

**REPORT OF THE PROJECT TEAM ON THE FUTURE OF COUNCIL
HOMES IN EAST DEVON**

1. INTRODUCTION

- 1.1 The Council, working closely with Tenants, Leaseholders, customers, Members, employees, and consultants, has completed a comprehensive appraisal of the options for the future ownership and management of council homes in East Devon. This report presents the results of this project and the conclusions that the Project Team reached, having taken into account a considerable amount of advice and information on the condition of the housing stock, tenants and leaseholders aspirations, financial projections, and tenant and leaseholder preferences.
- 1.2 The housing stock options appraisal project has been carried out in response to the requirement contained in the Sustainable Communities Plan 2003 and the Government's objective of ensuring that all council homes meet the Decent Homes Standard by 2010.
- 1.3 The Council embraced the project with enthusiasm and viewed the requirement as a useful opportunity to review its housing services and the condition of the housing stock, building upon earlier Best Value and balancing housing market/housing needs assessment work.
- 1.4 The project was initiated by consultants PPS Housing and Environment briefing Tenants and Leaseholders, Members, and employees on the main elements and implications of a housing stock options appraisal. This occurred in September 2003. This was followed up with a Scoping Report, which considered the main features and requirements of the exercise. This report has been reproduced in **Annex 1**.
- 1.5 The project adhered to the guidance and advice available from the Office of the Deputy Prime Minister (ODPM) and the Community Housing Task Force. Specifically the project worked to the document Delivering Decent Homes – Option Appraisal Guidance for Local Authorities ODPM June 2003.
- 1.6 The Council decided to appoint a Project Manager to oversee and co-ordinate the project and bring in consultants or other assistance for elements of the project, as appropriate. This was considered preferable to employing a consultant to lead and deliver the entire project. The Council was keen to retain ownership of the project rather than pay consultants to manage the project on the Council's behalf.

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- 1.7 The project has been demanding, challenging but ultimately rewarding as it generated a better understanding of stock condition, investment needs, tenant and leaseholder aspirations, and long term business planning for the Housing and Social Inclusion Service.
- 1.8 The housing stock options appraisal makes a careful assessment of the condition of the Council's housing stock and tenants homes, future investment requirements, tenant and leaseholder aspirations, and the need for future service improvements. In particular the project gives detailed consideration to the following options:
- Stock retention by the Council;
 - Creating an Arms Length Management Organisation;
 - Developing a Private Finance Initiative; and
 - Undertaking a Large Scale Voluntary Stock Transfer.
- 1.9 This report has been completed after the ODPM deadline of July 2005 partly because the options appraisal was commenced late, the work was largely undertaken in-house, there were problems in validating the stock condition data, and a comprehensive analysis was carried out of all relevant influences on the decision of the most appropriate option for the future ownership and management of council homes.
- 1.10 A position statement was sent to the Community Housing Task Force and Government Office South West in July 2005, explaining the Council's position with the project and the reasons for the delay.

2. SUMMARY OF GOVERNMENT HOUSING POLICY

- 2.1 The main content and analysis in this report of the future of the Councils housing stock has been undertaken against the background of current Government thinking, national and regional housing policy. This includes the Communities Plan, published on 5th February 2003, and its Public Service Agreement Plus, and a review of policies contributing to the Decent Homes Standard, published on 3rd March 2003. The content and structure of the report also reflects the Government's '*Delivering Decent Homes – Option Appraisal Guidance for Local Authorities*' of June 2003.
- 2.2 In summary, the Communities Plan, insofar as it is directly relevant to this housing stock options appraisal:
- States "By 2010, that all social housing will be made decent";

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- Reaffirms the Government's commitment to the options of Arms Length Management Organisations (ALMO), Private Finance Initiative (PFI) and Large Scale Voluntary Transfer (LSVT) as the only alternatives to stock retention;
 - States that all local authorities with their own housing stock will be required to produce a robust Option Appraisal for Government 'sign off' by July 2005;
 - States that authorities opting for stock retention cannot expect to receive additional funding, beyond that available from the Housing Investment Programme (HIP).
- 2.3 As well as the PSA Plus Review and specific option related guidance issued in March 2003, the Government has now updated its guidance on the three options of ALMO, PFI and LSVT through the publication in October 2004 of revised guidance. This is reflected within this report.
- 2.4 The Communities Plan follows the proposals contained in the July 2001 consultation paper "*HRA subsidy and rent restructuring*", the Local Government White Paper "Strong Local Leadership – Quality Public Services" and the resulting Local Government Act 2003, and associated consultation on HRA subsidy arrangements.
- 2.5 The Local Government Act 2003 includes the following provisions pertinent to this review:
- The removal of rent rebates from the Housing Revenue Account (HRA), which becomes a "straightforward" landlord account;
 - Subject to prudential limits, freedom to borrow against the revenues in the HRA;
 - Set-aside rules in relation to housing receipts will be replaced by a pooling system that will apply to housing receipts.
- 2.6 The Act also contains powers to allow the Government to require that a Housing Revenue Account (HRA) Business Plan be submitted, and to allow Subsidy to be set on a non-formulaic basis. The Act sets out a number of specific criteria, related to the Council's wider role as a housing authority, as well as its landlord role. This means that the Government's judgement of the Council's performance, or perhaps its assessment of the Option Appraisal carried out, could influence the resources it receives.
- 2.7 Other initiatives having an impact on the housing stock options appraisal project announced within and since the Government's December 2000 Housing Policy Statement "The Way Forward for Housing", are as follows:

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- The Government's social housing rent policy;
- Modernising the stock transfer programme;
- The abolition of Housing Corporation funded Local Authority Social Housing Grant (LA SHG).

2.8 These considerations are summarised below:-

2.9 The Government is keen to hold social rents at an affordable level, provide a closer link between the rent and the qualities tenants' value in a property, and reduce unjustifiable differences between rents set by Councils and by Registered Social Landlords (RSL's). The rent policy statement, issued on 13th December 2000 provides the methodology to be used to determine target rents for social housing and to achieve convergence over ten years from 2002/03. The policy has been reviewed by OPDM but any decision on proposals to change the policy has been deferred until 2005/06.

2.10 Changes in rents under rent restructuring for individual tenants are limited to RPI + 0.5% +/- £2 per week. For many Councils' where the rents are low, restructuring will lead to higher average rents. From 2002/03 the average level of rent increases charged by RSL's should be limited to RPI + 0.5%.

