

Appendix D Summary Housing Option Evaluation

Criteria	ALMO	Prudential Borrowing	Stock Transfer	PFI
<p>Can the option deliver the extra funding needed for Decent Homes?</p>	<ul style="list-style-type: none"> • Funding bid could be submitted to ODPM to cover cost of achieving Decent Homes by 2010 • However, the high set up and running costs of an ALMO put the HRA into significant deficits over a 5 year period, which is beyond what the Council can accept • Also, there is risk that the Government is likely to provide funds for the 'basic' Government Standard only, which is lower than the Harrow Standard • Risk of not achieving 2 stars at Housing Inspection 	<ul style="list-style-type: none"> • The Council can borrow the funds needed to deliver Decent Homes by 2010 • Small deficit shown in year 2 can be managed within reserves in the HRA 	<ul style="list-style-type: none"> • An RSL would be obliged to fund decent homes works as a minimum under the transfer terms, and most RSLs can deliver the funding needed • Lead in period of transfer could take between 18 and 24 months, so the Council would need to continue its planned investment programmes up to the point of transfer if the 2010 target is to be met 	<ul style="list-style-type: none"> • PFI is unlikely to be an attractive opportunity for a private partner, given the varied stock and wide geographic area of operation • Risk that Council would not be able to demonstrate value for money to ODPM in this option over other options • PFI is still an untried and untested option for whole stock decent homes work • Potential lead in time for testing the market and setting up contract likely to be 2 years, so Council would need to continue its planned investment programmes anyway if 2010 target to be met.

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Can the option provide funding for additional improvement works?	<ul style="list-style-type: none"> • Councils cannot generally bid for funds to cover additional improvement works 	<ul style="list-style-type: none"> • The Council could borrow an additional £3.5m to cover some additional improvement works, if 25% of usable receipts from sale of Council houses is applied and will be able to pay back the interest charges 	<ul style="list-style-type: none"> • The RSL would base transfer price on an ability to fund other works agreed in its offer; this can include additional improvement works up to an agreed value 	<ul style="list-style-type: none"> • It is unlikely that additional improvement works could be included within a PFI contract, and still represent value for money
Will the option deliver a better service for tenants and leaseholders?	<ul style="list-style-type: none"> • The ALMO must obtain a 2 star rating in order to receive government funding, so the service level would need to meet Audit Commission requirements 	<ul style="list-style-type: none"> • The Council can choose to put management focus and HRA funds into improving the landlord service 	<ul style="list-style-type: none"> • The RSL taking over the stock would agree a Contract with the Council and residents, which covers an agreed level of landlord service 	<ul style="list-style-type: none"> • The PFI contractor will offer an agreed level of service as set out in the negotiated contract
Will tenants and leaseholders rights be affected by the option?	<ul style="list-style-type: none"> • As the Council continues to own the assets, Tenants rights, terms and conditions continue as currently, including RTB • No change to Leaseholder lease terms 	<ul style="list-style-type: none"> • Tenants rights, terms and conditions continue as currently, including RTB • No change to Leaseholder lease terms 	<ul style="list-style-type: none"> • Housing Associations provide housing under different laws to the Council and therefore tenants rights are slightly different. Existing tenants rights will be negotiated so that in practice they are no different to those of council tenants, including retention of a 	<ul style="list-style-type: none"> • Tenants rights, terms and conditions continue as currently, including RTB • No change to Leaseholder lease terms

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			<p>preserved RTB.</p> <ul style="list-style-type: none"> New tenants after the transfer will have slightly different rights, for example no RTB but an equivalent RTA (Right to Acquire) The same Leaseholder terms would be transferred to the RSL. However, there may be a change in which communal services are delivered and hence a change (either +/-) in service charges 	
<p>Would the option allow tenants to have more involvement in the direction and running of the housing service?</p>	<ul style="list-style-type: none"> The ALMO is run with a Board of Council, tenant nominees and independents New 'Community Gateway' organisation could be considered with large proportion of tenant involvement on Board 	<ul style="list-style-type: none"> A variety of options could be developed to offer more opportunities for tenants to have decision making powers, with a long term aim to encourage and facilitate Tenant Management Organisations (TMOs) 	<ul style="list-style-type: none"> A newly formed RSL usually a Board with a make-up of one third tenants, one third Council nominees and one third independent members Existing RSLs may offer tenant representation on the board New 'Community Gateway' organisation could be set up with larger proportion of tenant involvement on the Board 	<ul style="list-style-type: none"> Opportunities to enhance tenant involvement can be discussed and addressed with the Council & the PFI partner. However, these may be limited in comparison to all other options

