

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 10 January 2008
AUTHOR/S: Executive Director/Corporate Project Manager – Housing Futures

HOUSING FUTURES: SUMMARY AND KEY FINDINGS

Purpose

1. To provide the Leader and Cabinet with a summary of, and the key findings from, the Housing Futures process to inform the recommendation to be made to Full Council on the way forward in terms of the future ownership and management of council housing in South Cambridgeshire.
2. This is a key decision because:
 - it is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates;
 - it is likely to be significant in terms of its effects on communities living or working across the entire district;
 - it requires the acquisition or disposal of any land or interest in land with a value in excess of Level 4 (£120,000);
 - it is of such significance to a locality, the Council or the services which it provides that the decision-taker is of the opinion that it should be treated as a key decision.

and it was first published in the May 2007 Forward Plan.

Executive Summary

3. The Housing Futures Working Group (HFWG) was set up following a Cabinet decision in April 2007 to undertake a new housing options appraisal – *Housing Futures* - in view of the most recent financial forecasts in respect of both the capital and revenue position of the Housing Revenue Account (HRA).
4. The role of the HFWG has been to oversee the Housing Futures process to ensure that the objectives agreed by Cabinet were achieved within the agreed timeframe. Its membership has been drawn from elected members and tenants, in equal numbers, supported by senior officers and a corporate project team.
5. The Housing Futures process has followed on from the previous options appraisal signed off by the Government Office for East of England (GOEE) in July 2005. That process was conducted in accordance with national requirements placed on all stock owning local authorities to identify an option for the future of its housing that would enable delivery of the Decent Homes target by 2010. The government guidance on options appraisal has been used as a framework for the Housing Futures process and the GOEE have been fully briefed on progress and invited to the HFWG meetings.
6. The Housing Futures process has explored the following two options in terms of how far they can deliver on both the council's statutory and other obligations as a

responsible social landlord, including meeting the Decent Homes Standard (DHS), and tenant priorities and aspirations for their homes and the housing service:

- retention of the housing by the council
- transfer to a not for profit housing association

7. The significant area of work within the Housing Futures process has centred on the gathering and dissemination of relevant information through an effective communications programme, linked to a tenant empowerment strategy, with all key stakeholders including tenants, members and staff.
8. There has also been an examination of current and proposed national housing policy in so far as it relates to local authorities as housing providers both now and in the future. This has included a review of the housing green paper published by the Communities & Local Government (CLG) Department in July 2007 *Homes for the future: more affordable, more sustainable*. It is clear that the focus of the green paper is on increasing new supply of affordable housing and the investment to be provided through the latest Comprehensive Spending Review (CSR) for housing purposes will be targeted accordingly. Whilst there is reference to a review of the housing subsidy system in the longer term there is no timescale for such reform or any indication that this would improve the council's current financial position in the short, medium or longer term.
9. Having received key information on the condition of the housing and the investment requirements of the housing over the next thirty years the headline messages are as follows:
 - the stock condition survey (SCS) completed by Savills in November 2006 identified that the stock is generally in a reasonable condition. However, the stock has not received the level of major capital investment necessary to maintain all the homes to the recommended 'industry standard' condition;
 - the SCS report provides a total forecast expenditure of £323.3m to improve and maintain the stock and related assets over the next 30 years which equates to £56,963 per dwelling or £1,899 per dwelling per annum. This total expenditure over the 30-year horizon falls within expected benchmarks of housing of this type and location;
 - approximately 24% of the housing is currently 'non-decent' and the work required to meet the DHS by 2010 is achievable within current financial forecasts;
 - on the basis of the recommended industry standard, and the other assumptions set out in the Tribal financial analysis report, the HRA cannot afford the required capital programme now, and needs to make revenue savings no later than 2009/10. The estimated shortfall on the capital programme over 30 years is in excess of £200m;

- as would be expected, when the absolute minimum standard is modelled the capital shortfall is lower, at £118m over the 30 year period. The year of first shortfall does not occur until 2010/11. There is no change to the revenue position, however, which will still require savings from 2009/10, although in practice, the impact on demand for revenue repairs may be higher than described for the base position;
 - the financial appraisal has shown that a housing association landlord would have more money to spend on homes and services than the council. This is primarily due to central government policy in relation to negative housing subsidy which results in around 50p of every £1 of rental income and, similarly, 75% of all capital receipts from Right to Buy (and a proportion of the receipts from equity share sales) being redistributed to other areas.
10. The communications programme has provided a range of opportunities for tenants (including leaseholders), members and staff to get involved with and/or receive information on the Housing Futures process. The communication methods were informed by questionnaires that were sent out to all stakeholders in June 2007.
 11. The feedback from the events held for tenants (and leaseholders) during the period August to November 2007 indicate that tenants would like to know more about housing transfer as an option and in particular who the housing association would be and what they could offer. They also want to know what the council could deliver if it retained the housing. Other comments centred on service delivery issues particularly in relation to sheltered housing but also other areas including grounds maintenance. Many tenants have recognised the uneven financial playing field given the level of negative housing subsidy payable by the council and have expressed their dissatisfaction with this position. As a result tenants do seem to understand why the council is now looking again at the options for the future of its housing.
 12. For staff there has been regular communication through team meetings/briefings, newsletters, Frequently Asked Questions (FAQs sheets) and presentations on the key information, including the stock condition survey and financial modelling work, and the work of the Independent Tenant Advisor.
 13. For elected members there have been opportunities provided through Group briefings as well as copies of newsletters, fact-sheets and presentations on the key information, including the financial modelling work and by the Independent Tenant Advisor.
 14. Other stakeholders including Parish Council's and local MP's have been asked how they would like to be involved and/or receive information and the Local Strategic Partnership has been briefed on the Housing Futures process.
 15. An evaluation of the options has been undertaken as part of the Housing Futures process based on the following criteria:
 - Investment needs of the housing
 - Viability of the HRA
 - Tenant priorities
 - Impact on corporate and wider community objectives
 - Impact on the council's housing objectives
 - Consultation with tenants and leaseholders
 - Deliverability

