



Northampton Borough Council

Housing Stock Options Appraisal Report

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V.6.5

Forward

Key Documents are documents that will be referenced throughout a series of reports related to the Review. This series comprises, this report, the Tenants' Panel Report, Employee Focus Group Report, Housing Options Panel Report, ITA Report and Community Impact Assessment.

All Key Documents, appendices and background documents, not published with this report, associated with the review are available for viewing on the Council's website or by contacting the Housing Options Review Team tel: 0300 330 7004. The List of Key documents related to this report are listed on page 95.

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1 Executive Summary

1.1 Introduction

1.1.2 Northampton Borough Council's Corporate Plan included a commitment to look at the potential options for the future ownership, funding and management of its Housing Stock. In April 2012 a lead officer was appointed to undertake an options appraisal to include a major consultation exercise including all key stakeholders.

1.1.3 The Council recognised that it needed experience and advice so procured it the following:

- Process and Technical Advice Appointed Gerald Davies Consulting Ltd
- Stock Condition Surveys Appointed Savills
- Tenant Survey Appointed Ipsos MORI
- Financial Advice Appointed Savills
- Independent Tenants' Advice Appointed PS Consultants

1.1.4 To ensure key stakeholders remained fully informed, governance consisted of three key groups;

- **Programme Team**
Working group recruited from a number of NBC departments responsible for the production of all programme products and activities
- **Programme Board**
Senior NBC management team who owned the programme and set the overall strategic direction
- **Member Board**
NBC management and Cabinet members responsible for communicating progress and updates to Cabinet Members

1.1.5 Engagement also consisted of three key stakeholder groups;

- **Tenants' Panel (TP)**
A group of self-nominated tenants who worked with the Council and relevant advisers to ensure the Review considered all the things that mattered most to tenants

- **Employee Focus Group (EFG)**
A group of self-nominated employees across the Housing Service who worked with the Council to ensure the Review considered all the things that mattered most to employees
- **Housing Options Panel (HOP)**
Made up of tenants, employees and councillors who examined the key issues in the Review and functioned in a decision making capacity

1.1.6 The Independent Tenant Adviser (ITA) provided guidance and support to tenants to ensure the Review process was delivered without bias. The ITA provided independent and impartial advice and information to all tenants and leaseholders, and gathered the views of wider tenants through their outreach work across Northampton.

1.1.7 Throughout the Review process, the Council ensured that any decisions made have used all available evidence and information to consider the impact of such decisions on the Council, individuals, groups and the wider community.

1.2 Options Analysis

1.2.1 The Review needed to identify the costs associated with improving and maintaining the Council's housing assets over the 30 year Business Plan period and assess each option in terms of their ability to meet such costs. In January 2011, the Council secured £49 million in backlog funding to bring all Council properties up to the Decent Homes Standard, however, significant investment was still required to maintain homes and make environmental improvements to estates.

1.2.2 Initially, ten possible options were identified for consideration, which later reduced to six and then to five which were examined in more depth:

- Retention with a Major Service Review
- Retention with the creation of an ALMO
- Transfer to a stand-alone Housing Association
- Transfer to a Mutual Housing Association
- Transfer to an existing Housing Association

1.2.3 The supporting evidence required and sourced was as follows:

- A baseline analysis of the Council's current Housing Business Plan

- A Tenant Survey to identify satisfaction levels and identify priorities for improvement
- A Stock Condition Survey to ensure the review had up to date information on the condition of the Housing Stock and the costs required for improving and maintaining homes over a 30 year period
- Asset Analysis information to compare the level and timing of expenditure on the properties with the income stream from rents

1.2.4 The TP and EFG considered the outcomes of the above and their implications and continued to identify and explore the following:

- The development of the draft Northampton Standard (contained in key document 14), which included development of new service standards and property standards in excess of the Decent Homes Standard
- Evaluation of the options criteria framework to assess each option, the weighting process for each criteria and the scoring process and how to compare the options
- Financial issues to include an overview of the Council's existing Housing Revenue Account, how stock transfer worked, an analysis on the affordability of the draft Northampton Standard and the potential for delivery of new homes, consideration of the options for the provision of new homes, Government Guidance on Housing Stock Transfer
- Visits from transfer and retention organisations

1.2.5 In addition, the following areas were also presented, challenged, discussed and taken into consideration when assessing the options:

- Tenancy Rights & Tenancy Agreements
- Employee Rights
- Recap on the Decent Homes Standard
- Financial issues presented by Savills
- Governance issues in retention and transfer
- Characteristics of the ALMO Model in detail

- Informal and formal consultation: Overview of an Offer document and the ballot in Housing Stock transfer
- Revisions sessions across all key subject areas

1.2.6 Financial assessment analysis and presentations focused on retention and transfer options. The financial position for the ALMO option was reflected within the retention scenarios. For the retention options, five different versions of the Business Plan were modelled with the aims of testing the maximum debt required and how quickly it could be repaid. All scenarios included major investments costs based on the Northampton Standard and the timing of some investments formed a key part in scenario testing.

1.2.7 The retention options offered opportunities to deliver the standard of investment, although the constraints of the debt cap meant that choices would need to be made around the timing of the implementation.

1.2.8 Stock transfer provided an opportunity to deliver improvements; however, it would require a significant level of debt write-off and this would need to be justified by savings and benefits to central government. Homes and Communities Agency guidance issued in November 2013 set out how local authorities would need to justify the case for transfer and debt write-off and also stated that new transfers would need to be completed by March 2015. This guidance and the ability to meet its conditions were critical in considering the viability of the three transfer options.

1.3 Scoring the Options

1.3.1 The evaluation process was developed jointly by the TP and EFG and had three elements:

- The development of the options criteria framework; including the issues that tenants and employees felt were important for any of the options to deliver against. There was a set of 46 criteria across eight policy categories;
 - Accountability, Influence, Participation and Power
 - Tenants' Rights and Involvement
 - Employee Issues
 - Financial Implications
 - Quality of Homes
 - Impact on Local Community and Economy
 - Legal Framework and Equality
 - Implications for the Council

- The development of a scoring framework; to provide an objective approach scoring each of the options against each criteria element. Options were scored as follows;
 - the option failed to meet the objective
 - the option partially met the objective
 - the option largely met the objective
 - the option fully met the objective

- The development of a scoring weighting framework; identifying the criteria most and least important to the TP and EFG members. The weighting system was agreed as follows;
 - criteria was not essential in the chosen option
 - criteria was desirable in the chosen option
 - criteria was important in the chosen option
 - criteria was essential in the chosen option

1.3.2 In addition, an Options Comparison Document was developed for use as a comparison tool to support the final scoring process.

1.4 Conclusion

1.4.1 The options analysis process that the TP and EFG went through enabled them to carry out an independent and individual scoring of the options and present reports to include their outcomes, scoring rationale and their recommended option to the HOP.

1.4.2 31 TP members participated in the scoring exercise with the following results;

- 1st Retention (ALMO)
- 2nd Transfer (Mutual)
- 3rd Transfer (Stand-alone)
- 4th Transfer (Group Structure)
- 5th Retention (Service Review)

1.4.3 20 TP members scored the Retention as an ALMO as the preferred option and 11 scored the Transfer as a Mutual as the preferred option. The ALMO option scored highest because it scored strongly or very strongly across all eight categories. The ALMO scored

most strongly on: Tenants' Rights; Employee Issues; Financial Implications; the Legal Framework; and Implications for the Council.

- 1.4.4 11 EFG members participated in the scoring exercise and their ranking mirrored that of the TP. The EFG were unanimous in scoring the ALMO option as the most preferred. It scored highest overall because it scored very strongly across all 8 criteria groups and most especially on: Tenants Rights and Involvement, Employee Issues, Financial Implications, Legal Framework and Equality and Implications for the Council.
- 1.4.5 The TP and EFG delivered presentations to the HOP in October 2013 stating their preferred option of an ALMO with reasons and made further recommendations for the implementation phase.
- 1.4.6 The ITA also delivered a report to the HOP giving its views on how the Review was conducted. They confirmed that the evaluation system, which was the best the ITA had seen in their 50 jobs across the UK, had evolved throughout the course of the Review, as a result of intensive consultation and discussion and the decision-making framework had also been effective and appropriate.
- 1.4.7 Before the HOP reached its decision on which option it wished to recommend to Cabinet, it confirmed that it had;
- Taken into account the evidence and many other aspects raised within the HOP sessions delivered throughout the Review
 - Fully considered the views, recommendations and the reasons for them contained within the TP and EFG reports
 - Considered the feedback received from the Tenants' Conferences, particularly those held in November 2013, held to present the EFG and TP preferred option
- 1.4.8 The HOP supports the EFG and TP recommendations to select the ALMO Option.
- 1.4.9 The HOP believe the ALMO option most appropriately meets all of the requirements set out in the Review Mission Statement, based on the evidence presented throughout the Review. The TP report recommended a tenant ballot; however, this was not a condition of their recommendation. HOP members debated this issue and voted 12 to 13 members against recommending that the Council should hold a ballot. It was felt that money could be better spent on improving service and homes and a ballot would delay the implementation of the improvements the tenants and employees had identified.

1.5 Recommendations

1.5.1 The HOP recommends to cabinet that;

1. The **ALMO Option** should be approved for implementation
2. That any further substantial change to the future of the delivery/management and ownership of Housing Services should be preceded by a robust Options Appraisal process (except in the event of a risk of serious detriment to tenants and/or tenant services)
3. The ALMO should be created as a true Arms Length managed organisation to ensure the ALMO has sufficient autonomy to make decisions for the benefit of tenant services and improvement
4. The implementation phase for the option chosen should continue to include a comprehensive programme of consultation and engagement with the key stakeholders to ensure that they are well informed and remain at the heart of the process. This should specifically include the continued involvement of the Northampton Tenants' Panel and Employee Focus Group, working both separately and jointly
5. The Council should consider adopting the consultation and engagement approach used within this review across other service areas within the Council
6. The Council should consider adopting a process for employees from all services to be actively involved in further policy development and continuous improvement activity to improve internal processes and systems
7. If 2.3 a) is agreed, the next steps (outlined in section 3.4) be considered and agreed;
8. Authority be delegated to the Chief Executive in consultation with the Leader of the Council and the Cabinet Member for Housing to make decisions necessary to facilitate the implementation of the chosen option.

2 Introduction

- 2.1 Northampton Borough Council's (the Council) Corporate Plan 2012-15 (background document 3) included a commitment to look at the potential options for the future ownership, funding and management of its Housing Stock, to examine which option would best deliver long term improvements needed to both homes and estates as well as improve the quality of services provided to its tenants.
- 2.2 Before the Council could make fundamental changes to the way in which the Council's Housing Stock is owned and managed, the Government requires an options appraisal to be undertaken.
- 2.3 The Council therefore initiated a full Options Review process in April 2012 by appointing a lead officer and setting aside the budget necessary to fund a major consultation exercise to include all key stakeholders.

3 Background & Context

3.1 Current position

- 3.1.1 In order to carry out the Review, it was essential to understand the nature and extent of the Council's housing assets. The Review process needed to identify the costs associated with improving and maintaining these assets over the 30 year Business Plan period and then use that information to assess each of the options considered in terms of their ability to meet such costs.
- 3.1.2 At the start of the Review process in April 2012, Northampton Borough Council owned 12,144 dwellings, fifty eight percent (58%) of which were houses and bungalows and forty two percent (42%) of which were flats, mostly medium and low rise. There are two high-rise blocks, plus approximately 760 blocks of low to medium rise flats, in the stock and a number of houses of non-traditional construction.
- 3.1.3 Based on data obtained at the start of the Review, fifty one percent (51%) of the Council's Housing Stock failed the Government's basic minimum standard for property condition called the Decent Homes Standard (DHS). This was a reflection of the fact that until 2012, the Council had insufficient funds to achieve Decent Homes. However, in January 2011 the Council successfully bid for a £49.3 million allocation of funding from Government to help achieve decency, and this combined with Housing Revenue Account (HRA)

resources has changed that position. Current reported housing property non-decency figures are twenty-eight percent (28%), following a substantial programme of works. In addition to the residential dwellings, the Council owns 66 shops (many of which have connected dwellings), storage unit(s), community room(s), pumping station(s), depot(s), garages and other housing assets, which also sit within the HRA.

3.2 Drivers for Change

3.2.1 There were several key drivers for initiating the Housing Options Review. These focused on:

- Delivering improvements to the quality of housing services to customers
- Meeting rising expectations of customers
- Ensuring that the necessary investment can be provided to improve homes and the local environment on estates and;
- Meeting the increasing demand for social housing

3.2.2 Service performance measures and tenant satisfaction levels are historically low when comparing Northampton Borough Council's performance with others within the sector. Tenant expectations are also rising reflected in the demand for more modern facilities to be fitted as standard within homes, such as showers, greater security and energy efficiency measures and increased space for appliances.

3.2.3 Although the Council was successful in securing the £49 million in backlog funding to bring Council properties up to the DHS, significant investment was still required to maintain homes and make environmental improvements to estates, which cannot be funded through decency works.

3.2.3 Demand for social housing has historically been high and is likely to increase further. Northampton is a growing town, with a population of 212,069 (March 2011). This population is expected to increase by 30,000 people by 2021 (ONS projected figures) through household growth and in-migration.

3.3 HRA Self Financing

3.3.1 Prior to 1st April 2012, all English local authority HRA's were subject to a national Housing Subsidy system. A new local system of HRA 'Self Financing' was introduced from 2012/13 which involved all stock retaining authorities taking on a proportion of the National HRA

debt, allocated to them by Government. In addition to this, individual authorities were provided with a limit to the amount they could borrow, known as the 'debt cap'.

- 3.3.2 Northampton's need to borrow as at 1st April 2012 would have been -£6.1m if Self Financing had not been implemented. This means that the Council's HRA was, at that time, effectively debt free. However, the calculation under the subsidy system meant that Northampton Borough Council paid £11.9m to central government in 2011/12.
- 3.3.3 The Self Financing calculation indicated that the Council's stock could support £208.4m debt. The Council's subsidy calculation included a level of notional debt of £15.48m; this is the notional debt that, under the central calculations, Northampton's HRA was deemed to hold. This amount of notional debt was taken off the total amount of debt the stock could support, resulting in a debt settlement of £192.92m to be paid by the Council to central government. Northampton's debt cap is therefore set at £208.4m; this is the maximum amount that the Council can borrow to fund expenditure relating to its HRA. This debt cap is fixed and at present there is no method whereby the debt cap can ever be increased from this fixed level.
- 3.3.4 The debt cap means that no matter how much borrowing the HRA Business Plan could afford, the Council would be restricted to only being able to borrow a maximum of £208.4m in aggregate in any one year.
- 3.3.5 The difference between the amount of actual housing debt and the debt cap is known as headroom. This is the amount that the Council can borrow over and above the debt it currently holds. As at 1st April 2012, this headroom could be calculated as the difference between the amount paid to Government of £192.92m and the debt cap of £208.4m. The Council has not entered into any further borrowing for HRA purposes since that time and therefore the Council still has this headroom of £15.48m available.
- 3.3.6 The Council took out borrowing from the Public Works Loan Board (PWLB) at the preferential rate offered at the time, resulting in an annual interest charge of £6.35m. Compared to the previous subsidy payment made to Government in excess of £12m each year, this is a more favourable position for the HRA; however in order to demonstrate long term financial viability the Business Plan has to demonstrate the potential to repay debt. In the production of a financially robust Business Plan it is best practice to demonstrate that debt can be repaid over the 30 year period of the Business Plan.

3.4 HRA 30 Year Business Plan

- 3.4.1 Following the introduction of Self Financing, in line with best practice, the Council produced a 30 year Business Plan which was approved by Cabinet on 24 January 2012. The Business Plan was based on the latest available budgets and assumptions around interest rates, Right to Buy disposals, inflation rates, and a projected 30 year capital programme.
- 3.4.2 The HRA is an asset based Business Plan which relies on its assets for the generation of rental income. The rental income is used to finance day to day expenditure such as housing management and repairs. It also has to finance the costs of the Council's debt and contribute towards the financing of capital expenditure. As the HRA is an asset based business, capital expenditure is one the most significant expenditure items, being necessary to keep the assets in good condition and help ensure the receipt of rental income into the future. Capital expenditure fluctuates on an annual basis, rising and falling as components parts (such as bathrooms and kitchens) need renewing. Managing the level of capital expenditure and ensuring that resources are available to finance that expenditure is therefore crucial to the financial management of the HRA.
- 3.4.3 As mentioned briefly above, at the time of the Review, the Council had a backlog of work that was needed to bring the properties up to the DHS. The Council bid for and won a significant capital grant of £49.3m provided through the Homes and Communities Agency (HCA) to contribute towards the funding of the backlog of works needed to attain the DHS. The capital expenditure plus the HCA funding was built in to the Business Plan.
- 3.4.4 The DHS, defined in more detail in section 8.4, was intended by Government to be the minimum basic standard that social landlords were expected to maintain their housing stock to. The standard does not include all elements of work necessary to fulfil all landlords' legal obligations. The capital expenditure built into the Business Plan, at the time, was based on the Council's most recent Stock Condition Survey, which was undertaken in 2004. The cost of the works included was on the basis of the DHS. In addition to this there was an allowance of £56m over the 30 years for estate regeneration and environmental works and an allowance for the provision of 40 new properties every year from 2014/15. The Business Plan showed that the HRA debt could be repaid over the 30 year period. The soundness of this Business Plan, including the assumptions used to build it and based on the existing Stock Condition Survey was externally verified by Price Waterhouse Coopers (PWC) and the Chartered Institute of Housing (CIH).

3.4.5 This first Business Plan, developed under the new Self Financing rules was used as the starting point for the financial analysis undertaken during the Housing Options Review.

3.5 Government Guidance on Housing Stock Transfer

3.5.1 A much revised Housing Transfer Manual, providing guidance on Housing Stock Transfer, was expected to be released by the Government in 2011. The Government had made a commitment to replace the previous guidance contained in the Housing Transfer Manual (2005) and the supplement to this produced in 2006. The Review process needed to take into account any revised requirements detailed within the new guidance.

3.5.2 The Council was advised by the HCA to progress its Review using the existing guidance while awaiting the release of the draft revised guidance. The draft guidance was released for consultation in July 2013. The HCA invited five councils who were in the process of undertaking Housing Options Review processes to have discussions with them on the implications and issues surrounding whole stock transfers following from the revised proposed guidance. The councils involved were Durham, Gloucester, Lewisham, Salford and Northampton. At this event the councils were promised that the final guidance would be published at the end of September 2013. The final guidance was published in November 2013, with no material changes from the draft provisions. (Appendix 1)

3.5.3 The guidance contains key provisions which are particularly key to the potential for this authority to be able to proceed down the housing stock transfer route;

- Timescales: The Government would not support any transfer financially, by way of debt write-off, if the transfer has not been completed by the end of March 2015. After allowing for the time necessary to prepare the Council's offer to tenants followed by three months necessary to carry out the statutory consultation and the ballot, this would leave just 5 – 6 months post ballot to complete a stock transfer. It would be during the post ballot period when: the permanent management team would need to be recruited; the funding necessary would be sought and, significantly, the new organisation would seek registration from the HCA.

The work involved between agreeing the options decision and meeting the Governments' March 2015 is too extensive and the deadline provides insufficient time to undertake these tasks. **The Council would be at high risk financially and in terms of reputation if it were to try to meet this and then fail.**

- Debt write-off: The only realistic tangible benefit of the authority proceeding with the housing stock transfer option would be that the new organisation would no longer be subject to the debt-cap and that a substantial portion of the Council's HRA debt would be written off by the Government. In order to achieve this, the Council would have to show that it would be unable to afford to maintain its Housing Stock at the level of the DHS.

