

Large-Scale Voluntary Transfer Pre Ballot Stage Assessment Salisbury District Council

INSIDE THIS REPORT

PAGES 2 - 5

Summary Report

- Introduction
- Objectives
- Audit approach
- Main conclusions
- Recommendations
- Status of our reports to the Council

PAGES 6 - 17

Appendix 1

- Summary of key issues

Appendix 2

- Action plan

Reference:	
Author:	Liz Jones
Date:	September 2006

Introduction

Under the requirements of the then Department of Transport, Local Government and the Regions (DTLR), Salisbury District Council produced a Shadow Housing Revenue Account (HRA) Business Plan in July 2000. This was followed by its first complete HRA Business Plan in July 2001.

At this stage the DTLR needed housing authorities such as Salisbury to consider the longer term choices for the delivery of their housing services. Authorities also needed to apply sensitivity analysis to the financial standing of their HRA Operating Account over the next 30 years. This needed to consider repairs and maintenance requirements, based on stock condition information and assumptions about rental income and levels of government subsidy.

In 2003, the Government's Sustainable Communities Plan needed all authorities still managing their housing stock to carry out a full options appraisal before July 2005. The purpose of this exercise was to ensure that all authorities could meet the Government's Decent Homes Standard. All authorities had to consider four options for the future delivery of their housing service, namely:

- stock retention and in-house management;
- an Arms Length Management Organisation (ALMO);
- Private Finance Initiative (PFI); and
- Large-Scale Voluntary Transfer (LSVT).

The Council appointed external consultants (Chapman Hendy) in October 2003, to undertake the options appraisal on its behalf. They concluded the best option for the Council and for Tenants would be to make a choice between stock retention and stock transfer. The Policy Director reported these findings to Cabinet on 2nd March 2005. On 21st March 2005 full Council resolved 'the transfer of the Council's housing stock to a newly formed locally based Housing Association be pursued and officers be charged with determining a programme which would provide review points to minimise the Council's exposure to nugatory expenditure.'

The tenants ballot is due to take place in Autumn 2006. This is conditional on the Council securing a place on the Department for Communities and Local Government (DCLG) stock transfer programme. The Council compiled its application package for submission by July 31st and is expecting a decision from the DCLG by the end of September.

Objectives

The primary objective of our work was to review the Council's approach to its pre LSVT ballot procedures and ensure appropriate management arrangements and controls were in place.

This stage of the work follows the appraisal we conducted in 2004 into the stock option phase at Salisbury, and includes a brief review of progress against the recommendations that were made.

Following the tenants vote later this year we will determine any future work for the post ballot stage of this process.

Audit approach

The amount and nature of the audit work we have carried out is based upon a risk assessment linked to our Code of Audit Practice responsibilities. The work has involved an exploration of the pre-ballot phase of the LSVT process to include:

- a review of the Council's response to the stock option appraisal report recommendations;
- consideration of the DCLG Annual Programme;
- engagement of consultants and advisers;
- consideration of potential conflicts of interest;
- reviewing project planning, and project management arrangements;
- reviewing the consultation strategy and publicity;
- assessing the funding arrangements; and
- consideration given by the Council to the nature of the remaining strategic housing function.

Fieldwork has included:

- discussions with Directors and key officers, Councillors, consultants and advisers, tenant representatives (on the Tenant's Panel, the Stock Transfer Project Board and South Wiltshire Homes Shadow Board) project officers and working groups;
- a review of documentation, including publicity material, advice from consultants, options appraisal reports, adherence to guidance from bodies such as, DCLG and the Community Housing Task Force (CHTF); Government Office of the South-West (GOSW); and the Housing Corporation;
- attendance and observation of key meetings including; South Wiltshire Homes Shadow Board Meeting; Stock Transfer Project Board meeting; and Officers and Consultants meeting; and
- where possible the provision of specific guidance taken from our experience gained as part of LSVT studies at other Councils.

Main conclusions

The Council has conducted the work on the pre-LSVT ballot stage of the stock transfer process in an open and inclusive manner. It has involved stakeholders appropriately and has sought expert advice where needed. It has put appropriate management arrangements and controls in place.

