

The Cabinet

2nd March, 2005

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REPORT

Cllr Cole-Morgan: Cabinet Member for Housing & Community

THE HOUSING STOCK OPTIONS APPRAISAL

1. PURPOSE OF THE REPORT

- 1.1 This report advises Members of the outcome of the housing stock options appraisal and seeks a decision on which option the council will pursue for the future management of the council's housing stock. A copy of the full stock option appraisal report is attached.

2. BACKGROUND

- 2.1 In February 2003 the Government issued the *Sustainable Communities Plan*. This required all local authorities still managing their housing stock to carry out a full options appraisal before the end of July 2005. This process would be supervised by the ODPM Task Force to ensure that it was a thorough and robust process, and would have to be signed off by the Task Force at the end of the process.
- 2.2 This whole process is driven by the need for all local authority housing stock to meet the minimum 'decent homes' standard by 2010. Authorities without sufficient funding within their housing revenue account must look at alternative options that will deliver the necessary funding.
- 2.3 The four options that both tenants and local authorities must consider, are:
- Stock retention and in-house management
 - An arms length management organisation (ALMO)
 - Private finance initiative (PFI)
 - Transfer to a housing association

- 2.4 Cabinet gave approval for the Stock Options Appraisal Board to be set up to manage the housing stock options appraisal on behalf of the council. Membership of this board included staff, tenants and Councillors. The Board has met regularly since and scrutinised and approved every stage of the process including the final report attached.
- 2.5 Aldbourne Associates were appointed by the tenants to act as their independent advisors throughout the process.
- 2.6 In October 2003 HACAS Chapman Hendy were appointed as lead consultants.

3. CONSULTATIVE PROCESS

- 3.1 Tenants have been consulted throughout the stock option process. We have established an aspirational standard of improvement and services they want from their landlord, known as the 'Salisbury Standard' which has been used along with other required levels of investment to compare each of the options.
- 3.2 Special editions of 'Housing Matters', and roadshows have been used to inform tenants of the options available to them. Aldbourne Associates have provided independent advice to tenants and have helped to train the Tenants Panel in considering the issues.
- 3.3 A questionnaire was sent out to all tenants which indicated that a majority wanted a higher standard of improvement to their homes than could be achieved by the Council retaining the stock but 70% expressed a wish to stay with the Council. Focus groups confirmed that tenants had not fully understood all the issues.

4. FINANCIAL ANALYSIS

- 4.1 It was established fairly early on in the process that neither the ALMO nor PFI options offered any significant advantages to Salisbury's situation. The main focus has therefore been on the stock retention and stock transfer options.
- 4.2 If stock retention is the preferred option, the Decent Homes target can be met but neither the stock condition level of investment nor the Salisbury Standard could be achieved. Significant savings from 2006/07 in revenue repair and management costs will have to be made which could affect the level of service to tenants. Tenants would have to accept a reduced standard of improvement to their homes than they currently receive.
- 4.3 If large scale voluntary transfer is the preferred option, tenants can have their aspirational standards met with no reduction in services and with rents remaining the same. Furthermore the substantial capital receipt received by the Council of between £28.5m and £34.6m and additional benefits to the General Fund of between £5.9m and £12m over ten years will allow an additional 400 affordable homes to be provided up to 2011 and significant other investment in sustainable community initiatives.

5. RECOMMENDATIONS

It is recommended that the Cabinet recommends to Full Council that a transfer of its housing stock to a newly formed locally based Housing Association be pursued.

It is further recommended that the Cabinet thanks the Stock Option Appraisal Board, the Community and Housing Scrutiny Panel, the Tenants Panel, tenants who participated in the consultation, advisors and officers for their contribution to the appraisal process.

6. Implications

- | | | |
|------------|-----------------------|---|
| 6.1 | Legal | - There are no legal requirements at this stage but a formal ballot with tenants will have to take place before stock transfer |
| 6.2 | Financial | - Included in the report |
| 6.3 | Human Rights | - None |
| 6.4 | Environmental | - None |
| 6.5 | Council's Core Values | - Excellent Services |
| 6.6 | Personnel | - There are significant implications for housing staff and support services. TUPE regulations would apply to any transferring staff |
| 6.7 | Community Safety | - Additional resources from stock transfer could assist community safety initiatives |

**Salisbury District Council
Stock Option Appraisal**



**Report by Derek Streek
Head of Housing Management**

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1. Introduction

1.1 In February 2003 the Office of the Deputy Prime Minister launched an action programme ‘Sustainable communities, building for the future’ which reiterated the need for local authorities with housing stock to meet the Decent Homes Target by 2010. In March the same year a report was published by the same department (the “Review of the delivery of the decent homes target for social housing – PSA Plus Review”) which introduced the requirement for all stock holding Local Authorities to submit options appraisals to Government Regional Offices by July 2005 at the latest.

1.2 A brief definition of the Decent Homes Standard is that in order for a home to be deemed decent it must pass four tests:-

1. It must meet the current statutory minimum standard for housing.
2. It must be in a reasonable state of repair.
3. It must have reasonably modern facilities and services.
4. It must provide a reasonable degree of thermal comfort.

It should be stressed that the Decent Homes Standard is a very basic standard and does not include many elements outside of the properties themselves which would still require investment such as estate roads, sewage treatment works etc. An investment strategy based on solely achieving the ‘Decent Homes Standard’ would not be a recommended course of action in the longer term as the general condition of the Council’s stock would worsen over time.

1.3 The four options that are to be considered in undertaking an appraisal are:-

- Stock Retention - Council retains ownership of its housing stock
- Arm Length Management Organisation (ALMO) - Council retains ownership but separate Council owned company delivers housing management.
- Private Finance Initiative (PFI) - Council retains ownership but has long term contract with private company to improve properties and manage service over a set period of time.
- Housing Stock Transfer - Ownership and management of homes is transferred to a new or existing registered social landlord.

1.4 In assessing each of these options account has to be taken of the Council’s strategic objectives in relation to housing which encompasses not only the objectives for our own housing stock but also the provision of housing in the future. Details of the strategic objectives are contained in Section 2.

1.5 In undertaking the appraisal we have ensured that tenants have played a key role in the decision making process, as well as involving other stakeholders. Details of the consultation are contained in Section 5 of this report which demonstrates our openness and transparency.

1.6 A key element of the stock option appraisal is the financial appraisal of each of the options contained in Section 4 of this report. As a result of the financial appraisal, the Stock Option Project Board effectively dismissed the ALMO and PFI options, resulting in the conclusion of the appraisal concentrating on the two remaining options of stock retention and stock transfer.

1.7 The rest of this report will provide the details of the stock option appraisal itself.

2. Strategic Objectives

2.1 The context of a stock option appraisal has to be based on the Council's strategic objectives and priorities which have been identified following consultation with tenants and other stakeholders and agreed by the Stock Option Project Board as:-

- ✿ To provide affordable housing in accordance with one of the Council's key priorities including the provision of adequate new social housing at target rents in partnership with the Housing Corporation, Registered Social Landlords and other agencies and stakeholders.
- ✿ To meet the Decent Homes Standard by 2010.
- ✿ To maximise the resources available to make necessary repairs and improvements to Council properties and improve the quality of life of residents.
- ✿ To continue to provide a quality housing management service.
- ✿ To maintain and strengthen tenant participation and protect tenants rights.
- ✿ To maintain the Council's strategic role as a housing authority.

2.2 The review of the 4 options of Stock Retention, Arms Length Management Organisation, Private Financial Initiative and Large Scale Voluntary Transfer have been analysed against these strategic objectives.

3. The Process

3.1 The Stock Option appraisal began with the completion of the 2002 Business Plan, which recognised the need for an appraisal which was confirmed in the feedback on the Business Plan from the Government Office for the South West.

3.2 The 2002 Housing Revenue Account Business Plan had already identified the need for a full stock option appraisal and meeting the Decent Homes Standard was already an established priority for the housing planned maintenance programme and Council's capital strategy. Furthermore the 2002 Business Plan identified that whilst it looked as if there were sufficient resources to meet the Decent Homes Standard, in order to meet the Council's strategic priority for providing more affordable homes insufficient

capital receipts were available to meet non decency works as part of the overall ‘catch up’ repairs required for the stock. In order to better inform the process the Business Plan identified the need for more information on the condition of the stock and the need for an options appraisal to determine the best way forward for managing the Council’s housing stock in light of its strategic objectives.

- 3.3** A stock option project board was established following approval by Cabinet on 1st February, 2003 and consists of:-

Councillor Britton
Councillor Cole-Morgan
Councillor Evans
Councillor Fear
Councillor Mrs. Green
Councillor Mills
Councillor Mrs. Peach
Councillor Paisey
Councillor Kevin Wren
John Hinnis (Tenants’ Panel)
Alex Southey (Tenants’ Panel)
Mark Wareham (Unison)
Supported by Council Officers

- 3.4** The whole process has been undertaken in consultation with the Community Housing Task Force and the Government Office for the South West who have provided officers and the project board with help and advice throughout the option appraisal process and ensuring compliance with the guidance.
- 3.5** HACAS Chapman Hendy, were appointed to undertake the financial appraisal of the 4 options.
- 3.6** The Tenants’ Panel appointed Independent Tenant Advisers following a tender process based on price and quality to provide training and advice for the Tenants’ Panel throughout the appraisal and to check that the consultation material presented by the Council was fair and unbiased. Aldbourne Associates were appointed to this role and were also tasked with helping the Council to establish with tenants the Salisbury Standard.
- 3.7** The Salisbury Standard is the level of improvements tenants wanted to be undertaken on their homes as well as the services of management and maintenance. This provides an aspirational standard, along with the current level of service and improvement, against which each of the four options could be compared.
- 3.8** An initial validation of the information of our stock condition information revealed that the information we held was insufficiently up to date to meet the criteria included in the guidance issued in July 2003. A stock condition survey of 1000 properties was therefore undertaken in the spring of 2004 and this was independently validated by Ridge consultants in August 2004. This condition survey information was then used as part of the base data information in the financial appraisal to determine expenditure requirements to meet Decent Homes, the work identified in the condition survey to prevent a back log of repairs and to meet the Salisbury Standard.

- 3.9** A draft financial report completed in October 2004, revealed that the Arms Length Management (ALMO) and Private Finance Initiative options, had few advantages in our circumstances and were excluded from consultation with tenants which concentrated on the stock retention and transfer options.
- 3.10** The Community and Housing Scrutiny Panel have contributed to the option appraisal by setting up working groups to investigate the predicted revenue deficit of £1.2m revealed in the draft financial appraisal in October 2004 and reviewing whether it would be better to transfer to an existing or setting up a new housing association should transfer be the preferred option. As a result of the Scrutiny Panel's findings a review of the assumptions and scenarios to be included in the final financial report was undertaken by the Project Board and have been amended accordingly. Other possibilities of reducing the revenue deficit identified by the working group but not included in the assumptions and scenarios have been included elsewhere in this report.
- 3.11** The Project Board agreed the final set of assumptions and scenarios on 1st February 2005 and these are the figures included in the financial report and subsequent analysis. The Board further agreed to focus on two options:-
- 1)** Large Scale Voluntary Transfer of the housing stock.
 - 2)** Retention of the Housing Stock based at current levels of investment on capital but a reduction of 1.25% in revenue repair budgets.

4. Summary of Financial Report

- 4.1** HACAS Chapman Hendy were appointed in September 2003 to undertake a financial analysis of the four options.
- 4.2** The assumptions and scenario's included in their report were agreed by the Stock Option Project Board on 1st February 2005 to ensure that the very latest information was taken into account. However earlier drafts of this report were available from September 2004 which were broadly similar to the final report and allowed the main body of tenant consultation to take place.
- 4.3** The full HACAS Chapman Hendy Report is available in the members room and a summary is attached as Appendix 1. The conclusions of the report for each of the options can be summarised as follows:-
- 4.4 Stock Retention**
- 4.4.1** The Council can achieve the Decent Homes Standard plus essential works by 2010 from within existing resources and could maintain that standard for some time to come. However the decent homes standard represents a minimum level of investment and would lead to backlog repairs arising in the future.
- 4.4.2** Neither the full survey level of investment nor the aspirational, Salisbury Standard could be achieved with existing resources. The shortfall in resources needed to deliver the recommended programme of works and improvement is projected as just over £9.4m over 10 years which increases to £14m to meet the Salisbury Standard.

- 4.4.3** The Housing Revenue Account is projected to go into deficit within the next ten years unless remedial action is taken to prevent this. The remedial action required based on the Base Position model i.e. the recommended level to prevent a backlog of repairs is permanent revenue savings of £0.773m from year 2 onwards to ensure that the HRA is in balance by year 30. This equates to 20% of the 2004/05 management budget or 19.6% of the maintenance budget.

4.5 Arms Length Management Organisation

Given the competitive nature of the ALMO bidding process and the fact that the Council could meet the Decent Homes Standard from within existing projected resources, whereas other bidding authorities may be otherwise unable to achieve DHS, it is questionable whether an ALMO bid from Salisbury would be assessed as sufficiently high priority to receive additional resources. Furthermore, in the event of a successful bid, the additional revenue costs would place further stress on the HRA Operating Account.

