

Report by: Director of Community Services

To: Housing and Health Scrutiny Committee on 8/9/2004
Executive Councillor (Housing and Health): Councillor Catherine Smart
The Council

Wards: All

**HOUSING STOCK OPTION APPRAISAL - FINANCIAL AND TECHNICAL
APPRAISAL**

This report is being submitted to the Scrutiny Committee for prior consideration and comment before decision by the Executive Councillor.

1. DECISION TO BE MADE

- 1.1 To decide on which if any of the options set out in the Financial and Technical Report prepared by the Housing Quality Network (HQN) as part of the Housing Stock Option Appraisal should be put forward for tenants to state a preference in a ballot.

2. RECOMMENDATIONS

The Scrutiny Committee is asked to consider the recommendations below and to recommend the Council:

- 2.1 To concur in the conclusions of the financial report, prepared by Housing Quality Network (HQN), that retention, ALMO and stock transfer are viable and practicable stock options to achieve the minimum landlord standard.
- 2.2 To agree that, for the reasons set out in paragraph 7.9.1, 8.5.1 and 8.5.2, PFI and Unsupported Borrowing are not options for Cambridge.
- 2.2 To seek tenants preferences to the viable and practicable options set out in recommendation 2.1 above by means of a ballot to be held in October 2004.
- 2.3 To recognise that while sheltered housing can be repaired to the minimum landlord standard, or better, the longer-term aims to modernise the dwellings cannot be achieved through stock retention or the creation of an ALMO.
- 2.4 In the event of stock transfer not being chosen as an option, the Officers report to a future meeting of the Housing & Health Committee with a strategy setting out alternative ways of bringing the properties up to modern standards.

3.0 **BACKGROUND**

3.1 *Decent Homes*

3.1.1 In 2000 the Government adopted a Public Service Agreement (PSA) target ensure that all social housing meets set standards of decency by 2010 (the Decent Homes target). The achievement of this target is seen as a key driver behind local authorities decisions in relation to the future management/ownership of their housing stock.

3.1.2 Since the stock transfer vote in 1999, when the tenants voted for retention, the government had issued the Communities Plan (*Sustainable communities - building for the future*" ODPM Feb 2003), which looks at the standard of existing social housing alongside the need to maintain and build new sustainable communities. The Sustainable Communities Plan required all councils that still owned housing stocks to complete a Stock Option Appraisal by July 2005. The government made it clear that authorities that do not pursue either a stock transfer; an Arms Length Management Organisation (ALMO) or a PFI (Private Finance Initiative) scheme cannot expect to receive increased funding in order to ensure that the decent homes target is met. For many authorities the announcement that there would be no additional resources made available for stock retention limited the number of options open to them as the government expected all authorities to meet the decent homes standard by 2010.

3.1.3 Although the Council had been confident from the information it had that it could meet the Decent Homes¹ target by 2010, indeed by 2007, it decided that it ought to verify the accuracy of the data it held by undertaking a new independently conducted Stock Condition Survey. Thus in the spring of 2003 the Council commissioned FPD Savills to undertake a stock condition survey as part of the Stock Option Appraisal. In the report Savills identified three levels of investment, which need to be considered by the Council; the amount needed to meet the government's Decent Homes standard; the Minimum Landlord standard (the level of investment to be made by the Council as a good landlord in order to maintain its properties); and finally a higher 'aspirational' level of investment.

3.1.4 This is consistent with the guidance provided by central government for local authorities examining their ability to meet the Decent Homes standard; the guidance highlights the following four primary areas for consideration:

- Decent Homes
- Landlord obligations
- Tenant aspirations
- Strategic issues and pressures.

3.1.5 In July 2003 the Executive Councillor for Housing & Health approved an investment plan of £42m over the next six years to bring the Council's housing stock up to the government's Decent Homes standard together with some other priority investment issues such as the completion of the PVC window replacement programme. It must be emphasised that this level of investment

¹ An explanation of the terms Decent Homes, Minimum Landlord standard and the 'Cambridge Standard' are set out in the Glossary at the end of this report.

falls significantly short of that recommended by Savills as a prudent level of investment in the stock.