- Staffing implications
 - Value for money
16. It is evident from the evaluation matrix that a housing transfer is the option that would be best placed to meet the future investment needs of the housing and improve housing services in line with tenant priorities and aspirations. This is because the new landlord would not be subject to the HRA subsidy system.
 17. However, this option could only be delivered if the majority of tenants who vote in a ballot support it. Further significant investment will be required 'at risk' in order to set up a new landlord and undertake a thorough consultation process with tenants (and leaseholders) on housing transfer proposal.
 18. The Housing Options Portfolio Holder Councillor Simon Edwards considered a summary of and key findings from the Housing Futures process alongside comments made by the HFWG at their meeting of 11th December at his portfolio holder meeting held on 14th December. Having considered in detail all the relevant issues and comments his recommendation to Cabinet is that a housing transfer would be in the best interests of tenants as it would enable improvements to homes and services and would offer the most protection for staff in terms of job security.
 19. Should the council decide to look in more detail at a housing transfer option then one of the key next steps will be to consider and agree a new landlord selection process that has tenants at the heart of the decision-making process but also fully involves elected member and staff representatives.
 20. Whatever the decision on the way forward the new HRA Business Plan will need to be agreed and implemented from April 2008. This will ensure that the council is best prepared to deliver a retention option through early identification and implementation of the required savings. A draft version of the new business plan is considered elsewhere on this agenda.

Background

21. The 2005 housing options appraisal was carried out in accordance with *Delivering Decent Homes – Option Appraisal: Guidance for Local Authorities* issued by the Office of the Deputy Prime Minister (ODPM) - now Communities and Local Government (CLG) - in June 2003. A full copy of the guidance can be found at <http://www.communities.gov.uk/housing/decenthomes/publicationsaboutdecent/optionappraisal/>.
22. Whilst the guidance on housing options appraisals was primarily to assist local authorities to determine how they would be able to deliver the Decent Homes agenda by the deadline of July 2005 it has been used as a framework for the Housing Futures process. An overview of the guidance and how this would be taken into consideration was reported to the HFWG at their meeting on 11 October 2007.
23. However, Housing Futures was seen as very much a review and refresh of the work carried out two years ago rather than a completely new process. The government guidance has been helpful in structuring the process but it has been applied in an appropriate rather than in any strict sense with views sought from GO-East throughout on the process and on its outcome once the Council has agreed on the way forward.

24. A summary of the key requirements of the relevant government guidance is detailed below:
- early contact with usual Government Office contact to discuss process and timetable;
 - robust information on the condition of the housing and on demand and supply on which to base the appraisal;
 - tenants/leaseholders involved from the outset with a central role in decision making and access to good independent advice from the start. The first stage of the option appraisal to involve developing their capacity to engage in the process and exploring their aspirations;
 - consideration given to mixed-model solutions within a clear overarching strategy for the whole stock particularly for authorities with large or mixed housing e.g. general needs and sheltered;
 - a preliminary assessment of issues around choice of landlord, including community-based models, under a housing transfer;
 - consideration of the potential for improvements to service delivery as well as capital investment as part of the option appraisal.
25. Of the four options considered as part of the 2005 stock options appraisal only Large Scale Voluntary Transfer (LSVT) offered a potential alternative to retention for delivering a sustainable solution for the future of the housing stock.
26. The financial modelling, based on the stock condition survey of 2002, carried out as part of that earlier options appraisal suggested that the Housing Revenue Account (HRA) was viable in the medium term as long as savings in the order of £437,000 per annum could be achieved within 18 months and sustained thereafter. In terms of meeting the basic requirement of the DHS the financial modelling indicated that the investment needs of the stock could be met until 2013/2014.
27. The overwhelming majority of tenants (82%) who responded to the test of opinion in 2005 indicated that they wished to retain the Council as their landlord. However, the response rate was low with only 23.5% of tenants expressing an opinion and the result, therefore, may not necessarily be representative of the views of the majority of tenants at that time.
28. On 28 July 2005 Full Council voted in favour of stock retention as the preferred option for the future of the housing stock and the Council's stock options appraisal was subsequently 'signed off' by GO-East.
29. Since the completion and 'sign off' of the housing stock options appraisal in 2005 a number of financial issues have emerged which have lead the Council to review the viability of retaining its housing.
30. The principal reasons behind the financial pressures faced by this, and other councils, who have retained their housing are the impact of the current housing subsidy system and capital receipts pooling requirements on the finance available to maintain and improve homes and provide housing services. The council currently has to pay around 50p in every £1 of rental income in negative housing subsidy and from April 2007 now has to pay a full 75% of all receipts from the Right to Buy (and also unless or until the current capital finance regulations are changed some of the receipts from equity share sales) into a national pool for redistribution to those areas that the government considers to be in greater need of those resources.

31. These and the other key financial pressures on both the HRA capital and revenue accounts were summarised in the report to Cabinet in April 2007 when it was agreed that a further options appraisal be carried out in full consultation and with the involvement of tenants (and leaseholders).
32. In order to oversee the project it was agreed that a joint member and tenant working group be established with the following aims and objectives:
- A. To assess the investment needs of the Council's housing into the medium/long term and to project the resources available to meet those needs with particular reference to the Council's ability to achieve and sustain the Decent Homes Standard for its homes.
 - B. To assess the viability of the Housing Revenue Account in the short, medium and long term.
 - C. To gather information about tenants' views on the current housing service and their priorities for future investment/development.
 - D. To set out the Council's Sustainable Community Strategy (and LAA) implications of the stock retention and stock transfer options to deliver against these priorities.
 - E. To ensure that all tenants have the opportunity to express their views on the options available for the housing service.
 - F. To ensure that all the Council's staff are well informed and involved in the housing options project and able to answer questions or signpost people to appropriate sources of information.
 - G. To present to the Housing Portfolio Holder by December 2007 a sound and robust evaluation for decision, based on the above objectives, and the relevant guidance on Option Appraisals and/or updated advice from the Government Office for the East of England (GO-East)
33. The membership of the Housing Futures Working Group (HFWG) was established as follows:
- (a) Elected members were nominated by each of the political groups in accordance with the proportionality rules as follows:

<u>Conservative</u> Cllr Edwards Cllr Manning Cllr Spink	<u>Lib Democrat</u> Cllr Harangozo	<u>Independent</u> Cllr Scarr
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 - (b) The tenant representatives were elected from those persons who expressed an interest in joining the Tenant Participation Group (TPG) and the HFWG on the questionnaire sent to all tenants (and leaseholders) in June 2007. In total there were fifteen candidates and those who took up places on the HFWG were as follows:

David Champion
Janice Curtis
Peter Jolly

Dave Kelleway
Helen Kember

34. It should be noted that two of the candidates with the highest number of votes either did not accept their place or resigned before any meetings of the HFWG had taken place and it was agreed, in consultation with the Housing Options Portfolio Holder, that those places should be offered to the candidates with the next highest number of votes.
35. The role of the HFWG was not to determine which housing future is most appropriate for the district but to oversee delivery of the project objectives as agreed by Cabinet in April. This is consistent with the terms of reference agreed for the Housing Options Working Group (HOWG) which was set up to oversee the previous options appraisal completed in 2005.
36. At the first meeting of the HFWG it was agreed that the meetings should be open to the general public and copies of all the agenda papers and minutes can be found on the council's website at:
<http://scams.moderngov.co.uk/ieListMeetings.asp?CId=843&Year=2007&J=2>
37. The HFWG will have met five times between September 2007 and January 2008 and has met on additional occasions to receive presentations from external advisors on the stock condition survey and financial modelling of the investment needs of council housing in the district.
38. At the HFWG meeting held in September 2007 it was proposed and agreed that at least three organisations should be visited as part of the Housing Futures process, one from each of following groups:
 - a) local authority landlords who have retained their housing either as a direct result of their housing options appraisal in 2005 or as a result of a negative ballot for a housing transfer;
 - b) housing associations who have been set up to take the housing from a local authority (Large Scale Voluntary Transfer – LSVT) landlord either as standalone organisations or to form part of an existing or new group of housing associations;
 - c) local authorities/new RSL who have recently secured a housing transfer as a result of a positive ballot.
39. The Housing Futures process was effectively managed through a dedicated support team led by a senior officer and a corporate project team both of which were established to ensure that the project objectives were delivered within the agreed timescale. The project was resourced through existing budgets by utilising the budgetary provision within the Housing Revenue Account (HRA) for unanticipated expenditure.
40. An independent tenant advisor (ITA) was appointed in August 2007 following a selection process that involved the tenant representatives on the HFWG. The successful organisation PS Consulting was also the ITA for the 2005 options appraisal process. They were selected from a strong field of short listed organisations invited to tender following receipt of thirteen expressions of interest.
41. The work undertaken to deliver the Housing Futures project has focussed on the project objectives and these have been reflected in the items included on the agenda for the HFWG meetings held over the last few months. There has been regular

monitoring of the project plan with progress reports considered by the Housing Futures Project Team (HFPT) and received for review and comment by the HFWG. The latest version of the project plan progress report is attached as **Appendix A** together with the project management infrastructure diagram for information purposes.

Considerations

National Housing Policy Framework

42. As part of the Housing Futures process a watching brief has been kept on any possible developments and/or changes to national housing policy that may impact on the council as a landlord. It is important that any proposals are fully taken into account before an outcome is determined for the Housing Futures process.
43. In July 2007 a Housing Green Paper outlined government plans for delivering their target of 3 million new homes by 2020. The overall vision is for everyone to have access to a decent home at a price they can afford, in a place where they want to live and work including provision of good quality, affordable housing. It sets out proposals to work with partners to provide:
 - more homes to meet growing demand
 - well-designed and greener homes, linked to good schools, transport and healthcare
 - more affordable homes to buy or rent
44. A copy of the Green Paper and all the supporting documents can be viewed at: <http://www.communities.gov.uk/index.asp?id=1511890>. The government intends to publish a summary of the responses received in respect of the Green Paper by 29 February 2008. The deadline for receipt of responses to the consultation was 15 October 2007.
45. The Green paper says relatively little about existing housing with the exception of references to empty homes and energy efficiency measures. In particular there is little said about the future role of councils as landlords and their continued ownership of housing. Chapter 12 – *Implementation – a shared endeavour* concentrates on the strategic housing role of local authorities to address shortages in supply, deal with poor quality housing, and bring land forward for development but has no references to their mainstream role as landlords where they have decided to retain their housing stock following options appraisals carried out in 2005.
46. The council submitted a response to the Housing Green Paper as agreed by Cabinet at its meeting on 8 October 2007. The Housing Options Portfolio Holder also wrote to the Housing Minister Rt Honorable Yvette Cooper in September to seek clarification on government policy in respect of future investment in existing housing and the role of local authorities as landlords. No response has been received to date although the Government Office are progress-chasing and it is expected that there will be further news to report on this at the meeting.
47. The Housing & Regeneration Bill published in November 2007 will take forward a number of the ideas set out in the Housing Green Paper but there are no new proposals in respect of the role of local authorities as providers of council housing that suggest that there will be any major change in the current housing finance regime and/or additional investment in existing housing in the foreseeable future.

48. In the Housing Green Paper there are references to reform of the HRA subsidy system in the longer term but at the same time there is caution expressed about dismantling this redistributive mechanism.
49. The outcome of the modelling work in respect of a 'self-funding' HRA is not yet known but the Housing & Regeneration Bill does enable this to be taken forward although it is expected that this will initially involve pilots through a small number of select local authorities in the current Comprehensive Spending Review period covering the next three years. The success of the pilots will then need to be evaluated before it could be made available to other local authorities. However, based on the advice of external consultants this may not offer a solution to the council based on how the model is expected to work.

The Investment needs of the Council's Housing

50. One of the key requirements of a robust options appraisal is that it is underpinned by up to date information on the condition of the housing as this will inform the investment requirements in the short, medium and longer term.
51. The maintenance information held on the Council's housing stock had not been refreshed since a stock condition survey carried out in 2002. In order to have up-to-date information on the condition and future maintenance liability of its housing stock the Council duly prepared and commissioned a stock condition survey employing Ridge Consultancy (who are recognised experts in the social housing asset management field) to provide expert commissioning advice and support.
52. In September 2006 Savills, a leading surveying practice, was awarded the contract, and the survey was carried out between October and November 2006.
53. The survey was commissioned to assess the Council's current and future housing repairs and maintenance liability. Savills surveyed a representative sample of 24% of the Council's housing stock based on the different property types and locations to ensure statistical accuracy, and the results were extrapolated across the entire housing stock.
54. A sample survey was carried on 24.5% of the Council's housing stock in the autumn of 2006 to assess the condition and future maintenance liabilities. The survey's findings suggest the stock is generally in reasonable condition but a lack of capital investment has meant the properties could not be maintained to a recommended condition. Approximately 24% of the stock is currently 'non-decent' and the survey has identified all of the works required to meet the Government's decent homes target, this is achievable on current financial forecasts.
55. The report provides a total forecast expenditure to improve and maintain the stock and related assets over 30-years, which is £323.3m. This falls within expected benchmarks of a stock of this type and location. These results have formed the basis of the financial analysis and modelling conducted by Tribal Consultancy the results of which are considered in the financial implications section of this report.
56. The full report produced by Savill's was considered and signed off by the Housing & Environmental Services Portfolio Holder in November 2007. A copy of the full report can be found on the website at:
<http://www.scams.gov.uk/Housing/Futures/housingStockCondition.htm>