4.6 PFI

At the moment there remain some concerns arising from experience to date about the practicability of the model's wider application and the value for money it represents. Based on current Housing PFI models the scheme is unlikely to provide Salisbury with a viable whole stock solution, except possibly for the provision of new affordable housing.

4.7 Stock Transfer

- 4.7.1** The stock transfer option could deliver the recommended programme of works identified within the Council's stock condition survey. The aspirational Salisbury Standard could also be achieved.
- 4.7.2** Savings would not have to be made on the revenue account.
- 4.7.3** The Council would receive a net capital receipt of £34.6m as a direct result of transferring the stock at the base position reducing to £28.5m if the Salisbury Standard is the preferred standard.
- 4.7.4** The Council would receive proceeds from future Right to Buy sales following transfer. Based on the level of RTB sales projected in the model over a 10 year period, the Council could reasonably expect approximately £36m of useable capital receipts from this source. The amount is more than double the £17m in useable receipts the Council could expect to receive from the same number of sales under stock retention.
- 4.7.5** The impact on the General Fund would be negative in the first year following a transfer but positive thereafter. Over the 10 years following a transfer, a net cumulative benefit in the region of £8.4m reducing to £5.9m if the Salisbury Standard is the preferred option would accrue to the Council if all the receipts were invested.
- 4.7.6** The transfer option also offers the possibility of additional receipts from a VAT shelter

scheme. We have estimated that the Council could receive approximately £3.6m over 10 years from such a scheme, assuming a 50:50 sharing arrangement with the new landlord. It is important to note, however, that given the recent developments with the Inland Revenue, the potential benefits of this scheme may only be capable of being realised if charitable status, along with the added regulatory burden of this, were sought,

4.8 Assumptions

It has to be borne in mind when considering the financial analysis that all the outcomes are based on a set of assumptions. The assumptions used in this analysis are fully outlined in Appendix 2 of HACAS Chapman Hendy's full report. The assumptions were approved by the Stock Option Project Board following work undertaken by a working group of the Community and Housing Scrutiny Panel and include the most up to date information on subsidy determinations, right to buy sales, rent levels etc. as well as a reduction in revenue repairs expenditure of 1.25%.

- 4.9** Clearly any of the assumptions may prove to be incorrect when trying to model something over a 30 year period. Account of some of the possible changes have been considered in the sensitivity analysis included in the HACAS Chapman Hendy report.
- 4.10** Part of the work the Community and Housing Scrutiny Panel Working Group was to look at possible ways of reducing the predicted revenue deficit from the base position. Account of their work has been taken on board by the stock option project board in agreeing the final set of assumptions. However another area which could raise additional income has not been included in HACAS Chapman Hendy's report which is the raising of separate service charges for services which are currently pooled within everyone's rent. An example of this would be to charge tenants of the Friary and Bemerton Heath a service charge on top of their rent for the estate cleaning service provided there. In total the working group identified a potential £140,000 per annum which could be raised although it would be at least 5 years before the full amount of income would accrue to the Housing Revenue Account.

5. Consultation

- 5.1** Consultation with tenants has taken place throughout the stock option appraisal process. Consultation has been undertaken by both the Council itself and Aldbourne Associates
- 5.2** Independent Tenant Advisers are required for the Stock Option Process to give detailed explanations and advice to tenants' representatives on the relative advantages and disadvantages of the various options which are available to the Council, to provide appropriate training for tenants and residents groups to ensure information is understood and accessible and to ensure that consultation material issued by the Council is fair and unbiased.
- 5.3** The report of Aldbourne Associates is attached as Appendix 2
A summary of their findings are:-
- Tenants are generally satisfied with current Council services, older people in particular trust the Council to a high degree

- The level of awareness and knowledge about the issues and problems currently faced by the Council is good. The final focus groups ensured the clarity of the position
- Tenants have a reasonable understanding of the various factors influencing an option appraisal. The numbers actually engaged during the process have been disappointing but this had not been for the want of trying
- Some suggestions have been made that tenant interest in the options consultation process has been poor because there is a feeling of déjà vu and that the council has been here before, coupled with a real trust in the council services
- Tenants appear to be more open-minded and willing to receive further information if you can engage them in debate – but the majority are not keen to have any debate and are only willing to respond to questionnaires with a consistent response of retention being the favoured option

In terms of a potential Large Scale Voluntary Transfer (LSVT) proposal, the feedback from the consultation work we have undertaken indicates a high degree of scepticism of housing associations, linked with fears about rent levels and loss of democratic control. Much of this appears to be founded in other first hand experiences or rumour regarding housing associations.

The questionnaire results support the feedback we have received during consultation sessions. However it should be noted that the tenants and leaseholders are comparing the council with a concept of ALMO, LSVT or PFI and not an offer document from a new company. There is no information for them to compare exactly what a different landlord would offer.

The results should only be considered as an indication of opinion.

The Tenant's Panel have listened to the views of other tenants and tried to keep an open mind about the options facing the council. There is a fair level of understanding about both the options appraisal process and the work carried out generally by the housing management team at Salisbury . There is an opportunity, which ever option is chosen, to build upon the success of the Panel and to give them a key role within the decision making process. Further work should be done to keep involvement of the wider body of tenants active following this process.

Both the council and the tenants have been keen to look at different ways of getting people involved and this is to be commended and encouraged.

We are confident that every tenant and leaseholder of Salisbury District Council has had the opportunity to be involved, receive information and have their comments and views considered as part of this process.

- 5.4** In addition to regular articles in "Housing Matters", 4 special editions of Housing Matters have been produced looking at various aspects of the option appraisal as it has progressed.
- 5.5** Training has been provided to the Tenants' Panel and Councillors throughout the process.

- 5.6** Public meetings were held in the Summer of 2004 in each of the six Community Plan areas to explain to a wider audience of tenants what each of the 4 options were and what it meant for Salisbury. Unfortunately these meetings were very poorly attended.
- 5.7** A ‘Visioning Day’ was held in Salisbury for tenants. Presentations were provided by tenants from other local authorities who had completed the appraisal and opted for either stock retention, ALMO, or LSVT.
- 5.8** A second series of meetings were held following the release of the Special Housing Matters outlining the draft financial report and its implications on each of the options to back up the questionnaire which was sent out on 24th November 2004. Again the meetings were poorly attended with just 50 tenants attending.
- 5.9** However, at the meetings there were some common questions and comments raised which were that:-
- Tenants trust the Council.
 - Tenants are very satisfied with the performance of the Council.
 - Concern about the performance of Housing Associations locally.
 - Queries about what the Government does with the £6m we pay them annually in negative subsidy.
 - If transfer were pursued, tenants would prefer that it was to a new locally based association.
- 5.10** The questionnaire was sent out to all tenants and leaseholders on 24th November 2004 and a reminder was sent out on 17th December 2004. We received a total of 1535 responses which is 26%.
- 5.11** In the questionnaire tenants were first asked to indicate the level of investment the Council should be aiming for. The results were:-
- | | |
|--------------------------------|-----|
| • Decent Homes Standard | 43% |
| • Stock Condition Survey Works | 22% |
| • Salisbury Standard | 35% |
- 5.12** Tenants were then asked if they would prefer to stay with the Council or investigate a transfer to a Housing Association. The results were:-
- | | |
|-----------------------------------|-----|
| • Prefer to stay with the Council | 70% |
| • Investigate stock transfer | 30% |
- 5.13** Despite making it clear in the special edition of Housing Matters issued with the questionnaire and at the roadshows that the Council could not achieve the stock condition survey of works nor the Salisbury Standard, 47% of tenants who voted to stay with the Council said they wanted a higher standard of improvements to be carried out than could be achieved by staying with the Council.
- 5.14** To provide more qualitative feedback to the results of the questionnaire a series of focus groups were held in January. Three focus groups were held consisting of:-
- Tenants who voted to stay with the Council but wanted a higher standard of improvement than the Council can achieve.

- Tenants who opted to investigate a transfer.
- Tenants who failed to respond to the questionnaire.

The findings of the focus group are included in Aldbourne's report attached as Appendix 2.

The conclusions from each focus group were:-

Tenants who wanted to stay with the Council

- Better the devil you know.
- Tenants did not seem to think it made a difference whether the transfer was to a new or existing housing association.
- The concept that there will be no difference in rents whether a transfer takes place or not is still not being understood.

Tenants who voted to consider a transfer

- Keen to pursue stock transfer.
- Majority vote for transfer to a new housing association.
- Unsure about an existing housing association.
- Aspirational priorities:
 - Parking
 - Handyman service
 - Showers
 - Security improvements

Tenants who did not respond

- Concern about tenant apathy.
- Concern that the odds are stacked against the Council - there is not a level playing field.
- Concern about possible effects of transfers on elderly person housing and the lack of affordable housing.

5.15 Consultations have also taken place with housing staff who have obviously been kept informed throughout the process. Housing staff were sent a questionnaire in October and 94% of those responded were in favour of investigating a transfer to a housing association and only 6% favoured stock retention.

5.16 Consultation has taken place with Unison throughout the process and they have employed their own consultants to provide a report for them based on information provided by the Council about the stock options for Salisbury. A copy of their report is attached as Appendix 3. The conclusions of their report are:-

- Salisbury can easily meet the Decent Homes standard, which is the Government's required standard, from within its own resources.
- It may be able to meet the "Salisbury Standard" if it uses its usable RTB receipts for its own stock, as was the policy up to very recently.
- The health of the HRA in the medium term to long term is somewhat dependent upon future levels of management and maintenance allowances.

- PFI is not a whole stock solution but could be considered for providing new affordable housing.
- The ALMO option would not at present generate additional investment because the Council can meet the Decent Homes standard from within its own resources.
- Given Salisbury's high level of performance both overall and as a housing authority, it may well be worth giving further thought to the ALMO option once the "further financial freedoms" for high performing ALMO's are clarified.
- Stock transfer is probably financially viable but has already been rejected twice previously by the Council and once by tenants in a ballot.
- Stock transfer cannot proceed unless tenants vote in favour.
- Preliminary consultation results demonstrate no tenant enthusiasm for stock transfer.

5.17 Consultation also took place with the South Wiltshire Strategic Alliance as part of the consultation we undertook with the wider community. At their last meeting they agreed the following statement:

"That since affordable housing is a key priority for the SWSA, the Executive hoped that the District Council would take the issue of affordable housing into consideration when determining the final outcome of the Housing Stock Option Appraisal".

6. Review of findings against strategic objectives

6.1 This section will look at how for each of the options of stock retention based on current investment levels and large scale voluntary transfer can meet the Council's strategic objectives outlined in section 2.

6.2 To provide affordable Housing

The decision whether to support an LSVT or remain as a stock holding authority will have a direct impact on the Council's ability to support future affordable housing development.

6.2.1 Stock Retention

The current approved Affordable Housing Programme of £3.3m up until 2006/07 is expected to deliver up to 45 new affordable homes. Beyond this programme the Council will have no other significant capital receipts for investment in affordable housing.

The Council will have to rely on the strength of its new Local Development Framework to deliver affordable housing with a nil grant requirement. In addition it will continue to seek allocations through the Housing Corporation Grant to deliver rural and windfall affordable housing.

The Council will not be able to offer any additional Do it Yourself Shared Ownership (DIYSO) schemes and new affordable housing delivery will be very dependant on the Council justifying the needs and on successful negotiations with the South West Regional Housing Board (SWRHB).

Taking into consideration the allocated sites within the Local Plan and assumptions on funding from the SWRHB then a target of 700 new affordable homes up to 2011 could be achieved.

Investment to support sustainable communities will be extremely limited and will only occur in high priority areas.

6.2.2 LSVT

The transfer of the housing stock will provide the Council with a capital receipt of between £34.6m - £28.5m which could be used to provide more affordable housing.

The opportunity of realising a substantial capital receipt will enable the Council to support the development of more affordable housing. However, unlike earlier LSVT's who have been able to support large local authority social housing grant (LASHG) programmes, the abolition of LASHG means that any investment allocations to a housing association is technically on a cash basis and consequently will erode the capital receipt. Careful consideration will need to be given to developing an investment model, not unlike Assettrust, as an investment vehicle but also achieving a rate of return that does not have a negative impact on the capital receipt. The Council would also be able to use the capital receipt to match fund and/or stretch other public funding that can be secured through the SWRHB.

Taking into consideration the allocated sites within the local plan and assumptions on windfall sites, an extended DIYSO and rural affordable housing and partnership work with the SWRHB then a target of some 1100 new affordable homes up to 2011 could be achieved.

In addition to new affordable homes, the Council will be able to target additional investment in supporting and developing more sustainable communities through either the new provision of community facilities or refurbishment of existing premises e.g. drop in centres and/or night shelters.