2.11 Currently Council tenants have a secure tenancy, and RSL tenants (following a stock transfer) have an assured tenancy. Although the rights of assured tenants are enhanced on a contractual basis within their new tenancy agreement on transfer, they still lose certain rights, and the fact that the rights differ – even if only to a minor degree – can be of concern to tenants facing a proposed transfer. The Government is looking at the possibility of creating a single legal status for social housing tenancies, incorporating the best features of both the secured and assured tenancies. This move would give identical rights to all tenants.

2.12 Local Authorities have the right to award grants to RSL's operating in the area. Until April 2003 the Housing Corporation reimbursed these local authority social housing grants (LASHG) on the same day on which the authority paid them. The receipt from the Housing Corporation was 100% reserved from debt redemption. The effect of this arrangement was that whilst the expenditure counted as capital expenditure, and required credit approvals or other capital resources to cover it. There was no revenue effect on the Council of having given the grant. The Government signalled the abolition of this arrangement, with effect from April 2003, within its August 2002 consultation paper "The Way Forward for Housing Capital Finance". Authorities are still able to give grants, but they will not be reimbursed.

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- 2.13 The August 2002 consultation paper also contained a chapter which it is emphasised contains suggestions for discussion on a “blue skies” basis, rather than firm proposals. These deal with the future of the subsidy system, especially around the funding of historic debt charges where this applies. The consideration of these issues was taken further within the August 2003 consultation paper ‘*Future Housing Capital Financing Arrangements*’.
- 2.14 The 2004-05 Draft Subsidy Determination issued in November 2003 contained a number of substantial changes to existing subsidy arrangements. These include:
- Removal of rent rebates from the HRA Subsidy calculation and its administration to be undertaken by the Department of Works and Pensions;
 - A new methodology for calculating Management & Maintenance Allowances to replace the existing historical formula;
 - The removal of HRA credit ceilings and their replacement with Capital Financing Requirement categories, and the abolition of the requirement to set aside funds to repay HRA debt;
 - The payment of assumed HRA subsidy surpluses to the ODPM.
- 2.15 The 2004-05 Final Subsidy Determination was issued on 18th December 2003 and this confirmed the proposals set out in the Draft Determination. In November 2004 the draft determination for 2005 was issued and has been used as a basis for projecting subsidy allowances in the financial modelling that underpins the analysis in this report.
- 2.16 The Housing Act 2004, which received Royal assent on 19th November 2004, aims to help not only the most vulnerable in the private sector, but also to strengthen the Government’s drive to meet its 2010 decent homes target. The key aspects of the Act are:
- Providing local authorities with new powers to selectively license private landlords where there is a particular problem such as anti-social behaviour. If a landlord is not fit and proper, a council will be able to take over the management of the property until a decent manager can be put in place;
 - Introduce a licensing scheme for the highest risk Houses in Multiple Occupation. Licensees will need to show that they are “fit and proper” to manage the property and that arrangements are in place to ensure that adequate management standards are met;

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- The ODPM have given social landlords the right of first refusal when an owner wishes to resell a property within 10 years of exercising their Right to Buy. This will not be retrospective;
 - In addition it is proposed to suspend the Right to Buy from properties scheduled for demolition;
 - The Act provides for the Housing Corporation and the National Assembly for Wales to pay grant to organisations other than Registered Social Landlords in order to encourage competition and increase the supply of affordable homes.
- 2.17 Regard has also been given to the Regional Housing Strategy 2005 –2016 which sets priorities and actions for housing in the South West region. Some of the main influences are achieving the aims of balancing housing markets, good quality homes, and sustainable communities. Specifically action 18 of the Regional Housing Strategy seeks to – complete outstanding option appraisals in 2005 and deliver through the Regional Housing Pot the resources required by authorities choosing retention, ALMO, or PFI to achieve social sector Decent Homes by 2010.
- 2.18 It is within this policy context that the housing stock options appraisal has been undertaken.

3. SUMMARY OF THE COUNCIL'S CURRENT HOUSING POSITION

Housing Need

- 3.1 The Council's Housing Strategy Statement 2004-2007 sets out a comprehensive assessment of the local housing market and the particular features which create housing problems for certain households. The Housing Strategy recognises that there is a high level of unmet housing need in the district in part caused by high housing costs, low incomes, high levels of in-migration, high proportion of second homes, holiday homes, etc. The housing market factors in East Devon influencing the Council's approach to intervention have the following features:
- Many households in housing need, with large number of households on the Council's Housing Register.
 - Low wage economy with many earning below the national average.
 - High levels of unmet housing need in Exmouth and the main towns.
 - Lack of affordable housing in rural areas.
 - Relatively small private rented sector with 10% unfitness in the sector.
 - Limited access to the private sector.
 - Relatively high levels of homelessness.
 - Difficulty in securing temporary accommodation for those households whom cannot be housed on in secure accommodation.

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- Lack of suitable supported housing for people with special needs.
 - Significant number of households seeking a transfer to alternative accommodation.
 - Significant interest in affordable shared ownership/ low cost home ownership opportunities from those in housing need.
- 3.1 In 2001 the Council commissioned a Housing Needs Survey from a specialist consultancy. The survey was carried out in line with the ODPM guidance and updated in 2005.
- 3.2 The survey showed that the gap between affordable housing supply and demand is significant across the district. The total affordable housing need annually is for 1,117 units. The supply of affordable housing averages 381 units each year, so the annual shortfall is projected as 736 units per annum over the next five years.
- 3.3 Fordham Research, the consultants who carried out the survey, made the following recommendations:
- 40% affordable housing should be sought on appropriate developments/planning applications;
 - The maximum number of new units should be negotiated as subsidised affordable housing on all suitable sites;
 - The results supported reducing the site threshold level in the larger settlements to 15 units and 5 in rural areas.
- 3.4 There are currently 3,293 households on the Council's Housing Register seeking affordable housing in the district. 1,773 households require one bedroom accommodation; 898 require two bedroom accommodation; 529 require three bedroom accommodation; and 93 require four or more bedroom accommodation.
- 3.5 In January 2005 the Project Team considered two reports on housing need and the links with the housing stock options appraisal.
- 3.6 On 17th January a detailed report was presented on the available housing needs data and the implications for the project. This paper has been reproduced in **Annex 2**.
- 3.7 The Project Team concluded that there was strong on-going demand for existing general needs housing, that a closer investigation be undertaken into the long term sustainability of the older persons accommodation, and that the Council needed to continue to develop its enabling role to deliver more affordable housing.