Future Demand for Affordable Housing

57. Information on the likely future demand for the housing is essential to ensure that it would be worth investing in the housing. Any assessment of demand should identify the extent to which there are any particular areas and/or types of property which are, or could become difficult to let.
58. The HFWG received reports on the recently completed Cambridge Sub-regional Strategic Housing Market Assessment (SHMA) in November 2007 and an analysis of the current demand for council housing based on applications registered with the council in December.
59. In general terms, the findings from the SHMA confirm the evidence from a number of different sources, and show that there is an acute shortage of affordable housing in the district with many working households unable to buy or rent in the private sector. There is a continuing need for both rented affordable housing and low cost home ownership options.
60. The available evidence from the Council's Housing Register which is based on real applicant choices (rather than projected demand based on research) suggests that in general the locations of existing affordable housing is appropriate and should be sustainable in lettings terms for the foreseeable future.
61. Overall, the evidence from the up to date information about the demand for, and supply of, affordable housing, suggests that the current affordable housing in the district is sustainable long term and falls short of the amount that is needed to help applicants on the Housing Register.

Tenant Aspirations for their Homes and Housing Service

62. Another key component of an options appraisal process is the consideration of tenant aspirations for homes and the housing service and the available options can meet these aspirations.
63. In 2005 as part of the options appraisal the *South Cambridgeshire Standard* was developed in consultation with tenants and this has been revisited as part of the Housing Futures process to understand whether tenant's aspirations have changed – this work has been led by the ITA.
64. As in 2005 this work has involved a questionnaire being sent to all tenants (and leaseholders) asking for their views about services and their priorities followed by focus groups with respondents who expressed an interest in participating in such an event on their completed questionnaire. The results of the survey and feedback from the focus groups are included within the ITA report attached as **Appendix B** to this report. This report was considered by the HFWG at their meeting on 11 December 2007.
65. It is also important for the options appraisal to take account of information on the current performance of the housing service. A report was presented to the HFWG at their December 2007 meeting on the performance against key national and local performance indicators which demonstrates that the housing service is generally within the middle to bottom quartiles. One of the exceptions is the number of homes that are non-decent but the recent stock condition survey suggests that 24% and not 10% of the housing was non-decent at the time the survey was completed in November 2006.

66. The results from the most recent STATUS tenants survey in 2006 which is carried out by all social landlords every three years are as follows:

Question	2006	2003
Overall satisfaction with the council as a landlord	81%	81%
Tenant satisfaction with opportunities for participation in management/decision making	53%	62%

67. The council has not had an Audit Commission (AC) inspection of its overall housing service and in order to identify areas for improvement the current service plan includes an action to carry out self assessments for each of the key service areas against the AC Key Lines of Enquiry (KLOEs). However, the level of service improvements that can be achieved will be largely dependent on the level of resources available.
68. A retention option suggests that there will be limited scope for enhancement of services given that savings will need to be made in both revenue and capital expenditure in the next few years. However, the new HRA Business Plan will consider how the savings requirements can be balanced against improvements to service delivery in line with its statutory and other obligations as a responsible social landlord.
69. A housing transfer has the potential to deliver more significant service improvements and a number of key areas could be incorporated into a formal offer to tenants and, if this is supported through a tenant ballot, would become legally binding promises upon completion of a transfer of council homes to a new not for profit housing association landlord.

Visits to other Landlord Organisations

70. It was intended that visits to other organisations should provide an opportunity for tenant, staff and elected member representatives to meet with peers within those organisations and ask questions in both a structured and formal setting as well as through more informal sessions for the same groups to share views and experiences.
71. Each of the host organisations were provided with a list of core questions that would be helpful in structuring the information collected on and an objective evaluation of the visits. However, the main criteria for measuring the success of the visits was more subjective and dependent on the added value of the direct face to face contact with peer groups within the host organisations.
72. The reference sites visits agreed by the HFWG were to the following organisations:
- Babergh DC
 - Luminus Group
 - Watford Community Housing
73. The key message provided by Babergh was that whilst their financial position was more healthy than that of this council at the time of their option appraisal in 2005 their position is changing and they do not believe they will have such a clear case for retention of their housing when they undertake their next planned full option appraisal in 2010. The affect of the negative housing subsidy is less secure – with 30 p in the pound of rental income being lost to the HRA.

74. The transfer of housing from Huntingdonshire District Council to Luminus (formerly Huntingdonshire Housing Partnership) took place in 2000. The background issues to their decision to pursue a housing transfer in 1998 were as follows:

- £60M shortfall in maintenance budgets
- homes well below minimum standards
- 17% and 12.5% rent increases agreed by the council in the preceding years
- service cutbacks
- redundancies

75. The key messages they provided about life after transfer are summarised below:

- all promises made have been kept and in some cases they have outperformed those promises
- new services have been developed and enhanced, for example, tenancy support, anti-social behaviour and neighbourhood services teams have been established
- customer satisfaction with overall services and opportunities for tenants to get involved is high at 94% and 85% respectively
- positive independent assessment by the Audit Commission through inspection process
- the number of staff employed by the organisation has grown significantly over the seven years since transfer and has provided opportunities for existing as well as new staff

76. The decision to consider a housing transfer in Watford was the outcome of their options appraisal completed in November 2004. They chose this option even though they could afford to meet the Decent Homes Standard by 2010 because of their serious concerns about the Council's ability to meet the costs of providing the housing service into the future. They also took this decision in the knowledge that many tenants had expressed concerns about the other options, including a housing transfer and that the Test of Opinion indicated that nearly 60% of those who responded supported retention of the housing by the council although their response rate was relatively low - 1,209 tenants returned forms (19.5%).