In particular, examples of notable practice that Salisbury has followed in its LSVT process so far include:

- robust project management of the LSVT process, incorporating review dates into the timetable;
- supporting the work of a Scrutiny panel to explore LSVT issues as well as the LSVT Project Board;
- distributing externally verified LSVT information to a wide group of community partners as well as tenants and leaseholders; and
- securing corporate commitment to the continuing work of the strategic housing function post ballot.

As well as these positive conclusions our work has also highlighted a few areas for improvement. These recommendations are summarised below.

Recommendations

The Council should address the following issues before any transfer takes place:

- the Council should continue at a sensible rate pre-ballot, exploring its future LSVT funding options, while incurring limited costs, until the outcome of the ballot is known; and
- the Council must ensure that the retained housing function develops aims and objectives which feed from the corporate aims and objectives of the organisation. They must incorporate best housing practice for retained functions and include as a key objective continuous service improvement.

Status of our reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third-party.

Summary of key issues

Issue/ Question	Findings	Conclusions	Recommendation
<p>1. Annual Programme</p> <p>Where the Council is considering transfer, has it consulted with Department for Communities and Local Government (DCLG) and discussed the possibility of transfer and a place on the annual programme?</p> <p>Is the Council aware of the annual programme application process and the prevailing timetable?</p> <p>Has the Council applied for/secured a place on the programme?</p>	<p>Salisbury District Council is in the process of compiling its application to the DCLG for a place on the 2006 programme of disposals.</p> <p>This application will be considered against the programme criteria set out in the Housing Transfer Manual. Confirmation in writing to the authority will be received in September, before the ballot.</p>	<p>The Council is in the process of applying for a place on the 2006 programme. Subject to a positive tenants ballot it is working towards a transfer date of July 2007</p>	<p>None</p>

Issue	Findings	conclusions	Recommendation
<p>2. Engagement of Consultants</p> <ul style="list-style-type: none"> • Has the Council considered its consultancy needs, evaluated its own resources, identified gaps and determined the most appropriate way in which to fill them? • Has the Council developed appropriate briefs for consultants? • Has the Council procured services in accordance with standing orders/financial regulations? • Has the Council considered and determined an approach to dealing with potential conflicts of interest for consultants? • Has the Council agreed appropriate contractual terms, which provide for termination in the event of transfer being abandoned and include appropriate review and performance management arrangements? 	<p>The Council, has engaged specialist consultants to provide legal advice, co-ordinate communications activity, and undertake additional stock condition surveys. This is in addition to employing a lead consultant as an independent Project Manager to manage the entire project and to give overall advice on the process.</p> <p>An Independent Tenants Advisor (ITA) has also been employed on behalf of the tenants to advise them independently of the Council.</p> <p>In all cases the consultants and advisors are working to detailed briefs. With the exception of Broadgate, the communications Consultant their services were procured in accordance with the open tendering processes contained in the Council's standing orders. In the event of transfer being abandoned or being successful there are appropriate termination clauses in the contracts that consultants are employed under. Broadgate were re-employed as the communications consultant, having worked with the Council in the housing options phase. Broadgate has been secured for the pre-ballot phase to provide continuity.</p>	<p>The Council has evaluated its own resources and procured the services of external consultants to meet any gaps. The consultants services have been secured on a contractual basis in accordance with the Council's standing orders and they have detailed briefs for their work.</p> <p>The Council has appointed an independent Project Manager to oversee the day to day running of the project. This is in addition to officers of the Council working on the project and could be seen as notable practice.</p>	<p>None</p>

Issue	Findings	Conclusions	Recommendation
<p>3. Potential Conflict of Interest</p> <ul style="list-style-type: none"> Has the Council received appropriate legal advice on the potential for conflicts of interest to arise, between officers, between Members and between officers and Members? Has the Council put in place, appropriate management arrangements to deal with potential conflicts of interest for both officers and Members, specifically surrounding the Council and future RSL functions? Have arrangements been communicated and effectively explained to those concerned? 	<p>The Council has secured the specialist legal services of Trowers and Hamlin for the duration of the pre-ballot period in accordance with the procurement and tendering details provided above.</p> <p>They have provided detailed written and verbal advice to the Council on potential conflicts of interest in a variety of settings, such as conflicts between Shadow Board Members, between Councillors and between officers and Councillors.</p> <p>These arrangements have been communicated through Board and Project Board meetings and through the development of a protocol covering possible conflicts of interest for Council and RSL members and personnel.</p>	<p>Appropriate advice and guidance has been sought from the legal advisors on conflicts of interest and the Council has adopted a protocol to deal with such issues should they arise, which has been effectively communicated to all parties.</p>	<p>None</p>