As mentioned above, the Council has received 'back-log' funding from Government to address Decent Homes work requirements. The Council has since identified and allocated additional resources within the HRA, to undertake work to a slightly higher standard than the DHS. The Review process has led to the development of a proposal to implement a new '**Northampton Standard**', which is a higher standard than the DHS. The guidance indicates strongly that Government would not accept this higher standard as justifying the need for debt write-off.

3.5.4 The implications of the above guidance terms have been used to inform the comparison and assessment of the options and their ability to meet the Review Mission Statement detailed in section 5.6.2 below.

4 Approach to the Review

4.1 Appointment of Key Resources, Specialists and Evidence Gathering

4.1.1 The Council recognised the significance of this project and its far reaching implications, therefore it allocated £2 million from the HRA reserves in order to ensure that the process would be robust, have access to up-to-date information and would comprehensively engage with all the key stakeholders. To do this would involve significant financial investment.

4.2 Programme Direction

4.2.1 As the quality of the Review would be significantly determined by the quality and robustness of the process, the authority appointed an experienced service head, to take overall responsibility for programme management and direction. This appointed Programme director has been responsible for leading a small team and for procuring and utilising specialist professional advice, as set out below.

4.3 Appointment of Advisers

4.3.1 The Council recognised that it needed experienced, competent advice in the following areas:

- Process and Technical Advice
- Stock Condition Surveys
- Tenants' Survey
- Financial advice
- Independent Tenants' Advice

4.3.2 After a competitive process, the following appointments were made:

- Gerald Davies Consulting Ltd. for Process and Technical Advice
- Ipsos MORI for Tenant Survey
- Savills for Financial Advice and Stock Condition Survey
- PS Consultants for Independent Tenants' Advice

4.4 Process and Technical Advice

4.4.1 The Council was mindful that a Review of this nature was complex, covered a variety of sensitive issues and involved a number of key stakeholders. As previous historical Options Reviews undertaken by the Council had ended with unsatisfactory results, it was essential that robust planning and risk management processes were adopted. The appointment of an experienced Technical Adviser, who had handled similar reviews elsewhere, was considered essential.

4.4.2 To undertake this role the Council appointed Gerald Davies Consulting Ltd. who had extensive experience of very similar projects involving a wide variety of borough, metropolitan and unitary councils.

4.5 Tenant Survey

4.5.1 It was considered essential to gain an understanding of tenant views and satisfaction levels and compare the survey outcomes with other comparable councils, Arms Length Management Organisations (ALMOs), and other providers of social housing. The Tenant Survey was a key piece of evidence within the Review process and it asked all tenants to respond to questions concerning:

- Views on the quality of the current service;

- Improvements tenants wanted to see carried out within their homes, neighbourhoods and environment;
- Priorities for services and investment and;
- Identified those wishing to take part in the Review.

4.5.2 To ensure that the results were considered independent of the Council and trusted by stakeholders, the Council appointed Ipsos MORI, who have an international standing for carrying out social surveys of this nature. The survey achieved a 26.55% response rate. The findings of the survey are included within section 8.3.3 below.

4.6 Financial Advice

4.6.1 In order to fully assess the options being considered, the Review process needed to include evaluation of the various options in terms of affordability and financial risk. The Council therefore sought to appoint advisers who would be capable of providing a comprehensive financial appraisal. Savills were appointed by the Council due to their considerable knowledge and experience of having successfully undertaken similar exercises across the country. Their appointment ensured that this vital aspect of the Review was well informed, thorough and up-to-date. Savills have provided analysis and key evidence across four areas.

4.6.2 These were:

- Assessment of the Council's baseline financial position
- Financial assessment of the alternative options considered
- Treasury management; the ability to obtain funding for potential options
- Evaluation of the performance of Council's Housing assets

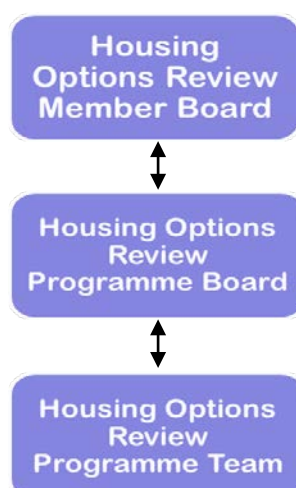
4.6.3 One of the first elements of the financial work stream within the Review was to carry out an assessment and comparison of the Council's expenditure plans against data from other similar local authorities. This was necessary to allow the Review to assess whether the underlying financial provisions built in to the Council's HRA budgets were likely to be at the right level, to achieve the Council's objectives and to ensure value for money. Alongside this it was also necessary to assess the performance of the housing function using external benchmarking data. This work was then used to inform the development of service standards and a revised 30 year Business Plan, building on the Councils' existing HRA Business Plan. The detailed findings arising from the financial analysis are detailed in Section 9.8.

4.7 Independent Tenants' Advice (ITA)

4.7.1 The appointment of the ITA was different to other advisers in that, although the Council was paying for the work to be undertaken, the appointment was made by a panel of tenant volunteers who received training and support from the Housing Options Review Team and the Lead Technical Adviser. The tenants drafted their own specification, evaluation process and identified the shortlist of companies. The tenants were supported to evaluate the submissions received and, after interviewing two companies, they unanimously agreed to appoint PS Consultants as their ITA who had worked in this field for over 20 years and had worked with over 50 different local authorities.

4.8 Governance Approach

4.8.1 In order to ensure that key stakeholders remained fully informed throughout the process, the Housing Options Review employed a number of engagement platforms. This robust framework incorporated two strands; governance and engagement. Governance involved the formation of three key groups, who met at least monthly throughout the Review; a Programme Team, a Programme Board, and a Member Board. The engagement structure consisted of a Tenants' Panel (TP), an Employee Focus Group (EFG), and a Housing Options Panel (HOP). The HOP met monthly, however due to the nature of the work undertaken, the TP and EFG groups met more frequently. The structure diagram below details the governance structure implemented at the start of the Review.



4.9 Programme Team

4.9.1 The Programme Team was a working group made up of key management personnel from a number of departments within the NBC Housing Service. The Programme Team was

responsible for the delivery of all programme activities, with the aim of achieving the programme outcomes. Full Programme Team terms of reference are detailed in Key Doc 8.

4.10 Programme Board

4.10.1 The Programme Board was chaired by the Chief Executive of NBC along with key officers from legal and finance services. The Programme Board owned the Programme and set the overall strategic direction. It ensured the Programme remained viable, managed any risks, and managed stakeholder communication. Full Programme Board terms of reference are detailed in Key Doc 9.

4.11 Member Board

4.11.1 The Member Board was Chaired by the Leader of the Council and included; Cabinet Member for Housing and the assistant Cabinet Member for Housing, the Chief Executive of NBC and other key officers. The Member Board was responsible for communicating progress and updates to Cabinet Members and directing the communication and engagement strategy for the Programme. Full Member Board terms of reference can be viewed in Key Doc 10.

4.12 Governance Structure Links

4.12.1 The Programme Team was a working group where all information was considered. Relevant information was escalated to Programme Board if it needed further discussion or required a decision to be made in regard to the Programme. These discussions or decisions would then go on to be ratified or challenged at Member Board. There were clear links between the governance structures and engagement structures, demonstrating the transparency of the process for all stakeholders.

4.13 Risk Management

4.13.1 Risk has been assessed and managed throughout the Programme and all risks have been reviewed regularly as an integral part of the governance structure monthly meetings. An assessment of risk for implementing the ALMO option can be found in Appendix 2.

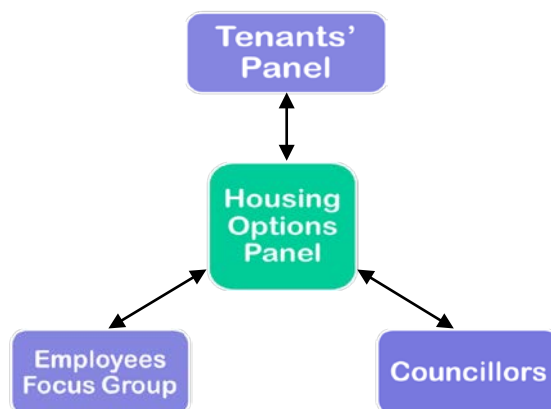
5 Communication & Engagement Approach

5.1 Background

5.1.1 Government guidance on undertaking housing stock options appraisals sets out the importance of constructively involving the key stakeholder groups from the outset and specifically refers to tenants being kept at the heart of the process. The key groups identified within the guidance are:

- Members of the Council
- Tenants
- Directly affected employees

5.1.2 Experience elsewhere has demonstrated that working with these groups in an interconnected way leads to a sense of common purpose; understanding of the issues; and avoidance of mistrust. An engagement structure was built to include these key groups, resulting in the formation of a Tenants' Panel (TP), an Employee Focus Group (EFG), and a Housing Options Panel (HOP).



5.2 Tenants' Panel

5.2.2 The TP was formed at the beginning of the Review, with the first meeting taking place on 11 September 2012. The TP played a key role in providing an open tenant involvement opportunity. Any tenant could take part in the Review and tenants were actively encouraged to participate.

- All tenants were sent a letter inviting them to join the TP
- Area meetings were attended by the Housing Options Review Team across Northampton highlighting the Housing Options Review to tenants
- A tenant open day held to advertise the formation of the TP in July 2012.

- Newsletters published by the Council and the ITA were sent to all tenants periodically throughout the Review including reminders regarding the ability for any tenant to participate in the TP.
- Tenant Conferences were held in December 2102, May 2013 and November 2013 and tenants were invited to join the panel at each of these events.

5.2.3 The Panel membership remained an open borough-wide throughout the Review until August 2013, when tenants on the TP felt that it would be unfair for new members to fully understand the issues sufficiently well to take part in the scoring process which took place in September 2013. All new participants were supported to join the process by being provided with briefings on areas already covered from both the Council's Review Team and the ITA.

5.2.4 The purpose of the Tenants' Panel was to work with the Council and relevant advisers to ensure the Review considered all the things that mattered most to tenants. A further purpose of the Panel was to ensure that the HOP was aware of the tenants' views. A core group of 30-40 tenants attended the TP meetings over the course of the Review. Full terms of reference for the Panel can be viewed in Key Doc 5.

5.3 Employee Focus Group

5.3.1 The EFG was formed after an open invitation was sent to all Housing employees to join. All employees that expressed an interest in being involved were invited to join the EFG, subject to line manager approval. Twelve members formed the group, with this number falling to eleven, midway through the Review. The Employees were drawn from both Housing sectors within NBC; Landlord Services and Strategic Housing and included four operatives from the DLO. The purpose of the EFG was to work with the Council and relevant advisers to ensure the Review considered the things that mattered most to employees and that the HOP were aware of the employees' views. Full terms of reference can be viewed in Key Doc 6.

5.4 Housing Options Panel

5.4.1 The HOP was made up of five tenants who were on the TP, five employees from the EFG and five Councillors with representation from the three main political parties. The tenants and employees who sat on the HOP were elected by members of their respective groups. The HOP examined the key issues in the Review and functioned in a decision making capacity in relation to progressing the Review. Its ultimate role was to make a recommendation to the Council's Cabinet on which option the Panel wished the Council to

implement. It received the same presentations and key evidence delivered to the TP and EFG. Full terms of reference can be viewed in Key Doc 7.

5.5 Links between the engagement Groups

5.5.1 Over the course of the Review, NBC have held 11 joint sessions with the TP and EFG where the groups worked through key issues together. This joined up and innovative approach has seen the development of key pieces of work and enabled each group to gain an insight into each other's priorities and views. The five representatives from the TP and EFG sitting on the HOP ensured that views from the engagement groups were reflected and considered within the HOP and the views and decisions of the HOP were subsequently reported back to the individual groups, ensuring effective two way feedback.

5.6 Goal of the Review

5.6.1 One of the first activities undertaken by the engagement groups was to develop a mission statement for the Review, specifying what the groups wanted the Review to deliver. A draft mission statement was presented to both the TP and the EFG at the beginning of the Review. This was further developed by both groups and presented back to the HOP for review and approval. The final mission statement was endorsed by the HOP on 23 November 2012.

5.6.2 The mission statement of the Review was:

To seek to identify the most tenant focused option for the future management and ownership of the Council's housing which:

- Secures tenants' rights,
- Minimizes tenants' costs,
- Meets the quality of standards of home and environmental improvement which tenants wish to see,
- Is sustainable in the long-term,
- Appraises the potential contribution the various landlord options could have towards meeting the need for additional affordable homes and the regeneration of estates,
- Takes into account the impact on the Council
- Takes into account the impact on employees

5.6.3 The HOP set out its intention to assess whether the mission statement had been successfully delivered at the end of the Review process.

5.7 Independent Tenants' Adviser

- 5.7.1 The role of an ITA was to provide guidance and support to tenants, to ensure that the Review process was delivered without bias and to strengthen tenant engagement. The ITA was funded by NBC but acted as an adviser for tenants, independent from the Council.
- 5.7.2 As mentioned above, an ITA Selection Panel was created comprising seven tenants to select an Independent Tenant Adviser for the Northampton TP. The selection panel sent an invitation to tender to five companies with previous experience of such work, resulting in two being selected for interview. PS Consultants were appointed as the ITA for Northampton. Their role was to work with the Tenants' Panel, to give independent and impartial advice and information to all tenants and leaseholders and encourage them to have their say, help ensure that information provided by the Council for distribution to all tenants was comprehensive and fair in its treatment of the issues, and feed back to the TP and HOP the views of tenants gathered from the ITA outreach work across Northampton.
- 5.7.3 The ITA outreach work has taken place in four phases. The aim of this was to ensure information regarding the options was disseminated to as many tenants as possible and invited tenants to express their views and concern, feeding these back to the TP and to the Council. Meetings were held in community rooms across the Borough and home visits were offered to vulnerable tenants who could not attend these meetings. The outreach work has taken place throughout the Review to enable the wider tenant community to understand all key stages of the Review process and to be aware of the next steps.
- 5.7.4 The ITA provided a website specifically set up for Northampton tenants. The website provided information regarding the Review; including; key pieces of work that have been completed and descriptions of the Tenants' Panel and the HOP, past copies of the ITA newsletter, and a forum in which any tenant could ask questions. Questions have either been answered directly by PS Consultants or by directing the person to an appropriate source as necessary. The ITA also provided a Freephone number throughout the Review to enable any tenant to contact them.
- 5.7.5 The ITA held ITA Development Sessions regularly with the TP. These sessions were designed to provide members of the Panel with information in order to help them prepare for upcoming TP meetings, delivered by the Council's review team. The ITA also attended all TP and HOP meetings to ensure that the facts delivered were accurate and impartial. The ITA has provided the HOP and the Council with a report giving its view on the way the

Council has conducted the Housing Options Review. The detailed findings from the ITA report are described in section 11.4 and in Key Doc 3.

5.8 Joint Communication and Consultation Strategy

5.8.1 In order to ensure that key stakeholders were identified and all communication and consultation activity was appropriately managed, a Communication and Consultation Strategy (Key Doc 13) was drafted by NBC and the ITA at the beginning of the Review. The draft strategy was then considered by the EFG and the TP and finally approved by the HOP on 23 November 2012.

5.8.2 The Strategy covered:

- Why the Housing Options Review was being undertaken
- The importance of good communications
- The key stakeholders to be involved in the Review
- What messages the Review would deliver
- How those messages would be delivered in a way that reaches all stakeholders
- How communications would be monitored throughout the process to ensure they achieve their aims

5.8.3 A key aim of the Strategy was to ensure there was the possibility for key stakeholders to be involved from the outset of the Review in, defining objectives and priorities for the future improvements of the Housing Stock, further improvements in service delivery, and the development of the involvement and empowerment of tenants. As detailed in the Strategy, this would be delivered through:

- Providing real opportunities to explore the implications of the DHS (including the possibility of achieving an enhanced Northampton Standard)
- Access to training, advice, and support programmes which would develop stakeholder's capacities to engage satisfactorily in the process
- Providing information both verbally, and in writing as required, to inform stakeholders of the available options
- Appropriate opportunities to ask questions and comments and receive appropriate responses within reasonable timescales.

5.8.4 The Strategy identified a number of stakeholders who would be communicated with, together with the methods for this communication. The stakeholders detailed were:

- Tenants
- Leaseholders

- NBC Housing employees
- Councillors
- MP's
- Northamptonshire Councils
- Wider NBC employees
- Contractors and Sub-Contractors
- The Community and Voluntary Sectors
- Media Organisations
- Trade Unions

5.8.5 As a result of the activity detailed in the Strategy, the communication and consultation undertaken through the Review has been extensive and robust. It has engaged with all relevant stakeholders. Views of wider tenants have been incorporated via the evidence gathering process including the Tenant Survey, alongside feedback gathered at the three Tenants' Conferences that have taken place in the last 12 months.

6 Framework for Engagement

6.1 Engagement Methods

6.1.1 In addition to the outreach work undertaken by the ITA, the Council adopted a framework of activity in order to engage effectively with key stakeholder groups. This included;

- Open meetings
- Information provision- Newsletter/Online/Telephone/Pocket Guide
- Workshops
- Conferences
- Tenant Survey

6.2 Involving Tenants

6.2.1 Tenants were the principle stakeholders in the Housing Options Review process as they are the customers of the service and pay for its delivery. Numerous communication methods have been implemented throughout the process to engage the wider tenant community. Over 26% of tenants responded to the Ipsos MORI Tenant Survey and this identified areas of focus for the Review that reflected the views of tenants beyond those sitting on the TP. The formation of the TP created a cohesive group that was communicated with at least weekly via post, phone or in person. Invites, agendas and

documentation for forthcoming meetings were posted to Panel members and transport arranged as required. Key information was delivered at Panel meetings, at ITA Development Sessions and at Joint workshop Sessions with the EFG. The Programme was structured to be relevant and impartial, allowing the TP and EFG to form their own conclusions covering numerous topics such as government guidance, financial issues and governance arrangements for each of the options.

- 6.2.2 The wider tenant community has been regularly kept informed by both the Council and the ITA. The Council has published four newsletters which were sent to all tenants. These were sent periodically throughout the Review, at key stages, to inform tenants about progress, detail of the next steps, as well as publicising ways for tenants to be involved in the Review. All documentation from TP and HOP meetings has been published on the NBC website, and an online forum has allowed questions relating to the Review to be asked of the Council. A dedicated 0300 phone line and email address linked to the Housing Options Review Team was set up and these details were published on all newsletters to ensure any tenant could contact the team with questions or queries in a cost effective way. All tenants have also received three newsletters from the ITA.
- 6.2.3 Three rounds of Tenants' Conferences have been held, December 2012, May 2013 and November 2013. All tenants were invited to the Conferences held on two separate days; one daytime and one evening, thus maximising the number of tenants who could attend.
- 6.2.4 The December 2012 Conferences focused on the condition of homes, improvements that tenants felt needed to be undertaken to ensure homes and estates meet the aspirations of tenants, tenants' views of the housing service and their priorities for the future. The outcomes of the Conference enabled the TP to be publicised further and resulted in an increase in membership. It also allowed for the views of tenants gathered at the Conference to be incorporated into key pieces of work throughout the Review. The feedback obtained was considered by the TP and EFG and used to ensure wider views were incorporated in the drafting of the new Northampton Standard.
- 6.2.5 The Conferences in May focused on the standards of service delivered to tenants by the Housing service. An update on the Review process was delivered to those tenants in attendance and tenants were once again, encouraged to participate in the TP. The Conferences in November 2013 shared the results of the scoring exercise undertaken by the TP and EFG. This enabled further information to be shared on the selected option and the next steps in the process, alongside the future of the TP. Approximately 240 tenants attended each of these Conferences and their feedback on the option will be used to build

the plan for the implementation phase (Key Doc 21). The HOP also used the feedback to support them in their recommendation to the Council's Cabinet on its preferred option.