Options

77. In 2005 there were four options that were considered for the future ownership and management of council housing in South Cambridgeshire:

- retention of the housing by the council;
- transfer to a housing association;
- Arms Length Management Organisation (ALMO);
- Private Finance Initiative (PFI).

78. The Housing Futures process has explored only retention or transfer of the housing stock to see how far either can deliver on tenant priorities and aspirations for their homes and the housing service:

This is because the ALMO option is no longer available with the final round of bids having closed in 2006 and PFI lends itself more to smaller schemes rather than whole stock solutions, and is in any case complex and time-consuming to implement even if a bid was successful. The focus of PFI schemes has shifted more towards on-HRA

rather than HRA initiatives as government priorities have moved towards new supply of rather than improvement of existing affordable housing.

79. The available models for a prospective new landlord include:
- 1) an existing housing association;
 - 2) a newly established subsidiary of an existing housing association (either part of an existing or through creation of a new Group structure);
 - 3) a newly established free-standing housing association.
80. The majority, if not all, housing transfers that have taken place since the late 1980's have either set up their own new stand-alone housing association or, more recently have set these up either as subsidiaries of or as part of an existing or newly formed Group of housing associations.
81. The option of transfer to an existing housing association is generally considered the least attractive model for a whole stock housing transfer given that it will result in loss of a local identity for the housing and is, therefore, generally less popular with tenants. Further it is likely that many tenants will have had direct or indirect experience, both good and bad, of any individual existing housing association that could influence their opinion about a housing transfer to an existing organisation.
82. Should the council decide to look in more detail at a housing transfer option then one of the key next steps will be to consider and agree a new landlord selection process that has tenants at the heart of the decision-making process but also fully involves elected member and staff representatives.
83. There has been no detailed consideration of partial and/or mixed model solutions as part of the Housing Futures process as this was addressed as part of the 2005 options appraisal when it was concluded that no benefit would accrue from such an approach in South Cambridgeshire. This is because the issues faced by the council as a landlord affect all its housing and that solutions have already been identified, working in partnership with housing associations, for properties that have the most significant investment needs such as the Windmill Estate at Fulbourn, Airey homes and sheltered bedsits.
84. The two available options have, therefore, been evaluated in respect of the housing stock as a whole according to the following criteria that was developed through the 2005 option appraisal process:
- Investment needs of the housing
 - Viability of the HRA
 - Tenant priorities
 - Impact on corporate and wider community objectives
 - Impact on the council's housing objectives
 - Consultation with tenants and leaseholders
 - Deliverability
 - Staffing implications
 - Value for money

The application of the same criteria is helpful in so far as it enables a direct comparison with and consistent approach to the previous process that Housing Futures seeks to build on and refresh rather than duplicate.

85. The government guidance states that the output of an options appraisal should be an option that delivers sustainable decent homes, is value for money, separates landlord and strategic functions, improves services and is deliverable. The evaluation matrix attached as **Appendix C** to this report provides a summary of an assessment of how far each of the two options meets these criteria.
86. It is evident from this summary that a housing transfer is the option that would be best placed to meet the future investment needs of the housing and improve housing services in line with tenant priorities and aspirations. This is because the new landlord would not be subject to the HRA subsidy system. However, this option could only be delivered if the majority of tenants who vote in a secret ballot support it.
87. Further significant investment will be required 'at risk' in order to set up a new landlord and undertake a thorough consultation process with tenants (and leaseholders) on a housing transfer proposal. The estimated pre-ballot costs as provided by Tribal consulting in their financial analysis report are around £643,000 of which around £535,000 are attributable to the council and £108,000 to the new landlord. All of these costs would be defrayed against the capital receipt and/or paid for by the new landlord in the event of tenants supporting a transfer at a ballot.
88. The Housing Options Portfolio Holder Councillor Simon Edwards considered a summary of, and key findings from, the Housing Futures process alongside comments made by the HFWG at their meeting of 11 December at his portfolio holder meeting held on 14 December. Having considered in detail all the relevant issues and comments his recommendation to Cabinet is that a housing transfer would be in the best interests of tenants as it would enable improvements to homes and services and would offer the most protection for staff in terms of job security.
89. Should the council decide to look in more detail at a housing transfer option then one of the key next steps will be to consider and agree a new landlord selection process that has tenants at the heart of the decision-making process but also fully involves elected member and staff representatives.
90. Another essential requirement will be to secure a place on a government sponsored housing transfer programme. On 12 December 2007 the CLG invited applications from local authorities for inclusion on a 2008 programme. This is likely to be the last to be managed by the CLG as this role will be taken over by the new Homes and Communities Agency (HCA), subject to the Housing and Regeneration Bill. Expressions of interest have been requested by 18 January with a deadline for submission of an application of 31 March 2008. It is anticipated that an announcement on the outcome will be made in July 2008.

Financial Implications

91. The council's Medium Term Financial Strategy (MTFS) as reported to Cabinet in October 2007 indicates that capital expenditure will need to reduce by around £2.2m in 2009/10 and by £5m in 2010/11 and 2011/12 after taking into account required efficiency savings over that same three year period.
92. The HRA capital expenditure represents £10.5m within the overall capital programme of around £13m. Approximately £3m of the HRA capital programme is allocated for equity share buy-backs leaving around £7.2m for planned works and improvements to homes. Given that HRA capital expenditure is the major element of the council's overall capital programme it is expected that it will have to accommodate the reductions in expenditure needed to provide a balanced MTFS.