Issue	Findings	Conclusions	Recommendation
<p>4. Project Planning</p> <ul style="list-style-type: none"> Has the Council considered all of the tasks that are required in order to undertake this phase of the stock transfer, including taking advice where appropriate? Has the Council put in place a robust project plan, which clearly identifies the tasks to be undertaken, the resources to be used to deliver tasks and the relationship between individual tasks and key milestones? Has the Council adopted an appropriate project management methodology, which is well defined, understood, communicated and effectively implemented? Are the roles and responsibilities of the Council and consultants, clearly defined? Is there a defined project manager, who has overall responsibility and authority for taking the project forward? Are appropriate monitoring/reporting arrangements in place, including the definition of roles in respect of Council committees, any project board or transfer working group? 	<p>The Council has a very detailed project plan covering the three phases of the LSVT process from the post options appraisal onwards. This considers all tasks which need to be completed pre-ballot and post-ballot by both the local authority and the new RSL. It includes clear review points, which gives the Council the opportunity to review the entire LSVT project, to gauge the likelihood of a positive ballot, and therefore make a decision to continue or to terminate. This means that unlike other Councils, Salisbury is able to decide not to pursue a ballot if soundings from tenants are unfavourable.</p> <p>This process is being managed by the Lead Consultant acting as Project Manager. In addition the Council has taken advice on this project plan and timetable from the Community Housing Taskforce (CHTF) and has paid heed to any issues raised on behalf of tenants by their ITA.</p> <p>All tasks are clearly identified and key milestone dates are recorded on the same project plan, along with the officers, Members and tenants that need to contribute to that particular task. Resources are attached to the plan and a monthly update on LSVT budget is provided by the Project Manager to the project board.</p> <p>The methodology that has been adopted is in accordance with the CHTF guidelines and follows Prince2 project management methodology.</p> <p>The roles and the responsibilities of the Council and all consultants are defined in the project briefs that all consultants are working to.</p> <p>The Lead Consultant is employed as Project Manager. The Policy Director then has a specific project team supporting him. There are lead officers for housing management and strategic services. In addition an officer with PR and marketing experience, an officer who looks at personnel and HR/TUPE issues and the</p>	<p>The Council has developed and is adhering to a detailed project plan that has been endorsed by the CHTF.</p> <p>The plan includes timely review points which enables the Council to terminate the LSVT process if needed and therefore not spend public funds if a No vote appears likely. This could be viewed as notable practice.</p> <p>There is evidence of strong project management headed by an Independent Project Manager. This is supported by the Council's Policy Director with Corporate as well as service level influence.</p> <p>There are regular meetings of all relevant parties, where clear and regular budget monitoring is taking place.</p>	<p>None</p>

Issue	Findings	Conclusions	Recommendation
	<p>LSVT project support officer. This team meet weekly to discuss progress and tasks that need to be achieved.</p> <p>LSVT progress reports are fed into the monthly officers and consultants meeting, the Shadow Project Board meeting and the Project Management board.</p> <p>In addition to the above process the Council has also supported a separate Scrutiny committee to oversee its LSVT work to date. Its functions have included conducting visits to other successful LSVT sites, as well as to those areas which have been unsuccessful, to share learning. This could be noted as notable practice.</p>		

