposal in a confidential ballot that is run by a separate organisation to the council;

- Able to access independent and impartial advice on the transfer proposal provided by an Independent Tenant Adviser.
  - Able to participate in consultation on the proposal and to express their views.
- 15 The Offer Document is a council document and must provide all affected tenants with sufficient information on the impact of the transfer on them if they are to express a fully informed opinion about the transfer proposal at the ballot in Stage 2 of the formal consultation process.
- 16 The council has worked with key stakeholder groups, including tenants, staff, Board members, Councillors and other key partners to develop the draft Offer Document and plans for formal consultation. The council also continues to maintain an alternative plan for the future of its homes (establishment of a single Arms Length Management Organisation) if the HCA/DCLG refuses the council's application to transfer its homes or if tenants do not support the proposal at the ballot.
- 17 If a majority of tenants who vote in the ballot, vote in support of the transfer proposal, the council will proceed to the final stage in the transfer process. The final stage involves the incorporation of the new landlords, registration of the new landlords as Registered Providers with the HCA and the completion of legal processes to hand ownership of the council's homes to the new group of landlords that will include Dale & Valley Homes, Durham City Homes and East Durham Homes.
- 18 If the council is to achieve the challenging timescale of completing the transfer by the end of March 2015 the proposed new group of landlords must be shaped now, to ensure the transfer of homes is made to a viable new group. The council has already started to support this by appointing an interim Managing Director and establishing a shadow parent Board of non executive directors.
- 19 The shadow parent Board are working with the council, the interim Managing Director, the Boards of Durham City Homes, East Durham Homes and Dale & Valley Homes and the Chief Executives of East Durham Homes and Dale & Valley Homes and the manager of Durham City Homes to:
- Agree a Chairperson for the shadow parent Board – Judith Common (independent).
  - Agree a Vice Chairperson for the shadow parent Board – Geoff Paul (independent).
  - Consider charitable status of the new group of landlords.
  - Agree a name for the new group of landlords – County Durham Housing Group.
  - Start to consider arrangements for the formal relationships between the shadow parent Board and the Boards of Durham City Homes, East Durham Homes and Dale & Valley Homes (which will be set out in a formal intra-group agreement)

- 20 Over the coming months the council will work with the shadow parent Board of the County Durham Housing Group, its subsidiary Boards and other stakeholders to agree the council's Offer Document and formal consultation process.
- 21 It is intended that the Economy and Enterprise Overview and Scrutiny Committee will continue to receive further updates in relation to progress in the stock transfer process and progress with formal consultation.

### **Conclusion**

- 22 The project has engaged with stakeholders across County Durham and will continue to do so as the council follows the processes necessary to transfer ownership of its homes to a group structure of Dale & Valley Homes, Durham City Homes and East Durham Homes. Ongoing communication and consultation with all stakeholder groups will help the council to ensure that its decisions on the future of its homes, reflects the views and aspirations of its communities.

### **Recommendations**

- 24 That the members of the Economy and Enterprise Overview and Scrutiny Committee note and comment upon the information provided during the presentation.
- 25 That the Economy and Enterprise Overview and Scrutiny Committee continue to receive further progress updates in relation to the development, impact and delivery of the new arrangements.

### **Background Papers**

Economy and Enterprise Overview and Scrutiny Committee – Stock Options Transfer – 14 January, 24 September and 9 December 2013

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## **Appendix 1: Implications**

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### **Finance**

Durham County Council was allocated a debt settlement of £240M by the government to implement a system of self financing for council housing. Since April 2012 the council has been able to use its own income from rents to invest in improving and maintaining its homes. Council owned housing in County Durham requires £785M of investment over the next thirty years. £406M is required in the first ten years of the business plan, but only £344M is available to the authority. The council must determine the most appropriate options for dealing with the shortfall in resources and in managing restrictions on its ability to borrow above the self financing debt level to ensure a sustainable future for council housing.

A transfer of the housing stock (to enable borrowing above the debt cap to maximise investment in homes, neighbourhoods and services) will cost up to £7M to complete. Retention of the housing stock will not address the shortfall in capital resources, improvement works will be delayed and deferred and the authority will be unable to invest substantially in value added services and the delivery of new build and regeneration. It will cost up to £200,000 to establish a single ALMO with area based arrangements.

### **Staffing**

Staff are key stakeholders in the transfer process. This includes staff working for the council and for its two housing service providers, Dale & Valley Homes and East Durham Homes. Both preferred options allow the council to consider implications for employment, terms and conditions and pensions.