- 6.2.3** In conclusion it is predicted that an additional 400 affordable homes up to 2011 could be provided as a result of a LSVT and investment on additional sustainable communities developments would be possible. If we assumed an average cost of £65,000 per affordable home, this would take up £26m of the net capital receipt transfer would provide to the Council.

6.3 To meet the Decent Homes Standard by 2010

The financial appraisal has shown that the cost of delivering the minimum Decent Homes Standard, i.e. doing absolutely no other works has been estimated at £3.6m for the first 10 years, based on two elemental failures being allowed which is easily achievable for both options. However the scenario (1a) included in HACAS Chapman Hendy's report looks at achieving the maximum Decent Homes Standard plus essential works.

6.3.1 Stock Retention

Over a 10 year period there is no capital funding shortfall but a shortfall does begin to appear from year 22 which totals £37m by year 30.

6.3.2 LSVT

The maximum Decent Homes Standard can be achieved throughout the 30 year period.

6.4 To maximise the resources available to make necessary repairs and improvements to Council properties and improve the quality of life of residents

A Salisbury Standard has been developed with tenants to establish their aspirational standards. The stock condition survey has identified the works required to prevent a back log of repairs and includes the current standard of improvement being undertaken by the housing department.

6.4.1 Stock Retention

There is a shortfall in investment resources over a 10 year period of £9.4 to prevent a backlog of repairs identified in the stock condition survey which rises to £82m over a 30 year period. To meet the Salisbury Standard there is a £14m shortfall over 10 years rising to £93.7m over 30 years.

6.4.2 LSVT

There is no shortfall in capital investment to meet either the stock condition survey works or the Salisbury Standard over the 30 year period primarily because the LSVT body would not have to pay £6m p.a. to central Government in the form of negative subsidy as would be the case for stock retention.

6.5 To continue to provide a quality housing management service

Over recent years the housing department has achieved a good, 2 star rating following a Best Value Inspection of the responsive repairs service, an excellent 'decent homes' rating following a C.P.A. inspection and a Chartermark for customer services. The availability of revenue resources is important to maintain this position.

6.5.1 Stock retention

6.5.1.1 The Housing Revenue Account could continue to operate in the short term, but may require some remedial action to avoid going into deficit in the longer term. Levels of expenditure and the potential for generating additional income will need to be reviewed under any retention option in order to balance the account in the longer term.

6.5.1.2 If the current level of capital investment is maintained the financial analysis shows that there will be no revenue shortfall over the first 10 years but that there will be a significant revenue shortfall by year 30. To prevent this shortfall from occurring, action would need to be taken in the early years.

6.5.1.3 If the recommended level of investment to prevent a back log of repairs is considered, there is an overall revenue shortfall by year 10 year. By year 30 this overall revenue deficit will have risen to £26.4m.

6.5.1.4 The difference between the two models is the level of investment in the first 7 years.

By year 30 the overall revenue deficit is very similar. To eliminate this overall deficit early action would be needed under both scenarios. It is estimated that permanent savings of £0.8m would be necessary from year two onwards to ensure that the HRA was in balance by year 30. These savings would need to be over and above the 1.25% per annum cashable savings over 3 years already assumed on repairs expenditure. These savings would have to be made from a combination of the introduction of discretionary service charges, efficiency savings, making tenants responsible for more repairs, extending repair target times, reducing input to anti-social behaviour cases, extending cyclical repair times and staff redundancies which may in itself affect the capacity to deliver services.

6.5.2 L.S.V.T.

6.5.2.1 There are no revenue concerns to prevent a quality housing management service being provided under this option.

6.5.2.2 In our consultations with tenants, they have consistently expressed concern about the quality of housing management services provided by housing associations. This issue has been examined by a working group of the Community and Housing Scrutiny Panel. Empirical evidence has shown improved tenant satisfaction amongst tenants of LSVT housing associations compared to when they were with their respective local authorities. A meeting with a representative of the Housing Corporation reassured members of the working group that a number of the concerns expressed by tenants could be overcome by the setting up of a new locally based Registered Social Landlord rather than transferring to an existing one.

6.6 To maintain and strengthen tenant participation and protect tenant rights.

6.6.1 Stock Retention

The current level of tenant participation could be maintained and tenants rights will be exactly the same.

6.6.2 L.S.V.T.

6.6.2.1 Additional revenue resources could allow more investment into encouraging tenants to get more involved. The Board structure of a receiving registered social landlord is likely to have tenants as a third of its membership giving tenants a direct input into the decision making process.

6.6.2.2 Tenants of registered social landlords cannot be granted secure tenancies. However all transferring tenants would have all their main rights including the Right to Buy contractually protected. The only rights not maintained are the right to manage and the right to rent mortgage, none of which have been used by Salisbury tenants. New tenants would have similar conditions of tenancy but would not have the Right to Buy.

6.7 To maintain the Council's strategic role as a housing authority.

6.7.1 Stock Retention

There are no implications on maintaining this role.

6.7.2 L.S.V.T.

6.7.2.1 It could be argued that the Council's strategic role is marginally diminished by not having direct control of the biggest landlord in the District as it does now.

6.7.2.2 The additional capital resources generated would enhance the Council's strategic role in providing more affordable housing and providing investment opportunities for sustainable communities.

7. Risk Assessment

7.1 Risk assessments for each of the options have been undertaken using the Council's standard format and one attached as Appendix 4. The most significant risks for each option are:-

7.2 Stock Retention

- Base revenue budget reductions of £0.8m from 2006/07 to remain over 30 years. This will require remedial action in the form of discretionary service charges, efficiency savings, new procurement contracts, tenants being responsible for more repairs, reducing management input into anti social behaviour, extending cyclical repair times and making staff redundant, all of which have their own risks.
- Unable to meet revenue repair reductions as stated in the assumptions.
- Continue to pay £6m negative subsidy.
- Backlog of repairs and gradual decline in estates.
Reduced opportunities available for affordable housing.
- Insufficient capacity to deliver service.

7.3 Stock Transfer

- Transfer preparation costs estimated at £0.6m to fall in General Fund if transfer ballot rejected by tenants.
- Active campaign to reject transfer proposals.
- Democratic capacity reduced.
- Changes in Government policy leading to less favourable transfer position.
- Impact on staff, Councillors and tenants.
- Reduced corporate capacity due to significant reduction in staff and budgets.

8. Conclusions and Recommendation

8.1 The financial analysis has shown quite clearly that neither ALMO nor PFI are real options for Salisbury and it is therefore a straight choice between stock retention and stock transfer.

8.2 Stock retention is the preferred option of tenants at this stage of the consultation with 70% of those that responded to the questionnaire saying they would prefer staying with the Council. However, a majority of tenants said they wanted a level of investment higher than can be achieved by staying with the Council. This would indicate that tenants have not fully understood all the issues and this was confirmed in the

subsequent focus groups.

- 8.3** The consultation with tenants revealed a great deal of trust of the Council and appreciation of the housing services provided. This coupled with misconceptions of the performance of housing associations based on local anecdotal evidence and the perceived level of rents if a transfer took place, contributed to the vote in favour of stock retention. Only 26% of tenants responded to the questionnaire and some tenants indicated at the roadshows that they would vote in favour of whatever the Council felt was for the best. Many of the concerns expressed by tenants about Housing Associations would be overcome if a newly formed locally based registered social landlord were set up with the staff and management tenants were familiar with.
- 8.4** If stock retention is the preferred option then tenants will have to accept a reduced standard of improvement to kitchens and bathrooms than is currently taking place. There will also be a cumulative backlog of repairs as the level of investment will be less than has been identified as necessary in the stock condition survey. Revenue savings on repairs of 1.25% for 3 years will have to be achieved and consideration to other expenditure savings and or revenue raising measures will have to be made which could result in a reduction of the current high standards of housing management being achieved. Tenants aspirations expressed in the Salisbury Standard could not be met.
- 8.5** Tenants have reiterated in this consultation the need to provide more affordable housing. As part of the stock option appraisal we are obliged to consult with the wider community and affordable housing is a major priority.
- 8.6** By far the most compelling argument for stock transfer is the additional resources which would be released and could be used for additional affordable housing. A net receipt of between £34.6 and £28.5m would result from the transfer itself, £36m of useable capital receipts from RTB sales (£19m more than stock retention RTB usable receipts) and a further £12m - £5.9m net cumulative benefits would accrue to the General Fund over a 10 year period. The local plan would allow for an additional 400 affordable homes to be provided if LSVT took place.
- 8.7** If a Large Scale Voluntary Transfer were to take place there would be no back log of repairs and tenants aspirations expressed in the Salisbury Standard could be achieved. All of the strategic objectives could be met.
- 8.8** To complete LSVT it is necessary for a majority of tenants voting to vote in favour of a transfer. The cost of getting to the stage of holding a ballot is estimated at £0.613m and if tenants voted against transfer this cost would fall on the General Fund. This is a significant risk which would need to be mitigated against if this option is pursued.
- 8.9** From the analysis we have undertaken it is clearly evident that both tenants in the form of more investment in the stock, and the retention of more revenue resources and the wider community in the form of more capital resources in the General Fund would benefit from the large scale voluntary transfer of the housing stock. However, in order to achieve a favourable vote from tenants it is essential that any transfer is to a newly formed locally based registered social landlord rather than an existing one. Given the previous experience of stock transfer it is important that there should be no active political campaign against transfer in order to achieve a vote in favour.
- 8.10** The recommendation is therefore to pursue the transfer of the stock to a newly formed

locally based registered social landlord.

9. Appendices

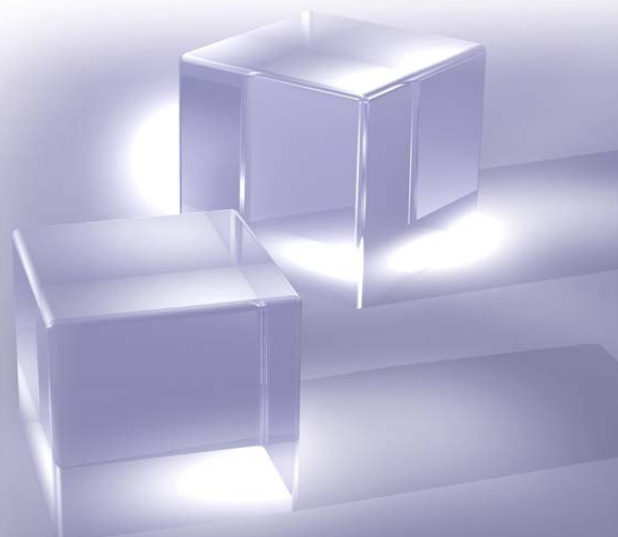
- 1. HACAS Chapman Hendy Financial Summary.**
- 2. Aldbourn Associates.**
- 3. Unison's Report.**
- 4. Risk Assessments.**

SALISBURY DISTRICT COUNCIL

HOUSING OPTIONS APPRAISAL

SUMMARY OF DRAFT FINAL REPORT

FEBRUARY 2005



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1. Introduction

1.1 HACAS Chapman Hendy were appointed in September 2003 by Salisbury District Council to undertake an appraisal of options available for its Council Housing. In order to comply with Government guidance, any strategy adopted would need to allow the stock to be brought to the Government's Decent Homes Standard by 2010, whilst implementing the Government's Rent Restructuring regime, and bringing rents to the Government's targets by April 2011.

1.2 The review examines the resources available to meet these demands and in particular gives detailed consideration to the following options:

- stock retention by the Council (based on assumptions about future costs, and resources);
- the potential for an Arms Length Management Organisation in Salisbury and the possible impact on resources;
- the Private Finance Initiative (PFI);
- stock transfer to a Registered Social Landlord.

1.3 This report summarises the key issues identified in the full draft report, and is intended to give an overview of the Options Appraisal and the results of the financial modelling undertaken.

2. Stock Retention

2.1 Introduction

- 2.1.1 This Section examines the current position with regard to the Housing Revenue Account and the Housing Capital Programme in the light of the investment requirements of the stock as based on the Council's stock condition survey.
- 2.1.2 As a basis for this study we have prepared an HRA Business Plan financial model which takes into account the results of the stock condition survey, the Council's 2004/05 HRA budget estimates and the final HRA Subsidy Determinations for both 2004/05 and 2005/06. We have also produced a version of the model that excludes stock condition costs in excess of those required to meet Decent Homes Standards, as categorised by the Council's surveyors, Cyromany.
- 2.1.3 The assumptions used in the model have been discussed and agreed with officers.

2.2 Capital Programme

- 2.2.1 The options reviewed in this appraisal are based on the current budgeted programme of works for 2004/05 and the stock condition survey results thereafter.
- 2.2.2 The identified programme of works between 2004/05 and 2013/14 is as set out in Table 2.2 below. This table also compares, over a 10 year period, the full survey costs, the costs required to meet full Decent Homes Standard, the full cost plus the additional costs of meeting the Salisbury Standard and the continuation of the Council's existing policy of spending at the level of the Major Repairs Allowance.

