

## ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	<b>Meeting:</b>	<b>Cabinet Member for Neighbourhoods</b>
2.	<b>Date:</b>	<b>March 3, 2008</b>
3.	<b>Title:</b>	<b>Future of the Council's housing stock after 2010</b>
4.	<b>Directorate:</b>	<b>Neighbourhoods &amp; Adult Services</b>

### 5. Summary

The current contract with 2010 Rotherham Ltd expires in December 2010. This report outlines the steps required to determine the future options for managing and developing the council housing function post 2010.

The report sets out the business planning considerations on the run up to achieving decency and having achieved it what future opportunities could be explored, set within the context of local and national housing and neighbourhood policies.

### 6. Recommendations

Cabinet Member is asked to:

- **NOTE THE CONTENT OF THIS REPORT.**
- **APPROVE THE ESTABLISHMENT OF A HOUSING STOCK/ALMO FUTURES GROUP**
- **RECEIVE REGULAR REPORTS ON WORK CARRIED OUT BY THE HOUSING STOCK/ALMO FUTURES GROUP**

## **7. Proposals and Details**

### **Background**

On the 6<sup>th</sup> August 2003 Council agreed that Arms Length Management was the tenants' preferred option for the future management and maintenance of the housing stock in Rotherham, and the most effective route to raise the £218 million gap funding necessary to meet the Decent Homes Standard. The submission to ODPM on 30<sup>th</sup> December 2003 was subsequently approved by ODPM in May 2004 resulting in the ALMO – 2010 Rotherham Ltd becoming operative from 16<sup>th</sup> May 2005.

The contract with 2010 Rotherham Ltd is due to expire December 2010.

This report identifies;

- Why we need to begin looking at the future of 2010 Ltd, and the mid-long term future of the Council's housing stock
- What the main themes of the review should focus on
- Who should be involved in progressing this work
- A time table for delivery

### **Why we need to begin looking at the future**

2010 Rotherham has two core business areas: meeting/maintaining the Decent Homes Standard; and providing high quality services to residents. Crucial to the post 2010 period is whether the Council and ALMO will have the resources to continue to deliver these goals. The sustainability of the Housing Revenue Account (HRA) is the key component of future viability.

Many ALMOs, especially those from Rounds 1-3, are already looking to deliver more than just the core landlord function. Some are diversifying into other markets, whilst others are looking to increase their stock base through development or acquisition of new homes. In both cases, the aim is to increase income in order to secure the long term viability of the organisation.

There are a number of reasons why it is important to begin considering the future of 2010 Rotherham Ltd, and as part of the debate the longer term future of Rotherham's council housing.

- Staff need certainty over their future roles and clarity about the vision and direction of the business.
- Tenants need to know who their landlord is, and any significant changes will require consultation and a long lead-in time.
- The mid-long term viability of the HRA needs to be examined against a backdrop of reducing subsidy and declining stock numbers due to Right to Buy. Exploring other sources of revenue or business growth may be necessary.
- The Council as asset owner, customer and sponsor of 2010 Ltd needs to be engaged at a very early stage in helping to shape the future direction of the organisation.
- With the inspection due to take place in June 2008 it is important that the Council and 2010 Ltd agree an approach to long term business planning.

- If the organisation is to branch out into new business this needs to be properly planned and sufficient time allocated to bringing in the necessary new resources and skills, at both Board and staff level.
- Tenants in Rotherham voted for the establishment of an ALMO purely to achieve decent homes and improved management and maintenance services. They will need to be involved in any discussion about growth into potential new areas of operation

### **What should the review focus on?**

There are six main themes the review should focus on:

#### **A. Is the ALMO model the best way of providing the council's housing service after 2010?**

Most councils with ALMOs are planning to extend their ALMO function beyond 2010, because:

- ALMOs (on average) perform better than traditional in-house services in key performance areas and measures of customer satisfaction.
- The DCLG has effectively supported the long-term future of ALMOs.
- Many ALMOs are now successfully expanding into new business areas, either socio-economic, or new housing development.
- Bringing the service back in-house or alternatively pursuing stock transfer can be time consuming, expensive and disruptive. It would also require a ballot of all tenants.

