

Borough of Poole & Poole Housing Partnership Housing Options' Appraisal



BOROUGH OF POOLE

COUNCIL HOUSING OPTIONS APPRAISAL WORKING PARTY

12 October 2009

The Meeting commenced at 4.00p.m and concluded at 5.40p.m.

Present

Councillors Ms Atkinson (Chairman)
Bulsteel and Trent
Mr R Aggett
Mr B Constance
Mr L James
Mr R Saunders

Officers attending

Jan Thurgood	Strategic Director (Adult Social Services)
David Mullany	Project Manager, Housing & Community Services, Borough of Poole
Joe Logan	Chief Executive, Poole Housing Partnership
Adam Richens	Senior Finance Manager, Borough of Poole
Robin Ingleton	Head of Finance, Poole Housing Partnership
Bill Shaw	Head of Best Value and Performance, Poole Housing Partnership
Tracey Mitchell	Democratic Support Officer, Borough of Poole

33. WELCOME

The Chairman, Councillor Ms Atkinson, welcomed everyone to the fourth Meeting of this Working Party that had been set up by the Council's Cabinet to oversee the 'Housing Options Appraisal' that would be deciding how best to guarantee sufficient investment in the Housing Stock in the future.

34. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Brooke and Mrs Walton, Mr A Khan and Cally Antill, the Head of Housing and Community Services, Borough of Poole.

35. DECLARATIONS OF INTEREST

No Declarations of Interest were made.

36. MINUTES OF PREVIOUS MEETING

RESOLVED that the Minutes of the last Meeting held on 20 July 2009, having been previously circulated, be taken as read, confirmed as a true record and signed by the Chairman.

37. FINANCIAL OPTIONS APPRAISAL UPDATE

Adam Richens, Senior Finance Manager, Borough of Poole, presented the second draft of a report produced by Steve Partridge of the Housing Quality Network (HQN), which provided a financial analysis of the future options available to the Council for the management and ownership of its housing stock. The report drew together the outcome of financial work that had been completed by a small group of officers from the Council and Poole Housing Partnership (PHP), alongside an analysis that had been undertaken by HQN in an advisory capacity. This revised draft reflected the Government's consultation paper on the outcome of the review of council housing finance and the proposed move to a self-financing system for the Housing Revenue Account, (HRA).

In summary, the Senior Finance Manager highlighted the following conclusions that had been reached in Mr Partridge's report in respect of the three options listed below: -

(a) Staying in a National Housing Revenue Account (HRA) Subsidy System

- In an unchanged Housing Revenue Account (HRA) subsidy system, the future for Poole's HRA could be described as being 'bleak'. Significant savings in service costs were needed, starting at £200K annually from Year 3, rising to over £0.5M per year by 2020; year on year;
- With no change in long-term funding, around half of the investment needed to reach the Poole Standard could not be met over the long term, whilst the remaining improvements that needed to be made to the stock post-Decent Homes Standard could not be delivered. There was no prospect of borrowing or any other alternative approach to meeting the Poole Standard;
- Increased allowances from the HRA Review had been promised, (5% for management and maintenance and 24% for major repairs), as well as a commitment to funding outstanding backlogs. However, even with an increase in funding in the longer term at a level needed to achieve the full future Poole Standard, there was little or no prospect of meeting

the remaining improvements needed for the stock from existing resources made available within a national HRA system, even if it was reformed.

(a) Self-Financing Housing Revenue Account (HRA)

- Due to the strength of future rental surpluses within the HRA, self-financing would become a financial option for Poole, providing that the opening debt settlement was set at a sensible and realistic level;
- If Poole's HRA was able to become self-financing at an opening debt of between £47M and £70M and there was borrowing freedom to meet spending needs, the Poole Standard could be achieved and debt cleared within 30 years. The higher the debt, the more reliance on borrowing and greater risks in the self-financing plan;
- A debt settlement above £70M could still be made viable, but there would be greater risk inherent in such a plan. If a debt settlement approached £100M or beyond, this would make self-financing unviable;
- Self-financing was the preferred future HRA option of the Government. The key issues affecting the viability for Poole related to both the level of settlement and the timing of the settlement. There was currently no definite timetable for its implementation, whilst a need existed for primary Legislation and unless all 185 Local Authorities could agree their position by April 2010, implementation would certainly be beyond a General Election;
- The circumstances at Poole, (high performing but with a large impending outstanding backlog), made an option to 'leave early', (if such a route became available) one which might be of interest.

(a) Stock Transfer

- The analysis of the financial implications of a stock transfer for Poole had included: -
 - (i) The valuation of the housing stock and the implications for the housing association which received the stock;
 - (ii) The estimated setting up costs following a transfer;
 - (iii) The implications for the Council's General Fund after transfer;
 - (iv) The treatment of housing debt before and after transfer.
- Financially, under current rules, a stock transfer at Poole would be able to proceed at a valuation of around £6.4M, providing that overhanging debt was able to be cleared by the Government and the

Council. A stock transfer at this valuation would deliver the Poole Standard and allow for increased costs of converting Poole Housing Partnership (PHP) into a Housing Association;

- There would be little leeway for additional investment in the short term over and above the Poole Standard;
- A VAT shelter could be realised if the transfer association was to be set up as charitable, (i.e PHP sought charitable status). This could be used for investment in community projects, or to support the revenue position of the Council or housing association post-transfer;
- Transfer to an association other than PHP could reduce the valuation and might even increase setting up costs;
- There would be implications for the Council. These included the diseconomies of meeting costs currently charged to the HRA and which could not be mitigated post-transfer (although there were some costs which could be mitigated), opportunities to invest Preserved Right to Buy receipts (and VAT shelter) in capital projects, or to earn interest income and in the treatment of overhanging debt. A detailed Financial Plan for managing these impacts would need to be established if a stock transfer was pursued;
- The outcome of the HRA Review, as set out in the consultation, was a Proposal to end overhanging debt support at the level required for a stock transfer in Poole, although there remained uncertainty about the precise nature of the proposals. Either the purchasing housing association would need to buy the stock for a price in excess of the amount of housing debt within the HRA, or the stock would be transferred at a lower price than the housing debt leaving the Council to cover the debt in the future from the General Fund. Therefore, if the self-financing proposals proceeded as set out in the consultation paper, there could not be a whole stock transfer in Poole.

