

Meeting:	Cabinet
Date:	11 November 2004
Subject:	Management of the Council's Housing Stock
Responsible Officer:	Tony Lear - Executive Director, Urban Living
Contact Officer:	Tony Lear - Executive Director, Urban Living
Portfolio Holder:	Councillor Keith Burchell
Key Decision:	Yes
Status:	Part 1

SECTION 1: SUMMARY

Decisions Required

1. To consider the further information provided following detailed discussions with representatives of the Office of the Deputy Prime Minister; Harrow Federation of Tenants and Residents Associations; the Council's External Auditors and the ALMO Shadow Board and to decide:
 - Whether to proceed with the establishment of an ALMOOr
 - To proceed with the retention option and investment utilising the Council's Prudential Borrowing facilities as set out in the report to Cabinet on 14th October.
2. Should the decision be taken not to proceed with the establishment of the ALMO:
 - To consider the future role of the ALMO Shadow Board, the company Spire Community Homes and its directorships. (Section 6 of the report)
 - To agree that the Chief Executive be authorised to act on behalf of the Council to take whatever steps are necessary to establish, run, subscribe and appoint Directors to the company.
 - To agree that The Council will need to carry out a full appraisal exercise to identify the best option or options in the long term. The timetable set by Government for this exercise requires it to be completed by July 2005. (Sections 3 and 6 of this report)
 - To agree that central to that exercise is the need to actively engage Harrow's tenants and leaseholders on the widest possible front to empower them both to get involved in the management of their service and in consideration of the

options for the future of the Council's housing stock. (Sections 3 & 4 of this Report)

- To agree the proposals set out in Section 7 of the report for the management of the Council's housing service within the Urban Living Directorate.
- To authorise the Executive Director, Urban Living to commission the necessary Stock Condition Survey required both to inform the Options Appraisal exercise and to plan for the capital investment programme. (Section 5 of this Report)
- To authorise the Executive Director, Urban Living to re-tender the Repairs Partnering Contracts. (Section 5 of this Report)

SECTION 2: REPORT

2. BACKGROUND

2.1 At it's meeting on 14th October Cabinet unanimously resolved:

That after serious consideration of a Part II report, the Cabinet resolves that at their next meeting in November they are seriously minded not to proceed with the establishment of an ALMO.

The Cabinet further requested feedback from officers on the comments and views expressed at further consultation to take place with the Office of the Deputy Prime Minister, the Tenants Federation and the Shadow ALMO Board and that this information be made available to Members of the Cabinet before an irrevocable decision is made at their November meeting.

That officers present to the November meeting of Cabinet, a draft framework for consideration comprising:

- (i) proposals for the effective management of the Housing Service with particular emphasis on delivering essential capital programmes to refurbish the housing stock at the earliest opportunity;
- (ii) an action plan to bring the Council's Housing Stock up to the Government's Decent Homes Standard by 2010 as part of the wider Estates Renewal, Regeneration and Social Inclusion priorities within Harrow; and
- (iii) options for the effective and comprehensive involvement of tenants and residents in the management of the housing stock in areas in which they live.

2.2 This report provides this information for Cabinet to enable a decision to be on the future management arrangements for the Council's housing stock.

2.3 The Decent Homes standard set by Government is defined as a minimum target for social housing that should be achieved by the year 2010. In practice this means properties must be in a good state of repair, with an appropriate layout that meets current building regulations, have modern kitchens and bathrooms, efficient heating, adequate electrical points and effective insulation.

2.4 Three options are proposed by the Office of the Deputy Prime Minister (ODPM) for Councils to achieve the Decent Homes standard by 2010. They are:

- ALMO
- Stock transfer to Registered Social Landlord
- Housing Revenue Account PFI

In addition, there is the retention or fourth option by which a Council could fund the necessary capital investment through its own sources.

- 2.5 Of the above options, only the ALMO route provides Government grant. Stock transfer removes all liability from the Council but results in a loss of assets, which, conceivably at some time in the future, could be used to raise private finance for stock improvements or new build. Although HRA PFI is off the balance sheet the Council has to make a revenue contribution from the HRA to the contractor that is equivalent to the interest payments on loans plus a profit element.
- 2.6 Councils can retain and refurbish their own housing stock if they can demonstrate that funding is available within the Housing Revenue Account to meet the costs of achieving the Decent Homes standard. In practice few Councils have sufficient HRA surpluses to do this.
- 2.7 Cabinet, at its meeting in October, considered that in the specific circumstances pertaining to Harrow the retention option provided the most cost effective way forward and resolved that it was seriously minded not to proceed with the establishment of an ALMO.