93. The financial position could be worsened should the government not make the requested changes to the capital finance regulations to exclude equity share sales from capital receipts pooling which currently results in a loss of some of the monies from such sales. It is assumed for the purpose of the MTFs that this change will take effect from April 2008.
94. The independent financial analysis report provided by Tribal Consulting examines the current Housing Revenue Account (HRA) and future financial projections including the housing investment requirements over the next 30 years. This is underpinned by the results from the Stock Condition Survey completed in November 2006 by Savills.
95. It sets out the Council's financial planning assumptions for 2007/08 and future years and highlights some of the key assumptions which have been used to build the financial model which has been used to assess the viability of the HRA. The Communities and Local Government (CLG) Department HRA Business Plan financial model has been used to undertake this analysis.
96. The financial modelling work suggests that on the basis of the recommended industry standard used as the baseline for the Stock Condition Survey, and the other assumptions set out in the report, the HRA cannot afford the required capital programme now, and needs to make revenue savings no later than 2009/10.
97. The modelling also suggests that the HRA will be running at a deficit with effect from 2008/09 and that savings are needed from 2009/10 in order to avoid the working balance falling below the minimum required level. Further, the HRA would eventually go into overall deficit (2025/26). This would be unlawful, and the Council would have to prevent this by increasing its income or reducing its expenditure. Notwithstanding this, the model projects a revenue deficit at year 30 (including interest on the notional overdrawn balances) of £33m.
98. The Major Repairs and Improvements Financing Report (MRIF) shows the expenditure and resourcing of the investment programme. This shows that Savills' recommended level of expenditure cannot be afforded in any year with deficits from next year 2008/09.
99. It is probable that the failure to undertake necessary planned works would result in additional responsive repairs becoming necessary, but the impact of this has not been calculated.
100. The absolute minimum standard is that which meets, and in some respects exceeds, the Decent Homes Standard, but falls below the standard most Social Landlords work to. As would be expected, when this standard is modelled the capital shortfall is lower, at £118m over the 30 year period. The year of first shortfall does not occur until 2010/11. There is no change to the revenue position, however, which will still require savings from 2009/10, although in practice, the impact on demand for revenue repairs may be higher than described for the base position.
101. Overall, the sensitivity analysis demonstrates that changing the key assumptions highlighted makes little difference to the overall position outlined on the HRA.
102. Another of the conclusions of the Tribal report is that the Housing Green Paper issued by the CLG in July 2007 does not offer any alternative solutions.

103. The report then goes on to consider the potential alternative options and looks in more detail at the most comprehensive but also the most far reaching alternative which is a large scale voluntary transfer (LSVT).
104. In terms of alternative options Arms Length Management Organisation (ALMO) available in 2005 is no longer available as a source of additional funding. The Private Finance Initiative is complex, does not lend itself to whole stock solutions, and is not recommended for the Council.
105. The indicative set up costs associated with a housing transfer process up to and including a ballot will be in the region of £643,000. These would be paid for from the capital receipt along with a CLG levy in the event that tenants support the proposal at a ballot. If tenants do not support the proposal then the costs would need to be written off to the HRA and General Fund with the exact split to be agreed by the council in consultation with its external auditor.
106. A significant proportion of the set up costs, especially post-ballot, would be incurred by the new landlord. These may vary according to whether the new landlord is to be linked to or part of an established housing association or a new standalone organisation.
107. An indicative transfer valuation provided by Tribal suggests that the gross capital receipt of around £54.5m of which the council could expect to net around £37m after deductions are made for set up costs, CLG levy and pension fund contributions. However, this calculation is based on a set of assumptions and any actual receipt may be more or less than this depending on how far the base assumptions need to be revised through a negotiation process with the new landlord.
108. In the event of a housing transfer, some costs currently charged to the Housing Revenue Account (HRA) could not be saved, and, in the absence of the HRA would fall on the General Fund. This would include some costs, such as the Corporate and Democratic Core, whose costs would be entirely unaltered by a transfer. However, subject to the final valuation, and the assumptions made about residual costs, a housing transfer affords the possibility of a small benefit for the General Fund.
109. A full copy of the Tribal report was included on the HFWG agenda for the meeting held on 6th November 2007 and can be found on the intranet at: http://insite/documents/retrieve.htm?pk_document=906143 .

Other Implications

110.	Legal	<p>A housing transfer can only go ahead if approved by the CLG. An application for inclusion on a future CLG disposals programme would be the first step in the process of seeking CLG support for a housing transfer proposal.</p> <p>A housing transfer proposal will only be approved by the CLG if the majority of tenants who vote in a secret ballot support it.</p>
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Staffing	<p>In the event of a housing transfer all staff that spend 50% or more of their time on the housing landlord service would be subject to the Transfer of Undertakings Protection of Employment Regulations (TUPE). Other staff that spend a proportion, but less than 50%, of their time on the housing landlord service may also be affected.</p> <p>A housing transfer proposal will also require commitment from staff at all levels across the organisation, not just within the housing service. Housing staff, with some additional resources will be required to make a significant input during the consultation period.</p> <p>The delivery of a housing retention option will not result in 'no change' given the financial pressures faced by the council from 2008/09. The new HRA Business Plan, the first draft of which will be considered by Cabinet and Full Council in January alongside the outcome of the Housing Futures process, will set out the future objectives and priorities for the service based on the anticipated level of resources, the obligations to meet statutory and national priorities such as Decent Homes and, where possible tenants' aspirations for homes and housing services. This will then inform future staffing levels and any future review of organisational structures and service delivery models for the housing service.</p>
Risk Management	<p>The main risk for the council in terms of delivering a housing retention option is whether this is sustainable in the medium, and longer term given the financial pressures to be faced in future years. Even delivering the minimum Decent Homes Standard will be challenging and there will be little, if any, scope to provide new and/or improved services.</p> <p>The key risk for the delivery of a housing transfer option is that it cannot go ahead unless a majority of tenants who vote in a ballot support it.</p> <p>The evidence from the consultation carried out as part of the Housing Futures process over recent months with the wider tenant population suggests that tenants would like to know more about this option before they are asked to decide on the future of their homes. This suggests that there has been some shift in the views of tenants since the last options appraisal which could be attributed to the significant changes that have taken place, particularly in the sheltered housing service, in order to make the savings of around £437k per annum that were identified as required to make retention a viable option at that time. However, even though tenants are more open to learning more about alternatives to retention it remains to be seen if they will be convinced of the potential benefits in any ballot</p>
Equal Opportunities	<p>As part of taking forward a housing transfer proposal the consultation process and methods will need to ensure that all groups can be effectively engaged. An equality impact assessment will need to be carried out as part of the development and implementation of communications and resident involvement strategies.</p>