3.2 'Cambridge Standard'

- 3.2.1 In order to complete the Stock Option appraisal it was necessary to determine a level of investment in the stock that will achieve both the tenants and Council's aspirations for the future. In order to do this an extensive consultation process was undertaken. Tenant groups, staff and other stakeholders were surveyed and a survey of ten percent of the tenants, undertaken by MRUK, was also completed.
- 3.2.2 The report to the Housing & Health Committee in April 2004 brought together the information that had been obtained in order to set out a proposal for aspirational levels of investment in the stock for the future. The process identified some elements that can be associated with physical improvements. Other areas of concern to stakeholders surround the provision of additional or better services. This set of aspirational priorities, as expressed by tenants and other stakeholders, is referred to as the "Cambridge Standard".
- 3.2.3 The points outlined in paragraph 3.1.4 became particularly important when seeking to define just what the 'Cambridge Standard' means as any such standard must seek to accommodate all of the areas above or it fails to form a valid approach for future consideration within the Stock Options Appraisal.
- 3.2.4 The Cambridge Standard which was adopted by the Council in April as an 'aspirational' standard however, was developed so as to identify fully tenants' wants, needs and aspirations. The standard by definition had to incorporate 'Decent Homes' and any other essential investment needs already identified if the Council is to continue to be an effective landlord.

3.3 *Financial appraisal on funding of Decent Homes and the 'Cambridge Standard'*

- 3.3.1 Since April the Council's external financial consultants, Housing Quality Network (HQN), have been working on the financial and technical issues surrounding the four options contained in the Government's Guidance '*Delivering Decent Homes – Option Appraisal*'. On 22 July the Stock Options Appraisal Member/Tenant Working Party considered the conclusions of the report prepared by HQN. The Corporate Management Team has also considered the implications. The outcomes have been presented to various tenant groups.
- 3.3.2 This report now sets out the options open to the Council for funding the future repair and maintenance of its dwellings, in order to achieve the minimum landlord standard (decent homes plus statutory landlord obligations) or the higher Cambridge Standard. The report articulates:
- The wider strategic issues facing the Council, including investment in private sector housing, the provision of affordable housing, homelessness and rough sleeping and issues surrounding investment in the sheltered housing stock,
 - The way in which the decision will be made,

- The implication of the various options on the availability of resources and thus the level of investment available for achieving the 'Cambridge Standard',
- The implications for the Council of transfer of management of the stock to an Arms Length Management Organisation (ALMO) and of transfer of the stock to a Registered Social Landlord (RSL).

4. WIDER STRATEGIC ISSUES

4.1 Although this report looks at the options for dealing with the future investment in the majority of the housing stock there are wider strategic housing issues that must be considered.

4.2 The provision of Better Housing is one of the Council's Medium Term Objectives. This is articulated to mean:

- Work to tackle the City's overall housing shortage, to maximise the supply of affordable housing in the City and to ensure Cambridge residents have safe and decent homes, whether in supported housing, or with aids and adaptations to live in their own homes.
- Improve the management of the housing owned by the Council in a way, which involves tenants and responds to their needs.
- Work with volunteers and statutory agencies to prevent homelessness in the city and to tackle it's consequences

4.3 While the process described in Section 5 of the report allows tenants to have the final choice in which of the options to pursue in respect of their own dwellings the Council has a wider duty to ensure:

- that there is a sufficient stock of affordable homes of all tenures in its area,
- that the level of unfitness in the private sector is reduced and that the Council is able to meet targets set by the government in respect of decent homes for vulnerable private sector households
- that the issue of homelessness is tackled and future homelessness prevented wherever possible

4.4 The Council's scope to directly invest in the above will obviously depend on the level of resources available. The more the Council uses the available resources in meeting the decent homes standard the less there will be for these other priorities. The level of resources available for other strategic housing priorities is set out in Table 3 (paragraph 7.10).

4.5 Affordable homes

4.5.1 Some of these strategic issues are also strategic issues at a national or regional level, especially the provision of affordable homes in the area. Cambridge is part of a designated growth area, the London/Stansted/Cambridge/Peterborough corridor, one of four growth areas identified in the Sustainable Communities Plan 2003. As such, unprecedented levels of growth are anticipated, and the

government has indicated that some additional investment may be expected, particularly in respect of supporting infrastructure.

