

<b>COMMITTEE:</b>	<b>Cabinet</b>
<b>DATE:</b>	<b>6<sup>th</sup> March, 2002</b>
<b>SUBJECT:</b>	<b>Best Value Review of Housing Management  (Part 1: Housing Stock Options)</b>
<b>REPORT OF:</b>	<b>Director of Housing, Health &amp; Community Finance</b>
<b>Ward(s):</b>	All
<b>Purpose:</b>	To consider the external appraisal carried out by PricewaterhouseCoopers for the Housing Management Stock Options Best Value Review Team and agree resultant changes to the timetable for establishing the feasibility of Large Scale Voluntary Transfer (LSVT).
<b>Contact:</b>	Neil Fuller, Director of Housing, Health & Community Finance, Telephone 01323 415301 or internally on extension 5301.
<b>Recommendations:</b>	<b>That Cabinet consider the findings of the external appraisal report concerning stock options and agree resultant changes to the timetable for establishing LSVT feasibility as set out in section 3 of the report.</b>

<b>1.0</b>	<b><u>Background / Introduction</u></b>	
1.1	At a meeting of full Council on the 28 <sup>th</sup> November, 2001, the following Best Value Review recommendations were approved:	

1.2	<ul style="list-style-type: none"> <li>· That officers establish the feasibility of large scale voluntary transfer (either to a newly formed Eastbourne based housing association or to an existing housing association) and produce a draft timetable for implementation, focussing upon formal consultation requirements associated with such an approach.</li> <li>· Feasibility to include a detailed examination of financial implications of potential transfer in terms of both stock valuation estimates and General Fund revenue.</li> <li>· That, subject to feasibility and the findings of an external options appraisal exercise, officers prepare a detailed consultation and implementation strategy.</li> </ul>	
1.3	Having completed the review, it was recognised by the Best Value Review Team that a further meeting would need to be convened to consider the results of the external appraisal it had commissioned and that a subsequent report to Cabinet may be required.	
1.4	<p><b>Clive Bayliss from PricewaterhouseCoopers presented the completed findings of the external appraisal to a special meeting of Best Value Review Team on the 25<sup>th</sup> January, 2002. Associated changes to feasibility timetable were discussed by the Review Team in light of the report findings. It was agreed that these would be reported to Cabinet.</b></p>	
1.5	<p><b>Copies of slides used for the purposes of this presentation of findings are attached as Appendix 1.</b></p>	
2.0	<p><b><u>External Appraisal</u></b></p>	

2.1	<h2 style="text-align: center;">Background</h2> <p>A specification for our external options appraisal was developed in conjunction with the Best Value Review Team. PricewaterhouseCoopers were appointed following a commissioning exercise. Their brief for this exercise incorporated a review and assessment of all available transfer/partnership options available to the Council (including retention, LSVT and Arms Length Management Organisation). At the same time they were specifically asked to assess our review outcomes and comment in relation to the feasibility of the review team's preferred LSVT option.</p>	
2.2	<h2 style="text-align: center;">Best Value Review</h2> <p>With reference to best practice and specific DTLR guidance, the appraisal report confirms that the Council has undertaken a rigorous Best Value review. Particular strengths are identified in relation to the stakeholder consultation undertaken throughout the process.</p>	
2.3	<h2 style="text-align: center;">HRA Business Plan</h2> <p>A key focus of the report is our HRA Business Plan, on the basis that it is designed to identify long-term options for housing stock, taking account of condition and future investment requirements. The development and evaluation of our Business Plan and our ability to achieve government Decent Homes standards for our housing stock was a key starting point for the Best Value Review Team.</p>	
2.4	<p>It is recognised that Business Plans are evolving documents and that since the time of production we have received a range of further guidance in relation to such issues as Rent Convergence and Decent Homes standards and have experienced key changes in relation to Rents and Subsidy.</p>	
2.5	<p>Nonetheless, a number of important issues have been highlighted within the Appraisal Report that will inform our future Business Planning processes and are of relevance to establishing the feasibility of our recommended LSVT option.</p>	

2.6	In particular, the issues of Stock Condition information and Existing Use Valuation of our stock have been flagged as areas where it is considered that we will need to generate more robust information prior to determining the recommended LSVT option for our stock. In this respect, whilst it should be noted that the robustness of Valuation information for rents setting purposes has been established and that our existing Stock Condition methodology is consistent with good practice, we would recognise that for the purposes of LSVT valuation and liaison with potential funders, such exercises will need to be reviewed.	
2.7	It should perhaps also be noted however that, in their recent assessment of our housing performance as 'above average', the DTLR have commented that we have a strong Housing Strategy and a sound Business Plan.	
2.8	<h2 data-bbox="598 705 965 761">Stock Options</h2> <p data-bbox="598 828 1380 1019">In evaluating our Review Team recommendations against all potential stock options available to us, PricewaterhouseCoopers conclude that we should, '.... Pursue the stock transfer option approach .... but review and compare the option against (our) objectives and the benefits/costs of Arms Length Management Organisation and Retention when (we) have reliable data'.</p> <p data-bbox="598 1052 1356 1209">In relation to Arms Length Management Organisations (ALMOs), the report identifies our housing service as being well placed to meet performance criteria and take advantage of additional investment opportunities for our stock should LSVT not prove feasible in terms of meeting the review team's objectives.</p>	
2.9	<h2 data-bbox="598 1288 1189 1344">Further Considerations</h2> <p data-bbox="598 1411 1380 1601">A range of further information and advice was requested as part of the external appraisal process. This focussed upon feasibility issues in relation to LSVT, such as estimated stock valuation and guidance concerning revenue implications of a proposed transfer, as well as expert advice/updates in relation to changing financial framework and alternative stock investment options.</p> <p data-bbox="598 1635 1380 1792">Two further estimations of stock transfer valuation were provided by PricewaterhouseCoopers. These confirmed the likelihood of there being no net capital receipt generated as a result of transfer and our assumption that grant relief would need to be sought from Government in terms of 'overhanging debt one off payment'.</p> <p data-bbox="598 1825 1380 1948">As a result of such considerations it is recognised in the short-term, that the feasibility process will need to concentrate on a) internal proposals regarding general fund revenue implications and b) liaison with the Government's Community Housing task Force.</p>	