6.3 Involving Employees

6.3.1 Employees of the Housing Service deliver both the strategic and local management service and have a professional interest in the nature and quality of the service as well as a personal interest in the terms and conditions it provides. Information was published throughout the Review on the intranet to regularly update all employees. At key stages, all staff briefings were delivered to Housing employees, alongside updates in the Housing Service newsletters. Union representatives received monthly updates and were given the opportunity to raise issues directly with the Council's Review Team.

6.3.2 Employees in the EFG were engaged with directly and received the same information as that delivered to the TP. This facilitated the use of joint workshop sessions, enabling employees and tenants to work together in a unified manner and produce numerous significant outcomes, including an evaluation and scoring framework that incorporated both group's priorities. The autonomy of each group was preserved, demonstrated by the fact that the weighting of the option comparison criteria was undertaken by the TP and EFG separately.

6.4 Involving Leaseholders

6.4.1 Leaseholders are stakeholders within the Review and have been kept informed via letters through the process. Copies of the newsletters sent to tenants have been sent to leaseholders for their information and their attendance at the Conferences was not prevented. Leaseholders have a statutory right to be consulted in respect of major repair and improvement programmes affecting their homes and neighbourhoods and in relation to service charges but otherwise their rights are unaffected regardless of which option is eventually chosen and implemented.

6.5 Involving Councillors

6.5.1 The governance and engagement structures enabled some Councillors to be engaged with directly, through both the HOP and Member Board. All Councillors were provided with copies of newsletters and ITA outreach information throughout the Review and group briefings were provided to ensure Councillors were informed of progress.

6.6 Community Impact

- 6.6.1 Throughout the Review process the Council has ensured that any decisions made have used all available evidence and information to consider the impact of such decisions on the Council, individuals, groups and the wider community.
- 6.6.2 A Community Impact Assessment has been carried out and can be found in Appendix 3.
- 6.6.3 This document assesses the impact of the Review on the wider community in order to ensure equalities legislation was complied with and that all stakeholders have been appropriately consulted with. It sets out what the Council has done to ensure accessibility of information and equality of opportunity to become involved.
- 6.6.4 Some key decisions have been made throughout the process that have impacted on the community of Northampton as a whole; including property standards, service standards, and new build provision. The engagement structures in place have enabled all of these decisions to be influenced by tenants. All outcomes of the Review are positive and there is no visible negative impact on any resident of Northampton. Residents can expect to see additional provision for environmental improvements following the drafting of the Northampton Standard and tenants can expect to see an increase in the quality and standard of their homes. All tenants have been given opportunities to take an active part in the Review, either directly through being part of the TP, or indirectly through being kept informed via post, attending Tenants' Conferences or accessing on-line or telephone support services.
- 6.6.5 The Council has ensured that an experienced ITA was appointed to support tenants, particularly vulnerable tenants, by delivering over 160 outreach meetings and offering home or telephone appointments to those tenants unable to attend meetings.
- 6.6.6 No group has been marginalised by the process itself or by the results of the process. The result of the process does not affect tenants' rights or employees' rights, but does provide additional engagement opportunities for both groups of key stakeholders.

7 Identifying the Options

- 7.1 Historically, when council housing stock transfer was first made possible, within the terms of the Housing Act 1985, a Council could either transfer its homes to an existing Housing Association (subject to a positive tenant ballot), or it retain its homes and continue to manage them in the current manner.

7.2 As the transfer programme developed over the years, new options began to develop and Councils could;

- Establish a new 'stand-alone' and locally based housing association to whom homes could be transferred.
- Form a housing association which would then become part of the group structure of an existing association (or even to form a new group with an existing stand-alone organisation).
- In the cases where retention was considered the best option; Transfer the management of their homes and still maintain ownership by creating a new 'arms-length' (and council-owned organisation) called an Arms Length Management Organisation (ALMO).
- Continue to be the landlord but sign a long term contract with a private contractor to provide the investment capital needed to repair and improve homes, with the contractor physically doing that work, and the housing management services for those homes transferred for the life of the contract to the private contractor's housing association partner (i.e. what was known as the 'Private Finance Initiative' - PFI).
- Create a mutual housing association where tenants, as members of the organisation, had a major role in its governance.
- Contract out housing management to a private contractor whilst retaining ownership of the homes.

7.3 The TP, EFG and HOP were advised of the above options and an initial list of ten possible options was drawn up for consideration. The list included;

- Contracting-out the housing service
- Retention (with no change to the operation of the service)
- Retention (with a major service review)
- Retention (with an ALMO)
- Transfer (to a stand-alone association)
- Transfer (to a mutual association)
- Transfer (to become a subsidiary of an existing association)
- Transfer (i.e. absorption by an existing association)
- Transfer (to a Community Gateway organisation)
- PFI (Private Finance Initiative)

7.4 Following discussions within the EFG, TP and HOP regarding the nature and implications of each of the options, a decision was made by the HOP, with the agreement of the TP

and EFG, to reduce the options to be considered by the Review process, down to six. The following four options were discounted;

- **Contracting out**
 - Reason for removal;
 - Contracting out the management service would have removed direct council control over the housing management service and would have marginalised tenant involvement in it.
- **Transfer via absorption**
 - Reason for removal;
 - Transfer by being absorbed by an existing housing association was judged as never likely to be supported by a ballot of tenants
- **PFI**
 - Reason for removal;
 - PFI was very unlikely to attract significant investment funding, due to Central Government financial support ceasing to be available for housing PFI, and due to the lack of support of tenants to the proposed PFI scheme in Eastfield
- **Transfer to a Community Gateway**
 - Reason for removal;
 - Community gateway was ruled out because the broader mutual model adopted by Rochdale Boroughwide Housing seemed to offer much more in terms of tenant involvement in governance and mutual ownership.

7.5 The reduction in options left the Council with six options: three retention options; and three transfer options.

7.6 The options were reduced further by one, Option 1 (retention with no change in the operation of the service) in early summer 2013 due to the TP and EFG jointly agreeing that it was no longer possible to continue assessing it as a viable option.

7.7 The reasoning was as follows:

- The Tenant Survey responses clearly identified significant weaknesses in current service delivery. The Tenants' Panel felt that the survey results showed that any form of 'status quo' option would be unacceptable to tenants.
- The development of tenant-led Service Improvement Groups (SIPs) which had been running in parallel to the Housing Options Review process was, in effect, the first step in a major service review.

8 Evidence Gathering for the Review

8.1 Supporting Evidence

8.1 Following the selection of the options to be assessed, the Review process required a significant amount of robust and up to date supporting evidence covering various issues. The evidence required included;

- A baseline analysis of the Councils current Housing Business Plan, service costs and performance levels;- to assess whether the underlying financial provisions built into any new Council HRA Business Plans were likely to be at the right level to achieve the Council's objectives and to ensure value for money
- The Tenant Survey:- to identify tenant satisfaction levels with council housing services and identify priorities for improvement
- A Stock Condition Survey:- to enable the Review to have access to up to date information on the condition of the Housing stock, how much it would cost to bring homes up to government minimum standards and maintain homes at this level for 30 years, as well as providing costs for improving and maintaining homes to a higher, Northampton Standard
- Asset Analysis information:- to compare the level and timing of expenditure on the properties with the income stream from rents and therefore support appropriate investment and management decisions and planning to be made.

An overview of the findings from each of the above evidence gathering exercises is detailed below. A full report for each is available as detailed below as either a key document to this report or accessible as a background paper.

8.2 Baseline Analysis of NBC Financial and Performance

8.2.1 Background

8.2.1.1 An assessment of the Council's expenditure plans, based on a comparison with other similar local authorities, was undertaken by Savills as an essential part of the Review. (Full assessment findings contained in Key Doc 11) Alongside this, an assessment of the performance of the housing service was undertaken, again making comparisons with other similar local authorities, and where possible, with those authorities where financial comparison, as well as performance information, was available.

8.2.1.2 It was felt that this approach was essential in order to assess whether the underlying financial provisions built into any new Council HRA Business Plans were likely to be at the right level to achieve the Council's objectives and to ensure value for money. It was fundamental to the Review that the budgets being used as the baseline were accurate and at the correct level, prior to the work being extended to model the costs for the various options, to ensure that the options analysis was built on a sound base. A key part of the assessment was to identify whether the cost for the current service provided for housing was reasonable.

8.2.1.3 A proper assessment of value for money could not be made without analysing the performance of the Housing service. The most appropriate method of comparison could be made by drawing on data submitted to a key housing sector benchmarking data club, Housemark. Analysis also included cross-checking the results with those obtained by the Tenant Survey, to ensure consistency. The benchmarking analysis was then compared to the financial analysis to identify any key trends or indicators.

8.2.2 Methodology

8.2.2.1 The starting point for the assessment of the existing position was a review of the cost of delivering the housing landlord service to see whether costs were reasonable, and whether the Council and residents received value for money for the level of costs. Costs were compared with other similar authorities, based on published financial statements of HRAs and budgets. A comparison was also made between Northampton and other similar authorities with what central government assessed as a reasonable level of expenditure under the former HRA subsidy system and in the calculation of debt for HRA self-financing. The baseline was assessed using the statement of accounts for 2011/12 and the budget for 2012/13.

8.2.2.2 The comparator councils were chosen based on those with similar council house stock holdings (between 15,700 and 8,100 homes) and similar organisational arrangements (e.g. District councils rather than Unitary authorities). The councils selected, with their respective housing stocks, are set out in The Baseline Analysis Key Doc 11 .

8.2.2.3 The quality of the Housing Service was assessed using Housemark data from 2010/11 and 2011/12 and from the Council's Tenant Survey undertaken by Ipsos MORI. This provided a correlation between costs and comparative performance.

8.2.3 Comparison of Costs

- 8.2.3.1 The debt allocation made by the Government at the start of HRA Self Financing, used assumptions relating to the reasonable spending needs of each council and the level of rents chargeable, which are governed by national rent policy. These assumptions took into account elements such as; the number, age and condition of properties, void turn-over rates, and deprivation levels. The levels of debt allocated to Northampton and the comparator authorities correlated largely in line with the level of rent charged.
- 8.2.3.2 The analysis used the most up to date audited accounts available at the time. The accounts used were for the year 2011/12. The expenditure shown in the published statement of accounts for each council in the comparator group was compared with the allowances made available in the housing subsidy system. Northampton had both the highest expenditure needs per dwelling as assessed by the Government and also had the highest recorded expenditure per dwelling. Northampton recorded £3,777 million expenditure for special services but only raised service charges of £1.320 million. The analysis therefore identified that the Council should investigate the process of service re-charging to ascertain whether there was an option for additional fee income to be raised to minimise the gap in costs with the income levels received through current recharge policy. The detailed assessment of this, covering areas such as caretaking and cleaning, communal areas, and supporting people, was outside the scope of this project.
- 8.2.3.3 In 2012/13 the subsidy system was replaced with HRA Self Financing. The calculation of the debt relating to this included increases to management and maintenance allowances at higher than inflation. Some authorities used this as a basis for increasing their expenditure budgets. Of the comparator authorities, Northampton had the highest assumed expenditure needs, based on the elements such as those detailed above, but only the second highest expenditure; all but one of the comparator councils had increased their expenditure by more than inflation, an increase that was mostly targeted at management costs.
- 8.2.3.4 Analysis of more detailed expenditure areas for the Council's housing service showed the following:
- The proportion of expenditure on employees, after adjusting for Direct Labour Organisation (DLO) costs, was broadly in line with the comparator councils
 - The proportion of expenditure on support services (i.e. recharges from other council departments) is approximately one fifth of expenditure which is in line with information collected from the comparators

- The budget for stock options appraisal is within the overall costs for 2012/13
- The costs of the “Major Works and Estate Renewal Team” are shown within the revenue budget and although this is acceptable accounting practice, these costs would normally be shown as capital costs.

8.2.3.5 The analysis of overall costs showed;

- That the Council’s costs were in line with those of the comparator councils, when taking into account the number, types of property and the levels of deprivation in the area.
- After factoring in the issues raised within the 3rd and 4th bullet points above, there were indications that the Council was potentially underinvesting in the revenue management and maintenance of the Housing Stock when assessed against the comparator councils, by over £2m per year.

8.2.4 30 Year Business Plan Baseline Analysis

8.2.4.1 The Business Plan is based on three year detailed estimates and a projection of income and expenditure for the remaining years. The key assumptions included within the plan include: -

- General Inflation at 2%
- Rent rises from year 4 at RPI only not RPI + ½ %
- Void rent loss at 2.5%
- Interest charges at 3.29% for existing loan portfolio, 5.5% for further borrowing, and 1% for investments
- New housing provision of 40 units per year from 2014/15
- Estate regeneration of £26m over the first 7 years of the plan and subsequent investment later in the plan

8.2.4.2 The HRA Business Plan accounting year one was 2012/13. The plan showed that the cash flow largely breaks even in years 4 to 7 when there was a planned peak in capital investment and then returned a steady year on year surplus. The Business Plan demonstrated that even with the prudent assumptions, the Council could have the resources to repay all of its housing debt by year 30 of the plan.

8.2.5 Correlation with Satisfaction Data

8.2.5.1 Detailed analysis of the Tenant Survey responses are considered in more detail in section 8.3.3 below, however, the high level findings have relevance when benchmarking the

service performance. The survey was carried out independently on behalf of the Council by Ipsos MORI in October 2012 and received a response rate of 26.55%. The main findings of the Survey were that there were significantly lower levels of tenant satisfaction in Northampton compared to other housing providers previously surveyed by MORI.

Some key areas of concern were: -

- Repairs and maintenance
- Overall quality of home
- How much views are taken into account
- Anti-social behaviour

8.2.5.2 Comparing the results to surveys previously carried out in Northampton, there was evidence of a decline in service quality over the two years leading up to the survey.

8.2.6 Correlation with Housemark Data

8.2.6.1 Data sets used from Housemark for comparison purposes included: -

- Measures of “corporate health” included staff turnover and working days lost to staff sickness
- Repair performance as measured by cost, completion times, appointments made and kept, and resident satisfaction with the service
- Key indicators necessary for financial strength including minimising rent lost from empty properties and rent arrears
- Satisfaction with housing management services and wider neighbourhood quality

8.2.6.2 A comparison of all of these measures relating directly to the housing service performance with other housing providers subscribing to Housemark in 2010/11 showed that Northampton was in the lower or lower middle quartile. There had been some movement in performance between 2010/11 and 2011/12, although all indicators remained in the lower or lower middle quartile.

8.2.7 Baseline Analysis Conclusions

8.2.7.1 The key findings from the baseline analysis were as follows;

- Although on first analysis, the revenue costs within Northampton’s HRA appeared reasonable, when one-off expenditure was removed and major repairs costs allocated to capital, it appeared that the revenue expenditure was **under resourced** by over £2m

- The Council recorded £3,777 million expenditure for special services but only raised service charges from tenants and leaseholders for £1.320 million of this amount. The analysis highlighted that this situation should be investigated further to ascertain whether there was the potential for additional income to be raised to minimise this gap
- When comparing the baseline analysis with the outputs of the Tenant Survey and the Housemark benchmarking, it appeared that the lack of investment in service provision could have contributed to the low levels of performance and tenant satisfaction. The findings from this analysis were used as a key part of the review evidence, leading to the EFG and TP undertaking several workshops specifying improved draft service standards. The resources to finance additional expenditure were also built in to subsequent financial analyses and the appraisal of the options.

8.3 Tenant Survey

8.3.1 Background

8.3.1.1 At the start of the Review, Ipsos MORI were commissioned to carry out a tenant survey. The survey was designed to provide up-to-date, robust and independent information concerning levels of tenant satisfaction with various aspects of the Council's housing service. The survey was also needed to test tenant awareness of, and desire to be involved in, the Housing Options Review and identify their priorities for the housing service going forward.

8.3.1.2 The results of the survey were a key piece of evidence for the review. The EFG and TP needed this information to assess where improvements were needed and to support development of new service and property standards to ensure that the widest possible tenant views were incorporated into any new proposals developed as part of the Review process.

8.3.2 Methodology

8.3.2.1 The survey was designed to give all tenants the opportunity to provide their views and was conducted using an eight page questionnaire. Ipsos MORI utilised a combined postal and online self-completion methodology between 27 September and 27 October 2012. The postal survey involved an initial mail out to all 14,037 NBC tenants named on tenancy agreements. This was followed up with a reminder mail out, including an additional copy of the questionnaire, to those who had not responded. Tenants were signposted to the online version of the questionnaire and tenants for whom NBC held a valid email address

were sent a link to the online questionnaire at the time of the initial mail out and the reminder mail out. This procedure was repeated at the time of the reminder mail out.

8.3.2.2 Ipsos MORI advised that a response level of 20% would be good. In fact, a total of 3,727 responses were received; 3,636 returned postal questionnaires and 91 online responses. The response rate was 26.55%, which Ipsos MORI said was excellent. Data analysed in the Tenant Survey was weighted to the overall profile of the Council's tenants by age, ethnicity, and number of bedrooms in the property to ensure results were representative of key demographic sub-groups.

8.3.3 Findings

8.3.3.1 The survey results, shown in table 1 below, demonstrate that around seven in ten tenants or more were satisfied with the overall housing service provided by Northampton, as well as satisfied with individual services such as repairs and maintenance and the quality of their home.

Key performance measures	2012 results
	(%)
Satisfied with overall service provided	75
Rate NBC as good at keeping tenants informed	78
Satisfied with neighbourhood as place to live	72
Satisfied with overall quality of home	72
Satisfied with repairs and maintenance service	71
Satisfied with value for money of rent	70
Rate condition of property as good against the Decent Homes Standard	66
Satisfied that tenants' views are taken into account	55
Satisfied with the way the Council deals with anti-social behaviour	51

Table 1- Source- Ipsos MORI, NBC Tenant Survey Report 2012

8.3.3.2 However, performance was not entirely positive; with satisfaction levels much lower for the way the Council dealt with anti-social behaviour, the way it took tenants views into account and the value for money of service charges, where approximately 50% of tenants were satisfied. Dealing with anti-social behaviour was identified by 40% of tenants as in need of improvement, and therefore stood out as a key area for focus. Whilst levels of satisfaction with repairs and maintenance services and ensuring tenants were satisfied with the quality of their home were fairly high, they were identified as the top two priorities by tenants and the services most in need of improvement. This suggested that further and continued improvement was necessary to ensure that the relative performance of these key services met the relative importance placed on them by tenants.

8.3.3.3 Across a range of services delivered by the Council, results showed that older tenants and white tenants were most likely to be satisfied, while younger tenants and those from BME backgrounds were less likely. This followed a similar pattern identified by Ipsos MORI in their research for other social landlords. Disabled tenants were significantly more likely to say they were satisfied with the housing service overall than the whole of the tenant population.