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- 3.8 A further paper was presented to the Project Team on 25th January 2005 **Annex 3**, which initiated an audit of older persons accommodation.
- 3.9 The Council is committed to developing its role and performance in providing affordable housing. The housing and planning policy position has been formulated and set out in the Housing Strategy, Local Plan, and Supplementary Planning Guidance. Housing and Planning services are working closer and co-ordinating their efforts to deliver what has been reinforced as a corporate priority – the provision of more affordable housing.
- 3.10 We have been negotiating a higher level of affordable housing on sites coming forward for residential development, making use of the exceptions site policy, and securing Housing Corporation investment into affordable housing schemes.
- 3.11 We have been negotiating the provision of affordable housing at Cranbrook (new community) and are hopeful of delivering 1160 new affordable homes, which represent 40% of the total development.
- 3.12 Further initiatives are being introduced to advance the provision of additional affordable housing to meet unmet housing need. These are being progressed under the Council's strategic housing role, consistent with the Corporate Plan.

Stock Condition

- 3.13 The Council maintains a computerised stock condition database, updating it whenever improvements or replacements are completed, either as a result of planned programmes or following opportunistic work in empty properties. The database provides outputs for scheduling renewals/repairs based on the life cycle of each building element. These outputs are supplemented with the results from an annual 20% stock condition survey, carried out in accordance with ODPM guidance, which in turn is used to update the database.
- 3.14 Effective long term investment in the housing stock, supported by the detailed information provided through its stock condition database and by the resources released through having been a debt free authority, has resulted in East Devon District Council's housing stock being in good condition.
- 3.15 In June 2005 an external validation of the Council's stock condition information was carried out by Tribal HCH and summary cost/investment tables produced in a format suitable for this appraisal. Three levels of potential investment in the stock have been considered in this report. Firstly, a minimum level based on delivering and maintaining the decent homes standard and secondly an enhanced programme of works

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including items not covered by the Decent Homes Standard. A third option has been considered which accelerates kitchen and bathroom improvements. Details of the respective cost projections are set out in Section 5 of this report.

Council's Key Housing Objectives

- 3.16 It is important within the context of this report to identify the Council's key housing objectives against which the various options can be measured. The Council has an overarching vision to ensure that all residents have access to a decent home, which is affordable, of adequate size and suitably located. East Devon District Council's strategic housing aims and objectives are contained in its 2004 -2007 Housing Strategy. These are summarised below:
- Provide a range of affordable housing to meet housing needs.
 - Prevent homelessness wherever possible, and otherwise ensure that accommodation is provided for those who do become homeless.
 - Maintain and manage the Council owned housing stock to a high standard, actively involving Tenants in all aspects of the service.
 - Bring sub-standard housing up to current standards.
 - Improve the use and safety of housing.
 - Enable elderly and disabled people to remain in their own homes.
 - Enable people with special needs to live as independently as possible.
 - Improve the energy efficiency of housing and eliminate Fuel Poverty.
 - Widen the choice of housing, especially for those in priority need.
 - Encourage the improvement and regeneration of local communities.
 - Encourage social inclusion and enable residents to actively participate in their communities.
- 3.17 The decision on the most appropriate option for the future of council homes should have regard to the aims set out above.

4. EAST DEVON'S APPROACH TO THE PROJECT

- 4.1 Our approach towards undertaking the housing stock options appraisal is described in the Scoping Report produced at the start of the exercise in an attempt to capture the main aspects of the project. The work has largely been managed internally with limited use of consultants on specific tasks.
- 4.2 A Project Manager was appointed to co-ordinate and oversee the project; working with a team of officers, advisors, Tenants, Leaseholders and Members to complete a comprehensive appraisal of the options available for the future ownership and management of the Council's housing stock.
- 4.3 The Council cautiously decided to run this project in-house rather than pass it to consultants, so as to retain ownership of the entire process and learn from the careful analysis of stock condition, Tenant and Leaseholders aspirations, financial modelling, and the options available. The Stock Options Appraisal Scoping Report (**Annex 1**) highlighted the role of the Project Team in considering the merit of employing a lead consultant to assist in undertaking certain stages of the project. Subsequently consultants Fordhams, PPS, Tribal HCH and TPAS were employed to assist in the housing need survey, stock condition evaluation and tenant advice work respectively.
- 4.4 Three groups have been established to run the project. These are:
- Project Team;
 - Task and Finish Forum;
 - Tenant and Leaseholders Steering Group.

The existence and role of the Task and Finish Forum (TAFF) was the subject of some debate during the early months of the project, with the CHTF Advisor expressing concern that this group should not be making recommendations as this should be the role of the Project Team made up of service users and staff, as well as Council Members. The TAFF had been established following the Housing Stock Options Appraisal Scoping Report (Annex 1) so that Members would be fully engaged in the project and report back to the Executive Board and Communities Overview Committee on the progress of the project. However, working with The Government Office South West (GOSW) and the CHTF the TAFF elected three of its members onto the Project Team. We produced clear terms of reference for each of the groups and doubled the number of tenant/leaseholder representatives on the Project Team to achieve the balance required by GOSW

The Terms of Reference for the above groups are shown in **Annex 4**.

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- 4.5 A Project Plan was produced early in the project using the Community Housing Task Force model. This was amended and updated throughout the project and a copy is attached in **Annex5**. The Project Plan identified key tasks and milestones throughout the project.
- 4.6 During the initial phase of the project the Project Team approved a Communications Strategy **Annex 6**. This document set out how the various elements of the project would be communicated to the numerous stakeholders, and how the views of those groups would be captured and incorporated into the decision making process.
- 4.7 Communication during the entire project has been an important feature to ensure that the issues being addressed were widely understood, particularly amongst tenants, Council employees and Council Members. As a general principle the Project Team have attempted to be open and honest with all forms of communication.
- 4.8 During the course of the project a series of articles have appeared in the Housing Standard Magazine sent to all Council tenants and leaseholders. There have also been three staff newsletters, press releases and numerous briefing sessions. The housing stock options appraisal has been a standard agenda item on the Housing Service Management Team and Tenant Customer Panel meetings. Briefing notes have been prepared for Members and the Council's Corporate Management Team.
- 4.9 Examples of the literature used in communicating messages on the project have been included in **Annex 7**. The Council has also used its website to promote the project and give access to key documents.
- 4.10 Early in the project a Tenant Empowerment Strategy was produced to illustrate how tenants would be put at the heart of the project. The document was initiated by council officers but developed and finalised by tenants and their advisor. The Tenant Empowerment Strategy has been reproduced as **Annex 8**.
- 4.11 The Project Team have aimed to carefully follow the principles and commitments contained in the Communications and Tenant Empowerment Strategies throughout the project whilst being flexible to changes in circumstance and with any changes being made with the agreement of the Project Team. For example the consultation period proposed and described within Phase 3 of the Communication Strategy was reduced on the advice of the CHTF from 2 months to 3 weeks, resulting in the removal of over half the venues from the itinerary.
- 4.12 Tenants tendered for, recruited and selected their independent adviser in the early stages of the Project Plan. Tenants produced a specification of the services they required and advertised for expressions of interest in the work. These are reproduced as **Annex 9**.