- 4.5.2 For the Cambridge sub-region, an Infrastructure Partnership (IP) has been formed to co-ordinate growth, and to address investment issues. The IP is developing an investment plan, and working closely with the Affordable Housing task Group, who have put together initial investment information relating to affordable housing in the Cambridge sub-region housing strategy 2004/08 (see *separate report to this Committee*). The majority of resources for affordable housing are anticipated to come from the government and the Housing Corporation. The Council has, through its representative on the Regional Assembly, been influencing the Regional Housing Board to invest significant resources to tackle the issues of affordable housing in the Cambridge Sub-Region.
- 4.5.3 Allocations of investment to meet the demands of the growth agenda will depend on the authorities of the sub-region demonstrating that projects can be managed and delivered successfully.
- 4.5.4 As well as new housing required to meet the needs of the growth area and support the sub-regional and regional economies (inward migration), significant affordable housing is needed to address a backlog of housing need in the local community. The Housing Needs Survey 2002, (jointly undertaken with South Cambridgeshire District Council and East Cambridgeshire District Council) showed a shortfall of approximately 734 dwelling a year for each of the five years 2002/03 onwards. The Cambridge sub-region housing needs study (2003) supported this conclusion, and research into the key worker market in the sub region (2003) indicated demand for 295 dwellings per year for the next three years, around one third of which should be met as discounted market rental properties, the remainder as low cost home ownership.
- 4.5.5 The Housing Corporation announced the results of the bids for Social Housing Grant for the period 2004/6 in March. Schemes to meet the needs of Cambridge have received £12.7m, to provide 262 homes, including a number as Homebuy (open market purchase). The total awarded to the Cambridge sub-region for the two-year period was £37.5m, the second largest allocation in the eastern region, providing the largest number of homes.
- 4.5.6 However, we know in terms of sites which are coming forward for development now and over the next few years, that land could be made available (mostly on S106 sites) to deliver a much larger affordable housing programme, and that the investment requirements for Cambridge alone will be in the region of £56m per annum for the period 2004-2008 (to deliver sites which will be available as set out in the Cambridge Sub-Regional Housing Strategy). This far exceeds any likely allocation from the Housing Corporation/Regional Housing Board and greatly exceeds any previous level of output.
- 4.5.7 A number of other local authorities, including several within the Cambridge sub region (e.g. Fenland, Huntingdonshire) are investing Council resources in new affordable housing, and are doing so as part of a targeted investment strategy which seeks to bring together national, regional and local resources to address the investment needs, in a way which it is hoped will lever in additional resources. As previously reported, the government has abolished Local Authority

Social Housing Grant whereby expenditure by local authorities on new affordable housing through RSLs within the overall system of local authority capital restraints was refunded by central government. Hence, the Council can still fund RSLs to provide affordable housing, but this expenditure would not be refunded by central government. It would meet a key local priority and might lever in additional investment.

- 4.5.8 The Council has already approved an expenditure of £500K per annum for a Do-It-Yourself-Shared-Ownership scheme (DIYSO), which should produce approximately 7 or 8 affordable homes a year.
- 4.5.9 In July 2003 the Committee indicated that investment in new affordable housing should be a key priority, once commitments agreed to fund Decent Homes and the private sector renewal programme have been met. Once the decision on Stock Options has been taken a further report on the Investment Strategy will be made to a future meeting.
- 4.5.10 When drawing up proposals for future housing expenditure the officers will be bearing the above need in mind when trying to develop a strategy for the use of the Council's reserves and any proposals for 'Prudential Borrowing'.

4.6 *Private Sector Housing Needs*

- 4.6.1 As previously reported to the Committee the level of unfitness in the private sector has increased to 7.4% from approximately 4% in 1996 (2002 Private Sector Stock condition survey). Already the Council has committed capital, totaling £1.585m, in the form of renovation grants, council loans, grants for RSL to lease affordable housing, to bring long-term vacant properties back into use, and for Disabled Facilities Grants. The use of loans in the private sector seeks to limit the demand for Council capital, and to access private sector capital (equity) to tackle the disrepair of owner-occupied properties.
- 4.6.2 In addition the Council has a long-term programme of compulsory purchase of vacant privately owned properties, where the owner refuses to take action to bring the property back into use, for subsequent sale for repair and improvement. The Council also has a responsibility to manage houses in multiple occupation and has a commitment to set up a landlord accreditation scheme in line with changing legislation. Undoubtedly, if the Council had more resources they could be applied to the outstanding problems facing the private sector.

4.7 *Homelessness*

- 4.7.1 Homelessness is still a high priority issue. The focus of the work being undertaken is around reducing and preventing homelessness and rough sleeping by providing appropriate housing, support and outreach services to those in need.
- 4.7.2 The Housing Act 1996 and the Homelessness Act 2002 places statutory duties on the Council to accommodate homeless households with a " priority need " in the city. The legislation also requires the Council to ensure that there is effective provision of housing advice and homelessness prevention services available across its area.