8.3.4 Trend Results

8.3.4.1 Table 2 below highlights the results of this most recent survey against the previous four surveys of this type, carried out on behalf of the Council. The previous surveys took place in 2006, spring 2008, winter 2008 and 2010. The full Ipsos MORI Northampton Tenant Survey Report is available as a background paper to this report.

Measure	2006	2008 (spring)	2008 (winter)	2010	2012	Change since 2010
	(%)	(%)	(%)	(%)	(%)	(+/- %pts)
Satisfied with overall service provided	63	64	68	78	75	-3
Satisfied with overall quality of home / satisfied with accommodation	71	75	73	79	72	-7
Rate general condition of property as good / satisfied with general condition of property / property rated as good against the Decent Homes Standard	55	68	66	72	66	-6
Satisfied with neighbourhood as place to live	44	66	61	83	72	-11
Agree rent represents good value for money / satisfied with value for money of rent	62	70	63	77	70	-7
Satisfied with repairs and maintenance service	66	67	69	72	71	-1
Satisfied with the way the Council deals with anti-social behaviour	-	-	-	-	51	N/A
Satisfied that tenants' views are taken into account	85	79	58	67	55	-12
Rate NBC as good at keeping tenants informed	68	76	71	85	78	-7

Table 2

8.3.4.2 This table demonstrates that there had been a general gradual improvement over time, but satisfaction rates in 2012 were lower than in 2010, although not always to a significant degree.

8.3.4.3 For example, satisfaction among tenants with services overall was observed at 63% in 2006, but was 12 percentage points higher at 75% in 2012. However, the figure for 2012 showed a small fall on that recorded in 2010. Satisfaction that tenants' views are taken into account had declined over time, and had dropped 30 percentage points between 2006 and 2012. The satisfaction amongst tenants in regard to being kept informed by the

Council dropped 7 percentage points between 2010 and 2012, suggesting that engagement strategies had not been utilised.

8.3.5 Future of Housing Services and the Housing Options Review

- 8.3.5.1 It was interesting to note that 83% of tenants agreed that the quality of service they received was more important than who delivered those services. The EFG and TP took this view into account in carrying out the options evaluation and scoring exercise. This view indicated that tenants were open to changes to the way housing services were delivered in the future as long as service quality was improved and maintained.
- 8.3.5.2 When tenants were asked to identify the specific aspects of home, repairs and neighbourhood services they felt were most important, there were clear indications of the areas for focus. In relation to their home, the key aspects identified were security and warmth of the home. For repairs, the key aspects were the quality of work and the way in which repairs appointments were organised and carried out. For the neighbourhood, tenants placed a greater emphasis on the maintenance of roads and footpaths. Parking facilities also appeared important, as did children's play areas. In relation to neighbourhood safety, lighting and other neighbourhood safety measures were deemed most important. Tenants also placed emphasis on taking action in relation to crime and anti-social behaviour.
- 8.3.5.3 This information, together with other results from the survey, were utilised in the formation of the draft Northampton Standard; a set of standards drawn up by the TP and the EFG in relation to the standard of service tenants should receive and the standards of improvements to be made to homes and estates. Further information on the Northampton Standard is detailed in section 8.4 .
- 8.3.5.4 Over four in five (83%) tenants who remembered receiving information about the Review said the information had helped them understand it a lot or a little. There was an appetite amongst tenants to receive more information about the Review, and tenants showed a clear preference for receiving information in writing, ideally by letter, but also by newsletter and email. The appetite for involvement in the Review was not as strong, with 17% of tenants interested in being involved. This information was fundamentally important in relation to the Council's Community Impact Assessment (Appendix 3) where consideration of how the Council has ensured information was accessible and appropriately shared and that opportunities for involvement in the review were as inclusive as possible.

8.3.5.5 Whilst satisfaction levels appeared fairly high, when compared with other similar authorities via Housemark benchmarking (Key Doc 11), levels of satisfaction with Council services were in the bottom quartile throughout a number of criteria. This provided demonstrable context regarding the satisfaction of council tenants and the way in which the service was performing and therefore validated the responses gathered from tenants.

8.4 Stock Condition Survey

8.4.1 Background

8.4.1.1 Savills surveyors carried out a Stock Condition Survey of the Council's Housing Stock in the autumn of 2012, with a view to assessing the current and future repairs and maintenance liability. Savills were specifically asked to assess what work was required to bring all properties up to the Government's minimum DHS and maintain them at that standard for the next 30 years, together with meeting other landlord statutory obligations.

8.4.1.2 The DHS was originally issued in March 2001 and it provided a minimum standard for properties to be maintained at. Various updates to the standard have taken place since 2001. The original intention was for all properties across the country to meet the Standard by 2010. The Council's current programme of works will see all non-decent properties brought up to the DHS by 2015/16, utilising the back-log funding awarded by government.

8.4.1.3 The key elements of the DHS are that properties must be:

- a) Free of category 1 hazards under the new Housing Health and Safety Rating System
- b) In a reasonable state of repair
- c) Have reasonably modern facilities and services
- d) Provide a reasonable degree of thermal comfort

8.4.1.4 In addition to assessing the costs to meet the DHS, Savills were asked to model the costs to maintain the properties at a higher Northampton Standard, developed by the EFG and TP, over a 30 year period. TP and EFG members worked on developing the Northampton Standard throughout the review process and did not finalise it until they had the benefit of a full overview of affordability. This meant that it was not possible to cost the new Northampton Standard at the point the survey was undertaken.

8.11.1.5 In order to provide a comparison to costs associated with improving homes to the DHS and that of a higher standard, Savills incorporated indicative costs for a 'Modern Standard' for comparison purposes only within their draft report, using their experience.

These indicative costs were later replaced by the costs to implement the new Northampton Standard after it was finalised by the TP and EFG in August 2013.

8.4.2 Approach to the Survey

- 8.4.2.1 Savills were initially provided with information relating to the Council's housing assets including details of the Council's 12,122 rented properties. A comprehensive analysis was undertaken at the outset of the project to design the sample to ensure that it adequately covered all stock types. This included a detailed review of the Council's non-traditional housing stock, which typically requires greater levels of investment in order to maintain them to a lettable standard.
- 8.4.2.2 Properties were carefully selected to form a representative 25% sample (1 property in every 4) based on property type, age and location. The Council chose to use a 25% sample rather than a more traditionally used 10-12% sample in order to ensure that the information obtained was as accurate as possible and that the data would be able to be used in due course for investment planning. The survey fieldwork included both internal and external survey of the stock to provide reliable information on costs and provide detailed information on the extent and nature of all future works required.
- 8.4.2.3 The survey work was undertaken during July and August 2012 and all data collected was captured in a bespoke database in order to produce the results contained within the final Stock Condition Survey Report (Key Doc14). As part of the exercise, Savills also assessed the condition and future repairs and maintenance liabilities of the related assets associated with the Council Housing Stock which included garages and other assets.
- 8.4.2.4 A specialist team of surveyors, all of whom were Chartered Surveyors or staff of similar standing, carried out the survey work. The team selected had extensive experience in mass survey projects and were fully briefed on the requirements of the survey before any inspections were carried out on site.
- 8.4.2.5 The Council wrote to all tenants prior to commencement of the survey field work explaining the purpose of the survey and that Savills had been appointed to undertake the work. All surveyors carried a letter of authority from the Council wore an identification badge. The survey process was successful and very little negative feedback was received from the tenants in relation to the survey process.
- 8.4.2.6 The survey fieldwork involved inspection of the properties to identify the timing and costs profile required for replacement of specific building elements such as roofs, kitchens,

electrical wiring etc. All building elements have a natural life expectancy, at the end of which they have to be replaced. The life expectancies used in generating costs were based on the following:

- Industry standards
- Savills' experience
- The Decent Homes Standard

8.4.2.7 When the surveys were completed, data was collated and extensive validation was undertaken by Savills electronically to check for anomalies and inconsistencies. The Council also validated the findings for its own purposes.

8.4.2.8 Savills used the information obtained through the surveys to cost the works to improve and maintain properties at the DHS and the new Northampton Standard.

8.4.3 Key Findings

8.4.3.1 As part of the survey, Savills made an assessment of the level of non-decency in the housing stock. They identified that approximately 40% of the stock failed the standard at the time of inspection in 2012 and they confirmed that this will increase significantly during the next 5 years without the necessary investment being made, as components reach the end of their useful life and need to be replaced.

8.4.3.2 Savills highlighted that the DHS was a relatively low standard and that it was a **minimum basic standard** from which to build upon rather than a standard to aspire to achieve. Tenant feedback obtained through the Ipsos MORI survey also showed that this standard does not meet the aspirations of tenants moving forward.

8.4.3.3 Savills identified that significant investment was required in order to upgrade and modernise the properties. Externally the roof coverings were generally in serviceable condition but an increasing programme of renewal would be required over the next 30 years. In the short term a significant programme was required to replace rainwater goods and fascias together with some of the timber cladding. Windows and doors had generally been replaced by the Council over the years although Savills confirmed that there would be a requirement to replace some of the existing double glazed windows during the next 10 years. External areas surrounding properties across housing estates, including paths, fencing, outbuildings etc. were found to have received little attention therefore significant investment is required to make necessary improvements.

- 8.4.3.4 Whilst work was required to the external fabric of the properties, as outlined above, by far the most significant investment related to the inside of the properties. In particular, a very significant programme of kitchen and bathroom replacement was required with upgrading of the wiring taking place at the same time. This programme alone equated to over half of the investment required in the short term. The majority of properties had central heating systems although some of these systems were old and needed replacing, which included the replacement of some older warm air systems.
- 8.4.3.5 The Council's stock includes a number of properties of non-traditional construction including Airey, BISF, Gregory, Hawksley, Orlit and Unity properties. Some of these properties were found to suffer from structural defects and many had poor thermal insulation qualities due to the nature of the construction. Seventy-nine of the properties were designated defective under the Housing Defects Act 1985. The stock had generally been well maintained and some of the properties had previous repairs undertaken or had been over clad with insulated render. The Council has commissioned a specialist firm of engineers, Curtins Consulting, to investigate the condition of these properties and they have provided a comprehensive report, a copy of which is included at within Key Document 14. Savills have incorporated the recommendations and findings of Curtins work within the cost profiles included in their full report.
- 8.4.3.6 Savills did not undertake a detailed asbestos survey as part of the survey programme although they did note evidence of asbestos during the course of their inspections. The Council has a comprehensive asbestos register and has an ongoing programme of removal of asbestos when necessary to do so, as part of the major works programme. Savills confirmed that this programme would need to continue as the stock was modernised and components were replaced, thus often disturbing asbestos that could be present. Allowance for this work was included in the 30 year costs profile set out within the full Stock Condition Survey Report.
- 8.4.3.7 Savills' findings highlighted that the investment in the stock during the last 10 years had necessarily focused on work to meet the Decent Homes Standard which does not include any requirement to undertake work to the general environment around the properties. As a consequence, as mentioned above, there were a large number of areas across estates that would benefit from substantial environmental works.
- 8.4.3.7 Savills identified that in addition to work within the boundary of properties, such as fencing, paths, gates etc. this work could also include a more holistic approach to improving the environment on some estates. Measures, including additional car parking,

improved security measures for front and back doors, could all form part of a more comprehensive estate based improvement programme.

8.4.4 Costing the Works

- 8.4.4.1 As part of the main survey fieldwork, Savills assessed the condition of the properties within their boundary, encompassing fencing, gates and paths. In terms of the environment outside the properties, Savills incorporated provision within their costs for environmental improvements, such as off road parking, bin stores, refurbished drying areas, sheds and play areas within the Northampton Standard schedule only, due to the fact that the DHS did not cover environmental improvement work.
- 8.4.4.2 The work identified as part of the Stock Condition Survey was costed by means of a schedule of rates. The rates adopted by Savills within their report were based on those which they believed could be achieved using modern and effective procurement methods and reflected their experience elsewhere. Schedules of rates were also agreed with the Council. Savills confirmed that care would be needed to ensure that the work was delivered within the price base included within these schedules to allow works to be delivered within the costs allocation.
- 8.4.4.3 Appendices 1 and 2 of Savills' report, provided summaries of 30 year costs based on both the DHS and the Northampton Standard. The first appendix titled 'Decent Homes/Statutory Obligations' reflected the minimum works required to comply with Decent Homes and other statutory obligations. This scenario excluded any provision for work to the environment or improvements required to the properties which did not fall within the strict interpretation of Decent Homes. The total cost over 30 years was £692,712,883, equating to a 30 year cost per property of £57,145.
- 8.4.4.4 The second appendix entitled 'Northampton Standard', detailed costs which included all the costs in the first scenario plus an additional allowance for environmental improvements and additional work to the properties themselves to improve them and bring them up to a more modern standard. As already mentioned, this standard was developed in conjunction with the tenants. The total cost under this scenario increased to £850,983,395 over 30 years equating to a cost per property of £70,202.

8.4.5 Using the Information

- 8.4.5.1 The Stock Condition Survey and Tenant Survey information were key pieces of primary evidence for the review. Having an understanding of the priorities for improvement for

tenants, robust up-to date costs for implementing such improvements, as well as future repairs and maintenance costs was essential to the review. The information obtained, supported the TP and EFG groups in the development of the Northampton Standard and to in the assessment of each of the options in terms of their ability to afford this standard.

8.5 Asset Analysis

8.5.1 Background

8.5.1.1 As part of the Review, a detailed asset analysis of the stock was carried out by Savills consultants. The purpose of this work was to identify the best and worst performing stock from a financial and a sustainability perspective. This analysis would then be used as a basis for undertaking more work to produce a new detailed and comprehensive Asset Management Strategy for the Council. This analysis could also demonstrate to all key stakeholders, the Council's intention to consider value for money aspects, when prioritising and targeting future expenditure. It was not the intention of this Review to produce a full Asset Management Strategy, but for whoever is or became the landlord as a result of this Review, to take this work forward through its own management and governance structures. The final Asset Analysis Report is not a key document for the purposes of the Housing Options Review; however it is available as a background document (Background Doc 2).

8.5.2 Asset Performance Evaluation

8.5.2.1 The initial results showed that a relatively large proportion of the stock had cashflows that were either not strong enough to support the level of investment required, or marginal, representing a significant risk to the business plan where slight changes in assumptions could reduce these cashflows to a level where they could not support future investment. This information is important because in considering any future option for the whole stock, the Council would need to consider options to mitigate funding pressures associated with poorly performing assets which might include;

- Alternative investment strategies to adjust the investment standard
- Management initiatives – for example, efficiencies in management costs or reductions in underlying maintenance or repair expenditure or reduction of voids, or increases in income subject to the Council's policies on rents and service charges.
- Exploring alternative options for poorly performing stock, setting interim investment programmed for this stock until options appraisals are carried out.
- Regeneration or redevelopment (with or without additional subsidy from the Business Plan)

- Alternative use which generated additional income to cover costs
- Capital and Land use/development potential may also impact on investment strategies.

8.5.3 Non-Financial Sustainability Analysis

8.5.3.1 In parallel with the financial modelling, a comparative assessment of neighbourhood sustainability across the stock was undertaken with the intention of establishing a broader context in which to assess financial performance of assets linked to the appraisal of future options, and Northampton's neighbourhood and community strategies. The full results are contained within the Asset Analysis Report which is a background document to this report.

8.5.4 Future Asset Management Approach

8.5.4.1 The asset performance evaluation focused on a current-day financial analysis of the stock at a high level. The asset analysis work could then be used to increase Business Plan capacity in the context of the stock options appraisal, as part of a future Asset Management Strategy.

8.5.4.2 This analysis will form the starting point for the development of an informed comprehensive Asset Management Strategy to support the preferred option's future 30 year Business Plan.

9 Analysis and Assessment of the Options

9.1 Background

9.1.1 As detailed above, the early stages of the Review involved gathering key evidence relating to;

- Understanding the Council's current expenditure for housing services and comparing them with other similar authorities
- Identifying tenants' priorities for future improvement through the Tenant Survey
- Establishing the costs for works required to bring homes up to the Decent Homes Standard and higher Northampton Standard through the Stock Condition Survey

9.1.2 EFG, TP and HOP members were then supported to use this evidence to assess each of the five options to see which one(s) could best meet the Mission Statement goals for the Review.

9.1.3 The approach taken to support the EFG and TP groups in covering the key subjects for consideration was mainly undertaken by holding 3 types of regular meetings:

- **ITA-led development sessions**, where the ITA prepared and presented information to the Panel to raise our awareness and understanding of specific issues and to allow time to prepare for discussion of the topic with the Council, and where appropriate with the EFG;
- **Council-led sessions** which, once the structures and process of the Review had been agreed, focused on each of the key topics or issues needed to be considered and form a view on;
- **Joint workshop sessions**, where the TP and EFG groups worked together on specific issues such as developing the draft Northampton Standard.

9.2 Approach to Analysis and Evaluation

9.2.1 After the TP and EFG considered the above Tenant and Stock Condition Surveys and their implications, their work programme continued to explore the following areas and outcomes of the resulting work from both of the groups is explained in more detail below;

- The development of the Northampton Standard; which included development of new service standards and property standards
- Evaluating the options;
 - The development of the options criteria framework to assess each of the options;
 - The development of the weighting process for each of the criteria;
 - The development of the scoring process and how to compare the options
- Financial Issues;
 - An overview of the Council's existing HRA
 - Council finance and the HRA and how stock transfer worked
 - Financial issues in transfer and retention
 - Analysis of the 5 options to consider affordability of the Northampton Standard and potential for delivery of new homes;
- Consideration of the options for the provision of new homes
- Government Guidance on Housing Stock Transfer
- Visits from Transfer and Retention organisations

9.2.2 In addition, the following areas were also presented, challenged discussed and taken into consideration in assessing the options:

- Tenancy Rights & Tenancy Agreements
- Employee Rights
- Recap on the Decent Homes Standard
- Financial issues presented by Savills
- Governance issues in retention and transfer
- Characteristics of the ALMO Model in detail
- Informal and formal consultation: Overview of an Offer document and the ballot in housing stock transfer
- Revisions sessions across all key subject areas

9.3 Development of the Northampton Standard

9.3.1 The Northampton Standard was developed by the TP and EFG over a number of months, taking into account wider tenant priorities from the Tenant Survey and feedback from the conferences. The standard included two elements; new standards for improvements to properties and new draft housing service standards.

9.3.2 The TP and EFG worked to develop initial proposals for new service standards and towards the end of the review, passed them to the Council to continue their development, following the introduction of Housing Service Improvement Panels. Cost estimates for introducing the new standards were assessed and these have been built into the financial analysis and were used when assessing affordability for each of the options.

9.3.3 This newly developed property standards providing physical improvements to properties and estates included works which were above the minimum DHS.

9.3.4 The Northampton Standard included:

- All work detailed in the Government's basic Decent Homes Standard
- A generally higher quality specification e.g. showers over baths
- Bathroom improvements such as heating, adjustable height shower heads, choice of bath or shower (with both in larger homes), mixer taps
- Kitchen improvements such as layout changes to increase space for appliances, improve flooring and cupboard space, quality materials with choice of finish, and more electrical points
- Environmental improvements to estate roads and paths, improved parking provision, secure bin storage
- Security lighting and window locks
- Improvements to heating and insulation to reduce heating costs

9.3.5 For modelling purposes, it was assumed that improvements would be delivered at the next scheduled replacement cycle rather than as a one off improvement beforehand.

9.3.6 The physical standard elements of the Northampton Standard were also assessed by Savills and costs were estimated at £851m over 30 years. This information was key to assessing each of the options and their ability to afford the new standard. Full details regarding the Northampton Standard characteristics and costs are detailed within the Stock Condition Survey Report (Key Doc 14).

