

<b>ROTHERHAM BOROUGH COUNCIL - REPORT TO MEMBERS</b>
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<b>1.</b>	<b>Meeting</b>	<b>Cabinet Member for Neighbourhoods</b>
<b>2.</b>	<b>Date</b>	<b>15<sup>th</sup> September 2008</b>
<b>3.</b>	<b>Title</b>	<b>Council Housing Futures Project Update</b>
<b>4.</b>	<b>Directorate</b>	<b>Neighbourhoods and Adult Services</b>

### **5. Summary**

A report was presented to Cabinet Member for Neighbourhoods on 3<sup>rd</sup> March 2008, recommending the establishment of a project group to explore options for the future of Council housing in Rotherham, after 2010 Rotherham Ltd's Decent Homes Programme has been completed. The group and four sub-groups are now in place and work is underway to ensure that clear recommendations can be provided to Cabinet Member in March 2009.

### **6. Recommendations**

**Cabinet Member is asked to:**

**Note the content of this report**

**Note the *project management arrangements* attached as appendix A**

**Note the work programme attached as appendix B**

**Note the proposal to provide further reports in December 2008 and March 2009**

## **7. Update on Council Housing Futures Project**

### **7.1 Overview**

Following Cabinet Member approval, an initial meeting was arranged at the end of May 2008 to form the Council Housing Futures Steering Group. Terms of reference were drafted, and four sub-groups established in order to progress each key work area. All sub-groups have met at least once and two further meetings of the overall Steering Group took place during July and August 2008. RMBC's Landlord Relations Manager is project managing the overall process, while each group is chaired by an appropriate lead and tenants' views are represented on each sub-group via RotherFed. The four sub-groups are as follows:

- Sub-group 1: Finance
- Sub-group 2: Landlord options
- Sub-group 2: Developing new Council housing
- Sub-group 4: Future business expansion opportunities for the ALMO

A document setting out project management arrangements (including terms of reference) has been produced and this is attached as appendix A.

A work programme has been produced and this is attached as appendix B.

### **7.2 Sub-group 1: Finance**

The main output of the Finance sub-group will be a clear view of the level of resources available over the next thirty years to invest in Council housing. A timetable has been produced setting out actions required to update the 30-year Housing Revenue Account (HRA) Business Plan based on the status quo. This will include evaluation of all the inputs into the financial model (such as the number of properties sold through Right to Buy), and RMBC finance will work closely with 2010 Rotherham Ltd to ensure that the Decent Homes model and HRA Business Plan are aligned.

The first sub-group meeting focused on scene-setting to enable the group to obtain an understanding of the current issues affecting housing finance. These include the following:

- HRA subsidy settlements are typically only for one-to-two years, which makes it difficult to produce long-term strategies. The HRA Business Plan financial model will be prepared for RMBC using current known figures to evaluate our baseline position and thus the merit of other options.
- Rent restructuring – we are required to achieve set rent levels by 2016/17 (originally 2012 but extended following rent caps in 2006/7 and 2007/8). Rent levels are closely linked to the HRA subsidy system.
- There is little clarity over what funding will be available to maintain the Decent Homes Standard after 2010/11, and consideration will also need to be given to the costs associated with ensuring long-term sustainability and achieving Government carbon reduction commitments.

- The Government's ongoing review of the HRA subsidy system is due to report back in Spring 2009. The review is in response to concern that at a national level HRA monies (tenants' rents) are now subsidising the Treasury (£200m in 2008/09).
- The group will also need to take into account the six self-financing HRA pilot schemes evaluating operating outside the HRA subsidy system, and what this may mean for RMBC.

The following main risks and uncertainties have been identified and are being tracked by the sub-group:

- a) 2010 Rotherham Ltd need to retain the Audit Commission inspection result of two stars in order to access the remaining £85m required to complete the Decent Homes programme by 2010/11.
- b) Uncertainty due to potential changes to the HRA subsidy system following the Government's review.
- c) It is critical to the overall Futures project that this sub-group is able to provide a clear view of resources over the next five, and thirty year periods, as this will be required for the other three sub-groups to be able to make recommendations.