4.7.2 The Council has published its Homelessness Strategy 2003-2008 and Single Homeless and Rough Sleeping Strategy 2002-2006 which provide the framework and direction for the delivery of homeless and homelessness prevention strategies in Cambridge over the forthcoming years. The strategies aim to meet various government and local targets and priorities around reducing and preventing homelessness and rough sleeping in the city. The resources required to deliver the action plans contained within the strategies come from a range of funding streams (for example Supporting People, Housing General Fund and Revenue Accounts, ODPM capital and revenue grants and housing benefit) and involve multi-agency and partnership working across the voluntary and statutory sectors with a wide range of agencies. The Council will need to ensure that these resources and partnerships are effectively maintained and developed in the future in order to deliver the priorities around homeless and homelessness prevention contained in the strategies referred to above and to meet its statutory obligations in this area.

4.7.3 Furthermore, one of the primary underlying causes of homelessness in Cambridge is the lack of affordable housing: households experiencing stress, financial difficulty or relationship breakdown often cannot access the market for rented properties or housing for sale. The only solution to this in the longer term is to increase the supply of affordable housing available locally, which would also reduce time spent in temporary accommodation by homeless households.

4.8 *Sheltered Housing*

4.8.1 There are a number of issues concerning the future need for and use of the Council's sheltered housing schemes. For many years it has been apparent that tenants are no longer satisfied with the provision of bedsit dwellings with shared facilities. The aspirations of new tenants are now much higher than it was when the majority of the schemes were built in the late 70's and early 80's. All the scenarios that have been modelled have taken account of the need to bring sheltered housing up to the minimum standard (decent homes plus the landlord's obligations) but the modernisation of the properties to provide self-contained one or two bed roomed dwellings has not been included in the costs.

4.8.2 The Council has been involved in the recent countywide Best Value study of sheltered accommodation and this has raised a number of issues about the future of sheltered housing. Currently the Council has about six hundred sheltered housing units. Whitefriars and Rawlyn Court have been modernised, Wulfstan Way was sold to a housing association for redevelopment to provide new sheltered accommodation and Whitlocks has been sold recently for private housing development, which will include a number of units of low cost housing. The remaining units are predominately bedsit accommodation with shared facilities. The officers have been reviewing the future of the properties in the light of the investment needs, the longer-term demand for sheltered housing in the light of more provision being made to allow people to remain in their own homes and the demands for retirement housing.

4.8.3 The overall level of investment need in sheltered housing to remodel the stock beyond the decent homes standard amounts to about £30m. Some of this would be for modernisation schemes similar to the Whitefriars and Rawlyn Court models. Currently the officers are undertaking a comprehensive study of costs

for each scheme for the next thirty years, including the preparation of business plans for each.

- 4.8.4 It is important to emphasise that under any of the options outlined below the future of sheltered housing remains to be tackled. It must be made clear to all, including existing sheltered scheme tenants, that whatever the outcome of the Stock Option appraisal to meet decent homes or the Cambridge Standard, this will not tackle fully the long term need to invest to modernise sheltered housing. A report on the future of sheltered housing will be brought back to the November Committee of Housing & Health looking at this in the context of the recently completed County Review of Sheltered Housing.

5. THE PROCESS OF CHOOSING AN OPTION

- 5.1 This report forms the first stage of a two-stage process for tackling the future level of investment in council housing for the foreseeable future. In this first stage those options that are deemed to be practicable propositions for the Council are being outlined. In setting the criteria for practicability the options must accord with both the government's and the Council's strategies. It must deliver the government target of achieving decent homes by 2010; allow continued investment in private sector housing to combat unfitness; allow the Council to continue to tackle the problem of homelessness; and finally allow the Council to contribute towards meeting the affordable housing issues in the city. In addition any option must ensure that it does not place the Council in an untenable financial position.

- 5.2 The second stage of the process will be for all tenants (and leaseholders) to say which of the options they prefer by means of a ballot to be held in late October 2004 with the results being known in early November.

- 5.3 If the Council feels that the ALMO option carries with it too many risks, see paragraphs 7.7.3 and 7.7.4, a two stage ballot, i.e. preference then formal, would be replaced by just a formal ballot on stock transfer, or no ballot if the Council did not, at this stage, want to consider stock transfer.

5.4 Mechanics of the Preference Ballot

- 5.4.1 The use of a preference ballot will mean that a clear preference can be expressed; there cannot be a tie of votes. It is proposed that the outcome should be based on the results of those ballots that are returned, i.e. that there should not be a minimum percentage of returned ballot papers.