Table 2.2: STOCK CONDITION SURVEY				
COMPARISON OF SURVEY RESULTS WITH DECENT HOMES STANDARD, FULL COST WITH TENANTS ASPIRATIONS AND EXISTING INVESTMENT POLICY				
	Full Survey Results £'000	Full Decent Homes Standard Plus Essential Works £'000	Full Survey Plus Tenants' Aspirations £'000	Existing Investment policy £'000
2004.05	4,683	4,683	4,683	4,683
2005.06	4,582	2,035	5,029	4,216
2006.07	4,702	2,100	5,165	3,201
2007.08	4,825	2,168	5,304	3,275
2008.09	4,951	2,237	5,447	3,352
2009.10	5,085	2,309	5,473	3,434
2010.11	5,850	2,088	6,249	3,489
2011.12	5,951	4,261	6,359	3,545
2012.13	6,053	4,331	6,472	3,537
2013.14	6,157	4,402	6,586	3,593
Total	52,839	30,614	56,767	36,324

2.2.3 The above table illustrates the difference in cost between the three alternative investment levels and with the continuation of the Council's existing investment policy. As mentioned above, the full survey costs represent the "recommended" level of investment and that if the Council was to maintain its dwellings in accordance with this programme of works, no backlog of repairs would arise in the future. It can be seen from the above that the costs associated with delivery of the Government's full "Decent Homes Standard" by 2010, at less than £31m are in the region of 58% of the recommended investment level over the 10-year period shown. Over the full 30 years of the HRA projections, the difference between the full survey costs and Decent Homes costs is in the region of £45m. It should be noted that the costs shown above in respect of Decent Homes cover all of the elements included in the standard, along with other essential works (such as asbestos removal and subsidence) that the Council would have to carry out over the period, and a continuation of the disabled adaptations programme. The cost of delivering the "pure" Decent Homes Standard, i.e. doing absolutely no other works has been estimated at £3.6m for the first 10 years, based on two elemental failures being allowed, and £4.1m assuming all elements are covered. Salisbury currently has a programme of works in place to meet the minimum standard, which allows for a maximum of two elemental failures, in this instance kitchens and bathrooms.

2.2.4 The Council has undertaken a consultation process with its tenants to ascertain what tenants' aspirations are, and have used the results of this exercise to produce the "Salisbury Standard". The results of this process have demonstrated that tenants are interested in, amongst other things, increased security on estates, improved estate layouts, fencing and boundaries, improved parking on estates and internal decorations for elderly residents. The costs of providing these have been incorporated in the aspirational version of the model. Other "aspirational" items were identified by tenants such as improved kitchen and bathroom standards where possible, but these were already provided for within the full survey costs. Over the 10-year period shown above, the additional costs to meet tenants' aspirational levels of investment is in the region of £3.9m. Over 30 years, this cost increases to £11m.

2.2.5 It should be stressed that an investment strategy based on achieving solely the "Decent Homes Standard" would not be a recommended course of action in the longer term as the general condition of the Council's dwelling stock would worsen over time, and increasing numbers of properties would become either undesirable from a tenants perspective, or fall into disrepair as backlog repairs mount up. It is however envisaged by the ODPM's Option Appraisal guidance that it may be considered where more extensive works are not affordable. As mentioned above, the Council currently has a programme of works in place to meet the minimum Decent Homes requirements, which allow for two elemental failures. In addition, the Council's current policy is to have an investment programme equal to the value of the annual major repairs allowance. As can be seen from the above table, this is some £6m higher than the cost of the Decent Homes plus essential works requirements over the 10-year period shown, and as such should provide for works above the level of the Decent Homes Standard.

2.3 **Housing Revenue Account Projections**

2.3.1 Using the ODPM's HRA Business Plan model we have produced an HRA projection using the 2004/05 budget as the starting point, and based on the results of the stock condition survey. We have agreed the assumptions used with Council officers. The model is effectively the base position for this appraisal, and demonstrates the Council's ability, or otherwise, to retain and maintain its housing stock to the desired standard over the thirty-year period of the plan. We have also prepared further versions of the model which assume investment based on Decent Homes plus essential works, achieving the Salisbury Standard and the continuation of the Council's current policy of capital expenditure being equal to the level of Major Repairs Allowance received. The latter would allow for works over and above the level required by the full Decent Homes Standard but not to meet the full level of required investment. The purpose of this is to ascertain whether or not the Council could afford to maintain its stock to this lower standard.

2.3.2 The table which follows compares the Base Position projection with the versions assuming the Decent Homes plus essential works levels of investment, the Base Position plus aspirational costs (Salisbury Standard) and a version assuming the continuation of the Council's existing policy of setting capital expenditure at the level of the available Major Repair Allowance resources. The table shows projections for the HRA Operating Account balance and the annual capital financing balance:

Table 2.3 – Comparison of Base Position with Decent Homes, Salisbury Standard and existing investment policy versions								
	Scenario 1 Base Position		Scenario 1a Base position – Decent Homes plus essential works		Scenario 1b Base position with Salisbury Standard costs		Scenario 1c Base position with Salisbury's existing investment policy	
	Revenue Surplus/ (Deficit) c/fwd	Capital Surplus/ (Deficit) c/fwd	Revenue Surplus/ (Deficit) c/fwd	Capital Surplus/ (Deficit) c/fwd	Revenue Surplus/ (Deficit) c/fwd	Capital Surplus/ (Deficit) c/fwd	Revenue Surplus/ (Deficit) c/fwd	Capital Surplus/ (Deficit) c/fwd
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2004.05	3,760	0	3,760	0	3,760	0	3,760	0
2005.06	5,306	0	5,678	0	4,693	0	5,729	0
2006.07	5,287	0	7,199	0	4,016	0	7,290	0
2007.08	4,888	0	8,505	0	2,910	0	8,586	0
2008.09	3,883	0	9,359	0	1,211	(63)	9,387	0
2009.10	2,276	0	9,778	0	1,125	(2,222)	9,712	0
2010.11	1,239	(1,641)	9,911	0	727	(5,113)	9,559	0
2011.12	649	(4,180)	9,669	0	(71)	(8,060)	8,831	0
2012.13	73	(6,766)	9,453	0	(870)	(11,065)	8,119	0
2013.14	(404)	(9,401)	9,351	0	(1,585)	(14,129)	7,359	0

2.4 Summary of the HRA Base Position Options

2.4.1 Projections based on existing budgets and the Council's updated stock condition survey indicate that, in capital funding terms, there is projected to be a cumulative shortfall of capital resources between 2004/05 and 2013/14 in the region of £9.4m, rising to £82m over thirty years. When the costs associated with continuing the council's existing investment policy are used, there is no capital funding shortfall. Given that the levels of investment available on this basis exceed the levels necessary for Decent Homes plus essential works for more than 20 years, this indicates that on the basis of our projections, Salisbury would be able to achieve the Government's target of meeting Decent Homes Standard by 2010, and continue to maintain properties at this level of investment for some time to come. As indicated in 2.2.5, an investment strategy based on solely achieving the Decent Homes Standard would not be recommended, as in the longer term, the general condition of the Council's dwelling stock would worsen over time, and increasing numbers of properties would either become undesirable from a tenants perspective, or fall into disrepair as backlog repairs mount up. While a continuation of the Council's existing investment policy would enable a higher level of investment than Decent Homes plus essential works to be achieved for around 20 years, ultimately it would start to lag behind. In addition it would not be sufficient to avoid backlog repairs arising in the future.

- 2.4.2 The HRA operating account is projected to go into deficit within the next 10 years, and remedial action will be required to prevent this occurring. This indicates that the HRA will soon become unviable. To put the level of savings required into context, based on the Base Position model, permanent revenue savings in the region of £0.773m would be necessary from year 2 onwards to ensure that the HRA was in balance by year 30. This equates to approximately 20% of the 2004/05 management budget, or 19.6% of the revenue maintenance budget. In addition, if the aspirational service improvements are to be implemented and delivered, additional savings will be required to counteract the additional costs involved.
- 2.4.3 Given the likelihood of deficits on the HRA in the coming years, prudential borrowing would not appear to be of immediate benefit to Salisbury, but the situation should be reviewed once the HRA has been placed on a more even footing.

3. Stock Retention – Arms Length Management

3.1 The Possible Role of Arms Length Management in Salisbury

- 3.1.1** The projections we have undertaken indicate that Salisbury could comfortably achieve the Decent Homes Standard by 2010, and maintain this standard for some time to come. In addition, over the period to 2010/11, the Council would only be £1.6m short of being able to deliver its full investment requirements, or £5.1m short of achieving the Salisbury Standard. The amount that the Council could potentially bid for under an ALMO would therefore be very small. Consideration of the potential for non-financial and longer term benefits will be necessary to determine whether the “overall” potential benefits would be sufficient to warrant establishing an ALMO.
- 3.1.2** The Council has recently achieved a “good” score in its 2004 CPA inspection, and indeed was only 3 points away from achieving an “excellent” score. As part of this process, housing received an “A” rating, and this, together with the 2* rating received by the repairs service in its 2002 best value inspection would seem to indicate that, should the Council decide to bid for ALMO resources, it would be well placed to achieve the minimum 2* rating from the Housing Inspectorate necessary for the additional resources to be released.
- 3.1.3** It must be stressed, however, that any modest ALMO funding which the Council might possibly secure would only be available until 2010/11, and so it would not be a long-term solution to meeting the Council’s funding gap. From 2011/12 onwards, significant shortfalls in investment resources would continue to arise, and the Council would not be able to achieve the recommended level of investment expenditure.
- 3.1.4** In addition, the costs of setting up an ALMO, and of it being run as a separate organisation, would produce an additional cost to the HRA, for which no additional funding would be available. We estimate that this could be in the region of £150,000 pa, which would add to the difficulties on the Operating Account described in paragraph 2.4.2, and lead to the HRA going into deficit sooner than would otherwise be the case.
- 3.1.5** It should also be noted that any bid for ALMO resources would be in competition with other authorities, some of whom would probably have no prospect of achieving the Decent Homes Standard without these additional resources. Under these circumstances, it is likely that priority would be given to bids from authorities that, unlike Salisbury, would otherwise struggle to meet the standard. Given the increasing popularity of ALMO, in addition to the risks outlined below, there is a risk that lower-priority authorities may not be accepted onto the ALMO programme, or may not receive the full amount bid for, in which case consideration would need to be made regarding a “de minimus” level, below which a bid would not be worthwhile.

3.1.6 **Non-Financial benefits**

3.1.7 Establishment of an ALMO could give rise to non-financial benefits, including:

- addressing the underlying Government policy of a separate focus between Housing strategy and management;
- additional scope for the benefits of operating economies in service management to be ploughed back into landlord services;
- additional scope for spending and investment priorities to be more influenced by tenants' and leaseholders' views, addressing the Council objective for review of priorities;
- additional scope for tenants' and leaseholders' representatives to take a part in managing the service, meeting the Council objective of continuing to involve and empower users in the planning, provision and monitoring of services.

3.1.8 **Longer-Term Benefits**

The Government's interest in rewarding authorities and ALMO's who achieve excellent ("3*") ratings in Inspection of Housing services has gained momentum now that the first round of ALMO's are nearing completion of their investment programmes and some have achieved such a rating. The ODPM Review Group referred to earlier is considering, in the context of financial freedoms, the constitutional and other changes which might be necessary to enable ALMO's in the longer term to contribute funds and services to supporting sustainable communities in partnership with tenants and other bodies. The Review Group's findings may reveal potential for ALMO's to transform themselves into bodies offering wider benefits, once the Decent Homes objective has been achieved.

4. Stock retention - Private Finance Initiative

4.1 PFI in Salisbury

- 4.1.1 There are some concerns arising from experience to date about the practicability of the model's wider application, the value for money it represents, and its capacity to comply with PFI risk transfer principles.
- 4.1.2 Based on current Housing PFI models the scheme will not provide Salisbury with a viable whole stock solution. The ODPM's June 2003 Option Appraisal Guidance for Local Authorities emphasised that, as with the arms length management initiative, extra funding will only be available to bridge the investment gap to achieve the decent homes standard (with some additional funds to address wider area improvement work). The October 2004 guidance reinforces this, but also extends the possible uses of PFI to include building new affordable housing for rent. Given this, PFI would not provide the additional resources needed to achieve the recommended programme of works identified by the stock condition survey, but could assist in providing new affordable housing.
- 4.1.3 As stated above, the PFI is most appropriate as a solution for an identified group of dwellings. Salisbury does not have an obvious group of dwellings within its housing stock. Further, the removal of a portion of the stock to pursue such a scheme could make the issues on the Operating Account for the remaining HRA worse through dis-economies of scale.
- 4.1.4 For the reasons set out above, it is not considered appropriate therefore, for Salisbury to consider HRA PFI further.
- 4.1.5 The Council may, however, wish to consider non-HRA PFI as a possible means to meet one of its key objectives of providing new affordable housing.