Consultations

111. At the outset it was important to ensure that all the key stakeholders could be effectively engaged in the Housing Futures process. The key stakeholder groups were identified as tenants (and leaseholders), staff and elected members.
112. To help develop a communications strategy that would address the needs of all stakeholders questionnaires were sent out to all tenants, housing staff and elected members in June 2007. The questionnaire sought to provide a menu of involvement options that would help identify the preferred methods of communication about the Housing Futures process.
113. The responses and comments received were used to inform the development of a communications strategy with a focus on delivering the following objectives:
 - to ensure effective communications about housing futures and the process with key internal and external stakeholders;
 - to inform all residents and other stakeholders about the issues involved in a clear and accessible way;
 - to offer information in a fair and balanced way through a range of methods;
 - to enable feedback from residents and other key stakeholders which can help shape and inform the views of the Council in respect of the future of housing in the district;
 - to publicize the ways that residents and others can become more involved in future housing services decision making;
 - to engage tenants and leaseholders in a review of the South Cambridgeshire Standard for homes;
 - to communicate what each of the housing futures can deliver in terms of improvements to homes (and their surroundings within local communities) and housing services in a way that is clearly understood;
 - to ensure all stakeholders have adequate and quality, robust and up to date information to determine the housing future that will best deliver tenant aspirations;
 - to ensure that tenants and leaseholders are sufficiently well informed and engaged to support the preferred housing future.
114. The TPG and the HFWG were consulted on the communications strategy and as far as possible their comments were taken on board before a final version was approved by the Housing Options PFH in September 2007. A copy of the Communications Strategy can be found on the council's website at:
http://www.scambs.gov.uk/documents/retrieve.htm?pk_document=905957
115. A Tenant Empowerment Strategy was also developed in consultation with tenant representatives on the HFWG and the TPG and approved by the Housing Options Portfolio Holder in September 2007. A copy of the Tenant Empowerment Strategy can be found on the council's website at:
http://www.scambs.gov.uk/documents/retrieve.htm?pk_document=905958
116. The aim of the Tenant Empowerment Strategy was to ensure that tenants and leaseholders could access the support they needed to gain increased confidence and capacity during the Housing Futures project, and well into the future, so they can actively participate in the management and maintenance of their homes.

117. As part of the Housing Futures process two newsletters were produced by the council with the first of these having been distributed to tenants at the end of September and the second at the end of November. The council will produce a third Housing Futures newsletter for tenants during early February 2008 in order to advise of the decision on the way forward.
118. A Tenant Sounding Board was encouraged to advise on the style and presentation of information in newsletters and other material, such as fact sheets and FAQs to ensure that information was presented in a clear and accessible format for the intended audience. The Housing Futures newsletters were also reviewed by the HFWG and ideas for items to be included in the newsletters were invited from all the groups linked to the Housing Futures project.
119. The ITA has produced its own newsletter that was received by tenants in early November and it is anticipated that the ITA will circulate another newsletter during January 2008.
120. Copies of all the newsletters produced as part of the Housing Futures process can be found on the website at: <http://www.scambs.gov.uk/Housing/Futures/Newsletters.htm>
121. For staff there have been opportunities provided through team meetings/briefings as well as newsletters, Frequently Asked Questions (FAQs) and presentations on the key information, including those on the stock condition and financial modelling work and by the Independent Tenant Advisor.
122. A staff Communications Group was also set up with membership drawn from across housing and related services within the council with the following terms of reference:
 1. Feed back information to their teams;
 2. Proactively talk to team members about issues and bring them back to the communications group for discussion;
 3. Suggest information/items for newsletters;
 4. Work to deliver the communications programme.
123. The housing services staff have also been directly involved in delivering the communications programme to tenants and leaseholders including attendance at the drop-in sessions and sheltered housing coffee mornings.
124. For elected members there have been opportunities provided through Group briefings as well as copies of newsletters, fact-sheets and presentations on the key information, including the financial modelling work and by the Independent Tenant Advisor.
125. Other stakeholders including Parish Council's and local MP's have been asked about how they would like to be involved and/or receive information and the Local Strategic Partnership have been briefed on the Housing Futures process.
126. The council has also used its intranet and website to provide up to date and comprehensive information about the Housing Futures project in order to demonstrate its commitment to an open, transparent and inclusive process.
127. The HFWG has received progress reports on the communications plan that accompanies the strategy and monthly reports on the consultation work carried out specifically with tenants (and leaseholders).

128. Attached as **Appendix D** to this report is the latest version of the communications plan, and as **Appendix E**, the Tenant Empowerment Strategy Action Plan as considered by the HFWG at their meeting on 11 December 2007.

Tenant Consultation Summary

129. In addition to newsletters the main methods of communication with tenants has been through council staff and /or the ITA:

- attending coffee mornings within all the sheltered housing schemes over the period between August and November;
- facilitating 24 drop-in sessions across the district during October that were publicised in the first Housing Futures newsletter. These included 2 sessions specifically for leaseholders/equity share residents who each received a personalised invitation to these events;
- home visits;
- housing surgeries;
- tenant and resident groups;
- monthly meetings of the Tenant Participation Group (TPG).

130. Three further drop in sessions were arranged during November at Duxford, Dry Drayton and Steeple Morden at the request of tenants in living in those areas and letters of invitation were sent to the tenants in those villages and their surrounding villages.

131. Two focus groups were also held in December and these looked at what tenants believe is a good housing service as well as discuss the options for the future for homes and services. Non-sheltered housing tenants who expressed an interest in becoming more involved either through a resident group or as a village voice on their summer questionnaire were specifically invited to attend as they had been under represented in the drop-in sessions held during October and November.

132. A feedback form has been used to enable the council to have a more structured and tangible record of tenants' feedback. These forms have been completed at the drop in sessions and sheltered housing coffee mornings attended by council staff and they have been made available to staff within the housing service that may talk to tenants about the housing futures process as part of their day to day roles. At the drop in sessions about 260 tenants, including leaseholders, have received information and have had the opportunity to ask questions and complete feedback forms. The total number of tenants consulted through direct contact with staff since August is around 600.