### **7.3 Sub-group 2: Landlord options**

As stated in the previous Cabinet Member report, most councils with ALMOs are planning to extend their ALMO function beyond 2010 and this approach has several advantages. The Council has a responsibility to consider whether this is the best way of delivering the Council's future housing aspirations and this sub-group is leading an appraisal of the three main landlord options post-2010:

- a) Continuing with an ALMO, either in its current form or through a revised agreement
- b) Returning housing management services to the Council
- c) Stock transfer – either for the entire stock or a partial transfer

The sub-group has established a set of criteria by which to evaluate each of these options (and sub-options), and various benchmarking activities are planned.

This sub-group will also consider opportunities to increase tenant empowerment, for each of the main models. Originally this was stated as being a separate, fourth option, but a scoping workshop during August 2008 concluded that tenant empowerment should be considered for all options and not as an alternative model. Tenant management organisations, for example, can be established alongside an ALMO as all Council tenants have the statutory Right to Manage.

A RotherFed Delegates' Conference will be held in September 2008, in order to share with tenants and residents the aims and objectives of this sub-group (and the overall Futures project).

The following main risks and uncertainties have been identified and are being tracked by the sub-group:

- a) If 2010 Rotherham Ltd does not retain two stars in the Audit Commission re-inspection, this may have implications for the options to be explored.

- b) It is essential that any additional resource requirement for this area of work is identified as early as possible, as otherwise there may be a risk of not having sufficient time to explore each option in depth in time by March 2009.

#### **7.4 Sub-group 3: Development of new council housing**

This sub-group has been set up to explore the potential for 2010 Ltd to act as a developer of new housing, and to explore alternative models. Over the last two years, the government has made it possible for ALMOs to bid for funding for new social housing, as social landlords in their own right. This has clear links to sub-group 4 (future business opportunities for the ALMO).

The various options for delivering new Council housing were reported to Cabinet Member in March 2008:

- ALMO direct build
- Local Housing Companies
- Council developing surplus HRA land
- Council owning local delivery vehicle
- Limited Liability Partnership

Rotherham has challenging targets for the number of new affordable homes to be delivered, and there is a strong appetite for new Council housing. It is important to ensure that an evidence-based approach is taken, and that the type, size, design quality, location etc of new housing matches need in Rotherham. The Affordable Housing Officer is working with the group to help inform this area of work.

2010 Rotherham Ltd are in the process of producing a detailed paper setting out implications of the ALMO building new homes. It is important to ensure that an holistic view to housing development is taken – not solely focusing on new build, but also linking in with existing regeneration programmes.

All potential HRA sites will be mapped out. The delivery agent will ultimately be determined by land and money availability, and it will be necessary to ensure close liaison with the finance sub-group.

Representatives from Bramall Construction and Chevin Housing Group have been included in this sub-group to allow perspectives from the developer and RSL sectors to feed into and inform the group's work. The involvement of these organisations will be on an entirely objective basis, and they will not be unfairly advantaged with respect to any future Council house-building programmes. The work of this sub-group will be open and transparent, and progress will be reported to the strategic housing RSL forum and to other developer partners.

The main risk / uncertainty associated with this sub-group is that if 2010 Rotherham Ltd do not achieve two stars in the Audit Commission re-inspection, the organisation will not be in a position to bid for Social Housing Grant.

#### **7.5 Sub-group 4: Future business expansion opportunities for ALMO**

Projected income is set to decrease following completion of Decent Homes, and 2010 Rotherham Ltd is currently mapping out the implications of these projections.

Three key factors that will need to be taken into account by this sub-group:

- a) Audit Commission inspection result
- b) The requirement for the Memorandum and Articles of Association to be changed, if 2010 are to be allowed to extend its trading opportunities
- c) Future of the repairs and maintenance in-house service provider

The group will look at potential business opportunities for ALMOs in general (based on good practice in other boroughs), and then consider how this could apply in Rotherham. Strategic priority 11 of 2010's Business Plan part 1 is to *identify and win new business opportunities* – this will dovetail into the work of the sub-group. The group may also look at business opportunities for other landlord models rather than focusing solely on ALMOs, and this will be reflected back to sub-group 2.

