

<b>Key Decision</b>	<b>Yes</b>
<b>Listed on Forward Plan</b>	<b>Yes</b>
<b>Within Policy</b>	<b>Yes</b>
<b>Policy Document</b>	

## **UPDATE ON STOCK OPTIONS APPRAISAL PROCESS FOR THE FUTURE OF THE COUNCIL'S HOUSING**

Accountable Cabinet Member: Councillor I Henderson

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### **1. Purpose**

- 1.1 To gain the Cabinet's approval of current progress on the stock options appraisal process since the setting up of the Steering Group.

### **2. Recommendations**

- 2.1 To confirm that once the consultation period has ended, tenants will be given an opportunity to express their preferences through a ballot.
- 2.2 That the Cabinet agrees at this stage to keep all the tenants' options open by expressing an interest in the bidding rounds for Arms Length Management Organisation (ALMO) funding, Private Finance Initiative (PFI) and stock transfer rounds in October 2004.

### **3. Issues and Choices**

#### Background

- 3.1 The Council embarked on a new stock options appraisal as required by the Office for the Deputy Prime Minister. The aim of the appraisal is to make sure that the Council's housing can meet the government's Decent Homes Standard by 2010. We need to follow government guidance in how we conduct the stock options appraisal and the Government Office for the South

East and the Community Housing Task Force<sup>1</sup> oversee our conduct of the appraisal. One of the first steps in carrying out the options appraisal was to set up a Steering Group to manage the process. This was set up in June 2004 (Cabinet Report - 20 April 2004).

- 3.2 The Steering Group is made up of four Councillors and five tenants<sup>2</sup>. These are the voting members of the Steering Group. The Director of Housing, the Head of Housing Strategy and Needs and a staff representative are non-voting members of the Group. The Steering Group has had 3 meetings. The Group's meetings are open to the public.

#### Appointment of Consultants to Support the Stock Options Appraisal Work

- 3.3 Since the last report to cabinet we have appointed two sets of consultants to assist with the stock options appraisal work. The tenants on the Steering Group appointed an organisation called First Call to be their Independent Tenant Advisors. The second set of consultants is Price Waterhouse Coopers (PWC) who have been appointed as the Council's financial consultants. Both First Call and PWC will attend and give advice to the Steering Group. Competitive tender selected both organisations.

#### Stock Condition Survey

- 3.4 The Council commissioned FPD Savills to carry out a stock condition survey of the Council's housing stock. The results of that survey have been reported the Council Housing Forum and to the Steering Group. Further work will be carried out by the Steering Group to examine the results in more detail.

- 3.5 The main conclusions of the stock condition survey were:

- (a) The Council needs to spend:
  - (i) £58m to meet "Minimum Decent Homes"
  - (ii) £190m if we want to meet "Standard Decent Homes"
  - (iii) £220m on "Standard Plus Decent Homes"
- (b) 50% of the Council's homes do not meet the Decent Homes Standard.
- (c) Capital resources are around £71m running up to 2010, which is inadequate to meet two of the standards, i.e. Standard Decent and Standard Plus Decent.

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<sup>1</sup> The Community Housing Task Force is a group set up by the Office for the Deputy Prime Minister to work with councils carrying out stock options appraisals.

<sup>2</sup> In this context tenant covers leaseholders and shared owners as well as council tenants.

## Developing the Options

- 3.6 We now have to show the government how we will bridge any gaps between the level of improvements needed and the resources available. We need to do this by testing the following options:
- (a) the Council carries on as now and manages within existing resources;
  - (b) Arms-Length Management (ALMO) the Council sets up a new Council-owned organisation to manage the Council's homes. If this organisation reaches a high standard of service (as judged by the Audit Commission) then it can receive additional capital funding;
  - (c) Private Finance (PFI) the Council continues to own the housing but parts of the housing stock are managed on a long-term contract (up to 30 years) by a group of organisations (usually including a bank, a housing association and a maintenance company);
  - (d) Stock Transfer (LSVT) the Council neither owns nor manages housing but transfers it to a housing association. This can either be an existing or one specially set up for Milton Keynes; and
  - (e) a mixture of the above - the Council can explore whether a variety of options working together to deliver decent homes are sustainable.
- 3.7 The Steering Group will be working (with advice from PWC) to work out which of the above options are viable for Milton Keynes. The Steering Group will also need to assess what tenants' aspirations are for the level of improvement they are looking for. A consultation exercise has been carried out by the Independent Tenant Advisor, which will be reported to the Steering Group in October 2004.
- 3.8 PWC will also be working out what the costs to the Council could be of the various options so that the council's finances are protected.
- 3.9 In order to make sure that we are keeping our options open we need to put in an expression of interest in ALMO, PFI and stock transfer in October 2004. Other councils in the same position as Milton Keynes Council are also expressing an interest in October to make sure that all options are open to their tenants.