- 5.4.2 While it is not necessary to include leaseholders in the process it is essential that their views are sought and taken into consideration. To facilitate this it is proposed that leaseholders should be included in the ballot but that their votes should be counted separately and not included with the tenants' results. This can be achieved by issuing a differently coloured ballot paper to leaseholders.

- 5.4.3 The Electoral Reform Society will conduct the ballot and information about the chosen options will be sent to all tenants prior to them making a choice. It is also anticipated that the Independent Tenant Advisor will be involved actively in the process.

5.4.4 Once the results of the preference ballot have been announced a further report will be brought to the November meeting of the Committee asking the Executive Councillor to recommend the option chosen by tenants to the Council for approval. It is currently anticipated that the formal Housing Stock Option Appraisal report will be submitted to the government in January 2005.

5.5 *Risks Associated with a Preference Ballot*

5.5.1 The use of a preference ballot brings with it a number of risks that need to be tackled. The perceived risks are set out in the Table 1 below.

Risk	Comments
Ballot produces a result that is not sustainable and means the Council cannot deliver 'Decent Homes' target.	The two stage decision making process will ensure that only practicable solutions are put to tenants.
The chosen option will mean that the Council cannot deliver its strategic aims of delivering 'affordable housing', reducing unfitness in the private sector and tackling homelessness.	The two-stage decision making process ensures that the strategic responsibilities of the Council are taken into account before any options are presented to tenants. There will however be different levels of resource available depending on the option chosen.
Leaseholders, who represent about 10% of the stock, will have a disproportionate effect on the outcome of the ballot.	By counting the leaseholders response separately, and not including them in the overall outcome of the tenants' preference, it will be possible to avoid any excessive influence from leaseholders.
The choice of an ALMO may mean that we have lead tenants to expect more than can be delivered. See the risks set out in paragraphs 7.7.3 and 7.7.4 below.	The level of funding for an ALMO will depend on decisions made beyond the Council's control by the central government.
The preference ballot results in stock transfer being the chosen option but a later 'formal' ballot for stock transfer results in a different decision.	This will mean that a further process will have to be undertaken on the single issue of stock transfer. This will be a lengthy process and will culminate in a further ballot of tenants who by that time may feel tired of being asked to express their opinion once again.
The preference ballot is not considered to be robust.	The involvement of the Electoral Reform Society to run the process and the involvement of the Independent Tenant Advisor and Communications Consultant should remove any such risks.

Table 1 – Risks of Undertaking a Preference Ballot

6. **CONSULTATIONS**

- 6.1 A comprehensive consultation and empowerment programme has been developed to encourage tenants and leaseholders to engage in the process. Trades Unions have also been informed and consulted on the process. Briefings have been held with staff and finally other departments/services have been consulted about the corporate implications of the various options outlined in the report.
- 6.2 Tenants, leaseholders, councillors and staff were first involved in pre-consultations from March to July 2003 to define how they wanted stock options consultations to be done. By the summer of 2003, a detailed Consultation and Communication Strategy had been prepared, based on guidance from the Community Housing Task Force.
- 6.3 The ensuing consultation and communication process included roadshows, training sessions for stakeholders, postouts, outreach work with hard to reach groups and regular briefings for council staff. The 'Cambridge Standard' survey involved about sixty days of one to one consultation with tenants at their doorstep. In all, about 1,200 stakeholders returned detailed written feedback that helped shape the 'Cambridge Standard'.
- 6.4 Since July 2003, the Council has also issued quarterly updates on the stock options process to all tenants and leaseholders via the housing 'Open Door' newsletter. In July 2004 the local newspaper ran a feature on Cambridge stock options, and every Sheltered Scheme tenant was invited to a stock options information session that was held for them.

7. **STOCK OPTIONS**

- 7.1 HQN, the Council's financial consultants, have modelled the financial results of three scenarios: the Savills minimum standard, the Savills higher standard and the 'Cambridge Standard'. The draft financial report costs the three standards at £59m, £89m and £89m respectively over seven years or £164m, £224m and £216m over a thirty-year period.
- 7.2 The Government's Guidance '*Delivering Decent Homes – Option Appraisal*' sets out four options for the future management and maintenance of council dwellings. The options are:
- Retain and continue to manage the stock 'in house',
 - Private Finance Initiative (PFI),
 - Continue to own the stock but transfer the management to an ALMO, and
 - Transfer the stock to an RSL.
- 7.3 The report prepared by HQN assesses the ability of the Council to attract additional resources by using each of the options or a combination of them in order to achieve the minimum level of investment and higher level of investment recommended by FPD Savills, who undertook the stock condition survey, and the aspirational 'Cambridge Standard' approved by the Council in April 2004.