5. Stock Transfer – Financial Analysis

5.1 Introduction

- 5.1.1 Of the strategic housing options pursued by local authorities, the most comprehensive but also the most far reaching alternative is a large scale voluntary transfer (LSVT).

5.2 Partial or Full Stock Transfer

- 5.2.1 The Council could choose (with the support of tenants, and the formal approval of the Secretary of State) to transfer all of its dwellings (Full transfer) or only some (partial transfer).
- 5.2.2 Partial transfer has tended to be pursued by larger, metropolitan authorities, as a means of dealing with stock with very high investment needs. In some cases, the transfer has been the means to achieve the demolition and rebuilding of poor condition stock. These transfers are often at nil value, or are even accompanied by a “dowry”, paid by the transferring Council to the new landlord, in recognition of the responsibility being accepted.
- 5.2.3 As outlined in the PFI chapter, Salisbury does not have any clearly definable stock which may warrant such an approach. The size of Salisbury’s stock, and the high degree of fixed costs, is such that a partial transfer could make the HRA’s Operating Account position worse than outlined within this report.
- 5.2.4 For these reasons, we have not considered partial transfer as an option at present, and this chapter will consider full transfer only.

5.3 Transfer Valuation

- 5.3.1 The transfer valuation based on the assumptions contained in the main report is estimated at £48.3m (a unit valuation of £8,833). Inclusion of the additional capital and revenue costs of implementing the Salisbury standard would reduce the valuation to £40.6m (£7,411 per unit).
- 5.3.2 The table below shows an indicative calculation of the net receipt for the Council:

TABLE 5.3	
APPLICATION OF CAPITAL RECEIPT	
	Base Indicative Valuation (£m)
Total Receipt	48.3
Setting up Costs	(2.3)
ODPM Levy	(8.7)
HRA Debt	(2.7)
Net Receipt	34.6

5.3.3 When the additional costs associated with the Salisbury Standard are included, the valuation reduces. As a consequence of this, the net receipt would also be reduced to £28.5m, compared with the £34.6m shown above.

5.4 Impact on the General Fund

5.4.1 We have calculated the potential impact of a transfer on the General Fund as part of our consideration of stock transfer. The net impact on the General Fund would be beneficial, and on the assumption that all receipts, i.e. from both the transfer itself and from preserved Right-to-Buy sales, were invested, net benefits in the region of £8.4m could be expected to accrue over the ten-year period following a transfer. When the additional costs of the Salisbury Standard are included in the valuation, the net benefit to the General Fund reduces due to the lower valuation, and would be in the region of £5.9m over this period. In each case the benefits take account of the likely residual HRA costs that would fall on the General Fund post-transfer. This level of benefit means that there could be scope to invest some of the receipts in providing new affordable housing or regeneration schemes without adversely affecting the General Fund.

6. Conclusions

6.1 Review of Strategic Housing Options

- 6.1.1 The main options currently available to Salisbury District Council for the long-term future of its housing service are the retention of its stock, with or without an arms length management company, or transfer to a new landlord.

6.2 Retention

- 6.2.1 Within our appraisal of the stock retention option we have seen that the Council is able to achieve the Decent Homes Standard plus essential works by 2010 from within existing resources and could maintain that standard for some time to come. We have also demonstrated that neither the full survey level of investment nor the aspirational (Salisbury) standard could be achieved within existing resources. The shortfall in resources needed to deliver the recommended programme of works and improvements is projected as just over £9.4m over 10 years. This increases to £14m when aspirational works are added in.
- 6.2.2 We have highlighted, however, that the decent homes standard represents a minimum level of investment and would lead to backlog repairs arising in the future. In addition, tenants' aspirations would not be met under this standard.
- 6.2.3 The Housing Revenue Account is projected to go into deficit within the next ten years unless remedial action is taken to prevent this. We have estimated that permanent revenue savings in the region of £0.773m would need to be made from year 2 onwards to ensure that the HRA remained in balance throughout the thirty years of our projections.

6.3 Arms Length Management Organisation

- 6.3.1 Given the competitive nature of the ALMO bidding process and the fact that the Council could meet Decent Homes Standard from within existing projected resources, whereas other bidding authorities may be otherwise unable to achieve DHS, it is questionable whether an ALMO bid from Salisbury would be assessed as sufficiently high priority to receive additional resources. Furthermore, in the event of a successful bid, the additional revenue costs would place further stress on the HRA Operating Account.

6.4 PFI

- 6.4.1 The evaluation of PFI for housing is contained in Chapter 4. At the moment there remain some concerns arising from experience to date about the practicability of the model's wider application and the value for money it represents. Based on current Housing PFI models the scheme is unlikely to provide Salisbury with a viable whole stock solution, except possibly for the provision of new affordable housing.

6.5 Stock Transfer

- 6.5.1** Finally the appraisal of the stock transfer option was presented in Section 5. This shows that the transfer option could deliver the recommended programme of works identified within the Council's stock condition survey. Based on our indicative valuations, the council could expect to receive a net receipt from the transfer in the region of £34.9m, assuming the full survey standard of investment, or £28.5m assuming the Salisbury Standard was implemented. The impact on the General Fund would be negative in the first year following a transfer, but positive thereafter. Over the 10 years following transfer, a net cumulative benefit in the region of £8.4m is estimated to accrue to the General Fund. Inclusion of the costs associated with delivering tenants' aspirations would result in a reduced valuation, although not significantly. The reduction in transfer receipt would result in a lower benefit to the General Fund, with an estimated £5.9m accruing over the first 10 years.

6.6 Comparison with strategic objectives

- 6.6.1** In reviewing the various options, it is important to compare them with the main objectives for the options appraisal in order to enable the Council and its tenants to make the best decision as to the way forward for Salisbury's housing stock. The matrix set out below illustrates how each of the options would deliver the objectives:

	Council	ALMO	PFI	Transfer
Affordable Rents	Yes	Yes	Yes	Yes
New affordable dwellings	No additional resources for new dwellings	Possibly: New guidelines indicate possibility for high performers	Possibly: New guidelines indicate possibility	Probably
Meet Decent Homes Standard	Yes	Yes	Yes	Yes
Deliver Salisbury Standard	No	No	No	Yes
Maintain Service Standards	No: Savings required to balance HRA	No: Savings required to balance HRA	No: Savings required to balance HRA	Yes
Increased tenant participation	Yes	Yes	Yes	Yes
Same Rights	Yes	Yes	Yes	No, but All main rights including RTB would be contractually protected
Maintain Council's strategic role	Yes	Yes	Yes	Yes

6.7 Overall conclusions

- 6.7.1** It can be seen from the results of the financial modelling and the comparison of options above that there are two main options available to the Council.
- 6.7.2** Whilst retention of the stock by the Council would enable the Decent Homes Standard to be achieved by 2010, and maintained for some time after this date, significant levels of savings would be required to enable a balanced HRA to be achieved. In addition, as mentioned in the body of the report an asset management strategy based purely on maintaining properties to Decent Homes standard would not be advisable in the long term. From the matrix above it can also be seen that this option would not provide any additional resources to enable new affordable housing to be delivered, except insofar as the Council decided to bid for PFI credits for new affordable housing, and was successful.
- 6.7.3** Stock transfer would enable the full stock condition survey requirements to be met, along with the additional costs associated with achieving the Salisbury Standard. There would be a substantial capital receipt arising from the transfer and additional receipts over time from preserved Right-to-Buy sales. The impact of a transfer on the General Fund would be beneficial, and would appear to give some scope for additional investment by the Council in new affordable housing provision, subject to corporate prioritisation of the available receipts.

**CONSULTATION WITH TENANTS ON FUTURE
OPTIONS FOR THE HOUSING SERVICE**

**A REPORT TO
SALISBURY DISTRICT COUNCIL
BY
ALDBOURNE CONSULTANCY**

February 2005



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1. INTRODUCTION

In May 2003 Aldbourne Consultancy was appointed by the Tenants' Panel of Salisbury District Council as independent advisers to the Council's tenants and leaseholders. Salisbury District Council have looked at transfer of the homes to a Housing Association on two previous occasions so there was a history which brought with it some political and practical baggage. This needed to be taken carefully into account. Due to local political issues there was a slow start to the options appraisal and Aldbournes work with the Tenants' was delayed until this was resolved.

The main aims of our role included:

- Working with a core group of tenants from the Tenants' Panel to focus on the options appraisal process, act as a sounding board and help advise and consult all tenants of Salisbury District Council. This core group continued to identify themselves as the Tenants' Panel for the duration of this project. The Tenants' Panel in Salisbury includes elected members of the Council who attend to promote communication between the Council and its customers. The core group that Aldbournes worked with did not include these members, but from time to time they were invited to join in the information and training sessions to avoid duplication of effort.
- Offering support to tenant representatives through the Options Appraisal process
- Giving detailed explanations and advice to tenants' representatives on the relative advantages and disadvantages of the various options available to the Council
- Providing appropriate training for tenant representatives to ensure information was understood and accessible
- Operating a freephone service through which tenants could raise issues, concerns and questions

- Keeping detailed records of tenant contacts and concerns and to discuss these with the tenants' representatives and the Council in regular meetings
- At the end of the process, producing a report on the outcome of consultation to advise members and officers on the views of the tenants of Salisbury.

This work is now complete and this report contains our findings and conclusions. It is anticipated that the report will help to inform the elected members' and officers' decision-making processes with regard to planning the future of the housing service.

1.1 Structure of this Report

The following Chapter provides some background information which sets out work in context. Chapter Three outlines the way we approached the work, while Chapter Four details our findings. Chapter Five contains our conclusions.

1.2 Acknowledgements

We would like to thank all those who have assisted us during the course of our work, particularly the tenants' Panel, and, of course, all those tenants who gave up their time to attend roadshows, open meetings groups and focus groups and who gave their views via questionnaires.

In addition we would like to thank officers and members of the Council who attended various tenant meetings, as well as the Tenant Participation Officer at the Council for her assistance throughout the project, particularly with providing information, arranging venues, transport and refreshments for tenants attending meetings.

2. BACKGROUND

Salisbury District Council appointed consultants HACAS Chapman Hendy to carry out a review of the options available to the Council in relation to its long-term housing strategy. An initial summary report of the HRA position was presented to the Project Board in October 2003 and successive updates were reported regularly throughout the appraisal period. A report outlining the position regarding stock condition and the ability to meet the Decent Homes standard and the Salisbury standard was initially presented in June 2004 the group raised some concerns around the assumptions and sensitivities within the stock condition survey and as a result amendments were made. A further version was presented to the Project Board in January 2005 and following further requests for review of sensitivities a final report is being prepared for February 2005.

This appraisal had to take account of the latest social and economic trends, government legislation and guidance, and all proposed government policies and initiatives. Because of the period over which the appraisal has been carried out, just under 2 years, the baseline position assumptions have had to be reassessed each time there has been a change to the underlying factors. The Council required an evaluation of the options to achieve its aims and objectives in relation to social housing i.e.

- To provide homes that are in good repair and to modern standards (including meeting the Decent Homes Standard)
- To charge rents in accordance with rent restructuring
- To ensure an adequate supply of appropriate social housing to meet local needs.

A process of information, dissemination and consultation provided essential feedback to the Council which has helped to inform the decision-making process.

3. OUR APPROACH TO THE WORK

The approaches that we took for consulting with tenants were varied and can be summarised as follows:

- Aldbourne Independent Newsletter sent to all tenants advertising our role and including an initial questionnaire
- An aspiration survey using a questionnaire returned confidentially for analysis by Aldbournes to contribute to the development of a Salisbury standard
- Contribution to and editorial input in Council newsletters sent to all tenants
- Working with the Tenants' Panel, including attending some of the Panel's own agenda meetings to update members and debate progress, facilitating special meetings for the core group to provide training and to act as a sounding board and help advise and consult all tenants of Salisbury District Council
- A review of HACAS Chapman Hendy report, in conjunction with the Tenants' Panel
- Using the feedback from tenant consultation to contribute to the development of the local Salisbury standard
- Attendance at public events such as the initial seven round the district meetings to explain the process and establish tenants' priorities, roadshows organised by the Council and 3 focus groups arranged for to obtain feedback from tenants regarding the questionnaire
- Facilitation of a workshop session to explore the Decent Homes standard and develop a Salisbury standard and hear from tenants who have been through the process and chosen an ALMO, an LSVT and a council who retained the stock
- Provision of a freephone service for all Salisbury tenants.

Each of these is described in more detail below.

3.1 Newsletters to all Tenants

All Council tenants and leaseholders were sent an Aldbourne newsletter in June 2003, which was aimed at introducing the options appraisal issues and Aldbourne as independent advisors. The newsletter also included promotion of how to get involved, the freephone service and advertised a series of round the district sessions hosted by Aldbournes. The newsletter also asked people to people to give their views of their priorities for the future. A copy of the newsletter can be found at Appendix 1. The responses to the questionnaire were compiled and summarised, a copy is attached at Appendix 2. These responses together with those from the aspirations survey sent out by the Council formed the basis for the Salisbury standard.