## Communications

- 3.10 Communication of the whole stock options process is very important so that all tenants and stakeholders understand what is happening. The Steering Group has adopted the title **Your Home Your Future Your Choice** as the catchphrase for the appraisal process.

### (a) **Newsletter**

First Call has produced a newsletter in August 2004 working with the Steering Group. The newsletter has gone to every tenant of the

Council. This is the first of a series of newsletters that will be produced at least every other month. The newsletter included a questionnaire asking tenants to identify what is the most important to them of the range of possible improvements to their homes. All councillors were circulated with a copy of the newsletter and the questionnaire.

(b) **Briefings**

We are planning a series of staff and councillor briefings. The staff briefings - primarily for staff working in the landlord service will take place in September and November 2004. Councillor briefings will be conducted by the Head of Housing Strategy & Needs and the Director of Housing. Partner organisations will continue to be briefed via relevant forums.

(c) **Web Based Information**

We are planning to post all the information about this process on the internet including newsletters and the minutes of the steering group.

(d) **Road Shows**

First Call have also started to conduct public events to get stock options discussed by tenants in particular but also by the broader Milton Keynes community. To this end they will be running a series of road shows throughout the autumn. At the end of the road shows we will test how far information has been received and understood by tenants.

(e) **Ballot**

Depending on the result of the test of how far information is understood we will either continue the information and consultation process or move to ballot tenants on the options. In the timescale we are working to the ballot could be held in December 2004. The commitment to hold a ballot of tenants is contained in the manifesto of the current administration.

4. **Implications**

4.1 **Policy**

The Steering Group will continue to manage the stock options appraisal process on the council's behalf and will report back to the Council on 7 December 2004 on whether this is an appropriate time to move to a ballot and what options should be presented in that ballot.

4.2 **Resources**

We have set up a revised budget of £170,000 to cover the cost of the options appraisal process for 2004/05. The Housing Revenue Account wholly funds this budget, however there is general fund support to the process from the

Head of Housing Strategy & Needs and the Housing Policy & Development Officer.

The current programme looks to complete the options appraisal work by December 2004. However, this date is dependant on how successful we are in communicating the issues to tenants. As this is the most important component of the project we will delay a ballot - and so the end of this aspect of the process until we are sure that there is a reasonable level of understanding of the issues at stake. The statutory deadline for the work is July 2005. Once the options appraisal stage is complete the council will then need to set up an implementation stage to deliver the option that tenants have chosen.

As part of their work for the council the financial consultants are calculating the value of the council's housing stock. When they have done this they will go on to work out how affordable the options are. It is planned that this part of the project will be completed by the end of October 2004.

Once that valuation is known and when tenants have selected an option then there will be a need to build the consequences into the council's medium term financial plans.

There will need to be provision made within any budgetary calculations for the legal costs for consultants or in-house legal support as the various options unfold.

#### 4.3 Legal

The Council is required to follow the guidance issued in June 2003 on conducting options appraisals.

Background Papers:            Stock Condition Survey FPD Savills  
   Cabinet Report - 20 April 2004  
   Your Home Your Future Your Choice Newsletter produced  
   by First Call Independent Tenant Advisor  
   Questionnaire to tenants produced by First Call  
   Independent Tenant Advisor  
   Budget for Stock Options Appraisal  
   Delivering decent homes - option appraisal ODPM June  
   2003  
   A Decent home: The definition and guidance for  
   implementation ODPM February 2004  
   Decent Homes goes from strength to strength ODPM News  
   Release July 2004