9.4 Evaluating the options

9.4.1 The evaluation process developed jointly by the TP and EFG had three elements;

- The development of the options criteria framework; including the issues that tenants and employees felt were important for any of the options to deliver against;
- The development of a scoring framework; to provide an objective approach scoring each of the options against each criteria element;
- The development of a scoring weighting framework; identifying the criteria most and least important to the TP and EFG members.

9.4.2 In addition to the above elements, an Options Comparison Document was developed for use as a comparison tool, to support the final scoring process.

9.5 Development of the options criteria framework

9.5.1 The criteria development process also took several months to complete and new criteria were added to the draft criteria document throughout the review, to ensure that any new elements felt to be of importance to the EFG and TP could be included. The early workshop sessions produced around 176 ideas and these were collated to create a type of prospectus for a new organisation, capable of being adopted and implemented by any of the options. (Key Doc 15)

9.5.2 Not all of the 176 ideas were capable of supporting the assessment of the options, as many of them could have potentially been delivered through all of them. The criteria selected needed to be able to support identification of the differences between the options. The EFG and TP were therefore supported to select the most important elements out of the 176 and the groups finally condensed the list down to 46 individual criteria, capable of being objectively scored. The Options Comparison Criteria are detailed in Key Doc 16.

9.5.3 The TP and EFG grouped the individual criteria which formed the basis of the final scoring framework into eight policy categories. The categories agreed were:

1. **Accountability, Participation, and Power** (encompassed 12 criteria)

To what extent could the option have the potential to empower tenants and/ or employees in the decision-making by the housing organisation?

2. **Tenants' Rights and Involvement** (encompassed 7 criteria)

To what extent could the option protect and develop tenant rights?

3. **Employee Issues** (encompassed 4 criteria)

To what extent could the option protect and develop employee rights?

4. **Financial Implications – including rents** (encompassed 12 criteria)

To what extent was it likely that the option would deliver the resources needed to meet both the investment and service improvement needs of Northampton Borough Council homes, and how would decisions on setting rents and service charges be taken?

5. **Quality of Homes** (encompassed 1 criterion)

To what extent was the option capable of delivering and maintaining the Decent Homes Standard over the life of a 30 year Business Plan?

6. **Impact on Local Community and Economy** (encompassed 2 criteria)

To what extent was the option likely to lead to a positive contribution to developing the local community and economy?

9. **Legal Framework and Equality** (encompassed 4 criteria)

To what extent could the option offer necessary legal and allied protections?

10. **Implications for the Council** (encompassed 4 criteria)

To what extent could the option allow the council to meet statutory and governance obligations?

9.5.4 After researching what has been developed elsewhere, there were no universally accepted criteria for assessing options and Councils who had embarked on Options Appraisal exercises had ended up with very different individual criteria and the number of such criteria varied considerably. The ITA commented on the process adopted as part of this review within their final report (Key Doc 3) and referred to the set of criteria developed as a 'robust and comprehensive tool for assessing the options'.

9.6 Development of the scoring framework and how to compare the options

9.6.1 Having agreed the evaluation criteria, the TP and EFG were then supported to develop and agree a joint approach on how to score each of the options against each of the 46 criteria selected. Each of the criteria was translated into a question and a scoring booklet was created for individuals to mark their scores. (Key Doc 20)

- 9.6.2 The system developed to score the options was as follows:
- Where the option **failed** to meet the objective described in any individual criteria it was awarded **zero marks**
 - Where the option **partially** met that objective it was awarded **one mark**
 - Where the option **largely met** that objective it was awarded **two marks**, and
 - Where the option **fully met** that objective it was awarded **three marks**.

9.6.3 A set of scoring rules were also agreed through discussion in the TP and the EFG. The groups determined that where the criteria involved matters of fact (not opinion) the option had to be awarded three, where that requirement demonstrably applied, and zero where it did not. No intermediate scores were permitted. For example it was not matter of judgement that ground 8 in the grounds for possession for assured tenancies did not apply in a council secure tenancy; it was a matter of fact. This approach was taken to ensure that the scoring framework was factually objective where possible and removed as much bias as possible.

9.6.4 In order to ensure that scoring of the criteria against each option was based on facts, where relevant, an Options Comparison Document (OCD) was created over a number of months, in conjunction with the TP and EFG. (Key Doc 19).

9.7 Development of the criteria weighting framework

9.7.1 The scoring system developed, provided a value for how well an option had performed against any given criteria, but, the TP and EGF both felt that not all of the criteria identified were as important as each other.

9.7.2 It was agreed that a weighting system would indicate how important each criteria was, allowing an option to potentially score highly, but on poorly weighted criteria, and vice versa.

9.7.3 The weighting system agreed by the Tenants' Panel and the Employee Focus Group was as follows; Criteria that was judged;

- **'not essential'** was given a value of **1**
- **'desirable'** was given a value of **2**
- **'important'** was given a value of **3**
- **'essential'** was given a value of **4**

9.7.4 **The total score for each of the criteria was determined by multiplying the individual score awarded by the allocated weighting score.**

9.7.5 **The weightings were arrived at through a long process of discussion within the TP and EFG. In the case of the Tenants' Panel, members voted and re-voted on what weight to attach to each criterion, over a number of sessions.** The category with the highest number of votes at the end of this process became the agreed weight for that criterion. The EFG also worked on finalising the weightings over several sessions. Both groups agreed an individual set of weightings, as it was felt that the issues most important to employees would not necessarily be the same as those for tenants.

9.7.6 The weighting documents for the EFG (Key Doc 18) and the TP (Key Doc 17) were finalised after members had attended all of the revision sessions so that presentations previously delivered through the process and all key facts were recapped to ensure that all were fully up to date and prepared for the scoring session.

9.7.7 The ITA reported within their final report that they believed that the derivation and application of the weighting system was done in a wholly rational and thorough manner, and that it reflected the decisions of the Tenants' Panel following extensive discussions between the TP and the EFG.

9.7.8 The results of the scoring exercise are summarised next in Section 10 below.

9.8 Financial Analysis of the Options

9.8.1 Background

9.8.1.1 Following the development and costing of the Northampton Standard, the criteria and scoring and weighting frameworks, the TP and EFG received further presentations from Savills, building upon the earlier Baseline HRA presentations given. The finance sessions, which involved analysing the implications of the guidance and affordability in terms of the Northampton Standard, had to be scheduled late in the programme timetable due to the delay caused by the late release of the draft Housing Transfer Manual guidance.

9.8.1.2 The financial analysis sessions provided details as to what extent each of the retention and transfer options could afford to implement the Northampton Standard and provide new homes. They also highlighted financial risks, issues and implications associated with each of the options.

9.8.1.3 The financial analysis covered the following areas:

- The development of a costed Northampton standard
- The impact of this standard on the HRA Business Plan

- The delivery of this standard through retention
- The delivery of this standard through stock transfer

9.8.1.4 The starting point for the assessment of all options was based on the baseline HRA analysis work. The full details of the financial analysis are shown in Appendix 4.

9.8.2 Financial Assessment of Retention Options

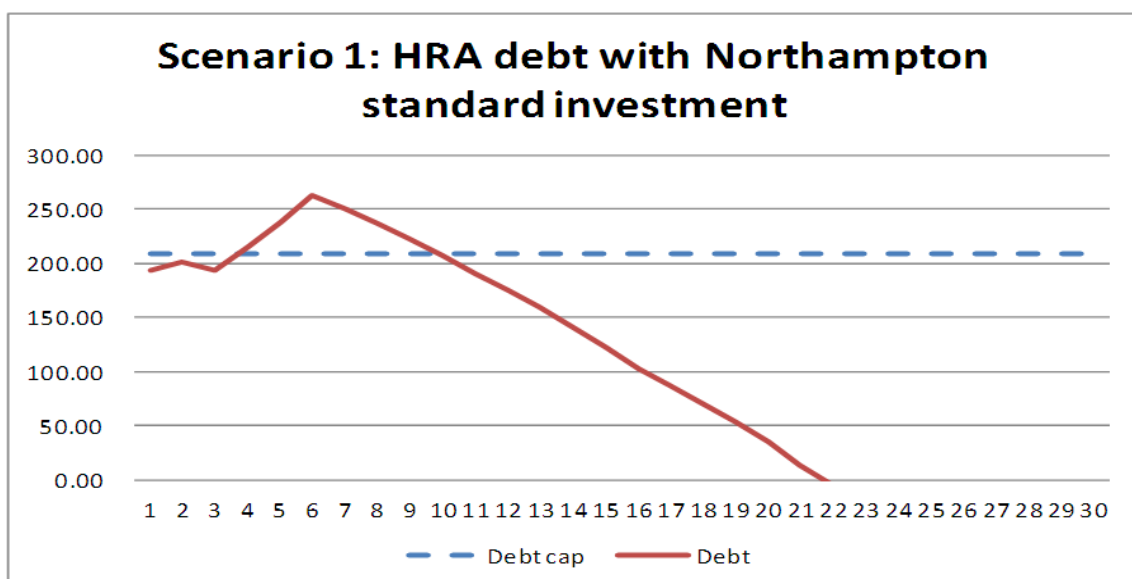
9.8.2.1 The financial assessment analysis and presentations focused on retention and transfer options. For the retention options, five different versions of the Business Plan were modelled, with the aims of testing the maximum debt required and how quickly it could be repaid. Three scenarios (2, 4 & 5) included new build at 40 homes per year from 2014 with an average cost of provision of £135,000 (current prices) and rents of £100 per week (current prices)

9.8.2.2 All scenarios included major investment costs based on the Northampton Standard but the timing of some investments, as explained below, formed a key part of the scenario testing.

9.8.3 Impact of the Northampton Standard on the HRA Business Plan

9.8.3.1 Scenario 1: Plan with Northampton Standard investment but without new build

9.8.3.1.1 The base Business Plan scenario incorporated all HRA assumptions set out in Savills report. The assumptions produced a borrowing (loan) requirement and compared this to the debt cap of £209m.



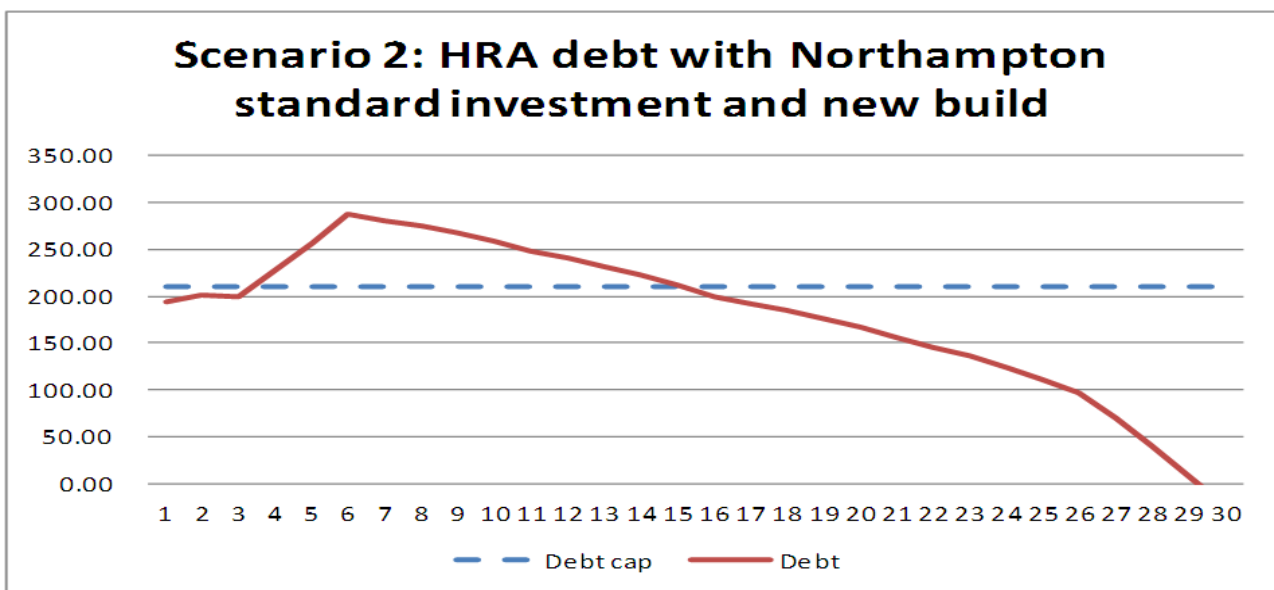
9.8.3.1.2 Under this scenario the Council would need to increase borrowing to £262m in the short to medium term in order to fund the increased investment associated with delivering the Northampton Standard within the first five years of the Plan.

9.8.3.1.3 The graph shows that although the plan was affordable, demonstrating an ability to repay debt by year 23, the level of borrowing required in the early years was not permissible under current rules which limit HRA borrowing to £209m. HRA borrowing would exceed the Government's debt cap by £53m.

9.8.3.2 **Scenario 2: Plan with Northampton Standard investment and with new build**

9.8.3.2.1 This scenario incorporated all the assumptions set out in Scenario 1 plus an assumed new build programme of 40 homes per year from 2014, in line with the Council's existing Business Plan.

9.8.3.2.2 This scenario produced a borrowing (loan) requirement shown in the following graph.



9.8.3.2.3 Under this scenario expenditure requirements would increase further to fund both the delivery of the Northampton Standard within five years, and a new build programme, without additional grant, from 2014. The maximum borrowing required would increase to £286m.

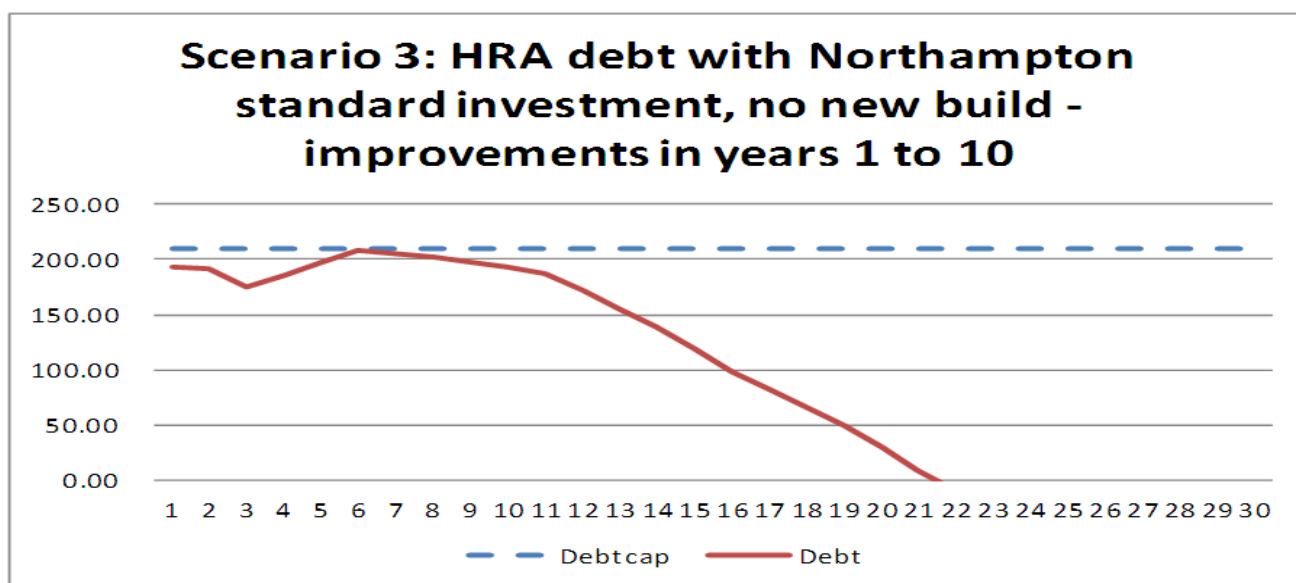
9.8.3.2.4 The graph indicates that this level of borrowing would potentially be capable of being repaid within 30 years and therefore, in theory, presents a broadly affordable plan. However, the level of borrowing required in the early years would not be permissible under the current rules which limit HRA borrowing to £209m. HRA borrowing would exceed the Government's debt cap by £77m.

9.8.3.3 Scenario 3: Plan with Northampton Standard investment, without new build and with early years expenditure re-profiling

9.8.3.3.1 Scenario 3 was a development of Scenario 1 that demonstrated how it may be possible to balance investment within the HRA debt cap. The Council would need to consider options to adjust the level of expenditure or the timing of investment. Scenario 3 was an example of how the Northampton Standard of investment could be contained within the debt cap with an adjustment to the timing of when the investment could be afforded and delivered.

9.8.3.3.2 Scenario 3 assumed all the income and expenditure assumptions set out in Scenario 1, except that £44 million of expenditure originally included in years 1 to 5 in Scenario 1, would need to be delayed to years 6 to 10 in Scenario 3.

9.8.3.3.3 The financial impact of deferral of investment is shown in the following graph.

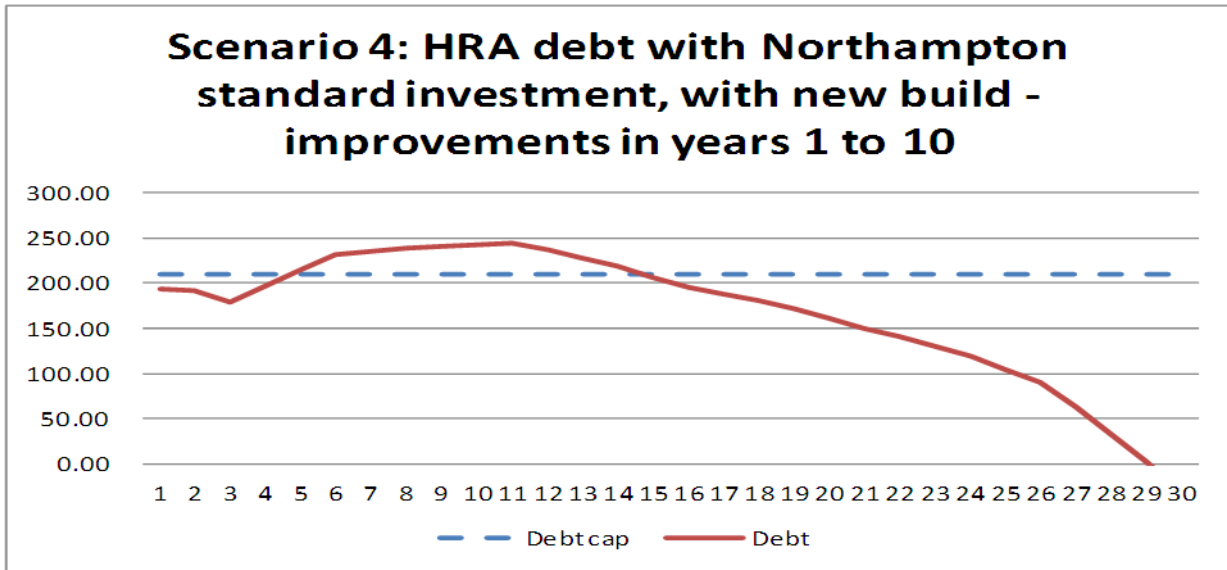


9.8.3.3.4 This shows that the plan remained affordable, demonstrating an ability to repay debt by year 21, and that the level of borrowing required in the early years remained within the debt cap of £209m.

