



Report to Cabinet

Subject: Housing Stock Transfer

Date 1 June 2006

Author: Head of Housing Services

1. Purpose of the Report

This report will outline the timetable leading up to the ballot of all secure tenants, make proposals for establishing a Stock Transfer Working Party and the choice of landlord process.

2. Background

At the Cabinet meeting of 6 April 2006, members agreed to recommend to the council that an application be made to the Office of the Deputy Prime Minister (now Department for Communities and Local Government) for inclusion on the 2006 Annual Disposals Programme for Stock Transfer and for the council to pursue stock transfer.

The deadline for applications to the Department for Communities and Local Government is 31 July 2006. The government have stated that the outcome of the programme will be announced in the autumn. It is, however important that the council progresses the necessary work to pursue stock transfer.

The department is currently working on the both the required financial models and the written submission. A further report will be brought to Cabinet in July 2006.

3. Proposals

Choice of Landlord

There are 4 main options with regard to the establishment of the new landlord. These options were outlined in a presentation by the council's appointed

consultants to the Stock Option Appraisal Working Party on 11 May 2006. a summary of which follows:-

The 4 Options are:-

- Absorption into an existing Housing Association
- To establish a non-stock owning Housing Association within a Group Structure of an existing Housing Association
- To establish a stock owning Housing Association within a Group Structure of an existing Housing Association
- To establish a new stand-alone Housing Association

Option 1- Absorption into an existing Housing Association

Under this option the council would transfer the stock and the management and maintenance of the stock directly to an existing Housing Association. Should the council choose this option this would mean that there is very little financial control over the income and expenditure of the council's stock in the future for both tenants and management, as this would be fully incorporated into the accounts of the larger organisation. There is a loss of local identity and there would be no opportunity to de-merge in the future in the event of problems. There is, however, the opportunity to share overheads.

The consultants saw very little merit in this option for the council and its tenants and the Independent Tenant Adviser's reported that they had not found any tenants in favour of this option during the course of their consultation on this issue.

Option2- Non-stock owning Housing Association within a Group Structure of an existing Housing Association

Under this option the council would transfer its stock to an existing Housing Association Group Structure, who would own the stock. Locally, however, the stock would be managed by a newly formed Housing Association set up purely to manage and maintain the stock. In effect, the council would set up a management organisation. Again, should the council choose to pursue this option there would be very little financial control, as the organisation would receive a management fee from the group Housing Association to manage and maintain the stock. There would also be a loss of identity and no opportunity to de-merge in the future in the event of problems but there is the opportunity to share overheads.

The consultants also advised that they saw very little merit in this option for the council and its tenants and again the Independent Tenant Advisers reported that he had not found support for this option within the course of their consultation.

Option3- Stock owning Housing Association within a Group Structure of an existing Housing Association or the establishment of a new group structure with an existing stand-alone Housing Association.

This is where the council sets up a new Housing Association within a Group Structure of an existing Housing Association. This can either be achieved by joining an existing Housing Association Group Structure or establishing a new group with an existing stand-alone Housing Association. This option offers the new organisation economies and scale and financial viability. It also has access to the experience and expertise of the organisations within the group structure. Support services, e.g. treasury management, payroll, human resources and specialist support e.g. access to the housing development team, are available to the new organisation, thus saving set-up and future overhead costs. This option does offer long-term sustainability and in the event of problems there would be the opportunity to de-merge in the future. This option minimises the financial risk to the council when compared to the establishment of a newly formed stand alone Housing Association. There can also be Corporation and VAT tax advantages for the new organisation within this option.

Option 4 - Stand-alone Housing Association

Under this option the council would set up a completely new Housing Association. The establishment of stand-alone Housing Association's following stock transfer has been the norm until recently. However, there are now pressures on Housing Association's to reduce costs and become more efficient in order to deliver the government's Gershon efficiency targets. Option 4 offers fewer opportunities for these targets to be achieved, as the economies of scale and the costs of establishing a stand-alone Housing Association would be considerably more than that of a stock owning Housing Association within a Group Structure.