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- 4.13 Following an interview of the tenderers the tenants appointed the Tenant Participation Advisory Service (TPAS) as their Independent Tenant Adviser (ITA). The main role of the ITA is to assist tenants throughout the project, ensuring that tenants understand the process, are fully engaged, have an effective input, are fully consulted, and are genuinely at the centre of the housing stock options appraisal.
- 4.14 The Project Team also recognised the need to employ specialist consultants to undertake specific tasks including stock condition survey validation, producing Investment Plans, and financial modelling.
- 4.15 The Council's approach to the housing stock options appraisal has been comprehensive, inclusive, and rigorous. Undertaking the exercise in-house has been demanding for officers, tenants, and Members, but it has been an opportunity to learn together about all aspects of the housing business. There have been numerous benefits flowing from the project regardless of the option that will be selected at the conclusion of the project.

5. HOUSING STOCK CONDITION

- 5.1 Following many years of careful and sustained investment the Council's housing stock is in good condition. All of the Council's housing will meet the Decent Homes Standard in 2005/2006.
- 5.2 Before the commencement of the housing stock options appraisal we thought that stock already achieved the Decent Homes Standard, but the process of scrutinising the stock condition data revealed approximately 1,100 homes which have electric or solid fuel heating had inadequate thermal insulation. This situation is being remedied in 2005/2006.
- 5.3 For many years the Council has been capturing details of the condition, repairs and improvements undertaken to all Council homes. An in-house system has been developed whereby the condition of key building components is described and aged. The database is comprehensive, covering 100% of the housing stock. Individual records are updated regularly and approximately 500 properties are re-inspected every year.
- 5.4 Whilst we hold accurate and comprehensive stock condition information the system was not designed to test compliance with the Decent Homes Standard. To make the data compatible a considerable amount of work was required, involving some property re-inspections and completing gaps in records.
- 5.5 In the initial stages of this work we were assisted by consultants PPS who advised the Project Team on interrogating the database to evidence compliance with the Decent Homes Standard. Unfortunately PPS were

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unable to validate full compliance with the Decent Homes Standard to the Council's satisfaction. The PPS report is reproduced in **Annex 10**.

- 5.6 On the advice of the Community Housing Task Force the Project Team agreed the appointment of a second specialist stock condition consultant Tribal HCH, who worked closely with Council officers to ensure that sufficient information was available on the condition and age of building components to provide robust evidence of compliance with the Decent Homes Standard.
- 5.7 Through a process of sample property inspections, use of ODPM lifecycle dates, and actual condition data, the accuracy of the database was validated by Tribal HCH. This important stage in the project meant that a base case was established which would allow accurate forecasting of the need for future repairs and improvements over a 30-year period, to produce a reliable Investment Plan. The Tribal HCH final report is reproduced in **Annex 11**.
- 5.8 Using the modified stock condition database we were able to produce three variations or models of Investment Plans, representing high, medium and low (previously minimum) options for investment.
- 5.9 The Investment Plan is an estimate of the cost of building work being undertaken to the housing stock over a 30 year time frame. Using the stock condition data an estimate has been made of when specific building components will require replacement. The three models anticipate different levels of investment with the low standard maintaining all homes above the Decent Homes Standard. The medium standard incorporating higher levels of planned maintenance and tenants aspirations. The high standard sees an accelerated kitchen and bathroom replacement programme.
- 5.10 The three Investment Plan options are set out in **Annexes 12, 13, and 14**, with a summary of all three in **Annex 15**.
- 5.11 The low cost option anticipates investment of £121 million in the housing stock over 30 years. This increases to £172 million in medium cost option, and £188 million in the high cost option.
- 5.12 The three investment options represent expenditure averaging £4,023,513 per annum over thirty years on the low cost model; £5,769,613 on the medium cost model, and £6,280,231 on the high cost model. These figures assume an average expenditure per dwelling over thirty years of £27,909; £39,799; and £43,457 respectively based on 4,325 homes.
- 5.13 The main areas of expenditure contained in the investment models and the differences between the low and the high options have been set out in

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a 'compare the repairs' handout prepared by TPAS to explain the differences to tenants. This document is reproduced in **Annex 16**.

- 5.14 The Investment Plans are a critical element of the housing stock options appraisal, and it is important that we forecast future costs as accurately as possible, because they will be major influence on how the preferred option for the future ownership and management of the housing stock is selected.

6. TENANT AND LEASEHOLDER ASPIRATIONS

- 6.1 Throughout the project the Project Team has tried to ensure that tenant's views and opinions are at the heart of their thinking and decision making process. The Project Team and TPAS have been particularly keen on capturing and incorporating tenants' aspirations for their housing service and their priorities for the improvement and maintenance of their homes.
- 6.2 The Council has enjoyed high levels of tenant satisfaction as evidenced through the Best Value Review of housing services and the ODPM, bi-annual tenant opinion survey, but the Project Team recognised that the housing stock options appraisal presented a unique opportunity to work closer with tenants and engage them in all aspects of the project.
- 6.3 Shortly after TPAS were appointed they held a series of consultation events at fourteen sheltered housing venues. This exercise revealed that tenants were very satisfied with the warden service, repairs service, quality and location of their homes, but wanted to see improvements in the allocation and lettings process, more showers in sheltered housing and disabled adaptations. The full report is shown at **Annex 17**.
- 6.4 The Council officers worked closely with TPAS to produce a questionnaire to test tenants' aspirations on a range of housing issues. This was modified by the Project Team and is appended as **Annex 18**. The questionnaire was sent to all tenants and leaseholders totalling 4,325 households, and over a three week period 1,466 completed forms were returned, representing a response rate of 34%.
- 6.5 The results of the Tenant Aspirational Survey revealed some helpful, clear and consistent messages for the Project Team. In summary tenants wanted a high priority given to producing more affordable housing, they wanted new doors, new bathrooms and kitchens, improved grounds maintenance and more disabled adaptations. A full analysis of the results is contained in **Annex 19**.
- 6.6 When the survey results were reported to the Project Team, TPAS ran an exercise to help prioritise the survey findings in order that the higher level aspirations could be costed and built into the Investment Plan for future action.