- 7.4 A top-level financial summary prepared by HQN is attached as Appendix A. A copy of the full report is attached as Appendix B. As part of the report HQN have identified the levels of investment needed for each of the investment options; minimum landlord standard (decent homes plus health and safety issues), Savills higher level of investment and finally the 'Cambridge Standard'. Table 2 set out the levels of investment needed over seven and thirty years.

Standard	Seven years £m	Thirty years £m
Minimum landlord standard	59.1	164.3
Savills higher level	89.7	223.9
Cambridge Standard	89.4	215.8

Table 2 Levels of investment over seven and thirty years

- 7.5 In the report HQN have outlined three viable options; retention, ALMO and stock transfer. The following paragraphs set out what can be achieved for each of the options.

7.6 *Retention*

- 7.6.1 Retention and continued management of the stock by the Council is still an option. By using the Council's existing resources (such as right to buy receipts, revenue contributions to capital (RCCO) and the use of some reserves) it would be possible to meet the minimum landlord standard of investment of approximately £59m over seven years. However, it would mean that the resources available to tackle new or growing housing needs in the private sector, homelessness and sheltered housing would be greatly diminished.

- 7.6.2 This level of investment would only allow the Council to meet the government's decent homes target and undertake landlord health and safety works such as electrical safety issues. While bathrooms and kitchens would be renewed they would not be upgraded. In sheltered schemes, for example, shared bathrooms would still continue in use, the only difference being that they would be modern fittings. Issues for tackling anti-social behaviour (ASB) such as the provision of better security (windows and doors), external lighting and fencing would not be able to be undertaken.

- 7.6.3 **It must be emphasised that the government will not provide any additional resources if this option is chosen.** The option will require the Council to monitor closely its resources and the repair/improvement programmes to ensure that the government's target of meeting the 'Decent Homes' standard can be achieved. Also if this option is chosen it is likely that the government will expect the Council to review the position again in future years.

7.7 *ALMO*

- 7.7.1 The retention of the stock by the Council, but its management by an ALMO, could bring in additional resources. HQN estimate that there would be in the region of £70m available for investment over seven years, assuming a successful ALMO bid for £22.7m. This is a very speculative figure and on the lower end of the possible bid. It is based on current information from the Office of the Deputy Prime Minister (ODPM) and evidence from past ALMO approvals.

Currently the capital is funded by revenue grant but this could change in the future.

- 7.7.2 If the ALMO bid was successful a greater level of resources could be made available to tackle other housing needs such as private sector, homelessness and affordable housing. Again, not all of the Cambridge Standard could be achieved with this level of investment, but it is likely to be more than by retention.
- 7.7.3 Although the ALMO option has the potential to bring additional resources, currently there are issues about the Council's ability to 'bid' for the next round of ALMO applications. The latest government Spending Review has been silent on the provision of additional resources to fund future ALMO applications. It is assumed that round five ALMO applications will progress but the message is being given that they will only be considered after the government has signed off the stock option appraisal.
- 7.7.4 The current timetable plans for the Council to submit its Stock Options Report to the government for sign off in late December 2004/early January 2005. The bids for an ALMO application will have to be submitted earlier. There is no guarantee that there will be a round six set of bids. Assuming the Council is successful in gaining a commitment for ALMO funding the resources will only become available once the ALMO has been established and it has been inspected and gained at least a two-star rating. The rating of the Council will not have any relevance in this process. This process could take between one and two years to achieve. The early delivery of additional resources is therefore problematic.

7.8 *Stock Transfer*

- 7.8.1 This option could bring in an investment programme of £89m and allow the full Cambridge Standard to be achieved. The Council would have a capital receipt of about £70m, after taking account of government set aside and other costs, which could be spent on additional housing provision such as affordable housing or tackling unfitness in the private sector. The Council could also use some of the capital receipt to offset the corporate costs that could not be absorbed or reduced, see paragraph 8.4 below.
- 7.8.2 Stock transfer has the potential to allow the full Cambridge Standard to be achieved and has the highest potential to deliver new affordable housing in the short term. If this option were chosen the process would require the Council to undertake a specific Stock Transfer appraisal based upon a new stock condition survey and financial appraisal. Tenants would then have to vote on the single issue of whether to transfer the stock. The stock could be transferred to an established RSL (housing association) or one specifically set up for the purpose. Once again this would be a lengthy process and thus early realisation of additional resources is not definite.