Options to be explored include the following:

- Reviewing scope of services provided by 2010 Rotherham Ltd on behalf of the Council.
- Provision of services to registered social landlords (approaches have already been made to 2010 Rotherham Ltd) and ultimately to the private sector.
- Increasing construction work, for example through Rotherham Construction Partnership (there are clear links to the sub-group exploring options for building new Council housing).

The main risks / uncertainties associated with this sub-group are a) not having a clear view of finance resources, b) the ALMO not achieving two stars and b) sub-group 2 deciding that an alternative to an ALMO should be pursued after 2010.

#### **8. Financial implications**

Sub-group 1 has been established to look at the overall financial implications of the Council Housing Futures project (see section 7.2).

A small budget has been established, to be managed by the Landlord Relations Manager, in order to cover benchmarking visits, possible external facilitations, room facilities and refreshments where required.

#### **9. Risks and uncertainties**

Risks and uncertainties associated with each sub-group are set out in sections 7.2-7.5 above.

Overall risks associated with the project have been identified in the Neighbourhoods and Adults Service Plan and are being managed via RisGen.

The key deliverable of this project is a set of clear recommendations to Cabinet Member by March 2009. The risks associated with not achieving this, or of not providing information in a sufficiently clear and comprehensive way as to allow Cabinet Member to take this decision, are as follows:

- a) Continuing uncertainty for staff in RMBC and 2010 Rotherham Ltd regarding their future roles
- b) Affects Council's ability to deliver new Council housing
- c) Uncertainty over future asset management strategy
- d) Reduces time available to consult tenants and all stakeholders / partners
- e) Reduces time available for necessary business re-alignment of 2010 Rotherham Ltd services
- f) Prevents long-term business planning approach
- g) Uncertainty for tenants and residents

## **10. Policy and performance agenda implications**

This project has wide-ranging policy and strategic implications for the Council as the strategic housing authority. The project will be aligned with the strategic objectives of RMBC's Community Strategy, the Local Area Agreement and the Multi-Area Agreement, and the Housing Strategy.

2010 Rotherham Ltd's delivery of the Decent Homes programme and achievement of other performance targets contributes to the Council's Comprehensive Area Assessment Score.

Sub-group 1 will produce a clear view of housing resources over the next 30 years which will enable the Council to take a more strategic medium and long term approach to business planning.

Sub-group 2 will explore options for tenants and communities to play a stronger role in managing their homes, which contributes to the empowerment agenda.

Sub-group 3 will assist in meeting the Council's new-build commitments.

A comprehensive Equality Impact Assessment will be carried out, commencing in December 2008 and to conclude in time to be added to the final recommendations report to Cabinet Member in March 2009.

These key themes are reflected within the Individual Well-being and Healthy Communities outcome framework, as follows:

- Improved Quality of Life – by identifying and creating opportunities for improved housing standards and options to meet household aspirations and an improved quality of life, through meeting identified housing needs and addressing obsolete housing and environmental blight (Objective 6)
- Exercise Choice and Control – through enabling a range of housing options to be presented to households ensuring individuals can exercise choice and control over their housing options and home life (Objective 6)
- Personal Dignity and Respect – through creating housing choices and tools which promote independent living, personal dignity and respect, investing in quality

neighbourhoods, ensuring residents can enjoy a comfortable, clean and orderly environment.

- Freedom from discrimination or harassment – through providing quality housing and independent living, targeted to meet specific need, to support improved health and well-being, facilitated by a transparent allocations process. (Objective 2)
- Economic well-being – providing high quality housing, through high design standards and meeting identified needs in order to create sustainable neighbourhoods, offering high quality and extended choice of housing provision, to meet current and future aspirations.

## 11. Background papers and consultation

### Appendices

- Appendix A: Project management arrangements document
- Appendix B: Work Programme

### Consultation

Members of the Council Housing Futures Steering Group have been consulted on this report, which is chaired by an Elected Member and includes RotherFed, 2010 Rotherham Ltd and various RMBC teams.

Informal consultation will be carried out with tenants and residents via a RotherFed Delegates' Conference on 10<sup>th</sup> September 2008.

Ongoing communication and consultation will be carried out in accordance with the project management arrangements document, attached as appendix A.

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