9.8.3.4 Scenario 4: Plan with Northampton Standard investment, with new build and with early years expenditure re-profiling

9.8.3.4.1 Scenario 4 included all the cost and income assumptions contained in Scenario 2 and the assumptions regarding expenditure re-profiling set out in Scenario 3.

9.8.3.4.2 This scenario produced a borrowing (loan) requirement shown in the following graph.



9.8.3.4.3 Scenario 4 demonstrated that, even with the re-profiling of expenditure from the early years, as described in Scenario 3, the inclusion of a new homes programme would take the borrowing over the debt cap again.

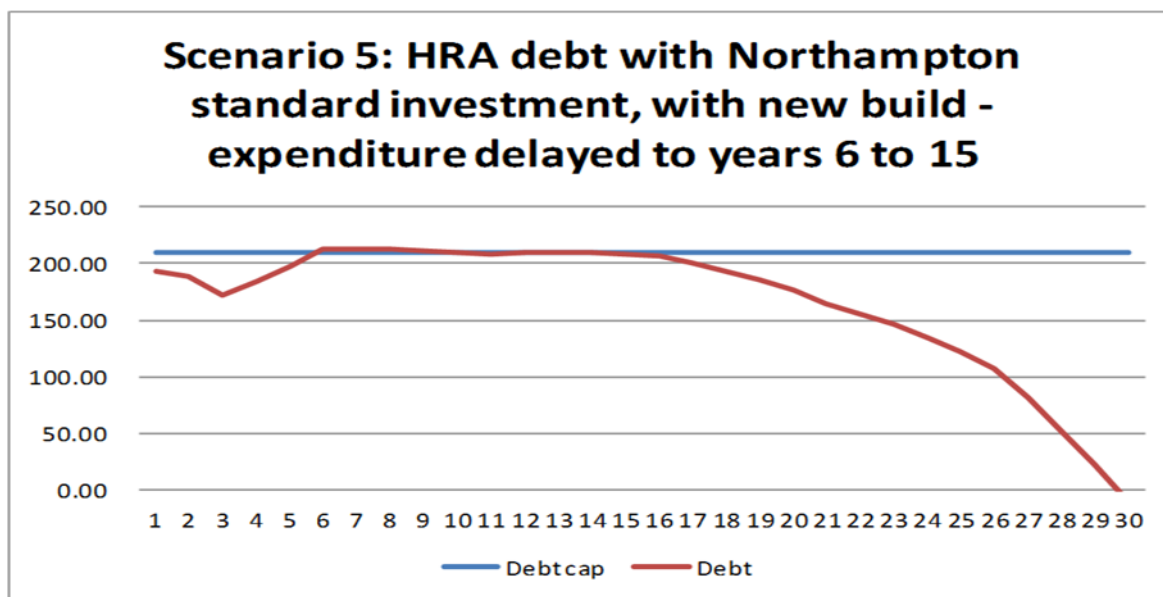
9.8.3.4.4 The graph shows that although the plan would be affordable, demonstrating an ability to repay debt by year 29, the level of borrowing required in the early years would not be permissible under current rules which limit HRA borrowing to £209m. HRA borrowing would exceed the debt cap by £36m to a maximum of £245m. Incorporating a new build programme would therefore require further re-profiling of the Northampton Standard works. This would result in delaying the implementation of elements of the Northampton Standard beyond years 6 to 10.

9.8.3.5 **Scenario 5: Plan with Northampton Standard investment, with new build and with further early years expenditure re-profiling**

9.8.3.5.1 Scenario 5 was a development of Scenario 4 which demonstrated that even with a larger modelled debt cap breach (£77 million in Scenario 2 and £36 million in Scenario 4 after some re-profiling of expenditure) arising from the inclusion of the new homes programme, it could still be possible to balance investment within the HRA debt cap. The Council would need to consider further options to adjust the level of expenditure or the timing of investment. Scenario 5 was an example of how the Northampton Standard of investment could be contained within the debt cap with an adjustment to the timing of when it could be afforded and delivered.

9.8.3.5.2 Scenario 5 assumed all the income and expenditure assumptions set out in Scenario 2, except that £60 million of expenditure included in years 1 to 5 in Scenario 2 was further

delayed to years 6 to 15. Final decisions on any re-profiling would require consultation between Asset Managers and residents.



9.8.3.5.3 This graph shows that the plan could be afforded as it demonstrates an ability to repay debt by year 30. Scenario 5 illustrated that under retention, significant choices would need to be made between new build and the timing of work to existing homes and estates.

9.8.4 Re-profiling of the Northampton Standard

9.8.4.1 After receiving the above scenarios, following extensive consultation and detailed consideration with EFG and TP members, the consensus was to adopt a proposed Northampton Standard of investment that produced an outcome in line with **Scenario 3**. This involved, primarily, the re-profiling of property and environmental improvement expenditure over the first ten years, shown in Key Doc 12. Scenario 3 was therefore chosen to test the Retention with Review and the ALMO options, against the three Transfer options.

9.8.5 Corporate Impacts for the Retention options

9.8.5.1 The HRA Business Plan used to assess the options included an additional allowance of over £2m for service improvements. Additional costs relating to setting up an ALMO structure can be accommodated within this budget.

9.8.5.2 The corporate impact of setting up an ALMO is mitigated by the HRA remaining open. Assuming a stand still position regarding the delivery of services, where HRA services are

transferred to the ALMO; the fees for providing those services will be transferred as well and the costs charged to the HRA.

9.8.5.3 Where HRA services or associated overheads are retained by the corporate body, those costs can also be charged on to the HRA. If the ALMO option is chosen, the project will need ensure that the ALMO and agreements around the ALMO structure deal with such considerations as pensions costs and ensure that costs that remain are appropriately charged to the HRA.

9.8.5.4 Decisions made on the set-up of the ALMO, on issues such as accommodation and take up of support services currently provided through the Council, could significantly impact on the ALMO and the Council.

9.8.5.5 If the Council were to change the methodology of service delivery, such as changing use of buildings, this could have a corporate impact. However, these changes would have to be assessed on their own merit and would not specifically be additional costs relating to an ALMO setup but to a decision to change service delivery methods.

9.8.5.6 Savills then presented the financial implications associated with the three stock transfer options. In order to do this fully, the EFG and TP were provided with significant context information relating to the implications of the new HRA self financing rules and those related to the new Housing Transfer guidance.

9.8.6 Financial Assessment of the Stock Transfer Options

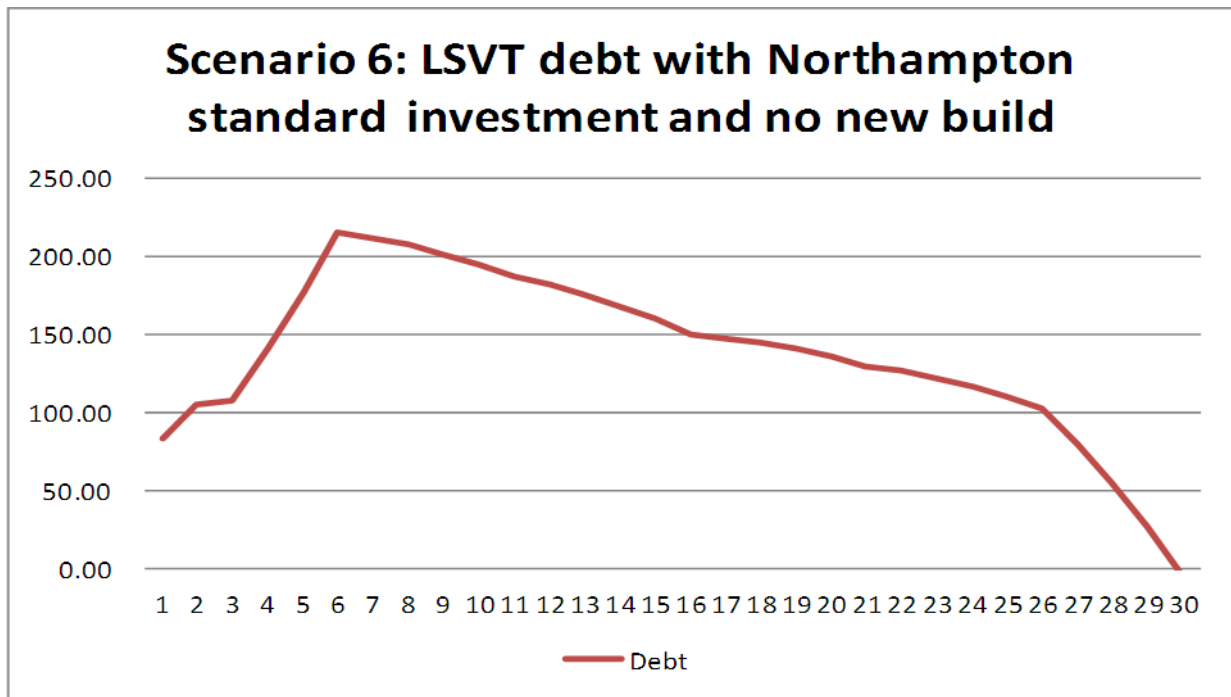
9.8.6.1 The implementation of HRA self-financing introduced new issues to be considered as part of a stock options review and in particular relating to the option of stock transfer.

9.8.6.2 One key issue related to the valuation of the stock and the price the new landlord would pay the Council. The stock would be valued on the basis of tenanted market value (TMV), which values the ongoing cash flows, such as that received from the rental income, for the properties. As the income is largely set by the Government's social (formula) rent policy, the higher the level of expenditure in the valuation, and therefore in the new landlord's Business Plan, the lower the value of cash flows and the lower the price paid to the Council for the stock. This would ensure that the new landlord could afford to fund promises, such as the Northampton Standard, which would be costed into the valuation.

- 9.8.6.3 Following the introduction of HRA Self Financing the Council needed to ensure that its HRA debt (£193m) could be repaid from the proceeds of transfer or have it written off by government.
- 9.8.6.4 Communities for Local Government's starting point for consent to transfer was that transfer cash flows must reflect the assumptions made in the HRA Self Financing debt calculation, which also valued the future anticipated cash flows. Any increases in costs or reductions in income assumed in the transfer cash flows, which would reduce the valuation, needed to be explained and justified through additional outputs, in return for debt write off. This presented a barrier to stock transfer in that, typically, councils would want to promise tenants an improved standard under transfer compared with retention, and this would mean a departure from the HRA Self Financing valuation which would trigger a requirement for debt write off.
- 9.8.6.5 The HCA guidance for stock transfer, issued in November 2013, sets out how authorities needed to justify the case for transfer and debt write off. The guidance indicated that there would be a requirement for a full business case in line with HM Treasury Green Book guidance which would require the setting out of the strategic, economic, commercial, financial and management case for transfer. Where debt write off was required, the case must be agreed with both DCLG and HM Treasury and it would be necessary to demonstrate, through cost benefit analysis that the transfer proposals offered a net benefit to central government over the long term.
- 9.8.6.6 The guidance also required any new transfers to be completed by March 2015. This deadline was a critical factor in considering the viability of the three transfer options, as any debt write off requirement identified could only be paid out within the current spending review period. This meant that to achieve a stock transfer in Northampton the timetable would need to be:
- Council decision on options (Dec 13)
 - Application to transfer (Mar 14)
 - HCA/DCLG decision on application (Jun 14)
 - Offer document and ballot (Sep 14)
 - Subject to ballot result, set up new landlord and complete the transfer (Mar 15)
- 9.8.6.7 The Council would need to consider whether this timetable would allow adequate consultation with residents and with the Regulator and DCLG to develop the offer, put the necessary plans in place and to complete the registration of the organisation as a new Registered Provider of housing.

- 9.8.6.8 Stock transfer would also bring additional costs in terms of VAT liability which would reduce the valuation of the stock and potentially trigger a (greater) requirement for debt write off. Whilst this would be recognised as a justification for departure from the HRA self-financing cash flows, the guidance appeared to still require the economic case for the resulting need for debt write off to be able to demonstrate long term benefits to government.
- 9.8.6.9 Stock transfer would also bring additional set up costs for both the Council and the new landlord. Under the new rules, the new landlord would need to absorb these costs within its Business Plan. The Council would also need to be able to fund its own set up costs in a way that did not add to the debt write off requirement.
- 9.8.6.10 Following stock transfer, the new landlord would require funding from the private sector to produce a viable long term Business Plan. In the current economic climate, the availability of long term funding may prove challenging. This is assessed in more detail below in section 9.8.8. The cost of funds is also likely to be higher than the cost of current HRA debt via the Public Works Loan Board (PWLB).
- 9.8.6.11 Some authorities have explored a financing model for stock transfer where the existing housing debt remained with the authority, reducing both the cost of funds and the amount of additional private sector funding needed. This model (referred to as “Council and Community owned” or “CoCo”) is currently not available as an option due to it not being acceptable to HM Treasury. Its concerns were focused on the level of control that the Council could exert through the funding mechanism, and the resulting risk that the entire debt of the new organisation would count as public sector borrowing, something that the current government is keen to see reduced.
- 9.8.6.12 **Scenario 6: Implications of stock transfer in Northampton**
- 9.8.6.12.1 In order to assess the implications of stock transfer in Northampton, the tenanted market value for the stock was calculated based on delivery of the Northampton Standard investment, prior to being re-profiled, with improvements all delivered in the first five years. This produced a maximum level of £85m. The ability for a new landlord to pay this maximum value would be subject to the availability and cost of funding.
- 9.8.6.12.2 If funding were available at 6% and long term financing was available over a 30 year period, the new landlord’s Business Plan could support this maximum purchase price of £85m and still demonstrate the ability to repay debt over a 30 year period. This is

illustrated in the graph below, however this would be heavily dependent on the availability of long term funding at this rate and on tight income and cost controls.



9.8.6.12.3 If the new landlord paid the Council £85m for the stock, the Council would still be left with a short fall of £108m to repay its current debt. It would also be faced with a requirement for set up costs typically in the order of £1m, which would need to be funded from its own resources. Premia, a type of redemption penalty payable as a result of redemption of existing housing debt, would further increase the amount of government support needed for debt write off.

9.8.6.12.4 As mentioned above, in order to demonstrate the business case for debt write off to Government the Council would need to demonstrate long term economic benefits in excess of £108m plus the value of debt redemption premia currently estimated at around £10m. This would need to be demonstrated through a combination of additional income or reduced expenditure to government, for example:

- Additional income through
- Additional VAT receipts as a result of the new landlord's VAT liability and additional activity
- Stimulating economic growth resulting in additional tax receipts
- Creating new jobs with additional tax receipts
- Reduced expenditure through

- The positive impacts on housing benefit expenditure of the investment in the repair of the social rent homes leading to fewer void properties giving rise to lower reliance on private sector market renting
- The positive impacts of additional new build on housing benefit expenditure, again due to a reduced reliance on the private rented sector
- Savings from long term improvements to public health.

9.8.6.12.5 Under the transfer scenario illustrated, the value of the additional VAT receipts was estimated to be £83m. This would leave an additional £25m or more to be justified through broader economic stimulus plus the value of any debt redemption premia.

9.8.6.12.6 Even if it were possible to demonstrate this economic case, the Council would still only be promising tenants a level of expenditure which could be delivered under the two retention options. The key difference would be that residents would see the Northampton Standard improvements earlier than under retention. The Council would need to consider whether this would be sufficient to justify the case for change and result in a positive ballot supporting stock transfer.

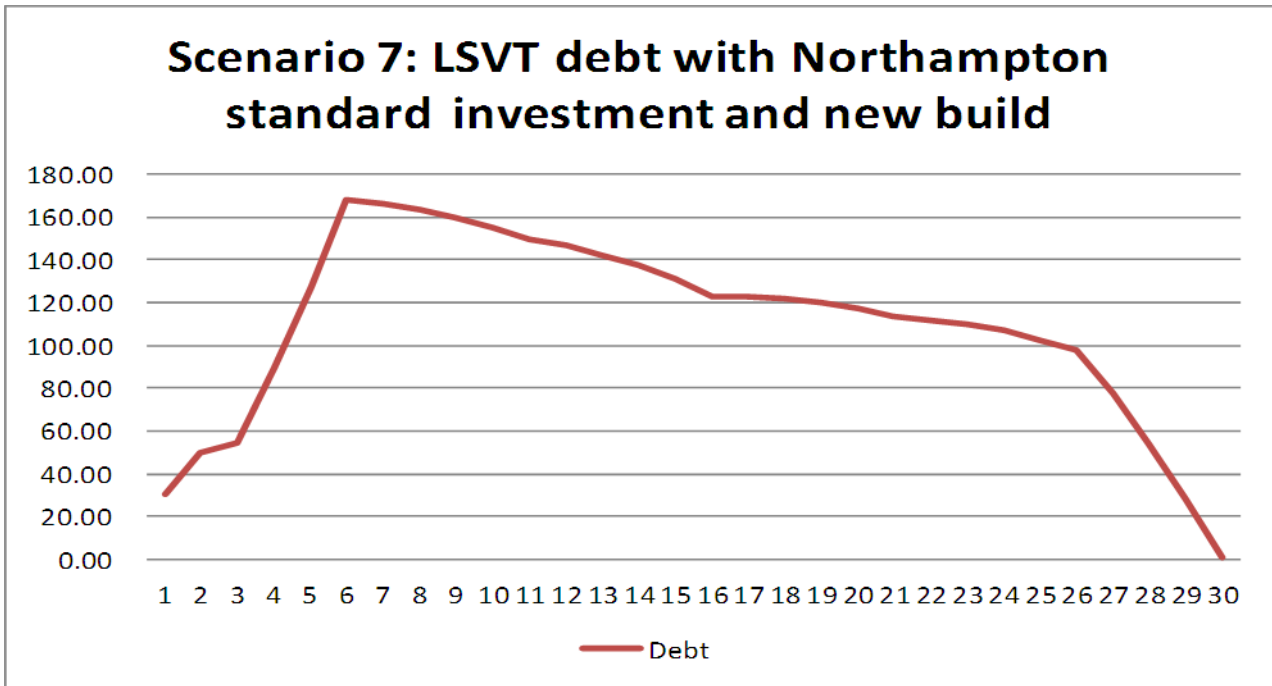
9.8.6.12.7 If the Council wished to deliver an additional level of investment it would need to consider:

- The impact of any additional expenditure on the need for debt write off
- The desirability of any additional expenditure from a residents' perspective.

9.8.6.13 **Scenario 7: Stock transfer and new build**

9.8.6.13.1 This scenario included the assumptions included in scenario 6 plus new build, let at social rents, in line with the assumptions modelled under the retention options, and in line with the Council's current Business Plan. This considered the amount of subsidy required from the Business Plan to fund the shortfall between income from social rents and the cost of managing and maintaining the homes and servicing a loan for the cost of provision. A cross-subsidy would be required from the transferring stock which would reduce the price that could be paid for that stock and so would increase the amount of debt write-off required.

9.8.6.13.2 This scenario produced a slightly reduced stock value with a maximum purchase price possible of £30m. This would also be subject to the availability and cost of funding. If funding were available at 6% and long term financing was available over a 30 year period, the new landlord's Business Plan could support this maximum purchase price. This is illustrated below however, this is heavily dependent on the availability of long term funding at this rate and on tight income and cost controls.



9.8.6.13.3 Whilst this scenario would produce 1,120 new homes over 30 years, it would result in an increase in debt write off requirement of £55m which would need to be justified based on the economic benefits delivered by the new homes.

9.8.6.13.4 If it were possible to justify this, this transfer option would include both new homes and refurbishment at an earlier stage than under retention.