133. A summary of the 247 feedback forms completed as at the end of November 2007 is detailed below. The numbers quoted are the number of tenants requesting further information on their forms:

I would like more information on the following:	With the Council	With an HA
What would happen to rents and service charges?	120	179
My right to stay in my home	94	154
What would happen in sheltered housing?	98	159
What would happen to the repairs service?	110	172

How would tenants be involved in decision-making?	87	132
Would my home be improved?	90	154
Would fences and paths be repaired?	92	153
<p>Any other concerns, please state:</p> <p>If we do want to look more at transfer, who would the new housing association be?</p> <p>101 responses – issues included rents and service charges, who the housing association would be – local, independent housing association, staff job security, improvements to grounds maintenance, improvements to properties particularly gas central heating and walk in showers, warden service.</p>		

134. The feedback provided to council officers has informed some key messages from tenants. These are as follows;
- a) Tenants want and need to know more about who a housing association would be and what they could offer if the council decided to look at transfer as an option. They also want to know what the council could deliver through a housing retention option. They want the information to be clear, balanced and in plain English. A lot of tenants expressed the importance and satisfaction of being able to talk to someone face to face about the process.
 - b) If transfer was to be considered tenants expressed a desire for a local housing association for South Cambridgeshire run by local staff with local knowledge. Tenants expressed a lot of concern about the future of staff and their job security.
 - c) Tenants in sheltered schemes believe that there has been deterioration in the service they have received over the last couple of years and they felt that they did not see enough of their sheltered housing officer.
 - d) Tenants felt that the current grounds maintenance service did not meet their requirements particularly with regards to hedge and tree cutting.
 - e) Tenants expressed concern at the amount of money that is paid to the housing subsidy system and felt the council should be tackling central government to address this issue.
 - f) Equity share leaseholders were concerned that, under government rules, they would be consulted but that only the votes of tenants would be counted if a housing transfer goes to a ballot. They would like a formal method, like a vote, for recording their views if looking in more detail at a housing transfer is chosen as the way forward in January.
135. In addition the ITA has provided a detailed report on their work programme and the results of a survey of tenants to review the 'South Cambridgeshire Standard' that was developed in consultation with tenants, through a similar survey and focus group approach to that adopted in 2005. The South Cambridgeshire Standard represents

tenant aspirations for the future of homes and the housing service in the district. A copy of the ITA report is attached as Appendix B for ease of reference.

136. The HFWG considered a summary of and key findings from the Housing Futures process on the 11 December 2007 and their detailed comments were recorded for consideration by the Housing Options Portfolio Holder when this report was considered at his portfolio holder meeting on 14 December.
137. A proposal by one of the tenant representatives that the recommendation to Cabinet and Full Council should be not to look in more detail at a housing transfer option was not supported with 4 votes in favour and 5 against with one abstention.

Effect on Service Priorities and Corporate Objectives for 2008/09

132. Work in partnership to manage growth	The transfer of its housing would enable the council to make a more effective contribution to delivery of a new Sustainable Community Strategy and the growth agenda and increasing the supply of affordable housing.
Deliver high quality, value for money and accessible services	<p>The council's housing service carries out many thousands of transactions with tenants, leaseholders and those seeking housing every week and is therefore one of the most significant front line services.</p> <p>Identifying aspirations of tenants and leaseholders for the future of the housing service and delivering them through a housing transfer proposal will help meet the aim to provide excellent services.</p> <p>In a housing retention scenario, as a responsible landlord, the council would have to prioritise its statutory obligations towards the homes and residents, which would potentially put at risk any services which are discretionary. Some of these would no doubt affect the council's ability to undertake partnership work with other agencies.</p>

<p>Enhance quality of life and build a sustainable South Cambridgeshire</p>	<p>The Council owns and manages housing within 94 of its 102 villages in the district and so makes a major contribution to village life.</p> <p>The promotion of energy efficiency and the procurement of sustainable materials in relation to maintenance and improvement of its housing is dependent on the availability of adequate resources into the future which a housing transfer could deliver as opposed to retention when cuts would be required to existing planned works and improvements as well as services within the next few years.</p> <p>A housing transfer could help ensure the sustainability and affordability of our homes and services in the longer term through investment in energy efficiency measures and improvements above the DHS. Additional services could be delivered in line with tenant aspirations and priorities that could benefit the wider community.</p> <p>The council will need to consult with tenants, residents and partner organisations regarding a housing transfer proposal to ensure it will be able to contribute to the achievement of common objectives and priorities as set out in the Sustainable Community Strategy (SCS) and Local Area Agreement (LAA).</p> <p>The council would seek to protect the rights of existing tenants, as set out in their current secure tenancy agreement, as part of any housing transfer proposal.</p> <p>A housing retention option may not be sustainable into the future given the serious financial constraints that will be faced by the council. It is likely that services and homes will deteriorate despite the council's best efforts because of the lack of investment that can be made within available resources. This will impact on local neighbourhoods and communities as well as tenants (and leaseholders).</p>
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Recommendations

133. To agree the following **RECOMMENDATIONS TO FULL COUNCIL**:

- (a) that the Council develops a housing transfer proposal in consultation with its tenants, as it considers transfer to a not for profit housing association to be in the best interests of the Council's tenants, future housing applicants and staff because:
- it would enable improvements to homes and housing services;
 - it is the most sustainable option for the longer term ownership, management and development of affordable homes in the district;
 - it offers the best prospects for staff in terms of job security;

Council recognises that housing transfer cannot proceed without the support of its tenants and wishes to involve them fully in developing its proposal.

- (b) that an application be submitted to Communities and Local Government (CLG) for a place on the 2008 housing transfer programme by the deadline of 31 March 2008
- (c) that delegated authority be given to the Leader and Cabinet to agree a new landlord selection process that involves tenants, elected members and staff. The result of the new landlord selection process will be presented to Council for approval.

Background Papers: the following background papers were used in the preparation of this report:

Housing Options Appraisal Report to Cabinet 12 April 2007

Response to Consultation on the Housing Green Paper: Homes for the future: more affordable, more sustainable – Report to Cabinet 8 July 2007

General Fund Medium Term Financial Strategy/Service Plans – Report to Cabinet 8 October 2007

Delivering Decent Homes – Option Appraisal: Guidance for local authorities
ODPM (now CLG) June 2003

Housing Green Paper: *Homes for the Future: more affordable, more sustainable*
CLG July 2007

Housing & Regeneration Bill CLG November 2007

Stock Condition Survey Report Savills January 2007

Housing Futures Financial Analysis Report Tribal October 2007

Housing Futures Communications Strategy September 2007

Housing Futures Tenant Empowerment Strategy September 2007

Affordable Homes Service Plan 2007-08

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