

CABINET

17 September 2003

DELIVERING DECENT HOMES – OPTIONS APPRAISAL FOR LANDLORD SERVICES

REPORT OF DIRECTOR OF HEALTH AND HOUSING

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RECENT REFERENCES:

CAB 593 – Proposed House Condition Survey dated 5 March 2003

EXECUTIVE SUMMARY:

All local authorities who own housing stock have to undertake a comprehensive appraisal of options for the future delivery of Housing services and have those appraisals approved by the Government Office by July 2005. The Government has set the target to achieve the Decent Homes Standard by 2010 and see the Options Appraisal as a means to ensuring authorities have clear and robust plans for achieving the standard. Where it cannot be achieved through existing resources, councils will be expected to consider alternative management options such as establishing “Arms Length Management Organisations”, using Private Finance, transferring stock to a housing association, or possibly a mix of these options.

Detailed guidance has now been received from the Office of the Deputy Prime Minister (ODPM) on how to undertake an Options Appraisal exercise to comply with the assessment criteria and this report outlines proposals for reviewing the City Council's Landlord Service over the next year to comply with this duty.

RECOMMENDATIONS:

- 1 That Cabinet approves the establishment of an Options Appraisal Informal Member/Officer Group and agrees membership as suggested in paragraph 4.1.
- 2 That Cabinet approves the selection proposals for the Independent Tenant Adviser as detailed in paragraph 5.2 and the Director of Health and Housing be authorised to make the appointment following consultation with the evaluation panel appointed by TACT.

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DETAIL:

1 Introduction

1.1 The Government has introduced a requirement for all stock holding local authorities to submit options appraisals for the future management and delivery of landlord services to Government Regional Offices for sign off by July 2005 at the latest. This sign off will involve checking that:

- a) Authorities have realistic and deliverable plans for achieving the Decent Homes Standard by 2010.
- b) That tenants are fully engaged in the process and support the conclusions.
- c) That the appraisal is based on robust data and that underlying assumptions are reasonable.

1.2 The Decent Homes Standard sets a target for all Council homes to be brought to a decent standard by 2010. The standard requires properties to be in a reasonable state of repair, to have reasonably modern facilities and to provide a reasonable degree of thermal comfort.

1.3 The Council's Housing Revenue Account (HRA) Business Plan meets the Government's "Fit for Purpose" criteria in relation to "Tenant Involvement" and "Strategic Context". However, it can only achieve overall compliance with "Fit for Purpose" once it takes full account of stock condition and has clear plans for completing a comprehensive Option Appraisal process. The Government Office for the South East (GOSE) has requested a draft of the 2004/05 Plan by December 2003 so they can assess progress since our last assessment.

2 Housing Options

2.1 In recognising that most local authorities will require additional capital resources to achieve the Decent Homes standard, the Government has identified a number of options through which further funds could be obtained. These options include:

- a) Retain the Service in its current form – The Office of the Deputy Prime Minister has made it clear in its guidance that whilst this is an option for all authorities, no additional money over and above existing subsidy and allowances will be available via this route. For Winchester, it is a realistic option based on assumptions and projections in the existing HRA Business Plan. However, much will depend on the results of the Stock Condition Survey and proposed changes to management and maintenance allowances elements of Housing Subsidy.

- b) Arms Length Management – Authorities can now set up an “arms length management organisation” (ALMO) to run landlord services. Ownership remains with the Council and no changes to tenancy conditions are required. Additional funds may be available from Government to bridge any investment gap to achieve the Decent Homes standard. Establishing an ALMO would certainly be a complicated and costly process and would have a significant impact on the rest of the authority through the interim workload to set up the ALMO and because the body would for most purposes would operate as a separate organisation. It is also likely, having looked at the ALMOs that have been created already, that any support services would be provided from outside the Council in the medium to longer term. Nevertheless it would provide greater tenant involvement in management and services, as they would have one third board representation with a third going to independent representatives and a third for Council members. Such a move would need the support of tenants but there is no specific requirement for a formal ballot.
- c) Private Finance – The Private Finance Initiative has been extended to include improvements to Housing stock and 10 authorities are currently undertaking “pathfinder” projects. None have yet reached final stages and set up work has been complicated and costly. However, if successful, this could provide an option for future investment in stock without affecting ownership and tenancy conditions.
- d) Large Scale Voluntary Transfer (LSVT) – Ownership would transfer to a non-profit organisation registered with the Housing Corporation. A significant capital receipt may be realised which could in part be used to provide additional affordable housing. A LSVT would change the basis of tenancy for all tenants and requires a majority approval, normally through a formal ballot. The organisational effects would be as described under ALMO above, in that a separate organisation would be created.