The response to this newsletter (7.8%) was considered poor by the Tenants' Panel and after discussion with the Tenants' panel it was agreed that one of the reasons was that Aldbourne were unknown to the tenants and as such no one was identifying with the name. A decision was made to use the Council brand of 'Housing Matters' newsletter in future as the main medium for communication.

To ensure that Aldbourne retained the independent status they were asked to act in an editorial capacity to ensure that text for future newsletters reflected Aldbournes advise.

The Council can provide copies of the Housing Matters newsletters. It can be confirmed that Aldbourne Consultancy were included in the editorial compilation and monitoring of the text and in order to provide independence and confidentiality for tenants the responses to the aspirations survey attached to the first special options edition was returned and analysed by Aldbournes. (See below). The second edition of the special housing matters contained a preference question to test opinion on the options. The council were responsible for collecting these responses and analysing the findings.

3.2 Working with the Tenants' Panel

Whenever we undertake independent advice work, we find it extremely helpful to work with a group of tenants' representatives who act as our client throughout the work. In the case of Salisbury, this comprised tenants who were already members of the Tenants' Panel.

Regular meetings were held with this Panel. These meetings provided training and information and reviewed the following issues:

- ❑ Government policies and each of the options
- ❑ Decent Homes Standard and the stock condition survey
- ❑ Housing Finance and the options appraisal process
- ❑ The Options appraisal report
- ❑ Newsletters and written material
- ❑ Consultation and engaging with tenants

Examples of some of the agendas and notes for each of the meetings can be found at Appendix 3.

There have been a number of issues which should be considered in terms of the work with the Panel. These can be summarised as:

- The Panel has experienced particular internal problems with membership and constitutional issues. This has upset the balance at times in the dynamics of the group and has contributed to a great level of uncertainty about the Panel's future for the individual tenants. Coping with this whilst trying to get to grips with the very complex nature of the options appraisal has been difficult
- The length of time from start of the appraisal to completion has meant that it has been difficult at times to sustain the momentum

and maintain interest and motivation. The Panel have been very disappointed at the delays that have occurred due to the lack of financial information being available at the anticipated time. The delays have also required careful management as the information given at the beginning was long forgotten when the time came to re apply the initial fundamental issues to the Salisbury position. This required more repetition of information and debate than would normally be the case. As Independent Advisors there has also been concern throughout the life of the appraisal at the limited capacity of the tenants on the Panel. Most of them have struggled with some of the most basic concepts around options appraisals and this has made the going rather slow and tough at times. Their ability to grasp the more complex issues around financial sustainability is therefore also limited. Despite the patience of both council officers and Aldbourne representatives to ensure that the Panel have understood the issues, regretfully there is still a lack of confidence that the understanding is as comprehensive as it should be. However, further training and debate on the options is unlikely to resolve this matter as this will not tackle the fundamental capacity issues.

- The Panel have recently resolved their internal issues and have recruited some new, younger members. These new members have grasped the position very quickly and are contributing to the debate
- The Panel have continued to be dismayed at the lack of interest from other tenants around the district. They have been very disappointed at the turn outs for consultation activities

3.3 Training and capacity building for the Panel

Training was identified by the group with the support of Aldbournes. The group were very much in control of their own training requirements. As well as providing detailed briefing sessions about each of the options available to the council training sessions were provided about housing finance and the

Decent Homes Standard. Copies of the presentations for each of these can be found at Appendix 4.

A Saturday workshop session was arranged for the Panel which was also open to all other tenants to attend. Invitations to the session were sent to all tenants who had previously attended events and expressed interest. This session, which took place in February 2004 was aimed at looking at the Decent Homes standard, what it offers and developing further the Salisbury standard.

A copy of the brief for the workshop facilitators and the notes from the workshop are attached at Appendix 5. Regretfully, the attendance at this workshop was poor and limited to the committed and hard working Panel members.

A visioning day was also organised by the Council and held in July 2004. The aim of this day was to look at the evidence gained so far in the options appraisal and to share opinion about the options available. Aldbourne Consultancy attended the vision day to help facilitate discussion and also organised for guest speakers from local LSVT, ALMO and stock retention authorities to come along and talk to tenants. The intention being to promote discussion and to allow tenants in Salisbury the chance to ask questions and here from other tenants how it has worked for them. Regretfully, attendance at this event was also limited to Panel members and very few other tenants. The attendance from guest speakers was also disappointing and despite firm agreements a number of them failed to turn up. Whilst this day was hosted and advertised by the Council, Aldbournes were pleased to have been very involved in developing the programme and context for the agenda.

3.4 A Review of the Hacas Chapman Hendy Options Appraisal Report

Our assessment of Hacas Chapman Hendy's Options Appraisal is contained in Section 4.1 of this report.

3.5 Council Roadshows and Focus Groups

As part of the on-going consultation with tenants in Salisbury, the Council undertook a round of roadshows during December 2004. These were 'raising awareness' roadshows i.e. to provide some background to the options process, and to explain both the process itself, and each of the options, in more detail. A total of six different venues were covered across the district. The number of tenants who were actively involved at this stage was disappointing.

It was agreed that Aldbourne Consultancy, as the Tenants' Independent Adviser, would attend the roadshow meetings as an independent observer and to offer advice.

Following these roadshows a further questionnaire was sent to all tenants from the Council asking them to offer a preference on the options available. the Council collected the responses and data is available from the Council.

A high proportion of tenants expressed a preference for keeping the Council as landlord even though the newsletter had explained that this would have consequences for the service. Given the implications of the financial position and the impact this may have on tenants, it was agreed that further explanation was needed to ensure that tenants clearly understood the implications of choosing this option.

In order to add some qualitative information to the basic numbers and to explore further the issues outlined above three focus groups were arranged. The Council invited tenants to attend in January 2005 by targeting people who had filled in the survey and those who had failed to return one. The focus groups were facilitated by Aldbourne Consultancy to maintain an independent perspective on the discussion. The make up of the three groups were:

- Group A - tenants who had expressed a preference to Stay with the Council

- Group B – tenants who had shown interest in transfer to a Housing Association

And Group C – tenants who had not responded at all

The notes for these groups is attached at Appendix 6

3.6 Supporting Tenant Representatives by attending Council Project Board Meetings

The Project Board is made up of councillors and tenant representatives, plus Council officers, advisers and staff representatives specifically to consider the options for the future of council housing in Salisbury.

Tenants were nominated from the Tenants' Panel. Aldbourne Consultancy was invited to attend Project Board meetings to provide support to the tenant representatives and give feedback from tenants generally.

3.7 Freephone Service

A freephone service was provided during the course of our work for all tenants to use. It was advertised in all newsletters which were sent to every tenanted property, and in all our letters inviting tenant representatives to attend our meetings. Cards and fact sheets displaying the freephone number were also handed out to people who attended the Council roadshows should they wish to ask questions confidentially or pass the number on to neighbours and friends.

There was a fair response to the freephone service from tenants with a total of 54 enquiries.

OUR FINDINGS FROM THE WORK

In this section of the report we provide details of our findings from our review of the HACAS Chapman Hendy report and our work with tenants in Salisbury.

4.1 The Review of the Options Appraisal Report

We considered that the report provided comprehensive textual information about housing policy and the options.

The approach to looking at the finances, with the two scenarios based around Decent Homes only to 2010 and a wider Salisbury 'aspiration' standard is good and gives people a sense of choice.

The Housing Revenue Account forecast takes account of the recent changes to subsidy allowances and could be seen to be the best case scenario.

There had been some cause for concern with differences between the assumptions and sensitivities of the stock condition survey. These have now been ironed out.

We therefore considered the financial modelling of HACAS Chapman Hendy to be sound and that a reasonable approach has been taken by their study.

We can confirm that the report measures each of the options against the key housing objectives of Salisbury District Council. The report concludes that:

- As far as staying as the Council goes Salisbury District Council can achieve the 2010 Decent Homes standard plus essential works and it can continue to meet this for some time beyond 2010 from within existing resources. However, by staying as the council and retaining the stock it cannot deliver neither the full survey standard nor the aspirational Salisbury standard. The shortfall to deliver the works and

improvements programme including the aspirational works would be £14million over 10 years.

- The HRA is projected to go into deficit within the next ten years and so remedial action is needed
- An ALMO bid is unlikely to be successful in attracting additional resources and even if it were it could add extra pressure on the HRA Operating Account
- PFI is not considered likely to provide a whole stock solution but there could be some possibilities for new affordable homes provision
- Stock transfer could achieve Decent Homes requirements plus essential works and could also deliver higher standards in line with the full survey as well as the aspirational Salisbury Standard but this would only be possible if the transfer valuation was reduced. A significant amount of savings are also required to enable a balanced HRA to be achieved. The provision of new affordable homes through this option would be limited but more likely to provide an increased provision than the other options and a PFI bid could also offer some assistance
- Prudential Borrowing is not an available option to Salisbury until such time as the HRA account projected deficits have been sorted out

The stock transfer option does therefore; in Salisbury's case appear to offer an opportunity to satisfy tenants' expectations and aspirations although the HRA position needs attention.

Staying as the Council requires significant attention to the HRA position and could not offer an opportunity to deliver tenants' aspirations.

We would however point out that any future consideration of the LSVT option should be compared with the option of stock retention. Proposals would therefore need to be considered in the context of:

- ❑ the specific stock investment requirements and tenants' aspirations

- any new information from the ODPM in respect of new or emerging policies
- and
- support from tenants. Salisbury has been some way down the route of investigating LSVT before and support from tenants is not readily forthcoming
 - the potential for applying the Community Gateway Model should be explored further before any final decision as to transfer vehicle were made

4.2 Feedback from aspirations questionnaires and developing the Salisbury standard

A questionnaire was sent to all tenants and leaseholders by the council to try to gather an overall view of the thoughts of the wider body of tenants and leaseholders. As to their priorities and aspirations for the future.

The findings from the survey were then applied to further develop the Salisbury standard. The standard was costed by HACAS and these costs worked into the financial scenarios.

A copy of the Aldbourne report on developing the Salisbury standard is attached at Appendix 8.

A copy of the findings from the aspirations survey is attached at Appendix 9

4.3 Feedback from the Freephone Service

Questions/ issues raised about the options appraisal were very general and included:

- o What is it all about?
- o What will happen to the Right to Buy?

- o What are the options?
- o Area offices should be retained under transfer.
- o What is Aldbourne's role?
- o Will it affect rents?
- o How will it affect leaseholders?
- o What is the Decent Homes Standard?
- o Disabled people are not adequately represented
- o Registration of preference to stay with Council

A full list of all Questions, comments and concerns can be found at Appendix 7.

4.4 Feedback from the Tenants' Panel

After careful deliberation of the financial position that the council is in with regard to the £6 million negative subsidy and the £1.2 million budget deficit, the conclusions drawn by the group are outlined below.

- **Private Finance Initiative (PFI)**

Given that PFI is as yet unproven for housing and that the ODPM does not currently anticipate PFI schemes providing a whole stock solution, this option was considered to be unsuitable for Salisbury at this time.

- **Arms Length Management Organisation (ALMO)**

It appears from the information provided, that as the Council is likely to be able to meet the bare minimum Decent Homes Standard but will suffer in terms of longer term investment and service revenue funding, A bid for additional ALMO funding is possible but is unlikely to be successful to the extent of investment required. The set up costs and overall potential benefit are not considered sufficient to explore this further at this time.

In addition, an ALMO would not enable the Council to meet the 'aspirational' Salisbury Standard nor, under current rules, could it provide funding for the building of new homes.

- **Large Scale Voluntary Transfer (LSVT)**

Although the Panel has had some fears about this option there has been a willingness to learn more about how this would work in Salisbury and how the council, staff and tenants would be affected. The tenants were able to see that there could be some benefits if an LSVT took place but they were keen to ensure that the feedback from the wider body of tenants be noted. The majority of the Group felt that although a Stock Transfer could deliver some benefits there would be some reluctance amongst the wider body of tenants and leaseholders to move forward with this option.

The focus groups in January 2005 have shown that there is some scope to raise the profile of this option with tenants and when offered the chance to discuss this face to face they are much more open to the potential it can offer and have a great many questions before finally deciding against it. The concern of the Panel is that it would be a very hard slog to consult widely and in detail on the LSVT option.

- **Staying as the council**

The council has traditionally provided its tenants and leaseholders with a good quality service. The Panel are generally happy with the standard of housing management and the majority were happy with the repairs and improvement service although there were one or two issues that needed to be resolved. As a result this made the option of retention a positive choice in the mind of the majority of the group. However, throughout the process they have been clearly stating that this is only an option if the council can clearly show that they can meet the Decent Homes Standard and meet the aspirations of Salisbury's tenants and leaseholders.

It is clear from our meetings that the preferred option for 8 out of 15 of the Panel, is to retain the stock, although they realise that there would be some major changes in the way the council would run the housing service.