Issue	Findings	Conclusions	Recommendation
<p>5. Consultation Strategy</p> <ul style="list-style-type: none"> Has the Council researched and considered the most effective forms of communication, in relation to tenants and other stakeholders? Is a communications strategy, together with costed implementation plan, in place, which has been developed with key stakeholders and appropriately communicated? Is material produced by the Council objectively informative rather than persuasive? Are arrangements in place to evaluate feedback from the consultation and to initiate change? 	<p>The Council has procured the services, of Broadgate, a specialist communications consultant to help them develop and deliver a pre-ballot communications and consultation strategy.</p> <p>A communications strategy has been developed. This details the variety of activities that the Council will undertake in order to communicate most effectively with the widest number of tenants and other stakeholders, including leaseholders, CAB and a variety of community groups.</p> <p>The material that is sent out to tenants is passed through a communications protocol, that has been developed as part of the overarching communications strategy. This process is designed to check for bias and undue influence. All documentation includes reference to the fact that it has been passed through the communications protocol. In addition all material is also checked for accuracy by the CHTF prior to it going out to tenants. However, this is not made explicitly clear on the documentation itself, therefore readers maybe unaware that material is also being checked by a third party from a government department.</p> <p>A number of consultation initiatives are taking place that are resulting in an evaluation of feedback from tenants and there is evidence to suggest that these are resulting in changes. An example of this would be the inclusion of community resources in the offer document as a result of tenant consultation activity.</p> <p>The Council is also proposing to issue the offer document to external partners as well as the regular communication materials. This includes organisations such as the CAB and Parish Councils, where tenants might go for advice. This decision is as a result of the regular feedback gained from tenants and their ITA.</p>	<p>The Council has developed a robust communications strategy and a detailed protocol which considers the most effective methods of communication with tenants and other stakeholders.</p> <p>The material the Council is producing is passed through the detailed internal protocol to maintain objectivity and balance.</p> <p>In addition the material produced by the Council is also externally verified by the CHTF to check for material accuracy before it is distributed to stakeholders.</p> <p>The Council has arrangements in place to evaluate feedback from its communications materials and uses the officer/consultants meetings, the Shadow Project Board and the Project Board meetings to initiate changes necessary.</p>	<p>None</p>

Issue	Findings	Conclusions	Recommendation
<p>6. Fundability</p> <ul style="list-style-type: none"> Has the Council considered the fundability of the proposed transfer, including taking appropriate advice where necessary? Has the Council discussed the transfer timetable with lenders, with a view to assessing ways of securing best possible funding option? 	<p>At this stage in the process, the Council's lead consultants have talked to prospective lenders and are confident that monies will be readily available to fund a transfer at the post ballot stage. They have also discussed the transfer timetable with prospective lenders. Likewise Butlers, the Council's financial advisors have been approached for lists of lenders and have done some draft calculations.</p> <p>Some general financial profiling has been done in-house looking at the housing revenue account and the general fund and the capital receipt issue. Likewise the Council has done some work on the VAT Shelter arrangements afforded to charitable and mutual associations and as such the Shadow Board have decided to adopt charitable status in order to avoid VAT eligibility in the future.</p> <p>FPD Savills are looking at the housing stock valuation calculations, which were based on the stock condition survey. This is because the government has issued a new stock valuation model. Currently preliminary work is suggesting that Salisbury's stock is valued at a higher level than previously thought. This is helped by some specific efficiencies on rent arrears and void rates at Salisbury, which mean that they are performing better than the assumptions in the government model.</p> <p>This means that the Council should be able to put more in the offer to tenants. The Housing Corporation (HC) has to review the valuation model and the calculations it has produced as part of its acceptance of the new RSL for registration with the HC.</p>	<p>The Council is moving cautiously on the issue of fundability and is conscious of incurring costs at the pre-ballot. The Council proposes to conduct most of the work post ballot decision later this year.</p>	<p>R1 The Council should continue at a sensible rate pre-ballot, exploring its future LSVT funding options, while incurring limited costs, until the outcome of the ballot is known.</p>