3.0	<b><u>Implications for feasibility timetable</u></b>			
3.1	Findings and associated action points arising from our external appraisal are generally reflected in the action plan developed as part of our Best Value Review.			
3.2	They do however, necessitate the following revisions to our action plan in order to ensure that initial LSVT feasibility is established effectively and in line with the production of this year's HRA Business Plan.			
3.3	As a result, it is proposed that detailed stock options recommendations will be further considered by Cabinet in July, in conjunction with our HRA Business Plan. This is consistent with April 2004 implementation date previously reported.			
3.4	<p style="text-align: center;"><b>Action Plan: February – July 2002</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 70%; vertical-align: top;"> <ul style="list-style-type: none"> <li>· <b>Review Stock Condition survey results and evaluate implications in relation to Decent Homes standard</b></li> <li>· Review White Paper proposals regarding Housing Investment, together with emerging stock options (e.g. non-HRA PFI)</li> <li>· Undertake discussions with DTLR Community Housing Task Force</li> <li>· Determine general fund revenue implications of Transfer</li> <li>· Explore joint housing development opportunities with neighbouring authorities</li> <li>· Produce HRA Business Plan</li> </ul> </td> <td style="width: 30%; vertical-align: top; text-align: center;"> <b>February</b>   March   March   May   June   July </td> </tr> </table>		<ul style="list-style-type: none"> <li>· <b>Review Stock Condition survey results and evaluate implications in relation to Decent Homes standard</b></li> <li>· Review White Paper proposals regarding Housing Investment, together with emerging stock options (e.g. non-HRA PFI)</li> <li>· Undertake discussions with DTLR Community Housing Task Force</li> <li>· Determine general fund revenue implications of Transfer</li> <li>· Explore joint housing development opportunities with neighbouring authorities</li> <li>· Produce HRA Business Plan</li> </ul>	<b>February</b>  March  March  May  June  July
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4.0	<u>Consultations</u>	
4.1	Ongoing consultation with tenants and staff has been an important feature of this Best Value Review. This will continue throughout the feasibility stage of the process. Specific consultation events will be set up to accompany the production of this year's HRA Business Plan.	
4.2	<b>Early discussions will take place with the DTLR Community Housing Task Force concerning the timing and appointment of an independent tenant advisor.</b>	
5.0	<b><u>Human Resource Implications</u></b>	
5.1	Subject to outcome of our current feasibility exercise, it is recognised that additional staffing and consultancy resources are likely to be required for the purposes of any LSVT implementation process.	
6.0	<b><u>Financial Implications</u></b>	
6.1	As indicated above, future resources are likely to be required for the purposes of specific stock condition/valuation exercises as well as for the development of detailed LSVT proposals and commissioning of independent tenant advice.	
6.2	With the exception of Stock Condition activity budgeted for and needing to be undertaken, detailed requirements will be reported to Cabinet in conjunction with HRA Business Plan in July. It should be noted however, that such budgetary provision can be met from within existing HRA budgets and available balances.	

6.3	Any potential general fund revenue growth items associated with LSVT implementation would need to be identified accordingly and considered in line with annual budget processes.	
7.0	<b><u>Environmental, Community Safety and Anti-Poverty Implications</u></b>	
7.1	Review team recommendations were developed in response to the need to maintain existing service levels and secure long-term investment for both Council housing stock and new affordable homes. It is recognised that decent, affordable housing and well designed/maintained housing estates can play a key role in addressing poverty, promoting community safety and securing environmental improvements.	
8.0	<b><u>Human Rights Implications</u></b>	
8.1	There are none.	
9.0	<b><u>Summary/Conclusions</u></b>	
9.1	That resultant changes to the timetable for establishing LSVT feasibility as set out in section 3 of the report be agreed by Cabinet.	
<b>Neil Fuller</b>  <b>Director of Housing, Health &amp; Community Finance</b>		
<b>Background Papers:</b>  The Background Papers used in compiling this report were as follows:  <b>Eastbourne Borough Council – Housing Stock Options Review:</b>  <b>PricewaterhouseCoopers (December 2001)</b>		

(document/jc.NAF/Cabinet/060302 – BVR Hsg Man – Stock Options)	
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