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- 6.7 There was some comment during the process of capturing tenant aspirations that the issues identified by tenants were not particularly ambitious or demanding. In part, this can be explained by the fact that tenants homes in East Devon are already in good condition, with modern facilities, many in attractive locations, and all offering good value for money.
- 6.8 Tenants were not expressing a desire for new windows, central heating, new roofs, repairs etc. presumably because these items have been replaced or are in good order. Tenants want to see improvements or extensions to the housing service and improvements to the environment around their homes, community development, and better facilities for older and/or disabled tenants.
- 6.9 The aspirations flowing from the comprehensive survey of tenant wishes was captured in table form and a range of assumptions made about the cost of putting these measures in place. The package of measures in **Annex 20** was approved by the Project Team in June 2005.
- 6.10 The cost of implementing the improvements was estimated at £3.9 million over 30 years. These costs were built into the medium and high cost models of the Investment Plans.
- 6.11 There were a number of the aspirations identified in the Survey which could be implemented at little or no cost. These will be actioned. Equally one of the issues which received a high response from tenants was the delivery of more affordable housing. This is a corporate priority and will be actioned regardless of which option is selected for the future ownership and management of the Council's housing stock.

7. AUDIT OF OLDER PERSONS HOUSING

- 7.1 A high proportion of the Council's housing is designated as suitable for older persons. Approximately 32% of the stock is Category 1 bungalows or Category 2 sheltered housing in flats. This housing has been protected from the Right to Buy over the last 25 years whereas approximately 3,000 other general needs homes have been sold. This despite the demographics of the East Devon population has created an imbalance in the social housing stock.
- 7.2 Some of the sheltered housing proves to be 'harder to let' and the Project Team recognised the need to ensure that this sector was attractive to existing and future tenants. Improvements and repairs to sheltered housing were included in the Investment Plan models, however, it was agreed that additional resources should be identified to meet the future demands of the Supporting People programme.

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- 7.3 The Project Team approved a template and methodology for an audit of the older persons housing and officers undertook an assessment of the location, size, facilities, and ease of letting sheltered housing. This process enabled a crude assessment of whether a scheme should be retained unchanged, reused for a different client group, or decommissioned. The exercise coincided with a Supporting People Review of older persons housing and support services and the Council's internal review of the warden service.
- 7.4 The exercise has enabled the Project Team to estimate the additional costs to be built into the Investment Plan for the provision of flush floor showers, non slip paths etc. It has been estimated that £4.3 million should be built into the Investment Plan over the first seven years to bring sheltered housing up to Supporting People Standards.
- 7.5 The assumptions which underpin this estimate of additional costs are set out in the attached paper, **Annex 21**, which was considered by the Project Team in September 2005.

8. THE OPTIONS IN DETAIL

- 8.1 During the course of the housing stock options appraisal the Project Team have considered the four main options in detail and assessed the implications for the future ownership and management of the Council's housing stock. The interests of current and future tenants were at the centre of these considerations.
- 8.2 Two of the four main options have been rejected. On 25th January 2005 the Project Team received a detailed report of the Arms Length Management Organisation option. The discussion paper is included as **Annex 22**.
- 8.3 The ALMO option was not considered suitable for East Devon for a number of reasons, which are summarised below:
- The Council did not need to raise funds to meet the Decent Homes Standard.
 - The uncertainty over future ALMO programmes.
 - The uncertainty over achieving a 2* plus rating.
 - Legal and financial costs of setting up an ALMO.
- 8.4 On 24th February 2005 the Project Team received a discussion paper on the Private Finance Initiative (PFI). The paper is included as **Annex 23**.

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- 8.5 The PFI option was not considered suitable for East Devon for a number of reasons, which are summarised below:
- Mainly suited for run down estates or inner city areas not rural areas with dispersed housing.
 - Early PFI schemes all London or Metropolitan areas.
 - Legal and financial implications.
 - No need for large investment to meet the Decent Homes Standard.
- 8.6 Rejecting these two options left two viable options for East Devon – Large Scale Voluntary Transfer and retention of the stock by the Council. In order to gain first-hand knowledge of the practical aspects of both options, members of the Project Team visited Bournemouth Borough Council, an authority which has retained its housing stock, and South Somerset Homes which is a housing association formed on transfer of the district Council's housing stock. The reports on these visits are produced at **Annex 24**.
- 8.7 It became increasingly clear as the project advanced that the preferred option would be strongly influenced by the level and standard of improvement and repair to the housing stock which could be delivered under each option, tenants preference and aspirations, and the modelling of housing finances through the production of a 30 year Business Plan.
- 8.8 A summary of the two remaining options and the perceived advantages/disadvantages of each are set out below:

HOUSING STOCK OPTIONS APPRAISAL

COUNCIL STOCK RETENTION	LARGE SCALE VOLUNTARY TRANSFER
ADVANTAGES	ADVANTAGES
<ul style="list-style-type: none"> • Council maintains control over the housing stock. • Can use the stock to provide temporary accommodation for homeless households where the Council has a duty to house. The Council would retain direct control over this process. • Close link between housing strategy role and means of delivering through the landlord role. The Council would retain direct control over this process. • Easier to secure homes for homeless and priority needs groups and retention of control over this process. • Borrowing possible under prudential arrangements. 	<ul style="list-style-type: none"> • Capital receipt received for the sale of the housing stock, which may be invested in providing additional affordable housing. • Clear separation of strategic and landlord functions. • Organisation has single focus on housing management free of other corporate pressures and distractions. • Compliance with Government desire for housing to be externalised. • Generally allows for greater tenant involvement in the management of their homes. • Possible to develop new affordable housing with Social Housing Grant. • Higher standards of housing improvement possible through borrowing. • No HRA subsidy payment. • Free of direct ODPM interference. • HRA balance paid into the General Fund.

HOUSING STOCK OPTIONS APPRAISAL

COUNCIL STOCK RETENTION	LARGE SCALE VOLUNTARY TRANSFER
DISADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> • Borrowing freedoms not as great as alternative options. • No capital receipt generated to invest in more affordable housing or other priorities of the Council. • Housing subsidy system results in large annual payment to government. • Subject to government intervention/interference. • Many inevitable distractions from the core business of housing management. • Have to continue to develop new affordable housing through existing housing associations. 	<ul style="list-style-type: none"> • Loss of Council control over the new housing association. • Payment of 20% of the capital receipt to the government. • Loss of control over allocations policy and management standards. • Council will need to establish a residual housing team to deal with housing strategy and enabling, homelessness, housing register, housing advice etc. • We are not ready for the transition and major culture change involved in transferring to a housing association. • Ability to discharge statutory duties such as housing homeless households can be problematic if access to nominations into the stock are not agreed and clear. • High cost of transferring the housing stock in legal and consultancy fees. • Debt laden association with heavy loan repayments. • Control exercised by lenders who finance the stock transfer/sale.