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Under the option, how will the housing service be governed and its performance monitored, to ensure it is being run effectively?	<ul style="list-style-type: none"> • ALMO has Contract with Council to deliver an agreed range of housing services • ALMO is established with a management and monitoring structure, subject to Government regulations and inspections • Council monitors ALMO closely through the Management Agreement 	<ul style="list-style-type: none"> • Council continues to run the housing service. The present arrangements may be continued or tenant involvement may be increased through models such as a Tenant Management Organisation. 	<ul style="list-style-type: none"> • RSL takes on overall management responsibility through its Board • The RSL is accountable to the Housing Corporation, a government body, and bound by their requirements and procedures • The Council will also monitor the RSL through an agreed framework negotiated as part of the transfer 	<ul style="list-style-type: none"> • PFI would be subject to the specification and terms of Contract negotiated with the Council • The Council would monitor the PFI contract. Ultimately payments under the contract would be withheld if agreed performance standards not met.
Does the option support the Local Authority's corporate and wider strategic housing objectives?	<ul style="list-style-type: none"> • Covering the additional set up and running costs of the ALMO in the HRA would impact on the delivery of wider Housing objectives. 	<ul style="list-style-type: none"> • Option allows Council to pursue wider corporate and strategic objectives, unaffected by the option 	<ul style="list-style-type: none"> • Option allows Council to pursue wider corporate and strategic objectives within the strategic housing functions it retains after transfer, for examples, statutory obligations relating to homelessness. • The receipt generated from the sale of the stock could be reinvested to develop additional affordable housing in the borough. 	<ul style="list-style-type: none"> • The option will not deliver the wider improvements and tenant involvement structures.

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Will the Option have an impact on the Council General Fund?	<ul style="list-style-type: none"> Short –term impact is likely to be minimal but as the ALMO becomes more established some central services provision could be moved to external providers causing a loss of income to the General Fund 	<ul style="list-style-type: none"> Minor impact in respect of potential changes to where RTB receipts are credited. 	<ul style="list-style-type: none"> There will be a positive effect in terms of a substantial capital receipt into the General Fund. (However, there is also a negative effect in the HRA in terms of loss of income from service provision). The capital receipt could be reinvested in developing new affordable housing, or put into other areas of Council services 	<ul style="list-style-type: none"> Minor impact in respect of potential changes to where RTB receipts are credited.
Will the Option take resources away from any other planned capital works programmes?	<ul style="list-style-type: none"> Funding allocation is added to the capital resources the Council already has, but is for decent homes capital works only Finance is not taken away from other capital programmes 	<ul style="list-style-type: none"> Council is borrowing to top up capital resources it already has – does not impact resources for other capital programmes 	<ul style="list-style-type: none"> Capital receipt that the Council receives from the transfer can be invested in other capital programmes 	<ul style="list-style-type: none"> PFI scheme would be structured to deliver a specific capital programme therefore no impact on other capital programmes.
What will the impact be on Council staff currently delivering the housing service?	<ul style="list-style-type: none"> Staff who are currently providing tenancy services, and some others who spend a majority of time working on HRA assets, would transfer to 	<ul style="list-style-type: none"> Housing staff would work more closely with Tenant and Leaseholder organisations. 	<ul style="list-style-type: none"> Staff who are currently providing tenancy services, and some others who spend a majority of time working on HRA assets, would 	<ul style="list-style-type: none"> Staff who are currently providing tenancy services, and some others who spend a majority of time working on HRA assets, would

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	the ALMO under TUPE (Transfer of Undertakings – Protection of Employment)		transfer to the RSL under TUPE	transfer to the PFI contractor under TUPE
Is the option achievable? - What are the risks?	<ul style="list-style-type: none"> • The high set up and running costs of an ALMO put the HRA into significant deficits over a 5 year period, which is beyond what the Council can accept • Risk that the Council may not win bid for funding, as Harrow Council is capable of funding the gap with Prudential borrowing (and many Councils are not able to demonstrate this) • Risk that Council may not be awarded minimum 2 stars at Inspection 	<ul style="list-style-type: none"> • Option stands up well to impact of modest increases in interest rates, and changes in expected RTB levels – risk if these changes are substantial • Option is dependent on the Council achieving the response maintenance cost reductions that are being modelled 	<ul style="list-style-type: none"> • Long lead in period means that the Council will have needed to complete a lot of the decent homes works before transfer actually takes place • Assets should be an attractive acquisition to an RSL • Note that the decision to transfer is subject to a majority vote in a tenant ballot 	<ul style="list-style-type: none"> • Other PFI schemes in Housing have encountered difficult negotiations. • Risk that Council would not be able to demonstrate value for money to ODPM in this option over other options • PFI is still an untried and untested option for whole stock decent homes work
Is the Option sustainable?	<ul style="list-style-type: none"> • Large HRA deficits for 5 years cannot be sustained 	<ul style="list-style-type: none"> • Option is sustainable over long term, with HRA surplus available for re-investment over time 	<ul style="list-style-type: none"> • Option is sustainable over long term, with surpluses being reinvested in the housing 	<ul style="list-style-type: none"> • PFI contract would be for 20-30 years and its remit very narrow.