

Leicester  
City Council

**FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:  
Housing Scrutiny Committee  
Cabinet**

**21<sup>st</sup> August 2003  
22<sup>nd</sup> September 2003**

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## **STOCK OPTIONS APPRAISAL**

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### **Report of the Corporate Director of Housing**

#### **1. Purpose of Report**

- 1.1 To agree to undertake a Stock Options Appraisal and the process for tenants to play a key role.

#### **2. Summary**

- 2.1 The government requires all Councils to assess with tenants how much money needs to be spent to reach the decent homes standard, to improve the local street scene and consider the options for securing sufficient money along with other implications and benefits arising from each option. The requirement gives scant scope for local discretion nor recognition of the Councils 3 star repairs rating, and the process is heavily constrained by government guidance.
- 2.2 This must be completed by July 2005. However many Councils have already done a Stock Options Appraisal and government funding may be reduced by greater amounts if one is not undertaken.

#### **3. Recommendations**

- 3.1 That the requirement by Central government to undertake a stock options appraisal is noted and that the Corporate Director of Housing, in consultation with the Cabinet Link for Housing and the steering group, will engage consultants to undertake the work.
- 3.2 That the process will be managed by a steering group comprising 12 tenants, 6 of whom will have a vote, 5 trade union representatives, 3 of whom will have a vote, the Housing triumvirate, the Cabinet Link for Housing and the Chair of Leicester Federation of Tenants Associations, who will chair the meetings. The steering group will be advised by Council officers, the consultant and a tenants friend.

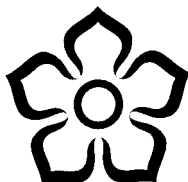
#### **4. Financial and Legal Implications**

4.1 The cost of a stock options appraisal is estimated at £50k. This can be met from the Housing Revenue Account. The implementation of its findings might have more extensive financial and legal implications and would be the subject of a further report. (Mark Noble, Chief Finance Officer)

4.2 There are no legal implications. (Pam Stephenson)

#### **DECISION STATUS**

<b>Key Decision</b>	<b>Yes</b>
<b>Reason</b>	<b>Significant effect on two or more wards</b>
<b>Appeared in Forward Plan</b>	<b>Yes</b>
<b>Executive or Council Decision</b>	<b>Executive (Cabinet)</b>



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# **SUPPORTING INFORMATION**

## **1. Report**

### **Why now?**

- 1.1 In December 2000 the Government published 'Quality & Choice: A Decent Home for All'. This required local authorities to bring their social housing to a decent standard by 2010. It also required local authorities to carry out Business Planning for 2001, and to undertake a Stock Option Appraisal. In February 2003 the Government's Communities Plan and Public Sector Agreement (PSA) plus Reviews required that local authorities undertake a 'robust fit for purpose options appraisal' by July 2005. This would need to be signed off by the Government office.
- 1.2 The Council has had a policy of disposing of hard to let properties with high repair costs which has disposed of around 1500 such properties. This coupled with relatively high levels of government funding over the last 5 years has meant Leicester's housing stock has had many improvements and would have achieved the decent homes standard for all its properties by 2010.
- 1.3 Government funding in the current year was cut from £23.1m to £21.3m, although to keep pace with increased costs it should have increased. In the Communities Plan, the government also said that no new money would be available for investment in Council Housing unless it transferred its stock to a Registered Social Landlord (RSL), formed an Arms Length Management Company (ALMO) or entered into a Private Finance Initiative (PFI) contract.
- 1.4 The Communities Plan also created a Regional Housing Board which will produce a Regional Housing Strategy and make recommendations to the government about Council and Housing Association funding. The Communities Plan said that Councils were guaranteed at least 70% of this years Basic Credit Approval for the two years 2004/05 and 2005/06. Since then the Regional Housing Board have said that Councils in the East Midlands can expect at least 75%. In Leicester if that is all that is made available it would mean a £2.1m cut in cash terms and much more in real terms, when increased works costs are taken into account.

- 1.5 It is more likely that a Council which is working towards the government's agenda will receive favourable capital allocations and will lose less government funding over the next 2 years. If a stock option appraisal is not undertaken it will most likely reduce further the level of funding from 2004/05 onwards.