In addition, there is no opportunity for accessing support and specialist services and no opportunity to share costs. There is limited access to VAT savings and no access to Corporation Tax savings. The new organisation would need a considerably larger structure and would need to employ Treasury Management, IT Support, Internal Audit, Development, Legal Services and Payroll Services, which in turn would mean higher overheads.

The Preferred Option (Option 3).

Following the presentations by the Financial Consultants and the Independent Tenant Advisers a debate on the merits of the various options then took place. The group concluded, having discussed the options, to recommend to members that the option of a Stock Owning Housing Association within a

Group Structure of an existing Housing Association or the establishment of a new group structure with an existing stand-alone Housing Association be pursued. The main reasons for this were:-

- Greater financial stability
- Greater long-term viability
- Reduced overheads
- The potential for the council to negotiate an indemnity of the pre and post ballot costs with the receiving Housing Association
- Access to specialist and support services
- It is better to chose a partner now, rather than be forced to do this later.

Options 1,2 and 4 were ruled out for the reasons given earlier in this report.

Stock Transfer Working Party

The Stock Options Appraisal Working Party (currently made up of 4 members including: 1 Conservative, 1 Liberal Democrat, 1 Labour and the Portfolio Holder for Housing, 4 tenants, 1 leaseholder and 1 Unison representative) have agreed to recommend to members that this group is reconstituted to form the Stock Transfer Working Party. The suggested make up of this new group would be:-

- 5 Members (2 Conservative, 1 Liberal Democrat and 2 Labour – of which, one would be the Portfolio Holder for Housing, who will chair the meetings)
- 5 Employees (including 1 representative from Unison)
- 7 Tenants
- 1 Leaseholder.

The purpose of this proposed new group will be to oversee all the pre ballot tasks, undertake the landlord selection process and make recommendations to the council on the preferred partner landlord.

The workload of this group will be time consuming as it is likely that meeting will need to be held on a fortnightly basis and there will be approximately 8 to 10 full days needed to undertake visits to and interviews with the short-listed Housing Associations within the landlord selection process.

The role of the members on this group will be to support the stock transfer process and to feedback to their relevant political groups. It is further suggested that one of the members should be on the Services Scrutiny Committee. All

members will be kept up to date via regular reports to the Services Scrutiny Committee and updates from the member on the Stock Transfer Working Party.

Timetable

An outline of the anticipated timetable leading up to the Ballot follows:-

8 June	Establishment of the Stock Transfer Working Party
9 June	Advertise for expressions of interest from existing Housing Associations (Stage 1)
7 July	Closing date for Stage 1
7 – 20 July	Financial review of the interested organisations.
20 July	Shortlist from expressions of interest.
27 July	Invite short-listed Housing Associations to make detailed submissions (Stage 2)
21 August	Closing date for Stage 2
Sept-Oct	Carry out visits to short-listed Associations
Oct	Carry out interviews and choose partner
Oct	Establish Shadow Board
Oct/Jan	Develop offer document and carry out consultation
Feb	Carry out formal consultation
March	Carry out ballot

In order to facilitate this process an internal Project Team will need to be established and it will be necessary to appoint external consultants to assist with communications, to advise on the complex and specialist legal, financial and other issues arising and to act as an Independent Tenant Advisor. Budgetary provision is available for this. It is proposed that the Head of Housing Services be authorised to appoint consultants as necessary after consultation with the Housing Portfolio Holder. .

4. Recommendations

To agree the recommendation by the Stock Option Appraisal Working Party to pursue Option 3 – the establishment of a Stock Owning Housing

Association within a Group Structure of an existing Housing Association or the establishment of a new Group Structure with an existing stand-alone Housing Association.

To recommend the establishment of a Stock Transfer Working Party as outlined in this report.

To authorise the Head of Housing Services to appoint consultants as necessary to assist with the project after consultation with the Housing Portfolio Holder.

To note the timetable outline in this report.