7.9 *PFI*

- 7.9.1 This has been excluded as an option in the light of the amount of initial investment needed and the government's recent indications, in the recent Spending Review, to target PFI towards the provision of affordable housing.
- 7.10 Table 3, below, sets out the features of each option.

Option	Resources available (£m)	Improvement /modernisation level	Areas excluded	Resources available for strategic housing investment (£m)
Retention	59	Decent Homes plus Minimum Landlord Standard.	Not possible to undertake any items included in the 'Cambridge Standard'. No modernisation of sheltered dwellings, although repair and replacement continues. Shared facilities continue but they are modernised.	12.7
ALMO	70 (Assumes £22.7m from ALMO bid see paragraph 7.7.3 and 7.7.4 for risks).	As above and part way towards the full 'Cambridge Standard'.	Some elements of the Cambridge Standard could not be undertaken. Modernisation of sheltered schemes as above.	22.7 (This does not take account of any set-aside needed to cover corporate costs that cannot be absorbed).
Stock Transfer	89 In addition the Council could receive a £70m capital receipt.	Full 'Cambridge Standard' achieved. The use of the capital receipt or bid for additional resources could allow the modernisation of the sheltered schemes to be undertaken.	None.	76.6 (This does not take account of any set-aside needed to take account of corporate costs that cannot be absorbed. The set-aside could be as much as £29m).

Table 3 – Main features of each option

8. CORPORATE IMPLICATIONS

8.1 Some initial work has been done on the corporate implication of the three options. Currently the Housing Revenue Account (HRA) is charged about £1.2m a year for services it purchases from other parts of the Council. These are services such as legal, financial and human resources advice, provision of IT services via the Council's IT facilities management contract with ITNET, office accommodation, and democratic services (the cost of being a local authority).

- 8.2 In the retention option many of the services would continue to be purchased from the Council. There might however be some implications in the event of the sheltered housing being treated differently (see below).
- 8.3 With both the ALMO and stock transfer options the new management organisations are likely after a period of time, between one and two years, to want to consider obtaining many of the services from other sources. Certainly in the case of stock transfer the Housing Corporation would insist on services being market tested and sourced externally from the Council. In the case of ALMOs many of the first and second round ALMOS have already taken this route of renegotiating services or purchasing them externally.

8.4 *Unavoidable Costs*

- 8.4.1 As mentioned above currently the HRA purchases about £1.2m worth of services from the Council. The initial investigation has shown that for both the ALMO and stock transfer options the key areas of impact would be in accountancy/payroll, Internal Audit and Architectural Services. A considerable amount of the cost charged to the HRA comprises fixed costs, which would have to be absorbed by the Council.
- 8.4.2 In addition to the analysis of costs some work has been undertaken on identifying which services might be transferred or retained under both the ALMO and stock transfer options. There is scope for the Council to retain some services 'in house' but this will depend on decisions to be made at a later stage in the process. Finally, in the case of an ALMO some of the unavoidable costs, the costs of democratic services for example, could continue to be charged into the HRA and in the case of a stock transfer some of the capital receipt could be set aside to pay for the costs that could not be absorbed or reduced (see paragraph 7.8.1 above).

8.5 *Unsupported Borrowing*

- 8.5.1 Work has been undertaken with HQN to review the implications of the Council entering into Unsupported (Prudential) Borrowing as a way of increasing the amount of capital available for investment in the dwellings. A change in government regulations has made this a possible option. In essence the HRA has sufficient resources to continue to provide day-to-day services and is predicted to show a surplus for the foreseeable future. The problem surrounds the availability of capital to undertake major works.
- 8.5.2 By using some of the surplus revenue to pay the interest etc on borrowing, the Council could borrow money now to invest in the dwellings. However, on closer examination there would be some negative impacts of Unsupported Borrowing on the Council's general fund activities, the revenue surplus could disappear as quickly as it had appeared (the ODPM reassessed the management and maintenance targets for Cambridge in October 2003 which increased revenue streams). Over the longer term the alternative of using the excess revenue as a contribution to capital would allow for more investment. The option of Unsupported Borrowing is not therefore recommended.