During the ensuing discussion, the following points were raised: -

- Mr Saunders expressed concern that pursuing the option of self-financing HRA might have a detrimental impact upon Poole Housing Partnership staff, in terms of increased working hours and pressure, which might result in greater staff turnover;
- Mr Aggett stated that, based on this latest information, he was no longer confident that any of the three future options available to the Council for the management and ownership of its housing stock were viable and that an alternative option should now be made available to Councils to consider;
- Bill Shaw reported that three Arms Length Management Organisations, (ALMOs) had been given the 'go ahead' by the Department for

Communities and Local Government to ballot on their housing stock transfer proposals, after providing sufficient evidence that over-hanging debt clearance might be possible prior to the transfer their housing stock. However, if Borough of Poole was to pursue the same option, it would need to borrow funding from its General Fund as its HRA would be running a funding deficit from 2012;

- The Chairman, Councillor Ms Atkinson, expressed concern that there no longer existed a viable option on which the Working Party could base a Recommendation made to Cabinet. She suggested that pressure should be placed upon central Government to acknowledge and resolve this situation, particularly via the Regional Housing forum, of which she was a Member. In addition, she urged the Elected Members present to lobby the Local Government Association over this issue as individual Elected Members, rather than members of this Working Party.
- Cllr Bulteel expressed concern over the radical extent to which the possible options open to the Council were disappearing. He suggested that Elected Members should pressurise the Local Government Association over this situation from both a local and national perspective

RESOLVED that: -

- (i) Steve Partridge of the Housing Quality Network (HQN), who had produced the financial analysis report of the future options available to the Council for the management and ownership of its housing stock, be thanked for his efforts and;**
- (ii) The Chairman of the Working Party, Councillor Ms Atkinson writes to each of the Council's Group Leaders urging them to lobby Central Government over the perceived decrease in viability of the proposed options available to Councils for the management and ownership of their housing stocks.**

37. VISIT TO POOLE OF COMMUNITIES AND LOCAL GOVERNMENT (CLG) CIVIL SERVANTS ON 9 OCTOBER 2009

Joe Logan, Chief Executive of Poole Housing Partnership (PHP), reported on the outcome of The Meeting that had been held in Poole on 9 October 2009 between Poole Housing Partnership representatives, the Deputy Director of Housing for the Local Government Association and two senior Civil Servants. The Meeting had been held to discuss the on-going effects upon the Council's housing stock arising from the introduction of the Government's Decent Homes Standard. (PHP was producing a newsletter for all its residents informing them of the outcome of that Meeting). During 2000, the Government had set the Decent Homes Standard as a minimum standard that all public housing had to meet, in terms of being warm, weatherproof and with reasonably modern facilities. In summary, he explained that the following points had been raised at that Meeting by PHP representatives: -

- Central Government had allowed the Council to borrow more money in recent years to achieve the 'Decent Homes Standard' by 2010, at which point, such additional funding would no longer be available to the Council. Even though the Council expected to fully achieve the Decent Homes Standard by 2010, without this additional funding it would not be possible to maintain the housing stock at that standard.

In particular he cited the example of Sterte Court, Poole, as now having reached the 'Decent Homes Standard', but clearly needed further investment to maintain this level;

- PHP was continuing to improve its homes up to its own 'Poole Standard', which was a superior standard to that of the Decent Homes Standard. In particular, it was explained that PHP had been installing high quality bathrooms and kitchen fittings and had tried to tackle all the defects in properties, rather than undertaking the minimum works to reach the Decent Homes Standard. It was also noted that during any re-decoration by PHP, Tenants were offered a good choice of colours, and were able to have an input into the design of their kitchen to meet any particular needs;
- The current additional Government funding could not be used to cover the costs for renovating communal areas, such as landscaping car parking areas.

RESOLVED that the Working Party notes and shares the above listed concerns raised by PHP at the aforementioned Meeting of 9 October 2009.

37. RESPONSE TO THE GOVERNMENT'S CONSULTATION PAPER

David Mullany, Project Manager, Housing & Community Services, Borough of Poole, circulated a copy of a possible response that he had drafted for the Working Party's consideration relating to the Government's Consultation Paper on the review of council housing finance, an exercise that was scheduled to close at the end of October 2009. He explained that this suggested response incorporated the points and concerns that the Working had raised during its previous Meetings.

RESOLVED that as the draft response was tabled at this Meeting, the Chairman of this Working Party, Councillor Ms Atkinson further considers the suggested response outside of this Meeting and then signs it off as Portfolio-Holder for Social Care and Equalities, subject to any changes that she considered were necessary to make on behalf of this Working Party.

38. DATE AND TIME OF NEXT MEETING

RESOLVED that the next Meeting of this Working Party takes place at the end of January/early February 2010. (Democratic Services to arrange).

CHAIRMAN