- **Community Gateway Model**

This is not an additional or alternative option to achieving Decent Homes. It can be applied to the ALMO or stock transfer options to raise the level of tenant empowerment in the management of the homes thereafter. The CGM is still yet to be fully established anywhere and as yet has no track record to investigate. The model focuses on community involvement and has a particular relevance in neighbourhoods where tackling social exclusion is a priority, and where

the viability of investment depends on the achievement of community sustainability. Success in applying the CGM would require significant commitment of time, effort and energy from tenants across the district. The consultation process for the options appraisal has shown that tenants across Salisbury have been reluctant to engage and get involved in the decisions face to face and do not appear keen to commit to being involved in the running of the housing stock. This would not appear to offer great foundations for applying the Community Gateway Model.

4.5 Tenant and Leaseholder involvement

Throughout the options appraisal process the council has actively encouraged tenants and leaseholders to be involved in the process. The Tenant's Panel appointed the ITA.

There has been a number of different methods for tenants and leaseholders to obtain information and to input their views, comments, questions and concerns throughout the process.

At various stages feedback has been given by the council to tenants and leaseholders about the process and the work that has been undertaken.

Towards the completion of the appraisal efforts were made to establish that respondents to the final questionnaire were completely aware of the position and to engage them in debate about the impact of their preferred option.

There has been a general lack of interest from tenants in the process and the future of their homes. This has been dispiriting for the Panel and the Council. It is a barrier that the Council face generally in trying to engage with their customers and it seems that even though great efforts have been made there is a level of apathy still to be overcome.

5. CONCLUSIONS

Through our independent consultation with tenants in Salisbury, and our deliberations with the Tenants' Panel, we have found that:

- Tenants are generally satisfied with current Council services, older people in particular trust the Council to a high degree
- The level of awareness and knowledge about the issues and problems currently faced by the Council is good. The final focus groups ensured the clarity of the position
- Tenants have a reasonable understanding of the various factors influencing an option appraisal. The numbers actually engaged during the process have been disappointing but this had not been for the want of trying
- Some suggestions have been made that tenant interest in the options consultation process has been poor because there is a feeling of déjà vu and that the council has been here before, coupled with a real trust in the council services
- Tenants appear to be more open-minded and willing to receive further information if you can engage them in debate – but the majority are not keen to have any debate and are only willing to respond to questionnaires with a consistent response of retention being the favoured option

In terms of a potential Large Scale Voluntary Transfer (LSVT) proposal, the feedback from the consultation work we have undertaken indicates a high degree of scepticism of housing associations, linked with fears about rent levels and loss of democratic control. Much of this appears to be founded in other first hand experiences or rumour regarding housing associations.

The questionnaire results support the feedback we have received during consultation sessions. However it should be noted that the tenants and leaseholders are comparing the council with a concept of ALMO, LSVT or PFI

and not an offer document from a new company. There is no information for them to compare exactly what a different landlord would offer.

The results should only be considered as an indication of opinion.

The Tenant's Panel have listened to the views of other tenants and tried to keep an open mind about the options facing the council. There is a fair level of understanding about both the options appraisal process and the work carried out generally by the housing management team at Salisbury . There is an opportunity, which ever option is chosen, to build upon the success of the Panel and to give them a key role within the decision making process. Further work should be done to keep involvement of the wider body of tenants active following this process.

Both the council and the tenants have been keen to look at different ways of getting people involved and this is to be commended and encouraged.

We are confident that every tenant and leaseholder of Salisbury District Council has had the opportunity to be involved, receive information and have their comments and views considered as part of this process.

APPENDIX 1
Aldbourn Independent Newsletter

APPENDIX 2

Salisbury DC Options Appraisal

Tenant Test 1

Summary of Responses from Aldbourne Associates Newsletter

TOTAL of valid responses received	443
TOTAL number of questionnaires sent out	5,660
Response rate	7.8%

Topic	Number of respondents selecting topic	
	Number	%
Getting a service that provides value for money	321	72.46
Keeping my tenancy rights	379	85.55
Bringing homes up to the Decent Homes standard	356	80.36
Improving estates (eg. Paths, roads and estate layouts)	292	65.91
Bringing homes up to a higher, local standard	289	65.53
Longer opening hours for the housing service	105	24.71
Making more affordable homes available in Salisbury	260	58.95
Improving the repairs service	246	55.78

Ranking of topics of highest percentage of response

		%
1	Keeping my tenancy rights	85.55
2	Brining homes to the decent Homes standard	80.39
3	Getting a service that provides value for money	72.46
4	Improving estates (paths, roads and layout)	65.91
5	Brining homes up to a higher local standard	65.53
6	Making more affordable homes available in Salisbury	58.95
7	Improving the repairs service	55.78
8	Longer opening hours for the housing service	24.71

APPENDIX 3

Agendas, notes

APPENDIX 4

Presentation slides

APPENDIX 5
Workshop session February 2004

APPENDIX 6
Focus Groups January 2005

APPENDIX 7
Freephone analysis sheet

APPENDIX 8
Salisbury Standard report

APPENDIX 9

Aspiration survey findings



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Derek Streek
Head of Housing Management
Salisbury District Council

Tuesday 25th January 2005

Dear Derek,

Housing Options – UNISON Submission

This is a UNISON submission on the options available to the Council in considering the long-term management of the housing stock. The report focuses on our assessment of the options available but does not deal with issues that we would wish to deal with should a transfer go ahead such as protection of terms and conditions of employment, pensions and union recognition. Should the Council decide to press for a transfer UNISON would require that the Council enter into negotiations with us on the terms of a transfer of employment of housing staff prior to the ballot taking place. I would be grateful if this submission will be taken into consideration and presented to Cabinet in their consideration of the stock options appraisal and results of the consultation with tenants and staff.

This submission is based on the final draft of the HACAS Chapman Hendy Options Appraisal of December 2004, which incorporated the outcomes of a recent stock condition survey by Cyromany; the HRA Business Plan of 2002 (updated by the Option Appraisal); and a summary of Salisbury's Housing Strategy. The main points are set out below.

STOCK INVESTMENT NEEDS

The Option Appraisal uses the investment identified as required by the Cyromany stock condition survey to extrapolate investment costs for three investment scenarios over a 10-year period

- Decent Homes, costing £27.6m
- All costs identified by the stock condition survey, costing £52.1m
- The "Salisbury Standard, which in addition to the stock condition survey costs, includes items identified as desirable by tenants and costs £56.1m

As can be seen from the above figures, the difference between meeting Decent Homes and meeting the level of investment identified by the stock condition survey is about £24.5m over 10 years. Over a 30-year period, the consultants estimate this gap widens to £47m, with a further £11m to be added for the “Salisbury Standard”.

STOCK RETENTION

Meeting the investment required

The consultants estimate that, over the next 10 years, the budgeted investment by the council, based on its current policies is £34.9m. This, they point out, is quite sufficient to meet Decent Homes. The consultants estimate that the actual amount available for investment is £40m, £12m short of the stock condition survey requirements and £16m short of the “Salisbury Standard”.

Whilst the consultants indicate that Decent Homes is a **minimum** standard, it is the standard the government is insisting all social housing meets by 2010; the “Salisbury Standard” is well in excess of this. Thus, given that the council has resources in excess of those required to meet Decent Homes, choices could be made about additional improvements and their timing.

Looking further the main sources of capital available to the council, these are:

- Major repairs allowance
- Borrowing approvals
- Capital receipts
- Revenue contributions to capital outlay

Major Repairs Allowance

Resource accounting was introduced into the HRA in 2001-2. One of the changes this brought was that all councils with housing stock receive an annual Major Repair Allowance, based on stock numbers and type, together with any regional cost adjustment. The MRA is adjusted annually for inflation and any change in stock numbers. For 2004-5, Salisbury’s MRA is £3.05m. This money must be spent on the council’s own housing stock, mainly for capital works. Thus, the total MRA figure available for investment in the next 10 years will be around £30m, assuming constant stock figures. In practice, this is likely to be somewhat less because of right to buy and any planned demolitions or remodelling of stock.

Borrowing approvals

Although the MRA has been funded at central government level by top-slicing the national Housing BCA (borrowing approvals), there is some continuing BCA – now called “supported borrowing” - for a local authority’s own housing stock. For 2003-4, Salisbury’s BCA “specified” for use on its own stock was £0.63m, rising to £0.8m in 2004-5. The consultants quote the figure of £0.5m, steadily reducing to nil by 2010 but have not included this (admittedly small amount) in their estimate of available capital investment.

Right to Buy receipts

The Option Appraisal indicates that Salisbury does not use any RTB receipts for its own stock. According to the HRA Business Plan, this is a very recent change, only becoming fully effective in 2003-4; the reason given is that RTB sales declined considerably from 2001-2 onwards and the council preferred to devote its remaining capital receipts for “affordable housing and other corporate priorities”.

The consultants have estimated that, over a 10-year period, using only 50% of the usable RTB receipts – assuming no further dramatic decline – would increase the investment

available by £7.6m. It must be assumed that using 100% of the available receipts would double this amount, which would come close to meeting the “Salisbury Standard”

Revenue Contributions to Capital Outlay (RCCOs)

Major capital works funded from revenue income within the HRA are usually known as Revenue Contributions to Capital Outlay (RCCOs). The Option Appraisal identifies £5.2m available in the years 2005-9, but none after that. This is the reason why the consultants calculate the actual investment available is £40m, rather than the budgeted £34.9m.

If Salisbury were able to sustain RCCOs over a 10-15 year period, RCCOs can now be used to fund new borrowing under the prudential borrowing regime, thus enabling the council to bring some capital work forward. The consultants indicate that the state of the HRA in the short to medium term means that prudential borrowing is unlikely to be feasible, however.

Stock retention - conclusion on capital resources

First, it is necessary to stress that Salisbury can meet the government’s Decent Homes standard from within their existing budgeted capital programme. This would be in keeping with the active modernisation programme the council has undertaken in recent years. Indeed, under existing allocated resources, they would seem to have leeway to continue to undertake some works in excess of Decent Homes, particularly when the identified RCCOs are included.

Second, as the consultants have identified, there is major scope for increasing investment in the council stock by using RTB receipts for council homes. This was Salisbury policy until very recently. The consultants have looked at the impact of 50% of usable capital receipts being diverted back to council homes and estimated a further £7.6m would be available. It must be assumed that using 100% of usable RTB receipt would double that amount.

UNISON View

UNISON asks that the Council to revisit its policy on Right To Buy receipts and requests a revised calculation of available investment if 100% of usable RTB receipts are used for the council’s stock; this would be to identify how near to meeting the “Salisbury Standard” the council could be.

Maintenance of SDC owned roads

UNISON also understands that the HRA is currently used for the emergency maintenance of SDC owned roads. Has this expenditure been included in the calculation of HRA spending in future? If it has would the transfer of this liability to the General Fund (which would require identification of other capital resources) free up some capital from the HRA that could assist in meeting the “Salisbury Standard”?

The HRA

Salisbury has benefited to a certain extent from the review of management and maintenance allowances. Although transitional arrangements have damped the increase in the current year, maintenance allowances per property have gone up from £540.06 to £655.02, an increase of 21.3%. Also, management allowances have increased by 2.5%.

For 2005-6, management allowances will increase again by 2.5%, whilst maintenance allowances go up to £752.29, an increase of 14.85%, - an overall increase in allowances of 10.7%. It should be noted that the transitional arrangements continue to damp Salisbury’s allowances, in the case of maintenance by almost £20 per property.

The consultants have projected the HRA forward and calculate that it is not sustainable in the medium to long term. For their base position, the consultants have taken a somewhat prudent position of management and maintenance allowances increasing by only 2% per annum in real terms, apart from 2005-6, where they have factored in the 8% real increase over inflation. They also rightly point out that, because average rents in Salisbury are above the guideline rents for the subsidy calculation, Salisbury will lose subsidy as guideline rents move to target rents under rent restructuring.

However, much of the debate about rent restructuring and its relationship with management and maintenance allowances has revolved around how much of the increased rental income councils are allowed to retain as their rents move to target rents. The consultants have, therefore, also calculated the effect of management and maintenance allowances increasing in real terms by 4% per annum. This shows a much improved revenue position for the HRA.

Stock Retention - PFI

UNISON has long argued the disbenefits of PFI; it is a complex and costly way of annualising investment. Its procurement arrangements are particularly cumbersome and whether it delivers value for money is open to dispute. The one major advantage of PFI is that it does not involve sale of the stock or a change of landlord for the tenants concerned. Also, if a PFI scheme would, by dealing with stock with high investment needs, significantly reduce the investment required for the remaining homes, it would be worth serious consideration. The first housing PFI schemes have finally got under way and the government is still pushing this option, whilst looking for ways to simplify the procedure.

The consultants have rightly pointed out that that PFI is not intended to provide a whole stock solution. As all Salisbury's pre-war properties have been modernised and the non-traditional stock repaired, it seems unlikely that there would be a substantial proportion of the stock with high investment needs which could form the basis of a PFI scheme.

There remains, as the consultants point out, the possibility of using PFI to provide new affordable homes, and this may be an option worth further investigation if the council and tenants decide to retain the stock.