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9. FINANCIAL MODELLING AND BUSINESS PLANS

- 9.1 The Investment Plans produced set out the cost of works to the housing stock, and in the case of the medium and high options, tenants aspirations. The production of Business Plans takes the Investment Plans a stage further by building in all other costs of running the housing service such as staff costs, rental income, subsidy payments etc.
- 9.2 Working with Tribal HCH, council officers populated the ODPM 30 year Business Plan Model and produced three versions as an extension of the three Investment Plans.
- 9.3 It quickly became apparent when using the ODPM Business Plan Model that only the low cost option was viable and sustainable over the 30 years if the Council retained the housing stock.
- 9.4 Summaries of the cash flow statements from the three Business Plan options are shown in **Annex 25**.
- 9.5 The Project Team, members of the Task and Finish Forum and housing staff received a briefing on the financial modelling work undertaken on 24th August 2005. The briefing explained the purpose of the Business Plan, the main elements of income and expenditure, factoring in of the Investment Plan options for repairs and improvements, the impact of the HRA subsidy system, and explained a comparative cash flow summary over the thirty-year life of the Business Plan.

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9.6 The comparative cash flow summary is set out in the table below.

<i>All Figures in £M</i>	Low	Medium	High
Income			
Rents	573	573	573
Other Income	<u>10</u>	<u>10</u>	<u>10</u>
	<u>583</u>	<u>583</u>	<u>583</u>
Expenditure			
Repairs and Maintenance			
Responsive	66	72	72
Planned (cyclical)	45	51	51
Major Repairs	78	134	154
Other Improvements	3	11	16
Housing Management	109	109	109
Other Expenditure	12	12	12
Other Capital Expenditure	<u>5</u>	<u>5</u>	<u>5</u>
	<u>318</u>	<u>394</u>	<u>419</u>
Surplus/(Deficit)	265	189	164
Right to Buy Receipts	6	6	6
	<u>271</u>	<u>195</u>	<u>170</u>
HRA Subsidy Payment	<u>256</u>	<u>256</u>	<u>256</u>
Net Cash/Inflow/(Outflow)	<u>15</u>	<u>(61)</u>	<u>(86)</u>

9.7 The table shows the HRA cash flows over thirty years for each of the Business Plan options. The costs include allowances for inflation, which in the case of works to stock is above RPI to reflect our current experience of building costs. It can be seen that there is a surplus of £15 million over thirty years in respect of the low cost option, which can be invested in more repairs and improvements to tenants' homes and/or improvements to services. The medium and high cost options are not viable for the Council because they would not maintain the HRA in balance.

9.8 Through this exercise we discovered that the financial viability of the HRA Business Plan hinges upon a number of key factors:

- Rent convergence – rents will rise faster than inflation until 2011 to bring them in line with those of other social landlords in Devon.
- Major repairs – our consultants have advised that a notional backlog of improvements and repairs, based on lifecycle replacement dates, will need to be addressed in the early years of the Business Plan.

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- HRA subsidy – this payment to government will rise considerably in the next few years, mainly due to assumptions made by the ODPM on inflation of income and expenditure. In terms of repairs and maintenance, the ODPM's assumptions are lower than those we are actually experiencing.
- 9.9 Despite our current £1.8 million surplus on the HRA, the Business Plan will move into a negative position within five years if we adopt the pattern of expenditure proposed by our consultant in relation to major repairs. This assumes that we will not use the prudential borrowing facility now available to local authorities. We have limited control over income from rents and other variables, which are strictly controlled by formula, set by government.
- 9.10 As part of the project the Project Team on the 31st August 2005 considered the Audit Commission Key Lines of Enquiry (KLOE's) for housing management activities. We undertook a self-assessment exercise to estimate the resourcing implications of aspiring to become an excellent housing service. We have estimated the need for four additional staff and retaining the temporary appointments, which translates into approximately £121,000 extra cost to the HRA. This cost has been built into all three models of the Business Plans.
- 9.11 Our consultants undertook some sensitivity testing on the assumptions of the Low Cost Business Plan. The first test assumed the non-use of Right to Buy receipts to fund the HRA capital programme. Over the first five years of the programme, such an assumption would have a negative impact of about £2.1 million on the five year capital programme.
- 9.12 The second test assumed an increase in the inflation of maintenance allowances of 4% rather than 2%. The impact on the five year capital programme was a neutral one.
- 9.13 The Tribal HCH report on the business planning process is shown in **Annex 26**. Their conclusions (see para 7.1 of the annex report) were that 'the assumptions used within the Council's projections of its HRA Business Plan... are prudent and reasonable, based on the information provided by the Council. However, the assumptions regarding inflation growth for insurance costs and for all repairs and maintenance work would need to be closely monitored for future accuracy'.
- 9.14 The business planning exercise demonstrated that the Council could afford to implement the low cost option and have an additional £15 million to spend on the housing stock and/or housing services over the thirty years of the plan. The medium and high cost options are not affordable by the Council and if either of these models were chosen as a preferred option this would necessitate the transfer of the housing stock through the Large Scale Voluntary Stock Transfer (LSVT) process.

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- 9.15 Over the next five years the low cost option assumes that we would spend up to £5.7 million each year on repairs and improvements to Council homes (we currently spend £4.7 million). This will enable the Council to continue existing programmes, but beyond five years expenditure would be at a much lower rate.
- 9.16 We have included in all options plans to invest £4.3 million into sheltered housing over the next seven years to meet current and future tenants' needs. However, this level of expenditure will mean that we will have to find £2 million per annum by changing our expenditure plans, selling assets such as land or property, or a combination of these approaches.
- 9.17 In financial terms the decision centres on the level of investment that can be afforded under each option to undertake work to the housing stock and improvements to housing services. In manipulating the data and financial information it has become clear that the Council will only be able to afford a basic level of investment after five years, closest to that shown in the low cost option.
- 9.18 It is also evident that the LSVT option will enable more money to be borrowed and invested in the housing stock to deliver new kitchens and bathrooms, doors, tenant's aspirations, service improvements etc. quicker than would otherwise be the case. This is possible because the new housing organisation would not have to pay the HRA subsidy, estimated at £4.4 million in 2006/07. Instead, it would have to repay the loans raised to purchase and improve the housing stock. We anticipate these payments at current interest rates to be about £2 million less than the annual HRA subsidy payment. However, it is likely that the new housing association would need to increase costs in supervision and management areas amounting to about £0.2 million per annum.
- 9.19 We requested our consultants, Tribal HCH, to undertake an approximate valuation of our housing stock in the event of a transfer. They based this on the 'High' business plan option as this would deliver all the requirements of tenants. They assumed a real inflation growth at a level ODPM proposes as acceptable, which is lower than the Council is currently experiencing, and excluded benefits that might accrue from Right To Buy sales. The gross valuation was £9.4 million, with the net receipt being estimated at £3.6 million after setting-up costs, an ODPM levy payment, and an allowance for pension fund under funding. The cost to the Council's General Fund was estimated at £0.11 million over the five year period after the transfer.
- 9.20 A report to the Council's Executive Board in December 2005 highlighted the fact that "early analysis of the Business Plans suggests that we can fund the low cost option and maintain a Housing Revenue Account (HRA) which is in balance over 30 years. However, the stock investment proposals indicate relatively high costs in the early years of the plan which