2.2 For information, the Assessment criteria that will be used by GOSE are attached as Appendix 2 to this report. Full guidance from the ODPM is available on the Council's Intranet site.

3 The Current Position for City Council Stock

3.1 The current HRA Business Plan includes financial projections that indicate that, based on a range of assumptions (maintaining services at current levels, increasing rents in line with inflation and investing a minimum of £6m in the repairs programme annually), the Housing service is sustainable over the long term. However, a number of factors have yet to be taken into account, including:

- a) Stock Condition – The stock condition survey currently underway will provide much of the information as to whether existing levels of investment are sufficient for the Council to achieve the Decent Homes standard. Results are expected in September with detailed analysis of their effect on long term plans being completed by November.
- b) Housing Subsidy changes – All projections are based on existing subsidy rules. However, changes to management and maintenance allowances are proposed for next year.
- c) Tenant Aspirations – Whilst the Decent Homes Standard achieves a basic standard of accommodation, the Stock Survey will also be testing the overall

aspirations of tenants, not only with their homes but also the local environment in which they live. Initial feedback indicates that the overall service objectives should aim to achieve a higher overall standard and this will need to be incorporated into any long-term projections.

- 3.2 All of these factors will need to be incorporated into the long-term projections before it is possible to confirm whether the existing service is sustainable in its current form.

4 Undertaking the Options Appraisal

- 4.1 Undertaking a comprehensive Options Appraisal is a complex project that will require careful project management. Government guidance recommends that a working party of officers, members, tenants and other stakeholders be established to manage the process from the outset. This working party could be formed as an Informal Member/Officer Group reporting to Cabinet and chaired by the Portfolio Holder for Housing. It should also include some Members of the Housing Performance Improvement Committee with additional representation from TACT and officers including the Directors of Finance and Health & Housing and the City Secretary & Solicitor.

- 4.2 In order to meet Government Office assessment criteria, the final appraisal report will need documentary evidence to demonstrate:

- a) Feedback from consultation with the wider body of tenants including surveys, meeting reports and a report from the independent advisor.
- b) Details of consultation and input from a range of stakeholders as agreed in the Communications Strategy.
- c) Details of elected member involvement and endorsement of the chosen option.
- d) Completed financial assessment including details of how this was disseminated to tenants and members.
- e) Details of investment gap to meet Decent Homes Standard and that needed for any higher standards adopted, with methodology.
- f) Details of stock condition work completed together with arrangements for keeping up to date.
- g) Copy of the objectives and criteria for the option appraisal with details of how these were arrived at and any weighting applied.

- 4.3 In order to comply with these requirements, key stages of the project for the City Council will be to:

- a) Set Up and Manage the Project – This will include the establishment of the working group or project board and appointing to key roles, such as project champion and project co-ordinator. It is also essential that a clear project plan be developed to show the stages required ensuring a final report is prepared in line with government office deadlines.
- b) Agree overall objectives for the service – Whilst the Council has a corporate priority to achieve the Decent Homes Standard by 2010, further clarity on the

overall objectives for the Housing Service will need to be agreed to provide initial direction for the project.

- c) Develop a communications strategy – This is seen as a critical stage if we are to ensure that tenants views are properly considered. This will address how we inform and include all tenants, not just TACT and residents associations. A key part of this strategy will be the appointment of an independent adviser to tenants, which is described further in section 5 below.
 - d) Establish the base position for the Council – This will involve incorporating all of the results of the Stock Condition Survey into the long term projections as well as taking account of the other factors referred to in section 3.1 above
 - e) Identify and evaluate the alternatives – Any final report will need to demonstrate that the Council has evaluated the potential for each of the options to meet the overall service objectives in a detailed and robust way. Tenants as a whole will need to be given the opportunity to be fully briefed on each option and how they could impact locally (this will be a key role for the independent advisor).
 - f) Agree on a decision for the way forward – This will require a formal Cabinet endorsement on the agreed way forward and also evidence of tenant support, probably through a consultation/ballot as well as tenant representatives feedback.
- 4.4 A project process map indicating detailed stages of the project is included for information at Appendix 1.

5 Involving and Informing Tenants

- 5.1 In line with Government guidance, it is proposed to appoint an Independent Tenant Adviser to work with tenants to ensure that all have the opportunity to be involved or at least gain an understanding of the Options appraisal process. This is likely to include briefing sessions with representative bodies, road shows, sheltered scheme drop in sessions, a telephone helpline, newsletters to all households etc.
- 5.2 Quotes will be sought from suitably qualified bodies in September with final evaluation interviews planned for 2 October 2003. It is proposed that whilst this day is facilitated by Council officers and the selection process be in accordance with Council Procedure Rules , the final selection decision should be recommended by TACT, using the evaluation criteria detailed in the table below:

Tender Analysis	Marks
Price	40
Quality:	
Housing Knowledge	10
Experience/Track Record	10
Project Management/Delivery	10
Clarity of Information/Communication Skills	5
Proven Ability to get people involved	5
Interview:	
Presentation	5
Response to Questions	5
References	10
Total	100

For legal reasons it is suggested that the contract decision would have to be made by the Director of Health and Housing, in consultation with TACT representatives undertaking the evaluation.