Issue	Findings	Conclusions	Recommendation
<p>7. Strategic Housing Function</p> <ul style="list-style-type: none"> Housing after Transfer – The Local Authority Role in the Future. 	<p>Salisbury followed best practice in 2002 splitting its housing management and housing strategy functions. The Council has been a debt free authority with an annual capital investment programme of £2/3million in housing associations. Therefore the strategic arm of the Housing Service at Salisbury is well established with a clear mandate. Staff have been attracted to Salisbury from other LAs who had experienced LSVT.</p> <p>Affordable housing is one of the top priorities in the Council's corporate plan. And is also a high priority of the South Wilts Strategic Alliance. Strategic housing is likely to remain at the forefront of Council services, rather than being seen as a residual function, as shown by the agreement in principle given by the Transfer Project Board to maintain a "strong retained strategic housing function." (Report of the Head of Strategic Housing Service, to the Board in November 2005)</p> <p>Work has also been done in discussing the LSVT with immediate housing staff, and unions to establish who might transfer to the new RSL . This work is being allied to the corporate project on efficiencies and back office functions.</p> <p>The Council, is working on a values and objectives document for the retained housing function in a similar way to that being developed by the RSL shadow board for the new organisation. Producing a document of this sort for both organisations moving forward, represents notable practice. The Council, must however ensure that the Housing Departments value statement flows from the corporate aims and objectives and cascades clearly from the corporate priorities within the corporate plan.</p>	<p>Having split its housing function clearly into strategy and management a number of years ago, the Council is well placed to continue to meet its corporate priority of enabling an increasing number of affordable homes.</p> <p>While some work has been done to date to communicate the implications of LSVT for housing staff, more information and dissemination is needed to ensure that corporately staff are fully aware of what LSVT could mean to them. Examples include: focus on the future days; and a mix of training briefings and workshops.</p>	<p>R2 The Council must ensure that the retained housing function develops aims and objectives which feed from the corporate aims and objectives of the organisation. They must incorporate best housing practice for retained functions and include as a key objective continuous service improvement.</p>

Issue	Findings	Conclusions	Recommendation
<p>8. Previous Stock Option Appraisal Report Recommendations</p> <ul style="list-style-type: none"> Develop sub region market assessments to improve the Councils response to the pressures on the housing market 	<p>To address this recommendation the Council undertook a Best Value Review of Balanced Housing Markets and Decent Homes at the time of the Stock Option Appraisal Report. The report of this Best Value Review and action plan has been reviewed in addition to the Local Housing Needs and Market study that the Council commissioned. These two pieces of work resulted in a revised Housing Strategy.</p>	<p>Recommendation met</p>	<p>None</p>
<ul style="list-style-type: none"> Ensure that HRA business plan is revised in line with the development of the Salisbury Standard and option appraisal 	<p>The Council revised its HRA business plan when the Stock Option Appraisal was completed. The revised plan was submitted to GOSW in January 2006 and was presented to cabinet, along with a covering report. It included the Salisbury Standard as it was developing.</p>	<p>Recommendation met</p>	<p>None</p>
<ul style="list-style-type: none"> Improve member involvement in the process to ensure that they are fully informed of the implications of the options for the housing stock 	<p>The Council has involved the housing and community scrutiny panel in the revision of the HRA business plan and the housing options appraisal. In addition a specific LSVT scrutiny panel has been supported as detailed above. This has ensured that members are fully informed about all possible housing stock implications.</p>	<p>Recommendation met</p>	<p>None</p>
<ul style="list-style-type: none"> Resolve project planning issues to ensure delivery of the overall project by July 2005 	<p>These issues were addressed. Full Housing Stock Options were reported to Council in March 2005, submitted to GOSW in June 2005 and signed off in July. Thus enabling the Council to move towards balloting its tenants on LSVT in Autumn of this year.</p>	<p>Recommendation met</p>	<p>None</p>

Issue	Findings	Conclusions	Recommendation
<ul style="list-style-type: none"> Build into the option appraisal a clear assessment of the implications on the wider housing market, non-tenants and future applicants 	<p>The implication for the wider housing market were considered both as part of the BVR detailed above but also as part of the final Housing Options Appraisal report submitted to Council in March 2005. As detailed above these options were approved by GOSW in July 2005 and the Council is now moving towards ballot.</p>	<p>Recommendation met</p>	<p>None</p>
<ul style="list-style-type: none"> Ensure that the options appraisal considers all costs relating to potential transfer. 	<p>The two scrutiny committees involved in the LSVT process to date reviewed all options appraisal reports were satisfied that as costs were known were presented to them and as such are progressing to tenants ballot.</p>	<p>Recommendation met</p>	<p>None</p>

Action plan

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Fundability					
R1 That the Council continues at a sensible rate pre-ballot, exploring its future LSVT funding options, while incurring limited costs, until the outcome of the ballot is known	2	Head of Housing Management	Yes		Immediate
Strategic Housing Function					
R2 The Council must ensure that the retained housing function develops aims and objectives which feed from the corporate aims and objectives of the organisation. They must incorporate best housing practice for retained functions and include as a key objective continuous service improvement.	2	Head of Strategic Housing	Yes		To fit in with corporate planning cycle