9.8.6.13.5 However given the fact that the key difference in investment levels and new homes is in timing, rather than values, it may be difficult for the Council to justify the level of debt write off required based on the economic benefit linked to delivering investment and new homes sooner.

9.8.7 Financial consequences of transfer on the Council

9.8.7.1 Recharges

9.8.7.1.2 Savills confirmed that financially, there was no longer a beneficial advantage to establishing an ALMO. This was due to the fact that the establishment of an ALMO no longer brought with it access to additional capital funding. The Council would benefit from the decent homes backlog funding under both retained ownership and management and the establishment of an ALMO. The costs of the establishment of an ALMO, depending upon set up decisions, may be relatively minimal and it was assumed that these could be contained within the provision made for service improvement, included in all of the financial models. Decisions made on the set-up of the ALMO, on issues such as

accommodation and take up of support services currently provided through the Council, could significantly impact on the ALMO and the Council.

- 9.8.7.1.3 If the stock was to be transferred, the HRA would be closed, usually within one year. At that point, any charges made to the HRA by the Council would no longer be possible.
- 9.8.7.1.4 Costs initially charged to Council's General Fund budget (GF) would be recharged to the HRA to reflect the provision of services, office accommodation, and other charges linked to supporting the Council's housing landlord function. The Council would be required to make reasonable recharges reflecting the costs of the services, etc., provided. Whilst the Council would continue to own its Housing Stock, whether it directly managed it or managed it through an ALMO, it would need to maintain a HRA and the recharges could then continue to be made subject to the ALMO continuing to receive support services from the Council. In the event of a whole housing stock transfer the HRA would be closed and the recharges from the GF could no longer be made.
- 9.8.7.1.5 Recharges to the HRA, based on the baseline figures, from non-housing departments amounted to approximately £4.8 million. There was a further recharge of housing costs charged initially to the GF and recharged to the HRA of £0.44 million. These related to, for example, the HRA contribution to the Choice Based Lettings service and Housing Options service.
- 9.8.7.1.6 Of the £4.8 million:
- £0.67 million of the above related to charges made to the housing service for "facilities" (e.g. office accommodation),
 - £1.03 million of the above related to overheads charged to the housing service by other sections (e.g. finance has its own recharges from ICT),
- 9.8.7.6.7 Consequently, about £3 million related to more direct costs from within the recharging sections.
- 9.8.7.1.8 It was important to note that if no actions were taken in the preparation for and delivery of a housing transfer then much of the above costs could fall to be met from the GF.
- 9.8.7.1.9 There would be a range of actions that could be taken where feasible to reduce the impact of a Housing Stock transfer on the GF, including the following:
- The cost driver (e.g. employees, buildings, ICT equipment, etc.) could be transferred to the new landlord with the Housing Stock,
 - The Council could negotiate the continued provision of the service to the new landlord,

- The Council could look to secure some income from the transfer to offset the costs,
- The Council could look to make savings to reduce its costs.

9.8.7.1.10 Savills estimated that, from their previous experience of housing transfers, out of approximately £5.25 million of the total recharges, it may be possible to achieve reductions in recharge costs of up to £3 million. This would be achieved through the transfer of staff and / or equipment at the point of transfer or through the provision of services after transfer. It would be likely, however, that some of these estimated savings may not be deliverable in the medium term if and when the service transferred to the new landlord, because part of the costs would relate to overheads charged to the service providers.

9.8.7.1.11 It is estimated, therefore, that the Council may face residual costs following housing transfer of over £2 million per year. The final level of this deficit would depend on a number of factors including the existing organisation of services (and the correlation with staff TUPE arrangements), the feasibility of disposing of offices and other related buildings work and the Council's ability to deliver cost effective support services to the new landlord.

9.8.8 Treasury Management Implications

9.8.1 Under options where the stock is retained or retained and managed by an ALMO, the current treasury management arrangements can continue. Savills produced a report that considers the treasury management issues when exploring alternative options for the stock (Appendix 5). These relate exclusively to stock transfer options, the report is summarised below.

9.8.2 Until the start of the economic downturn in 2007/08, most housing transfers were funded through long term loan facilities provided by the major banks, and several of those banks were prepared to take exposures of up to £200m to any one organisation.. Now the banks prefer maturities of around five to ten years with most banks setting limits of around £50m.

9.8.3 The cost of borrowing, in terms of interest rate margins, has also increased significantly from lows of 0.25% to current levels of 2.00% and more. Currently however, this is being partly offset by historically low market interest rates, caused by the government's attempts to boost economic growth by manipulating base rate and through its asset purchase programme (quantitative easing).

- 9.8.4 In modelling the impact of stock transfer at Northampton, the maximum funding requirement would be in the order of £215m as illustrated in scenario 6 above. This assumes that the new landlord would need to pay Northampton £85m for the stock, and then borrow additional money to deliver transfer promises – illustrated here as the delivery of the Northampton Standard within 5 years.
- 9.8.5 In scenario 7 above the new landlord would need to pay a reduced price to the Council, to reflect the subsidy requirement of new build housing at social rents. With a reduced purchase price, the overall borrowing level is also reduced, to around £168m.
- 9.8.6 As stated above, it may be possible to arrange bank funding for up to 10 years but even at the lower level of funding requirement of £168m this would involve a syndicate of, probably, three banks. It does however result in a considerable refinancing risk for both the borrower and the lenders. It would likely be necessary to give each syndicate member a proportion of the debt at each maturity. Having no debt paid back during the term of the loans would present a severe obstacle to the banks.
- 9.8.7 An alternative treasury management option is to identify whether a debt capital markets structure would be suitable for funding the proposed housing transfer. However, this solution would appear to be very inefficient in that it results in excess cash in the early years with a significant “carry cost” and a reliance on continuing bank debt to support any bond interest which would be most unattractive to institutional investors.
- 9.8.8 Debt capital solution models determine that, just in terms of numbers, any type of funding solution is likely to present significant challenges in the current funding market. It is unlikely that banks would be comfortable in lending against a profile which demonstrates significant refinancing risk and no repayment during the term of the lending.
- 9.8.9 For all debt capital markets issues, investors expect the issuer to have a credit rating which they can rely upon. In this instance, the issuer, being a start-up organisation, is unlikely to command a credit rating at a sufficient level to allow investors to take any comfort from it. A few early housing transfers were funded in part, through the debt capital markets but these carried guarantees from triple A-rated monoline insurance companies such that investors could look through the issuer at the credit quality of the guarantor. These guarantees are no longer available.
- 9.8.10 In summary, the availability of funding could be challenging in the context of stock transfer. If the Council wished to pursue stock transfer, it is recommended that a programme of soft market testing is undertaken before any firm commitments are made.

9.9.9 Other Potential Corporate Impacts for Transfer

9.9.9.1 There would be a number of other potential corporate impacts:

- Contractual Implications around contracts which are unable to be novated to the new housing provider
- Treasury Management Implications relating to any residual debt which cannot be written off
- Pension Liabilities through residual costs of pensions provided to staff who have TUPE'd to the new organisation
- Pre-Ballot Costs which would have to be met from the Council's own resources

9.9.10 Financial Analysis Summary

9.9.10.1 The Council consulted extensively with the TP and EFG to develop the new local standard of investment, the Northampton Standard. The retention options offered opportunities to deliver this standard of investment, although the constraints of the debt cap meant that choices would need to be made around the timing of the implementation and the delay in completing some of the works.

9.9.10.2 The Business Plan would have some capacity to deliver new additional affordable housing under the retention options, although again choices would need to be made between the timing of new homes, and the level and timing of investment in existing homes.

9.9.10.3 Stock transfer provided an opportunity to deliver improvements to existing homes and to build new homes sooner than under retention. However stock transfer would require a significant level of debt write off and this would need to be justified by savings and benefits to central government. The economic case for these benefits may be difficult to justify given that the additionality delivered through stock transfer related more to timing of works and new homes, rather than absolute levels of activity.

9.9.10.4 Through consultation with tenants and employees, the Northampton Standard was reprioritised and a decision was taken, recommending that New Build should be provided for outside the HRA. Consequently, the retention option chosen by tenants and employees, to measure against the transfer options was scenario 3: Northampton Standard investment, without new build and with early years expenditure re-profiling.

- 9.9.10.5 There were also significant barriers to transfer due to the new rules from DCLG relating to the need to provide an economic case based on costs and benefits to central government, the restriction of standard to be delivered, and the high level of risk involved in considering transfer within the required timescales.
- 9.9.10.6 The new transfer guidance restricted the ability of councils to mitigate, through debt right off calculations, against the additional costs that could impact on General Funds, thus reducing the appetite for transfer further.
- 9.9.10.7 Finally, there would also be significant challenges in obtaining funding for a transfer organisation to be able to finance its commitments. The reduction in funding availability from the market following the economic downturn from 2007/08 onwards could, in itself, be seen to present a barrier to any of the transfer options.

9.9.11 Visits from Transfer and Retention Housing Organisations

- 9.9.11.1 Prior to the commencement of revision sessions recapping all issues necessary to compare the options, visits from other organisations that had either stock transferred to a Housing Association or moved to an ALMO were held.
- 9.9.11.2 The visits were the last information-gathering exercise delivered as part of the Review. They provided an opportunity for the TP and EFG to hear first-hand from other ALMO's and Housing Associations representing the 3 alternative transfer options what their experiences had been. TP and EFG members used the sessions to challenge their understanding of the key benefits and dis-benefits of each of the options and raise any concerns they had.

10 Scoring the Options

10.1 Outcome of Scoring Process

- 10.1.1 The processes to arrive at the evaluation criteria, and then the scoring and weighting system, were at the heart of what the TP and EFG did as Panels.
- 10.1.2 The groups were able to take the evidence received concerning the Stock Condition Survey, the financial analysis, the Tenant Survey, the available options, and the presentations made by the visitors from other organisations, and use it to feed into the individual scores for each of the options.

10.1.3 The TP and EFG members carried out the scoring process independently. Individual members scored the options and the ITA moderated the completed the TP scoring sheets, in accordance with the agreed scoring rules, based of factual accuracy. The TP and EFG prepared reports to present, their scores, scoring rationale and their recommended option to the HOP.

10.2 The Results of the Tenant Panel Scoring Exercise

10.2.1 The TP reported that in total 31 TP members chose to take part in the formal scoring exercise. Detailed results are provided in the Tenants' Panel Report; Key Doc 1.

10.2.2 Table 3 below gives the results of that exercise. It shows:

- The total scores awarded for each of the five options
- The scores awarded for each of the eight criteria groups by option;

Totals per section with selected option						
Section Name	Section	Retain homes with review	ALMO	Transfer to HA standard	Transfer to mutual HA	Transfer as subsidiary of HA
Accountability, Influence, Participation and Power	1	1312	3118	3936	4224	3486
Tenants' Rights and Involvement	2	1536	1744	1812	1812	1584
Employee Issues	3	644	1256	1208	1208	960
Financial Implications incl. rents	4	3230	3221	2759	2759	2559
Quality of Homes	5	384	384	384	384	384
Impact on Local Community and Economy	6	500	500	404	404	404
Legal Framework and Equality	7	1152	1536	984	984	808
Implications for the Council	8	1536	1400	1004	1004	988
	Total	10294	13159	12491	12779	11173

Table 3

10.2.3 The shaded scores (green on colour copies of this report) indicate the highest score(s) for each of the eight categories. Based on the above totals, Table 4, below, shows the rankings for each option

Tenant Panel Ranking of Options	
Rank	Score
1. Option 2 (Retention - ALMO)	13159
2. Option 4 (Transfer – Mutual)	12779
3. Option 3 (Transfer – Stand-Alone)	12491
4. Option 5 (Transfer – Group Structure)	11173
5. Option 1 (Retention – Service Review)	10294

Table 4

10.2.4 The above tables show that the retention options were at the opposite ends of the rankings, with the three transfer options sandwiched between them. Option 2, retention with the establishment of an ALMO, scored highest. One of the transfer options, transfer to a mutual housing association, came second. Transfer to a stand-alone association came third, with the remaining transfer option, transfer to become part of a group structure, in fourth place. The first retention option, retention with a major service review came fifth, and last.

10.2.5 Analysis of the number of individual TP members scoring a specific option highest showed the following in Table 5 below:

Numbers Ranking Each Option as First				
Option 1	Option 2	Option 3	Option 4	Option 5
0	20	0	11	0

Table 5

10.2.6 Out of the 31 tenants who scored the five housing options: 20 or 64.5% ranked Option 2 - the ALMO the highest; and 11 tenants, or 35.5% ranked Option 4 - Transfer to a Mutual Housing Association as the second highest.

10.3 Summary of the Tenants' Panel Scoring Exercise

10.3.1 In reviewing the results of the TP scoring exercise there were a number of specific conclusions that the TP wanted to draw from it, as well as a number of general observations they wished to make.

The specific conclusions were these:

- The ALMO option scored highest because it scored strongly or very strongly across all eight categories (not, for example, because it had a very large margin over the other options in a few categories). The ALMO scored most strongly on: tenant rights; employee issues; financial implications; the legal framework; and the implications for the Council.
- The Mutual Model (Option 4) also scored well across the categories, but particularly well in relation to: accountability, participation, and power; tenant rights; financial implications; and employee issues.
- Option 3 (the stand-alone transfer model) scored identically with the Mutual Model except on accountability, participation and power, where its scores were weaker.
- Option 5 scored consistently lower than both other transfer options because Panel members rated it lower on accountability, participation and power, tenant rights, and employee issues, and lower than the ALMO because its scores were worse than the ALMO on 7 of the 8 categories.

10.4 Results of the Employee Focus Group Scoring Exercise

10.4.1 The EFG confirmed within their report that all 11 of the EFG members had scored the options. EFG Scores were moderated by the Housing Options Review Team, in accordance with the agreed scoring rules, on the basis of factual accuracy.

10.4.2 The detailed scoring outcome for the EFG is contained in Key Document 2 .Unlike the TP scoring, EFG members scored unanimously in favour of the ALMO option. In summary, the scores for each of the options from the EFG were as follows;

Rank	Score
1. Option 2 - ALMO	3905
2. Option 4 – Transfer – Mutual	3681
3. Option 3 – Transfer – Stand-Alone	3582
4. Option 5 – Transfer – Group Structure	3202
5. Option 1 – Retention with Service Review	3116

10.5 Summary of the Employee Focus Group Scoring Exercise

10.5.1 The EFG also made a number of specific conclusions that they wished to draw from the scoring outcome;

- The ALMO scored highest overall because it scored very strongly across all 8 criteria groups and most especially on: Tenants Rights and Involvement, Employee Issues, Financial Implications, Legal Framework and Equality and Implications for the Council
- Mutual also did well across the board – particularly because it scored very highly on Accountability, Influence Participation and Power, Tenants Rights and Involvement, Employee Issues and Impact on Local Community and Economy
- Option 3 (Stand Alone HA) scored lower than the Mutual because of its scores on Accountability, Influence, Participation and Power
- Option 5 (transfer as a subsidiary) comes fourth because it scored lower on Accountability, Influence, Participation and Power than the other transfer options and scored lower than the ALMO on all other criteria (bar one where all options scored equally)
- Option 1 actually scored highest or joint highest on 3 criteria, but scored lowest overall because of very low scores on sections 1 & 3: Accountability, Influence, Participation & Power and Employee Issues, which were also weighted highly by employees.

11 Reporting to the Housing Options Panel

11.1 Reporting of Recommendations

11.1.2 The EFG and TP terms of reference required each group to make their recommendations known to the HOP. Both groups prepared their reports and presented them to the HOP in

October 2013. Representatives from the TP and EFG delivered presentations to the HOP stating their preferred option and provided reasons for their choices. Further recommendations were also made concerning the implementation phase for the preferred option, in addition to recommendations of a more general nature. Full details of the recommendations and views of the both the TP and EFG members are contained within their reports, Key Docs 1 and 2 respectively.

11.2 Tenant Panel Recommendations and Views on the Review Process

11.2.1 Key Recommendation:

11.2.1.1 The TP recommended to the HOP, and through the HOP, to Northampton Borough Council, that the option to be pursued was a retention option where current responsibilities for council housing management would be delegated via a formal management agreement to a newly established Arm's Length Management Organisation (ALMO) with its own Board of Management. The reasons were mainly due to the ability of the ALMO to provide greater opportunities for tenant and employee empowerment, while maintaining local focus and not being dependent on Government debt write-off

11.2.1.2 The TP hoped that the Council would continue to work with other councils to persuade Government to allow greater borrowing freedoms for longer term council housing investment, and in so doing, build on the benefits they believed improving homes to the Northampton Standard would bring to homes and neighbourhoods.

11.2.1.3 They also agreed with what the early guidance on ALMOs saw as the principal benefits of an ALMO, in that it would;

- Give a clear focus on the role of housing management
- Promote the involvement of a wider range of people, particularly tenants, in decision-making
- Provide a more efficient way of managing homes and delivering services.

11.2.2 Other TP Recommendations and Issues for Further Consideration by the Council

11.2.2.1 In making the recommendation for the ALMO option, the TP wanted careful consideration to be given to the following, during the implementation phase:

- The composition and (s)election of the Board of Management
- The ALMO's on-going relationship with NBC
- The commitment to full and democratic consultation with NBC tenants

11.2.2.2 Certain members of the TP felt that as moving to an ALMO was a major change to the service received by Council, tenants should be balloted, in a binding ballot, in the same way as they would have been if they were being asked to leave the Council as a landlord through stock transfer, even though there was no legal obligation whatever on the Council to hold a ballot.

11.2.2.3 The Tenants' Panel strongly recommended holding a ballot of all tenants. However, the TP confirmed that regardless of whether a ballot was to be held, they expected to see comprehensive and meaningful consultation on the option if it was confirmed at Council, as the preferred choice.

11.2.3 Tenants' Panel Views on the Review Process

11.2.3.1 The TP felt that they were established to give a tenant voice in the Options Appraisal process and in carrying out their programme of work, in producing their report, and in presenting its findings, they felt that they had fulfilled that brief.

11.2.3.2 The TP stressed that they saw the end of the Review as the beginning of their work, not the end. They believed that there was a long-term role for a Northampton Tenants' Panel constituted in broadly the same way as they were already, but open to new members and with a new remit.

11.2.3.3 The TP report highlighted that TP members felt the Review had been well organised and managed by the Housing Options Review Team to enable them to take part. Transport had been provided where required, bus fares and other expenses such as childcare or carers' costs had been met and paid promptly at each meeting; light refreshments and food were always provided at longer meetings. In the view of the TP, this had been a process which exemplified good practice in equality of opportunities. Every tenant had an opportunity to have their say, either by joining the Panel or in a wide variety of other ways. The TP hoped to see the Council continue to try to engage with as many tenants as possible as they moved into the next phase of this project.

11.3 Employee Focus Group Recommendations and Views on the Review Process

11.3.1 Key Recommendation:

11.3.1.1 The EFG unanimously recommended the creation of an ALMO to the HOP. The EFG also recommended that strong autonomy should be given to the ALMO to enable it to be run at true arms length.

11.3.2 Other Employee Focus Group Recommendations and Issues for Further Consideration by the Council

- 11.3.2.1 The EFG also recommended that a Shadow Board for the ALMO should be introduced as soon as possible to run alongside the existing service for a period of time before taking over fully at the ALMO's inception date.
- 11.3.2.2 Continuation of robust arrangements for engagement and communication with Council employees, through the implementation phase, was also identified as a key issue for the EFG.
- 11.3.2.3 Many EFG members wanted to see new employee Service Improvement Panel type structures introduced to improve work processes enabling further improvements to be made to services for tenants.