6 An Initial Project Plan

- 6.1 Whilst the preparation of a detailed project plan will be an early task for the working group, an outline plan is provided in the table below:

Outline Project Timetable

Initial Discussions with ODPM representatives (completed)	July 03
Cabinet initial report and decision on direction	September 03
TACT appointment of Independent Tenant Adviser	Oct 03
First Meeting of Working Party – Roles defined	Oct 03
Objectives Agreed	Oct 03
Communication Strategy agreed	Oct 03
Stock Condition results reviewed	Oct/Nov 03
Council base position determined by Cabinet and Council before consultation stage	Nov 03
Options Evaluated	Dec 03 – Mar 04
Final position agreed by Working Party and recommended to Cabinet and Council	April 04
Tenants consulted on agreed way forward	April 04 – Jun 04
Final Report agreed by Cabinet and Council submitted to the Government Office	Aug 04

- 6.2 The final date for achieving sign off of the final reports by the government office is July 2005. However, guidance from the ODPM indicates that any appraisal project should be kept to around six months to keep a reasonable focus and prevent tenants becoming disinterested in the process. With Stock Condition information available in the next month or so, the above timetable is considered reasonable. It will clearly place an additional burden on the Housing Service and some additional consultancy advice and support will be required, particularly in assisting with modelling options over the long term.

OTHER CONSIDERATIONS:

7 CORPORATE STRATEGY (RELEVANCE TO):

- 7.1 The proposals accord with the principles of making best use of all available resources through effective financial and service planning.

8 RESOURCE IMPLICATIONS

- 8.1 Resources required to undertake this project will be significant. In addition to staff time, the costs of the Independent Advisor and other consultants as well as the production and distribution of information will all need to be funded from the HRA.
- 8.2 Budget provision of £88,880 is included in the HRA for the current year as a one off provision to fund this project. This includes £50,000 approved as part of the Rent setting process in December 02 (CAB546 refers) and also £38,880 additional subsidy

carried forward from 2002/03 to support the business planning process, of which Options Appraisal is a key element (CAB663 dated 16 July 2003 refers).

- 8.3 Final costs are not known at this stage. Much may be dependent on the outcome of the determination of the Council's base position. It is estimated that the Tenant Adviser may cost in the region of £30,000, with consultancy support to the Council amounting to a similar figure. It is proposed that the overall project costs be monitored by the Informal Group and by the Housing PIC. If further funding should be required then a report will be brought back to Cabinet.

9 TACT COMMENT

- 9.1 TACT acknowledges with thanks their consultation:

- A presentation made by Janette Palmer, Projects Officer at discussions with the two TACT Chairs on the 22nd July and for arranging the first two meetings where TACT was represented.
- A presentation with guidance to TACT made by Richard Botham, Head of Business Services of this paper at the TACT meeting held on the 20 August 2003.

- 9.2 TACT are in the process of making their choice for a short-list of consultants capable of being our Independent Tenants Advisor (Tenants Friend) and are mindful of the real importance for the need of independent professional advice. TACT also noted the urgency of the process and remarked of their satisfaction the Landlord were now addressing this matter.

- 9.3 Some concern has been expressed regarding the cost to the Housing Revenue Account (HRA). However TACT members acknowledge we must all press ahead with this matter. A procedure for our part in the short-listing and interviewing consultants has been discussed and agreed by TACT.

- 9.4 The Chairs of TACT are charged with the task of challenging the lack of grants and confusion of this issue. Contact with ODPM and the local Member of Parliament has been implemented.

- 9.5 The importance of the stock condition survey result, both for availability and content was noted with some concern (Paragraph 3.1. a) refers)

- 9.6 While TACT notes paragraph 5.2 with acknowledgement, we desire the appointment of a consultant Independent Tenant Advisor can be processed and agreed, acceptable to all concerned.

BACKGROUND DOCUMENTS:

ODPM Guidance – Delivering Decent Homes – Options Appraisal (available on City Council Intranet and in hard copy on request)

APPENDICES:

Appendix 1 - Options Appraisal Project Process Map

Appendix 2 - Government Office Option Appraisal Assessment Criteria