However, the Council has a responsibility to consider the capacity of 2010 to deliver its future aspirations with regards to the housing service and to explore any other options that are available after the existing 2010 Ltd contract expires. These will include:

- returning the service to the Council
- whole or partial stock transfer
- tenant-led management (such as TMOs, or Community Gateway models)

#### **B. Financial**

Primarily this will focus on the future of the HRA, looking at whether the HRA is sustainable over the next few years, as a result of current subsidy trends and the effect of RTB sales.

If the HRA falls into deficit it will need to be cross subsidised from other areas of the Council's funding, unless new sources of income are identified and developed.

The government's new Housing Bill raises the possibility of council housing self financing for councils or ALMOs (ie exemption from keeping an HRA). Pilots will run from 2009. We need to explore what effect this will have for Rotherham. Would it be beneficial, and help secure the long term future of our housing?

This theme will also explore the level of resources available to invest in existing housing stock after 2010/11. It is probable that the Supported

Capital Expenditure (SCE) made available to Councils to meet the decent homes standard will cease after this date. It is anticipated that the ongoing Major Repairs Allowance (MRA) will not be adequate to maintain the stock to the required standard on an ongoing basis.

### **C. Non Development Growth Options**

This will explore strategic options to develop the housing service as a viable business that can meet local housing and neighbourhood needs. Some well-established ALMOs already provide a range of services within their localities, including:

- Private sector housing work – renewal activity, DFGs, accredited landlords' schemes
- Housing management – on behalf of housing associations and large private sector landlords
- Anti-social behaviour and community safety services
- Training and/or employment schemes
- Estate management and public realm management – either for other housing providers or non-housing organisations
- Floating support or accommodation-based support services
- Running nodal point urban care services, such as health, police, statutory agencies
- Major works consultancy and project management

The above list is not exhaustive; other options may emerge from discussions. What will be explored, however, is which option(s) will most effectively complement the Council's core regeneration objectives and the work of Rotherham Partnership.

### **D. Development Options**

This theme will explore the potential for 2010 Ltd to act as a developer of new housing. Over the last two years, the government has made it possible for ALMOs to bid for funding for new social housing, as social landlords in their own right.

We intend to examine whether the scope, demand and potential exists for 2010 Ltd to develop housing, and if so, by which means this could be accomplished and resourced. Areas to be examined include:

- Resourcing options - eg Social Housing Grant, Pathfinder funds, land subsidy, prudential borrowing, S106 gains, stock securitisation – or a combination
- Developing options – whether 2010 Ltd should invest in the skills and experience to become a developer, or should hand over the physical development process to a specialist (housing association or private developer). Some ALMOs have developed a joint venture, consortium approach to good effect.
- Housing tenure – Given that best practice dictates that most new developments are mixed tenure, what does this mean for any potential 2010 Ltd developments? Obviously the possibility exists for ALMOs to develop a combination of housing types – social rented, intermediate, and private.

- Acquisition of housing – there is a potential to expand the stock portfolio either through Right to Buy buy-backs or by discounted purchase of new private sector homes
- Reconfiguration of existing stock to meet local housing needs – for instance conversion of houses into flats or vice-versa. Area profiled demographic trends need to be analysed alongside this option. This option also has the potential to reduce the overall stock level, with consequential effects on HRA subsidy.

The advantages in pursuing development options and increasing the stock portfolio are:

- helping to meet local housing need
- expanding the asset and financial profile of the organisation.

### **E. Local Strategic Alignment**

It is important that any new direction that the housing service undertakes is compatible with and helps deliver the Rotherham Community Strategy and the Council's key aims and objectives (and those of our LSP partners). Where possible, activities can be aligned with LAA or corporate performance/reward targets.

This applies equally to non-development and development-based options. However, in the case of the latter, of particular concern would be how any new development activity would complement or integrate with the South Yorkshire Housing Market Renewal Pathfinder.

### **F. National Market Alignment**

Within this theme emerging new business options will be reviewed against national policy drivers for housing, neighbourhoods and the wider local government agenda.

Initial areas for discussion include:

- The national housing growth agenda and the role of the new Homes and Communities Agency and local housing companies
- Possible future trends in housing demand and house prices
- The impact of the government's emerging policies for extending low cost home ownership and shared ownership to existing council tenants
- Demographic changes including an expanding elderly population who are living longer and living more independently
- The focus on eco homes, zero energy developments and affordable warmth
- The long term national picture for social housing, as initially outlined by the Hills Report

### **Who will progress this work?**

There is a clear need for a great deal of work to be carried out to determine the future of the Council's housing stock and any resultant new business growth options. A Forum co-ordinated by the Landlord Relations Manager is proposed to steer this work.