### **What is a Stock Options Appraisal**

- 1.6 A stock options appraisal
- identifies what tenants want to improve their homes/streets
  - calculates how much it costs
  - considers other factors
  - advises on what options can meet all/part of the cost
  - gains tenants views on options
  - makes recommendations to the Council.
- 1.7 There would be public meetings and surveys to establish what improvements tenants want to their homes and streets, which would then be costed by the consultant. The details of these consultative arrangements, and mechanisms for informing/communicating with tenants, would be determined by the steering group on the advice of the consultant and other advisers.
- 1.8 Other factors would be taken into account such as the impact of difference options on the Council and its other services, homelessness, and how the shortage of affordable housing would be improved under each option.
- 1.9 Four options would then be looked at to see how tenants investment priorities and other factors would be addressed by each. The four options are:
- no change
  - Private Finance Initiative (PFI)
  - Arms Length Management Organisation (ALMO)
  - Stock Transfer – Large Scale Voluntary Transfer (LSVT).
- 1.10 The **no change** option would mean tenants would remain secure tenants of the Council with Right to Buy. Investment in tenant's homes and local streets would continue to be subject to uncertainties over government providing the money.
- 1.11 The **Private Finance Initiative** would mean staff transferring to a private company that would manage and improve the properties and return the Management of the properties back to the Council after 30 years. Tenants would remain secure tenants with Right To Buy as the Council retains ownership of the stock. This is normally only a realistic option for a few thousand units in very poor condition.
- 1.12 The **Arms Length Management Organisation (ALMO)** option would mean a new company being formed with a Board of Tenants, Councillors and others who would employ the staff and have a contract with the Council, who would retain ownership, to manage, repair and improve the properties. Extra funding would be made available by

the government to deal with the backlog of repairs. Tenants would remain secure tenants with Right to Buy as the Council retains ownership of the stock.

- 1.13 The **Stock Transfer** (LSVT) option would be similar to the ALMO option except that the ownership of the stock would transfer to a new or existing RSL with a Board of Tenants, Councillors and others. Ownership of the stock would provide an asset against which borrowing could improve tenants homes and streets. Existing tenants would remain secure tenants with Right to Buy but new tenants would be assured tenants without Right to Buy.
- 1.14 In all options tenants rents would be the same and subject to the same increase at least until rent restructuring was complete in 2012, according to latest government guidance.
- 1.15 The findings of the stock options appraisal would be shared with tenants at public meetings, with surveys to find out tenants views on the findings and options. The outcome would be reported to the Housing Management Board, Scrutiny Committee and Cabinet, so the Council could decide what option to adopt.
- 1.16 If the Council were to adopt a stock transfer option, then several years' preparation would be required along with a ballot of tenants. The Council cannot transfer tenanted stock without tenant approval. If the Council were to adopt an ALMO option, the Council would need to demonstrate to government that tenants had been fully consulted and were in favour.
- 1.17 If the Council were not to adopt the findings of the Stock Options Appraisal then an explanation would be required to government about how the decent homes standard would be met.

### **Next Steps**

- 1.18 The process will be managed by a steering group comprising 12 tenants, 6 of whom will have a vote, 5 trade union representatives, 3 of whom will have a vote, the Housing triumvirate, the Cabinet Link for Housing and the Chair of Leicester Federation of Tenants Associations, who will chair the meetings. The steering group will be advised by Council officers, the consultant and a tenants friend.
- 1.19 It is anticipated that a contractor will be appointed in November 2003, with public meetings in the winter, assessment of the options in February and feedback to tenants at public meetings in Spring 2004 with a decision being sought from Cabinet in Summer 2004.

## 2. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph Within Supporting information	References
Equal Opportunities	No		
Policy	Yes		
Sustainable and Environmental	Yes	1.6	
Crime and Disorder	No		
Human Rights Act	No		
Elderly/People on Low Income	No		

## 3. Background Papers – Local Government Act 1972

None

## 4. Consultations

- 4.1 The Chief Financial Officer, Corporate Directors Board and Housing Management Board have been consulted.

## 5. Aims and Objectives

- 5.1 The aim of the Housing Service is “A decent home within the reach of every citizen of Leicester”. This report supports that aim by supporting objective 1:

*“To improve the condition of Leicester’s Housing Stock and resolve unfitness in all sectors”.*

## 6. Report Author

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