3. THE RESULTS OF FURTHER DISCUSSIONS WITH ODPM.

- 3.1 Officers were scheduled to meet with representatives of ODPM and the Government Office for London (GOL) on Friday 29th October. In fact only a representative from the ODPM's Community Housing Task Force¹ attended. Harrow was represented by the Executive Directors for Business Connections and Urban Living; the Director of Strategy, Urban Living; and the Housing Finance Consultant. It was reported that the GOL representative 'was content not to attend the meeting'. (Unfortunately the housing specialist from GOL was also unable to attend a later scheduled meeting between the Council's Chief Executive, Executive Directors and officers from the Government Office.)
- 3.2 Much of the discussion focused upon the financial assumptions and projections set out in the report to Cabinet in October. In particular, the Executive Director, Business Connections and the Housing Finance Consultant set out:
- the basis for the calculation of £470k additional annual costs directly attributed to the establishment of an ALMO
 - the basis for the calculation of £270k one-off costs to set up the ALMO
 - the comparison of the additional annual costs projected over 25 years against the cost of borrowing under the Prudential Borrowing regime – which demonstrated the latter to be considerably cheaper.

¹ The CHTF is a free consultancy service to local authorities and their residents providing advice and support to enable the effective consideration of options for the future of Council's housing assets. The CHTF representative also said that the organisation acts as 'a soft police force' on behalf of the ODPM.

- A discounted cash flow analysis using a number of different scenarios (different interest rates, etc.) which demonstrated that the proposed Prudential Borrowing route was a cheaper option than the ALMO.
 - Further financial modelling of the Housing Revenue Account showing projected surpluses over a 30 year period under the ALMO and non-ALMO options. Again the surplus for the non –ALMO route is significantly higher than if the ALMO option were to be pursued.
- 3.3 After quite lengthy consideration, it was recognised and accepted that Harrow was exceptional in having an almost unique set of circumstances and characteristics. The CHTF representative acknowledged that, in terms of current housing management costs, 'Harrow runs lean' (sic) and that there would indeed need to be growth in staff and management costs in respect of an ALMO structure.
- 3.4 It was also accepted that Harrow was very unusual in being able to fund the cost of Prudential Borrowing not only to achieve Decent Homes Standard by 2010 but also to fund the more challenging but essential estate renewal and redevelopment programmes necessary to support and deliver the Council's Social Inclusion imperatives. Indeed it was said that, ' within 6 to 7 months, Harrow could be turned around to become a good practice model ' of housing investment and renewal for many other local authorities to follow.
- 3.5 It was accepted that 'Retention is the only option in town' (sic) for Harrow given its current circumstances .
- 3.6 It was emphasised that Harrow would need to carry out a full appraisal of the options available to the Council in order to demonstrate that the Decent Homes Standard could be met using the most cost effective means. Such an Option Appraisal will need to consider, in some detail, whether PFI, Stock Transfer or a future ALMO re-bid would be appropriate and better than the Retention Option. It was emphasised that this will be a lengthy and resource intensive process.
- 3.7 Discussion naturally focused also on the need to ensure that there is the widest possible involvement of tenants and leaseholders as the key stakeholders in this process. Whilst existing arrangements in place with the Federation and through the Tenants and Leaseholders Consultative Forum are important elements, the Community Housing Task Force believe it is important to develop parallel specific and exhaustive arrangements with residents about the options for the future management and/ or ownership of the housing stock.
- 3.8 It was agreed that the Council will need to produce as a matter of urgency:
- A Project Plan for the Options Appraisal Exercise
 - A Tenant Empowerment Strategy
 - A Communication Strategy
- 3.9 It has not been possible to arrange a meeting with the Government Office for London prior to drafting this report.

4. DISCUSSIONS WITH HARROW FEDERATION OF TENANTS AND RESIDENTS

- 4.1 A meeting was held on Monday 1st November 2004 with the Federation of Harrow Tenants and Residents Associations, attended by 10 tenants, Councillor Keith Burchell, Anna Robinson, Director of Strategy and Ian Brown, acting Group Manager Housing. Councillor Burchell explained the reasons for proposing to withdraw from the ALMO. The tenants welcomed the decision particularly as it would mean additional investment in their homes and estates.
- 4.2 There was discussion about the requirements of Government Office for an option appraisal which would mean wide involvement of tenants, who would be supported by independent consultants. The option appraisal would have to be completed before July 2005.
- 4.3 It was agreed that further meetings would be set up over the coming weeks to agree an action plan for the option appraisal and to discuss the programme for the decent homes work.

5. OTHER ACTIONS

5.1 External Validation

The Executive Director, Business Connections has asked the Council's External Auditors to validate the figures and assumptions set out in the report to the last meeting of Cabinet. The Executive Director will report verbally to the meeting the outcome of this exercise.

5.2 Stock Condition Survey

Cabinet is asked to authorise the Executive Director, Urban Living to carry out the necessary Stock Condition Survey required both to inform the Options Appraisal exercise and to plan for the capital investment programme.