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- will lead to a short term deficit. This must be addressed by adjusting the profile of anticipated expenditure, short term borrowing, or the sale of assets to finance investment in the housing stock.”
- 9.21 This statement is consistent with the messages contained in the tenant and leaseholder information newsletter.
 - 9.22 The HRA cannot be allowed to go into deficit, but with the ‘frontloaded’ expenditure profile in the low cost option, estimated expenditure would exceed income in the first five years.
 - 9.23 The investment requirements were estimated using a combination of our existing stock condition data, and where data did not exist, recommended lifecycle replacement dates for key building components
 - 9.24 Over the 30 years the low cost option produces a surplus of £15 million, but in the first 5 years an accumulating deficit of £8.8 million in cash terms has to be addressed.
 - 9.25 It is essential that a viable and robust HRA Business Plan is produced to justify retention of the housing stock and achieve ‘sign off’ by Government Office. Towards the end of the project GOSW advised that a Retention Business Plan should be produced.
 - 9.26 We have used the ODPM Business Plan Model to produce and evaluate the various profiles of the Business Plan.
 - 9.27 We need to adhere to the consultation information presented to tenants and leaseholders, so the Business Plan has been constructed around these factors. The options are to either rephase some planned expenditure later in the Business Plan, or borrow to fund capital expenditure with repayments spread over 20 years. A combination of both approaches has now been used to produce a Retention Business Plan.
 - 9.28 The Business Plan is affordable as estimated, and will need to be carefully monitored throughout the 30 year period. The recommendation to retain the housing stock was marginal on financial grounds, and there is little doubt that the LSVT option would present opportunities for more investment into the housing stock and housing services. These differences can be seen in the ‘compare the repairs’ annex which sets out the variations in repairs and improvements.
 - 9.29 The structure and rules of the current housing finance system make it difficult for Council’s to continue to own their housing stock. Additional funds are not being made available for Council’s to achieve decent homes and the housing subsidy rules mean that authorities like East Devon who have a negative subsidy, pay Government almost 40% of rental income. Rents are fixed by formula and major repairs allowances set. We operate

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as a local authority in a heavily constrained system of housing finance, which has forced many housing authorities to transfer the ownership or management of their housing stock.

10. TENANTS INFORMATION AND PREFERENCE SURVEY

- 10.1 At its meeting on 31st August 2005 and following some debate the Project Team agreed to undertake a preference/opinion survey of all tenants and leaseholders. This exercise was to be co-ordinated with a series of stock options roads shows and drop-in sessions covering the main towns and villages in the district. It was agreed that it was important for the Project Team to accurately gauge tenant and leaseholder opinion to inform its decision on the most appropriate option for the future ownership and management of the council's housing stock, and tenant/leaseholders homes.
- 10.2 The Project Team considered several examples of information leaflets, and at its meeting held on 13th September 2005 considered a draft stock options newsletter/information leaflet. Amendments were suggested and several drafts of the leaflet were produced with input from a number of interested parties and stakeholders. The final version of the leaflet has been reproduced in **Annex 27** and included a tear-off slip inviting recipients to complete and return it in a pre-paid envelope to the Council with a preferred option. The postal survey returns from tenant and leaseholder opinion were received by the Council and placed in a sealed ballot box. A copy of the leaflet was sent to 4,313 households in an attempt to ensure that every council tenant and leaseholder received the information and an opportunity to express a preference. The leaflet included the freefone contact details of TPAS, giving the opportunity for discussion of the options with an independent advisor.
- 10.3 The information leaflet was supplemented by eight drop-in sessions held in community centres and halls throughout the district and an exhibition trailer visiting sixteen locations around the district. At these venues tenants and leaseholders could speak to their Independent Advisor, tenants, and staff about any aspect of the options appraisal project. Display information and leaflets set out some of the key features and findings of the housing stock options appraisal. This information is set out at **Annex 28**.
- 10.4 On 15th November the Project Team opened the ballot boxes and counted the completed slips. A total of 1,327 slips were received. 1,079 tenants and leaseholders preferred the council to retain the housing stock, and 231 preferred the LSVT option, these opinions represented 82% and 18% respectively. There were 17 spoilt slips. The response rate was approximately 31%.

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- 10.5 Tenants and leaseholders were also invited to express an opinion during the road shows and drop-in sessions held between 17th October and 2nd November. A total of 242 people attended the events and 136 expressed an opinion on their preferred option. The results of this exercise revealed that 42 (31%) tenants and leaseholders preferred the council to retain the housing stock, 94 (69%) tenants and leaseholders preferred the LSVT option. The road show and drop-in event preference slips were included in the count of preferences referred to in paragraph 10.4 above.
- 10.6 The Project Team considered all the factors influencing its recommendation on the preferred option and discussed a scoring/weighting scheme, which attached a relative priority to each criterion. The decision making model agreed by the Project Team is shown in **Annex 29**, and an explanation of the reasoning of the Project Team on how the relative scorings and weightings were produced, at **Annex 30**.
- 10.7 On 23rd November 2005 the Project Team received a briefing on key aspects of the housing stock options appraisal project as a reminder of the work undertaken over the previous fifteen months. The Project Team then individually proceeded to complete the scoring on the decision making model on the criterion which were not related to preferences of specific groups of stakeholders. Eleven members of the twelve strong Project Team scored the criterion.
- 10.8 The scores of housing and non-housing employees of the Council preferences were included, as were the scoring from the Tenant Steering Group who met on 25th November 2005.
- 10.9 It can be seen from the final scores in **Annex 31** that a total of 182.1 points in favour of retention and 158.3 points for LSVT. The decision making model is only an aid to decision making and the Project Team concluded their work by a full and thorough discussion of the various merits and shortcomings of each of the remaining two options.
- 10.10 The Tenant Steering Group met twice to work on their recommendations, and were unanimous in their conclusion that the Council should set up a housing association to manage and maintain East Devon's housing stock. The main reasons for this decision were that the Tenant Steering Group felt it would make better financial sense to use rental income to provide improved housing services. They were concerned that if the Council retained the housing stock, it would be unable to meet the aspirations tenants and leaseholders have for improvements to their homes. They were also mindful of the fact that, while the Decision Making Model revealed a higher total score in favour of stock retention, it also indicated that 8 of the 11 criteria selected by the Project Team as being significant to the final recommendation were indicating that transferring the stock to a

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housing association would be the more sensible option. The Tenant Steering Group Recommendations are reported in **Annex 32**.