9. **REASONS FOR DECISION AND TIMETABLES**

- 9.1 The Council is required by the ODPM to have submitted and have had 'signed-off' a Housing Stock Option Appraisal by July 2005. The Committee is asked to make a decision on which of the options set out it wishes to offer to tenants. Tenants will then express their preference by means of a ballot to be held in October 2004, the result being announced in early November. A report recommending the option chosen by tenants will come to Health and Housing and full Council in November 2004. A final submission will be made to the ODPM for sign off in late December 2004/early January 2005.

10. IMPLICATIONS

(a) Financial Implications

These are covered in the text of the report

(b) Staffing Implications

Consultations are being undertaken with staff and the Trades Unions on the options set out. In the cases of ALMO and stock transfer there would be a large number of staff transferred to the new organisations. It is anticipated that TUPE regulations would apply in all cases. Once an option has been chosen the full staffing implications can be assessed.

(c) Equal Opportunities Implications

All stakeholder groups have had an opportunity to feed into the process of setting the Cambridge Standard. The needs of sheltered residents will need to be assessed and tackled. A special session for sheltered residents was held at the 'Open Options' presentation, on 29 July 2004, where the issues surrounding sheltered accommodation were presented. Dialogue with sheltered residents, and others, will continue throughout the process.

(d) Environmental Implications

Environmental issues have been considered as part of the setting of the Cambridge Standard. Depending on which option is finally chosen it might not be possible to undertake all the works identified in the standard.

(e) Community Safety Implications

Community safety issues have been considered as part of the setting of the Cambridge Standard. Depending on which option is finally chosen it might not be possible to undertake all the works identified in the standard.

BACKGROUND PAPERS

The following are the background papers that were used in the preparation of this report:

Developing the Cambridge Standard - Housing & Health Scrutiny Committee, 21 April 2004

Housing Options Appraisal Financial Report – Stock Options Appraisal Member/Tenant Working Party, 22 July 2004

INSPECTION OF PAPERS

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Report file: document2

Glossary

The following gives a brief explanation of the levels of improvement/repair implied by the terms Decent Homes, Landlord obligations and 'Cambridge Standard'.

Term	Explanation
Decent Homes	<p>The definition of a 'Decent Home', which was set in July 2001, is a dwelling which meets all of the following four criteria;</p> <p><i>a) It meets the current statutory minimum standard for housing</i></p> <p>The requirements of the fitness standard constitute the minimum deemed necessary for a dwelling house to be fit for human habitation. They are that a dwelling should:</p> <ul style="list-style-type: none">➤ Be free from serious disrepair➤ Be structurally stable➤ Be free from dampness prejudicial to the health of the occupants➤ Have adequate provision for lighting, heating and ventilation➤ Have an adequate piped supply of wholesome water➤ Have an effective system for the drainage of foul, waste and surface water➤ Have a suitably located WC for exclusive use of the occupants➤ Have a bath or shower and wash hand basin, with hot and cold water; and➤ Have satisfactory facilities for the preparation and cooking of food including a sink with hot and cold water <p><i>b) It is in a reasonable state of repair</i></p> <p>Dwellings failing on this point will be those where either;</p> <ul style="list-style-type: none">➤ One or more key building components are old and need replacing (where key means external components, electrics and gas heating sources); or Two or more other building components are old and need replacing <p><i>c) It has reasonably modern facilities and services</i></p> <p>Dwellings failing on this point are those that <u>lack three or more</u> of the following;</p> <ul style="list-style-type: none">➤ A reasonable modern kitchen (20 years old or less)➤ A kitchen with adequate space and layout➤ A reasonably modern bathroom (30 years old or less)➤ An appropriately located bathroom and WC

- Adequate noise insulation (where external noise/neighbourhood noise is a problem)
- Adequate size and layout of common areas for blocks of flats

d) *Provides a reasonable degree of thermal comfort*

Minimum Standard

Landlord These include:

- Additional works when implementing Decent Homes, e.g. bringing fixtures and fittings and room layouts up to modern standards and responding to tenant demands that follow on from pre work consultations.
- Maintenance of external structures such as:
 - Boundary walls and fences
 - Communal access ways
 - Street landscape.
- Maintenance and renewal of lifts and communal lighting.
- Modernisation of sheltered housing (see report on agenda for Best Value Review of Sheltered Housing).
- Works that will improve the local environment of the housed and tackle the issues of community safety.

'Cambridge Standard'

This is an Aspirational level of improvement and repair approved by the Council in April 2004. In addition to all the items contained in the items above the standard, which was developed in consultation with tenants and other stakeholders, looks for increased spending on:

- Improvements inside the home
- Improving community safety
- Improving outside the home
- Improving housing and care options after retirement
- Improving the housing service