5.3 Repairs Partnering Contracts

Cabinet previously considered the issue of the current repairs partnering contracts and agreed that they should be re-tendered. It was intended that this process should be led and conducted by the ALMO. Should Cabinet decide not to proceed with the ALMO, this process will need to be managed in-house. A draft Action Plan is being constructed and will be made available at the meeting.

5.4 Capital Investment Programme – Estates Renewal

Work is being commissioned to review and appraise the needs of the Council's housing stock, considering whether this should be done across the whole stock or estate by estate. Harrow's Vitality Profiles will be used to inform this process.

6. CONCLUSIONS FOLLOWING THESE FURTHER DISCUSSIONS

6.1 After discussions with ODPM and with HFTRA it is clear that, given the particular circumstances pertaining in Harrow:

- The option of delegating responsibility for the management of the Council's housing stock to an ALMO does not offer value for money compared with the alternative option using Prudential Borrowing. This confirms the advice spelt out in the previous report to Cabinet.
- Following the discussion with the ALMO Shadow Board, Cabinet needs to consider the future of that Shadow Board.
- Should Cabinet decide not to proceed with the ALMO option, it is proposed to maintain Spire Community Homes as a company carrying out no activities and making nil returns. It is therefore proposed that the Chief Executive be authorised to act on behalf of the Council to take whatever steps are necessary to establish, run, subscribe and appoint Directors to the company.
- The Council will need to carry out a full appraisal exercise to identify the best option or options for the future management of the Council's housing stock in the long term. The timetable set by Government for this exercise requires it to be completed by July 2005.
- Central to that exercise is the need to actively engage Harrow's tenants and leaseholders on the widest possible front to empower them both to get involved in the management of their service and in consideration of the options for the future of the Council's housing stock.

6.2 In parallel with these exercises, work has already commenced to establish an effective in-house housing operations service staffed by permanent full time staff dedicated to creating and delivering an excellent housing service. A central priority within this workload will be to put in place effective contracts for maintenance arrangements and commence the programme of improvement works at the earliest possible opportunity utilising the Council's prudential borrowing facilities. These issues are addressed below:

7. ORGANISATION AND STAFFING ARRANGEMENTS

7.1 It is proposed to organise all housing operational services (i.e. excluding housing strategy) within the Professional Services Division of the Urban Living Directorate. This will enable a clear and consistent focus across all housing service operational issues. It will also create opportunities to generate some potentially significant economies of scale particularly in terms of the procurement and management of services for the Council's non-housing and housing property portfolios. See attached Organisation Charts.

7.2 Staff have already been extensively involved in Working Groups jointly led by management and Unison to resolve many of the longstanding issues and problems. This work has gathered pace over the last few weeks as staff have responded to the challenge of creating an excellent in-house organisation which will deliver the very best housing services for the Council's tenants and residents. Job descriptions have been drafted, agreed and evaluated to enable rapid progress to recruit permanent members of staff to posts at all levels throughout the organisation. Particular emphasis is being placed on recruiting to front-line service posts such as Caretakers and those who staff the repairs call centre as

- an urgent priority. These are the posts that will have the most immediate impact upon residents in terms of visible service improvement.
- 7.3 The lessons of the New Harrow - Public Realm improvements - piloted originally in South Harrow and due to be rolled out across two thirds of the borough by the end of this year - are being extensively used in the construction of the new service.
- 7.4 It is proposed to revert to the three Area model, each being managed by a team of empowered staff – housing managers, estate liaison officers, caretakers and repairs staff – with real ownership and responsibility for the dwellings and their environment.
- 7.5 The new Asset Management Group will combine responsibility for planned and responsive repairs; revenue and capital funded. The detailed structures for the Asset Management Group are still being developed at the time of writing. The structure and staffing will be dependent upon the type of repairs contracts decided upon.
- 7.6 All services are being thoroughly challenged and reviewed from the customers' perspective to ensure that plans are put in place to deliver an excellent housing service for the people of Harrow. This process is about building a service from the front-line.

8. TIMETABLES FOR ACTION

- 8.1 Officers are currently developing a detailed Action Plan for the re-tendering and letting of the Repairs Contracts. This Action Plan is will be made available at the meeting. Housing Services will lead on this action plan.
- 8.2 Officers are also drawing up detailed proposals to commission and start to deliver the Capital-funded Programmes of work to enable the Council to achieve Decent Homes Standard by 2010. This Action Plan is will be made available at the meeting. Housing Services will lead on this action plan.
- 8.3 Officers are drawing up an Action Plan to undertake the Options Appraisal; the Communications Strategy and the Tenants Empowerment Strategy. This Action Plan will be made available at the meeting. The Director of Strategy will lead on these issues.

9. BACKGROUND PAPERS

Report to Cabinet 14th October 2004