- 10.11 The remaining six members of the Project Team were firm in their belief that despite the tenant's recommendations must be for the Council to retain the housing stock as this was clearly shown to be the desired outcome of the appraisal by the tenants and leaseholders who expressed a preference through the collective results of the consultation exercise.
- 10.12 The Project Team met on three further occasions aiming for collective agreement on the preferred option, aware of the need to reach consensus.
- 10.13 After much deliberation and compromise the Project Team now makes the recommendation to **retain** the housing stock subject to the approval of the following:
 - A new Project Board of tenants, members and staff be established (terms of reference to be agreed) to continue to review the retention situation and complete this work within five years. If appropriate, the Project Board will identify a programme for progressing any alternative option over a period that tenants, staff and members can realistically manage.
 - A Communication Strategy is produced setting out how tenants will be informed and involved in the process.
 - The tenants and leaseholders have access to continued advice throughout this process, including independent advice when they deem it necessary, subject to the constraints of the budget.
 - The Council commissions a warranted stock condition survey and valuation exercise as part of any preparation for housing stock transfer, or new management arrangements, if appropriate.
 - The Council meets the tenant and leaseholder aspirations that can be afforded, prior to any stock transfer or new management arrangements.
 - The Council undertakes further work, with independent specialist advice, on an evaluation of its housing management activities against the Audit Commission Key Lines of Enquiry and, following this evaluation, produces an Improvement Plan to achieve higher standards of housing management.
 - That the above points be monitored by the Project Board.

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The Project Team has agreed draft Terms of Reference for the proposed Project Board and these are produced at **Annex 33**.

11. AREAS FOR SERVICE IMPROVEMENT

11.1 Flowing from the options appraisal and the comprehensive review of the Service a number of ideas for service improvements have been suggested. It is recognised that the stock retention option still means significant change for housing services and not all of the improvements result in extra costs to the Housing Revenue Account.

11.2. So regardless of which option is selected for recommendation the options appraisal process has revealed areas for improvements to the housing service these are summarised below:

- Restructuring the Housing and Social Inclusion Service to meet the demands and expectations of a modern housing service. This work is currently in the consultation phase and the proposed new structure takes account of the requirement to split the management and strategic functions of the housing role.
- Working towards achieving an excellent housing service using the Audit Commission Key Lines of Enquiry.
- Meeting tenant and leaseholder aspirations.
- Increased tenant and leaseholder involvement in decisions affecting their homes.
- Provision of greater customer centred services.
- Introduction of service standards and/or customer charters.
- Introduction of Service Level Agreements for commissioned services.
- A 'back to basics' approach to ensure that key housing management activities are undertaken well.
- Improved communications with tenants and leaseholders and within the Service.
- Adopting a more businesslike approach.
- Keeping under review the options available to maintain a continuous improvement in services for current and future tenants/customers.

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- Ensuring that all housing employees are clear about their role and purpose.

12 CONCLUSIONS AND SUMMARY

- 12.1 The housing stock options appraisal has been a valuable exercise in working together as a team, getting to know the housing investment needs and tenant aspirations better, and helping tenants, Members and staff to understand the housing business and key influences on running the business efficiently and effectively.
- 12.2 East Devon is in an interesting position when considering the various options because the homes will achieve the Decent Homes Standard in 2005/2006, and one of the main reasons for undertaking a housing stock options appraisal is to determine the most appropriate option to meet this standard.
- 12.3 This is an enviable position but gives a different dimension to the project compared with many other housing authorities. For us the more significant consideration has been - can we maintain Council homes at or above the Decent Homes Standard, and which option presents the best opportunity to improve housing services for existing and future tenants and leaseholders. Council homes are in good repair, rents are relatively low, and tenant satisfaction high, but this has not led to complacency. The project has challenged existing ways of working, explored what is realistically possible, and set an agenda for change.
- 12.4 The Project Team has considered a great deal of stock condition, financial and tenants aspirational information, and concluded that the Council can afford to retain its housing stock and continue to meet the Decent Homes Standard. The HRA business plan shows that the housing stock can be maintained above these standards.
- 12.5 The majority of tenants surveyed would prefer to stay with the Council.
- 12.6 However, the Project Team recognises that the transferring the housing stock would provide significant benefits to both the Council and its tenants, therefore the retention position should be reviewed within five years.
- 12.7 Late in the project a complete and robust business case for stock retention has been drawn up, demonstrating that the Council can meet and maintain the Decent Homes Standard to 2010 and beyond without the Housing Revenue Account going into deficit, and is reproduced at **Annex 34** together with a note on the assumptions used in constructing the Plan.

13. RECOMMENDATION

13.1 The Project Team recommend that the Council approve that the housing stock continues to be owned and managed by the Council, subject to its approval of the following:

- A new Project Board of tenants, members and staff be established (terms of reference to be agreed) to continue to review the retention situation and complete this work within five years. If appropriate, the Project Board will identify a programme for progressing any alternative option over a period that tenants, staff and members can realistically manage.
- A Communication Strategy is produced setting out how tenants will be informed and involved in the process.
- The tenants and leaseholders have access to continued advice throughout this process, including independent advice when they deem it necessary, subject to the constraints of the budget.
- The Council commissions a warranted stock condition survey and valuation exercise as part of any preparation for housing stock transfer, or new management arrangements, if appropriate.
- The Council meets the tenant and leaseholder aspirations that can be afforded, prior to any stock transfer or new management arrangements.
- The Council undertakes further work, with independent specialist advice, on an evaluation of its housing management activities against the Audit Commission Key Lines of Enquiry and, following this evaluation, produces an Improvement Plan to achieve higher standards of housing management.
- That the above points be monitored by the Project Board.