The Forum needs to ensure that it includes representatives from the major stakeholder groups that will be affected. Initially, we envisage that it will comprise representatives from:

- Local residents including Tenant and Area Assembly representation
- Local Strategic Partnership members/affiliates - to cover Health, Community Safety and Environmental issues
- Corporate Finance
- Neighbourhood and Adult Services Strategy Team
- Neighbourhood Investment covering regeneration and asset management related issues
- 2010 Rotherham Ltd representation at director level
- Other housing providers/developers

### **Time table for delivery**

The proposed time table for delivery is:

<b>Action</b>	<b>Due Date</b>	<b>Responsible</b>
Forum established and first meeting held	31 <sup>st</sup> March 2008	Landlord Relations Manager
Terms of Reference and membership agreed	30 <sup>th</sup> April 2008	Landlord Relations Manager
Action Plan (incl milestones) submitted to Cabinet Member and 2010 Ltd Board for approval	31 <sup>st</sup> May 2008	Director of Housing and Neighbourhoods

It is vital that good communication is maintained throughout the options work to take soundings on concepts before they are fully worked up. To achieve this a consultation strategy will be worked up as a part of the early stages of delivery.

### **8. Finance**

In undertaking the option appraisal resources will be required to support the project team. Such expenditure may include training and capacity building of tenants and leaseholders in respect of tenant management organisations and public relations programme and testing of opinions and the valuation of stock post decency works.

Currently work is underway in respect of updating the Housing Revenue Account Business Plan this will influence and inform the most appropriate option available post 2010. However, it is worth noting that there is always uncertainty around annual HRA subsidy settlements.

The Council has a requirement to meet carbon dioxide emissions targets for its housing stock, for new housing and per capita CO2 reduction targets as

part of the new local government performance framework. Failure to meet these targets could result in financial penalties.

## **9. Risks and Uncertainties**

Any move away from the 2010 Ltd ALMO structure from 2010/11 onwards – either back in-house or via stock transfer will require extensive tenant and leaseholder consultation and a ballot of all tenants (under the terms of the new Housing and Regeneration Bill).

Public services funding is presently being squeezed due to a range of global and national factors. It is not unreasonable to expect housing subsidies to be affected by this (although the Government remains committed to delivering 3 million new homes by 2016).

Housing demand and house prices are at their most uncertain in the current climate. Most indicators show that price growth is plateauing or falling slowly.

Core performance of 2010 Rotherham Ltd has experienced some fluctuations since its inception and these core areas should be delivering at a consistent and sustainable high quality before any new business can be adopted.

Rotherham 2010 Ltd still needs to achieve a minimum of 2 stars at inspection, before additional funds for decent homes can be released.

## **10. Policy and Performance Agenda Implications**

Through close working with our residents about the future management of their homes this beyond 2010 project supports and delivers against the Community Strategy key themes of Achieving, Safe, Proud and the cross cutting theme of Fairness:

In addition to delivering against the Community Strategy there are wide ranging policy and strategic implications for the Council in its leadership and as the strategic housing authority these can be attributed to:

- delivery against the Decent Homes Programme and the failure to attain ‘3 Star Excellent Service’ by 2010 Rotherham Ltd have serious implications for contributing to an improved CPA score,
- delivery against the Housing Strategy
- enabling and building capacity of residents and communities to play a bigger part in managing or owning community assets will challenge the traditional forms of housing management and wider delivery of services.
- contributing to delivery against the Outcomes Framework through enabling people to participate full in their community and contribute equally, exercising choice and control of good quality services responsive to local need through management, ownership of community assets and decision making about the future management and maintenance of their homes

## **11. Background Papers and Consultation**

CLG Review of Arms Length Housing Management - June 2006

Hills Report into Social Housing – Feb 2007

ALMOs Tomorrow, Housemark – March 2007

Housing and Regeneration Bill – November 2007

### **Contact Name(s):**

Tom Bell: Neighbourhood Investment Manager

tom.bell@rotherham.gov.uk

Tel: ext 4953