Stock Retention - the "Arms Length" Option

ALMOs have been promoted by government as a way of enabling local authorities to retain their stock and to increase investment. Despite there being little evidence to back government claims that separation of a council's management and strategic functions will deliver a better service to tenants and a more effective strategic role for the authority, the government is making this separation of functions a requirement for granting extra investment approvals under an ALMO. Changes made for 2004-5 have meant that any successful ALMO application now gets sufficient additional investment to meet the Decent Homes standard by 2010.

An ALMO allocation is, therefore, intended to cover the additional investment needed to meet the Decent Homes standard and it is worth stressing that, under this option, the council would continue to receive supported borrowing approvals, plus Major Repairs Allowances to keep its improved stock in good condition. In the longer term, the government indicated last year that it is prepared to give high-performing ALMOs more financial freedoms, possibly bringing their financial regimes more in line with those of RSLs. No details have yet emerged other than the provision in the Housing Act 2004 to enable ALMOs to bid for Social Housing Grant.

Only councils which perform well on housing management will qualify for additional investment and must demonstrate to ODPM in their application how they intend to bring their services up to standard. This should present little problem for Salisbury as a generally high performing authority. The main stumbling block, as the consultants rightly point out, is the fact that Salisbury can meet the Decent Homes standard from existing resources and would not, therefore, be eligible for additional investment. Thus, any benefit to the council would depend on additional financial freedoms being granted to high performing ALMOs.

Whilst staff may see little difference between the ALMO option and stock transfer, there are big advantages for tenants, who would retain their secure tenancy and remain council tenants, as their homes would not be sold to another organisation. Also, unlike stock transfer, it is not an irrevocable decision – contracts typically run for 10 years and the operation of the ALMO must be reviewed after 5 years; the council could decide to take the service back "in house". Stock transfer offers no such option for the council, staff or tenants.

Rent restructuring - Stock retention and stock transfer

Rent restructuring is aimed at achieving a greater similarity between the council and RSL sectors over a 10-year period starting in 2002-3. The current formula for target rents under restructuring means that council rents remain below RSL rents because of differences in age and type of stock. This would mean council rents would be around 5-10% below the RSL level nationally, as opposed to the current 15% gap. The aim is to achieve target rents at the end of a 10-year period. In Salisbury, rents are currently some 30% above the RSL average.

In summer 2004, the government consulted on changes to the rent restructuring formula, which would cause council rents to reach target rents more quickly. However, following opposition from the local authority associations, any decision on changes has been postponed until 2006.

STOCK TRANSFER

In purely financial terms, stock transfer would in theory appear to "work" in Salisbury; however, as the HRA Business Plan points out, it has already been considered twice by the council and rejected in a ballot by tenants on one occasion. Also UNISON's experience of housing stock transfers is that there is often a concern that all of the promises made to tenants prior to a transfer are realised afterwards. UNISON has examples of transfers that have not delivered the expected improvements and where, in fact, tenants and staff have suffered under the new stock management organisation. The Council would not have any democratic control in this matter post-transfer and can tenants be sure that certain levels of investment would be delivered and that the 'Salisbury Standard' would be attained?

Valuation

The consultants estimate a positive valuation of £49.2m, based on achieving the investment identified in the stock condition survey. From this must be deducted set-up costs of £2.9m; a levy of £8.7m, which the ODPM claws back on positive transfers; and the repayment of the HRA debt of £2.7m.

This would leave the council with a net receipt of £34.9m, which would not be subject to the pooling arrangements on housing capital receipts. As has been pointed out it could be invested or used to fund capital expenditure.

Transfer vehicle

The consultants make no firm recommendations regarding the preferred transfer organisation. With a stock of around 5,500, it could either be a stand-alone local housing company or become part an existing RSL, either as part of a group structure or as a direct transfer. Whilst joining with an existing RSL may provide additional financial stability, this would, as the consultants point out, lead to a loss of local control and probably local focus. In practice, most whole stock transfers have been to a stand alone, local organisation although a number of the smaller ones have subsequently merged with larger RSLs.

General fund implications under stock transfer

There would be costs to the council's General Fund (GF) if a stock transfer were to go ahead. The costs arise primarily because not all staff who provide corporate support for housing services and have a proportion of their costs charged to the HRA would transfer; these costs are estimated at around £4.1m in the first 5 years, reducing to £3.25m in the subsequent 5 years. There is also an on-going cost of £0.15 per annum because of changes to the council's VAT recovery position, which is directly attributable to stock transfer. Also, an additional one-off cost of an estimated £3m would be required to fund part of the shortfall in the superannuation fund.

The HRA balances of £3.6m can offset against these costs in either year 1 or year 2; the consultants also include on-going interest income of from the invested transfer receipt and future preserved RTB receipts amounting to £7m over the first 5 years and £10.9m over the following 5 years. However, this interest would obviously reduce should the council choose to use any of the receipts for capital projects, such as new affordable housing. It is basically this level of interest which enables the consultants to show a net saving to the GF from stock transfer.

A major increased cost used to be caused by the change of status of council tenants to RSL tenants and the consequent impact of the GF carrying 5% of additional Rent Allowances for 3 years, plus an on-going cost of additional unsubsidised and unrecovered payments. However, all housing benefit costs are now met through the GF and, although the notional savings to the HRA will be paid to ODPM, this should not adversely affect the GF unless there is a similar time lag in the council receiving reimbursement for the 5% of costs via its revenue fund grant.

OTHER CONSIDERATIONS

1. THE NEW CAPITAL FINANCE REGIME

The Local Government Act 2003 introduced a prudential borrowing regime for local authority capital investment, including housing investment, which enables councils to borrow against income streams. Councils will not be allowed to borrow against their MRA. Also, as indicated earlier, they will be able to use RCCOs to fund additional borrowing for their own stock instead of taking this as year on year expenditure.

Changes to the 75% set aside rule on Housing capital receipts mean that all councils, including debt free ones, now pay into a central pool. The original idea was that central pool would be redistributed to areas of greater housing investment need, although it is not clear how or if this will happen. It is fairly apparent that Salisbury would not benefit from this changed arrangement.

As already indicated, the Housing Act 2004 enables ALMOs to access Social Housing Grant, in line with the change that it is no longer reserved solely for Registered Social Landlords.

FOURTH OPTION

There continues to be talk about a “fourth option” for investment and UNISON Salisbury District Branch have lobbied Councillors as part of our national union’s campaign to change Government policy. It must be admitted that there is little to suggest that the Government will enable it to materialise in the near future. There is unlikely to be any change in the current situation prior to the general election, expected in May 2005. However the campaign by tenants and others in gathering momentum and as more councils reject transfer (sometimes following rejection by a ballot of tenants) the Government arguably must enable tenants to keep their homes under Council management or accept a two-tier provision of social housing against tenants’ wishes. UNISON’s General Secretary, Dave Prentis, (15th January 2005) believes that Ministers are already wavering and are being more flexible in the use of the prudential financial regime to allow Councils who have decided to retain housing stock to invest in housing. In UNISON’s view Government policy must be changed to end such blatant unfairness and pressure will increase on Ministers to change with each Council that decides to retain its housing stock and each ballot that is rejected. Over 250 backbench MPs from various political parties have signed up to motions in Parliament supporting direct investment. Government Ministers have made commitments to review the ‘fourth option’ or investment allowance which, after all, was a proposal contained in a ODPM/Government consultation document. The Government talks about ‘tenant choice’ but continues to deny a fair choice to them on remaining with the Council. Given such a level playing field UNISON believes that most tenants would wish to remain with their Council and this particularly appears to be the case in Salisbury.

Tenant’s Tax

Tenants have quite rightly questioned why money is removed from the HRA on an annual basis. £6m a year from Salisbury. This so-called “tenants tax” is unfair and discriminatory and something that UNISON has been campaigning (campaign called “daylight robbery”) against for a number of years. Despite hope that this would end this has so far failed to materialise. Tenants in Salisbury deserve an answer from the Government on why this deduction is made.

2. TENANTS

Views on transfer

The recent consultation with tenants on the stock options show that tenants continue to have little enthusiasm for transfer and much enthusiasm for keeping Salisbury as their landlord. The initial aspiration survey conducted by Albourne Consultancy indicated that

73% of tenants believe that ownership by the Council is very important

to them and another 12% thought it quite important. Only 3.5% thought that ownership by the Council was not important. These findings have been reinforced by the results from the tenant’s questionnaire sent out in November 04. This found that

70% of the respondents wanted to remain with the Council

and only 30% wanted consideration of a stock transfer. A massive majority in favour of Council ownership.

There is a high level of satisfaction with Council ownership and the majority of tenants agree that the Council manages and maintains their homes well. Most tenants trust the Council and many would appear to have concerns about the performance of housing associations according to the results of the recent consultation. The desire of tenants in Salisbury to wish to remain with the Council is not too surprising given the level of modernisation works already undertaken and the Council's generally high performance, there is more likely to be a positive response to their landlord than the "fear factor".

There is every indication that tenants would reject a transfer in a ballot as they have done once before. The Council would be taking a high-risk option in spending enormous sums of money, as they have done twice before, to enable the ballot to take place only to possibly lose a ballot and to have effectively wasted money. The Council must show that there is sufficient support for a transfer before commencing a formal ballot and UNISON believes that the results of the consultation indicates that such support does not exist. This is despite, in our view, heavily weighted questions and arguments being put to tenants during the consultation process. UNISON understands that focus groups are intended in late January 05 to inform the results of this stage of the consultation process. The findings of these groups, if they are genuinely neutral, should be of interest. However this union believes that the results of every major test of tenant opinion are such that they cannot be ignored and the result of focus groups of less than 0.5% of those returning the questionnaires cannot be allowed to make a case for a demand for transfer by tenants where one does not exist.

Every time tenant opinion is tested in Salisbury they say that they want to remain with the Council and the current administration must take this consideration seriously before making any decision to spend resources and time on yet another formal ballot for transfer. I am sure that Councillors are fully aware that local electors have held previous administrations accountable about important decisions on the housing stock and would wish to hold them accountable for such decisions being made again this year.

"Salisbury Standard"

It would appear that the results of the consultation indicate that a sizeable minority of tenants want the Salisbury Standard – the full improvements identified by the stock condition survey plus some additional external works identified by tenants – but also want to stay with the council. As the section on the council's capital resources indicated, most of this could be delivered by diverting the whole of the usable RTB receipts to council homes. Alternatively, if the full local standard cannot be met, tenants may well prefer to keep Salisbury as their landlord and have a slightly lower standard. As pointed out local decisions can be made in consultation with tenants about the priority and timing of future works given available resources.

Tenancy issues and LSVT

Tenants are naturally concerned about their secure tenancy. Although the government is looking to harmonise tenancy rights, proposals are still at an early stage and legal changes are not likely to take place for some years. It is true that the majority of secure tenancy rights can be reproduced contractually in an assured tenancy and that a preserved right to buy is protected by statute. However, the right to manage would disappear. Thus, any future tenant management organisation would depend entirely on whether an RSL landlord was favourably disposed to tenants taking on this responsibility.

More importantly, possession grounds cannot be identical. There is evidence of RSLs using Ground 8 (8 weeks' rent arrears); this is a mandatory ground and, if the landlord can prove that such arrears exist (even if caused by late housing benefit payment), the court must grant possession. There is no discretion to grant a suspended possession order, as there is with all secure tenancy possession proceedings.

CONCLUSIONS

This submission has highlighted the following issues as being of particular importance

- Salisbury can easily meet the Decent Homes standard, which is the Government's required standard, from within its own resources.
- It may be able to meet the "Salisbury Standard" if it uses its usable RTB receipts for its own stock, as was the policy up to very recently.
- The health of the HRA in the medium term to long term is somewhat dependent upon future levels of management and maintenance allowances.
- PFI is not a whole stock solution and but could be considered for providing new affordable housing.
- The ALMO option would not at present generate additional investment because the council can meet the Decent Homes standard from within its own resources.
- Given Salisbury's high level of performance both overall and as a housing authority, it may well be worth giving further thought to the ALMO option once the "further financial freedoms" for high performing ALMOs are clarified.
- Stock transfer is probably financially viable but has already been rejected twice previously by the council and once by tenants in a ballot.
- Stock transfer cannot proceed unless tenants vote in favour.
- Preliminary consultation results demonstrate no tenant enthusiasm for stock transfer.

UNISON hopes that this submission and our observations will be taken into account by the Council in its deliberations on the preferred option for the future of Salisbury District Council housing.

Yours sincerely,

Mark Wareham
UNISON Branch Organiser

cc. *Richard Sheard, Chief Executive*
cc. *David Neudegg, Policy Director*
cc. *Political Group Leaders, Salisbury District Council*
cc. *Chair and Vice-Chair of Salisbury & District Tenants Panel*

Housing Stock Retention Risk Register

Date Last Updated: March 05

[illegible]

Housing Transfer Risk Register

Date Last Updated: March 05

[illegible]