Transfer of the housing stock will have major financial implications for the council. Stock transfer will result in the closing down of the HRA. In addition to service level agreements for the provision of specific services to the three providers, the council currently recharges central support services from the HRA to the General Fund. There may be limited scope to mitigate the loss of charges to the General Fund and so the council will receive further reports on the impact of stock transfer on service areas (including the Repairs and Maintenance Direct Labour Organisation) and the approach it should take to TUPE to determine the level of budget reduction likely to be incurred and implications for the council's workforce.

The Housing Directions Team will also require additional support from expert financial, legal and stock condition advisers to complete the transfer of the housing stock, or establish a single ALMO (should the transfer proposal be refused by the Government or rejected by tenants at a ballot). Funding to complete this work should be allocated from the Housing Revenue Account.

## **Risk**

Financial analysis and the outcomes of consultation have underlined some clear risks for the council when moving into the next phase of its option appraisal. Risks include:

- The council's proposal to transfer the housing stock is rejected by customers at a ballot and costs of the abortive transfer fall onto the HRA and the General Fund.
- The council has to establish a single Arms Length Management arrangement with area based arrangements and the proposal is met with opposition from stakeholders.
- The council continues to face a deficit in its capital resources and is unable to invest substantially in homes, neighbourhoods and services in the long term. The affects of the two speed social housing offer becomes more pronounced and the council is unable to achieve its ambitions for an "Altogether Better Durham".

The council can undertake a series of actions to mitigate against these risks and reduce their likelihood. These actions include:

- Develop and implement a comprehensive communication and consultation strategy for stock transfer that explains the role of the council; the transfer option, offers and implications for all stakeholders.
- Continue to provide area based offices and the preservation of "local offers" (that allow services to be tailored according to local priorities) to reduce the risk of opposition to the establishment of a single ALMO.
- Ensure that any future consultation programme on the establishment of a single ALMO explains to stakeholders the reasons for the change, implications for different stakeholder groups and the benefits that could be achieved in establishing a single ALMO with area based arrangements.

## **Equality and Diversity**

One of the appraisal's key objectives is to address inequity in the quality of the housing services and neighbourhoods currently provided by the council. The project also aims to provide all individuals and organisations with an interest in the future of the council's housing stock with the best opportunities to contribute to the stock option appraisal process, if they wish to do so. This has been accomplished through the implementation of a communication and consultation strategy and a tenant empowerment statement.

According to the Equality Impact Assessment undertaken on the transfer and retention options, both options will impact on protected characteristics. The preferred transfer option meets the priorities set out by stakeholders at the beginning of the option appraisal project. Impacts in terms of stock transfer are positive, as accessing additional funding will improve housing, neighbourhoods and services and will stimulate the local economy.

This may be particularly beneficial for women who have an increased demand for social housing and disabled and older people who require homes to meet specific housing needs. Younger people and people raising a family will also benefit from an improved social housing offer resulting from stock transfer. Transfer may also enable access to additional funding to strengthen and improve tenancy support services to mitigate the effects of welfare reform. Retention will have a negative impact as the council will be unable to access additional resources to support capital spending in the first ten years of its business plan and investment needs will be deferred. Further efficiencies in management structures and services will result in the two speed economy becoming more embedded, with council tenants experiencing a different social housing and service offer to tenants living in a home owned by other local RPs. Restrictions on ability to afford the construction of new homes and remodel existing homes will impact on women, young people, disabled people and older people. The preservation of the ALMO model may have some positive impacts for local accountability and tenant involvement.

### **Accommodation**

None

### **Crime and Disorder**

A reduction in crime and disorder is reflected in the option appraisal's objectives. This ensures that potential options consider the reduction of ASB and the designing out of crime in homes and neighbourhoods.

### **Human Rights**

None

### **Consultation**

The council plans to deliver an extensive formal consultation programme for each stakeholder group.

### **Procurement**

Specialist financial Savills and legal (Trowers and Hamblins) advisers and an independent tenant advisor (Open Communities) have been procured to support the formulation of potential options and the delivery of the project.

### **Disability Discrimination Act**

None

### **Legal Implications**

The council currently has legally binding 'Management Agreements' with Dale & Valley Homes and East Durham Homes for the provision of housing services to its customers. Depending on the option that the council ultimately selects, these management agreements may be subject to change or redevelopment. There are also significant legal implications if the council selects the transfer of its housing stock. Trowers and Hamblins, the leading legal consultants in this area of work have been engaged by the council.