11.3.3 Employee Focus Group Views on the Review Process

- 11.3.3.1 The EFG reported that the process had been a positive one for them to be part of. It had helped individuals with their confidence and had broadened their understanding of other functions within the Housing Service. EFG members enjoyed the group sessions working with tenants. They felt that the sessions were well run and initial concerns and scepticism over the process, particularly that the outcome had been pre-determined were unfounded. The EFG agreed that the process had been carried out in an open way and employees felt that a genuine effort had been made to ensure that they were empowered to make their own decisions based on the facts presented.
- 11.3.3.2 The EFG also stated that they would like the opportunity to continue to be involved in the implementation of the chosen option, following the Council decision in December.

11.4 ITA Report to the Housing Options Panel

11.4.1 Overview

- 11.4.1.1 Part of the remit of the ITA was to ensure that the process was undertaken by the Council appropriately. The ITA presented its report to the HOP, giving its views on how the Review was conducted, including views concerning the reviews;
- Balance
 - Comprehensiveness

- Competence and;
- The role given to the ITA

11.4.1.2 The ITA report, providing full details of their views can be found in Key Doc 3

11.4.1.3 It was important for the HOP to receive impartial assurance concerning the quality of the Review and have the benefit of receiving the independent views and feedback received from tenants, captured through the ITA outreach work. These views would be fundamentally important in helping the HOP to reach its own recommendation to the Council's Cabinet.

11.4.2 Balance

11.4.2.1 The ITA reported that Options Appraisals were sometimes criticised for a lack of balance. The most common criticism was that they overly focused on financial issues, and that as a consequence the tone of the discussion within the council, and between a council and its tenants, was dominated by the detail of the financial appraisal.

11.4.2.2 This would potentially result in the appraisal process being dominated and driven by what was presented as a financial imperative, with little or no scope for other considerations or criteria.

11.4.2.3 The ITA reported to the HOP that it had found from their initial out-reach work, that there were fears that the Council had already taken a view on the option it preferred and that the process would simply be used to rubber stamp that view. Most tenants reported to the ITA that they felt that a transfer option would emerge from the Review process as the recommended option, and that information published by the Council would have an inherent pro-change, and pro-transfer, bias.

11.4.2.4 In the ITA's view, the material published by the Council was demonstrably balanced in its approach in respect of:

- Equal emphasis given to the options (for example in the 'Pocket Guide' where all 6, as they then were, were summarised purely factually) in the information given to all tenants.
- The broad range of information for all tenants contained in all four newsletters, and presentations at the Tenant Conferences, also contained factual information only (and covered all the main issues such as the results of the Stock Condition Survey, the Tenant Survey, and so on).

- The work programme for the Tenants' Panel. The Council's presentations to the Panel, and the debate and discussion around it, were factual in content and allowed the Panel to draw its own conclusions.

11.4.2.5 In terms of how the financial issues were generally presented to all tenants, the ITA felt that this was even handed in its approach (whereas many options appraisals focus on capital investment 'gaps' in the event of retention).

11.4.3 Comprehensiveness

11.4.3.1 The ITA also reported to the HOP on the extent to which the review process had properly drawn on all the evidence sources needed to help shape a rational view on the options.

In their view:

- The process gave due weight to the current state of the HRA and future projections about it. It also noted that the HRA had provision in it for a capital investment programme that would achieve a standard higher than the Decent Homes Standard.
- It properly evaluated the impact both of debt write-off, in the case of the transfer options, and the debt ceiling in the case of the retention options – and this in turn had prompted the detailed re-prioritisation of capital items that made up the draft Northampton Standard.
- It had the benefit of a high quality stock condition survey, based on a 25% sample (which is generally considered to be a 'belt and braces' level of confidence).
- It drew on the detailed results from the Tenant Survey of around 27% of council tenants, and which gave a clear view both on satisfaction levels with many elements of the current service and of priorities for the future.
- It drew upon the evidence about broader tenant views gained in the ITA out-reach programme and through the Tenant Conferences.
- It properly supported, and then drew upon, the work done by the TP and the EFG in option development and evaluation.
- It gave due cognisance to relevant current guidance, particularly the guidance on Stock Transfer finally published in November 2013.

11.4.3.2 In summary, the ITA reported that the Options Review had been properly evidence-based and evidence-driven.

11.4.4 Competence

11.4.4.1 The ITA also reported on the appropriateness of the evaluation framework used within the Review. The HOP was advised that in their view, the evaluation framework developed

though the Review had been the best they had seen in their 50 ITA jobs across the UK. They believed (as with many other aspects of this review) that it had been exemplary.

11.4.4.2 The evaluation system adopted had been sophisticated and comprehensive in that:

- The process of reducing the ten theoretical options from ten to six, and then to the final five, was clear and evidence based.
- The evaluation criteria used to assess the options were derived from over 170 original ideas, which were then refined down to the 46 criteria eventually used, through a series of meetings and discussions within and between the Tenants' Panel and the Employee Focus Group. The eight categories eventually arrived at covered the widest range of criteria they had seen in any options appraisal.
- The scoring and weighting framework had also been arrived at through a similar process of discussion within the Tenants' Panel and the Employee Focus Group. The ITA felt that the system adopted was rational and clear.

11.4.4.3 The ITA confirmed that the evaluation system had evolved throughout the course of the review, as a result of intensive consultation and discussion and the decision-making framework had also been effective and appropriate.

11.4.4.4 They also reported on the effectiveness of the HOP structure, involving tenants, employees and cross party Councillors and the overall quality of involvement from the tenants and employees involved in the Review.

11.4.4.5 The ITA reported that the Northampton TP had been the best Panel of its kind they had ever seen or worked with. Their key reasons were;

- It was the largest Panel of its kind they had seen
- The commitment shown by TP members had been astounding; in view of its large membership (35 in total), and the numbers attending Panel Meetings were constantly at 85%-90% of the total membership.
- The pattern of work it has adopted (ITA Development Session followed by a council-led session) meant that when it was called on in council-led sessions to make decisions it had already had the benefit of discussing the issues with the ITA, and had often reached an informed view on them.
- The TP Report to the HOP was an outstanding piece of work. The ITA had contributed to it by producing a base document on which the Panel's own Editorial Panel then worked. But the final Report was very much the Panel's own.
- Finally, the Panel had a very diverse membership in terms of ideas and perspectives on the future for council housing in Northampton. However, members worked in a collaborative and democratic way throughout, to arrive at their recommendation.

11.4.5 The role allotted to the ITA

- 11.4.5.1 The ITA also reported to the HOP on of the role that they had played in the Review and the relationship they had with the Council, in fulfilling its role. They confirmed that they;
- Had complete freedom to develop the outreach programme as they saw fit, and had been properly supported by council staff to deliver it.
 - Had the opportunity to speak privately with the TP whenever the panel and the ITA had requested it.
 - Had no restrictions placed upon them in the planning and delivery of the ITA Development Sessions with the Panel
 - Had access to all the information relevant to the appraisal they felt they needed.
 - Had been able to communicate with tenants as a whole, through newsletters, drop-ins, meetings, and their web site, according to their views on issues, and no attempt had been made to influence that from any source.
 - Had been able to have all suggested amendments to Council communication material adopted in all cases.

12 Housing Options Panel Recommendations

12.1 Process

- 12.1.1 After receiving the reports of the EFG, TP and ITA the HOP debated the issues raised and the recommendations in order to reach its own recommendation to submit to the Council's Cabinet. The HOP Report can be found in Key Doc 4.
- 12.1.2 The HOP acknowledged the recommendations contained within the EFG and TP reports and confirmed that it had considered in detail the scoring and basis for the recommendations made by both groups. The HOP also agreed that the review had been an extremely robust, detailed and evidence based process. The HOP welcomed the report from the ITA, which had endorsed the process and acknowledged the extensive contribution made by tenants taking part in the review.
- 12.1.3 The HOP agreed that all tenants had the opportunity to be involved in the process and had been consulted with throughout. The HOP confirmed that before reaching its decision on which option it wished to recommend to Cabinet it had;
- Taken into account the evidence and many other aspects raised within the HOP sessions delivered throughout the review

- Fully considered the views, recommendations and the reasons for them contained within the TP and EFG reports
- Considered the feedback received from the Tenants' Conferences, particularly those held in November 2013, held to present the EFG and TP preferred option. The conferences have provided the HOP with wider tenant views regarding the Housing Options Review process and the TP and EFG preferred option (Detailed views available in Key Doc 21)
- Considered the tenant feedback received from the ITA outreach programme.

12.2 HOP Panel Vote

12.2.1 After considering all of the information and evidence presented to them, the HOP unanimously voted (13 out of 13 members- 2 members absent) **to support the EFG and TP recommendations to select the ALMO Option.**

12.2.2 The HOP believed that the ALMO option most appropriately met all of the requirements set out in the Review Mission Statement detailed within section 5.6.2 above, based on the evidence presented throughout the review.

12.2.3 HOP members had also discussed the further recommendations and issues raised within the EFG and TP reports. The TP report had recommended having a tenant ballot; however the recommendation of the ALMO option was not intended to be conditional on the holding of a tenant ballot.

12.2.4 HOP members debated the benefits and issues relating to the holding of a ballot. A vote was held and 12 of the 13 HOP members present, voted against recommending that the Council should hold a ballot.

12.2.5 The reasons provided were that;

- The money could be better spent on improving services and homes.
- The timescales involved in holding a ballot would delay the implementation of the improvements that tenants and employees had identified through the review.

12.3 Housing Options Panel Recommendations

12.3.1 Following consideration of all of the evidence and information presented to it, the HOP recommended to Cabinet that;

1. The **ALMO Option** should be approved for implementation

2. That any further substantial change to the future of the delivery/management and ownership of Housing services should be preceded by a robust Options Appraisal process (except in the event of a risk of serious detriment to tenants and/or tenant services)
3. The ALMO should be created as a true Arms Length managed organisation to ensure the ALMO has sufficient autonomy to make decisions for the benefit of tenant services and improvement
4. The implementation phase for the option chosen should continue to include a comprehensive programme of consultation and engagement with the key stakeholders to ensure that they are well informed and remain at the heart of the process. This should specifically include the continued involvement of the Northampton Tenants' Panel and Employee Focus Group, working both separately and jointly
5. The Council should consider adopting the consultation and engagement approach used within this review across other service areas within the Council
6. The Council should consider adopting a process for employees from all services to be actively involved in further policy development and continuous improvement activity to improve internal processes and systems.
7. If 2.3 a) is agreed, the next steps (outlined in section 3.4) be considered and agreed;
8. Authority be delegated to the Chief Executive in consultation with the Chief Finance Officer, the Cabinet Member for Housing and the Leader of the Council to make decisions necessary to facilitate the implementation of the chosen option.

13 Next Steps

13.1 Planning

- 13.1.1 If the recommendation of this report, to create an ALMO is accepted, a number of issues will need to be considered and addressed when commencing the implementation of the option.
- 13.1.2 The Housing Options Review process has been characterised by excellent organisation, realistic timescales, good governance and thorough resource planning. The same aspects will be critically important in implementing the proposed option.

13.1.3 It is intended that the process of establishing the ALMO, if supported by Cabinet and Council as the preferred option, should be well thought out and should build upon the successes that this Review has created. Detailed planning will be required in a number of areas;

- Project Oversight
- Project Governance and Advice
- Development of the detailed proposals
- Resources
- Timescales including key stages
- Tenant and Employee Involvement
- Future reports to Cabinet
- Communications
- Delegations
- Interim Management Arrangements
- Involvement with the Homes and Communities Agency and the Government
- Implications for the HRA and the General Fund

13.2 Project Oversight

13.2.1 The project oversight arrangements for the Housing Options Review were extremely effective and it is considered that this joint working format for engagement of key stakeholders should be replicated during the development phase of the ALMO.

13.2.2 It is therefore recommended:

- That the Housing Options Panel be retained in format but with a changed title – the ALMO Joint Panel;
- That its role should be to:
 - keep under general review and monitor the progress of the implementation process;
 - to act as a sounding board for the development of ALMO based issues in conjunction with a Shadow Board for the ALMO, to be established as soon as possible;
 - to consider issues in relation to the establishment of the ALMO and related housing matters which the Council will need to address prior to such matters going forward to the Cabinet for approval;
- That its membership should continue to be 5 tenants, 5 employees and 5 cross party Councillors but that each of the nominating groups (the TP, the EFG; and the Council)

be afforded the opportunity to re-nominate so as to reflect the change in function of the Panel;

- That members of this Panel should not also be members of the ALMO Shadow Board, as this would create an inherent conflict of interest.

13.3 Project Governance and Advice

13.3.1 The governance arrangements for the project also worked effectively throughout the Review and it is considered that these should also be replicated.

13.3.2 It is therefore proposed:

- That the project should continue to be led by the Housing Options Programme Director as Programme Director (ALMO Implementation)
- That the supporting resources be determined by the Chief Executive in conjunction with the Cabinet Member for Housing
- That the Council should appoint an interim Managing Director for the ALMO to advise and work with the ALMO shadow board and also to be the lead person for the creation of the detailed arrangements for the ALMO to be able to function successfully.
- That the Programme Director be authorised to ensure that the necessary financial, legal, technical and tenants' advice is obtained in consultation with the Chief Executive and the Cabinet Member for Housing.

13.4 Development of the detailed proposals for the ALMO

13.4.1 The Programme Director in consultation with the Interim ALMO Managing Director will lead the development of the detailed aspects of this proposal and consult on these with the EFG and the NTP before the consideration by these by the ALMO Joint Panel.

13.4.2 It should be noted that once the Shadow Board of the ALMO has been created it will be for that body to determine, in consultation with the Council as necessary, the way in which the ALMO will address their operational issues.

13.5 Resources

13.5.1 At the outset of the Review a budget of £2 million was identified within the HRA. Upon the completion of this first phase there remains £1m.

13.5.2 It is therefore proposed that this sum be utilised as the budget for this pre-inception phase. A full assessment of the costs for the implementation will need to be undertaken

and any estimates which may exceed this initial budget allocation will need to be identified and approvals sought for additional budget if agreed through the governance approvals process, although this scenario is considered to be unlikely.

13.6 Timescales

13.6.1 Undertaking such a major change within a large and complex service requires significant time and this must take account of the need to ensure that involvement of the key stakeholders is continued.

13.6.2 It is therefore proposed:

- That the date of inception of the new ALMO organisation should be 5 January 2015;
- That a project plan that incorporates this timescale is approved by and kept under review by the new ALMO Joint Panel.

13.7 Tenant and Employee Involvement

13.7.1 Extensive, effective engagement and involvement processes have been at the centre of the process of the Review and these are considered to be key to its success in delivering a single option recommendation, supported all three engagement groups. The establishment of the EFG and the TP has shown the considerable benefits of bringing together both customers and providers to develop policy through projects. The TP and EFG groups have stated that they would like to see their ability to contribute being maintained into the implementation phase.

13.7.2 It is therefore proposed:

- That the TP be enabled to continue under an expanded terms of reference to encompass all aspects of the landlord/tenant relationship and that its role is seen as being central to tenant involvement and participation in the future.
- That the EFG should continue and play a central role in employee consultation on the issues that affect employees.
- That a Leaseholders Liaison Group (LLG) be also set up to ensure that the issues which affect this stakeholder group are fully addressed.
- That once the ALMO Shadow Board is in place it will examine these arrangements and through the ALMO Joint Panel, make proposals to the Council relating to involvement and engagement activities which will recognise the different roles the Council and the ALMO will have, following the inception date.

13.8 Future Reports to Cabinet

- 13.8.1 A number of key reports will need to be developed and approved by the Council, in conjunction with the ALMO Shadow Board when created, in order for the ALMO option to be implemented. These are;
- Governance structures of and with the ALMO – including the agreement of the Memorandum and Articles for incorporation at Companies House and the composition and appointment/election/nomination of the ALMO Board of Management;
 - The Management Agreement – this will set out the legal relationship between the Council and the ALMO and will include a scheme of delegation of functions from the Council to the ALMO;
 - The first Annual Delivery Plan – this will cover what the Council's expectations of the ALMO are including performance delivery targets;
 - The financial arrangements within the HRA;
 - The proposed staffing arrangements including those under the TUPE; regulations – the staffing structures within the ALMO will be for its Board to determine;
 - Accommodation and other land management issues;
 - Contract management – this will deal with any live contracts already in existence and how they will be dealt with in the future.

13.9 Communications

- 13.9.1 The Review process has included extensive activities to raise awareness of tenants, employees and other stakeholders regarding the implications of the review and progress made.
- 13.9.2 The Conferences held in November 2013 highlighted that tenants wanted to know more about how an ALMO option would operate and how services would be divided between the Council and the ALMO in the future. It is therefore vital that the interest created is built upon and not lost.
- 13.9.3 It is therefore proposed:
- That key stakeholder groups are kept informed and encouraged to come forward to actively participate in the implementation of the option taken forward.
 - The budget requirement to undertake a comprehensive communications and engagement programme will need to be identified and factored into the overall project cost requirements to ensure that sufficient budget provision is made.

13.10 Delegations

- 13.10.1 In order to ensure that the project could proceed efficiently, timely decision making would be necessary. It is therefore proposed: That to ensure that momentum is maintained, a general delegation to be given to the Chief Executive, in consultation with the Leader of the Council and the Cabinet Member for Housing, to take decisions which are directly related to the implementation of this proposal, subject to the consideration of the reports to Cabinet itemised above, and that such matters are within the agreed budgetary provision.

13.11 Future Management Arrangements of Other Housing Services

- 13.11.1 If the option to create the ALMO is approved, the Council would need to ensure that operational management arrangements which seek to ensure that the services to tenant, leaseholders, housing applicants and other associated service users such as homeless persons are maintained and improved. The Chief Executive will bring forward proposals, in due course, to address this.

13.12 The Government and the HCA

- 13.12.1 Until relatively recently, there was a requirement for councils to submit their housing options review outcomes to the regional government office. These offices no longer exist and the Homes and Communities Agency has, in the majority of areas inherited their housing functions.
- 13.12.2 The Council has had informal discussions on the Review with the HCA, particularly in relation to the possibility of the Council pursuing a housing transfer option. In order to advise the HCA of the outcome of the Review, it is proposed that a copy of this report should be provided, following the Council's decision.

13.13 Implications for the HRA and the General Fund

- 13.13.1 The HRA will continue to be the Council's statutory account for the housing landlord service; however, it will operate in a fundamentally different way to how it does currently. The Council will pay the ALMO a management fee per property. To ensure that this fee is robustly calculated, a thorough review of the HRA will be required.
- 13.13.2 This and other changes relating to the Housing Service may have implications for the Council's General Fund as any costs currently incurred by the HRA for corporately

provided services will require investigation and appropriate allocation. It is therefore proposed that:

- The financial position of the HRA and General Fund should be reviewed with the overall aim of creating a clear and appropriate delineation of responsibilities and accountabilities with the proper alignment of resources.

14 Conclusions

14.1 Conclusions

14.1.1 At the start of the Review process, both groups had set out to work through the issues to identify the best option for the future of the Housing service and for homes in Northampton. The EFG and TP scoring exercises resulted in the recommendation to create an ALMO, due to this option being the most capable of meeting the requirements set out within the evaluation framework developed by the tenants and employees taking part in the Review.

14.1.2 At the end of the Review process, a number of conclusions were able to be drawn by each of the groups and these key findings fundamentally influenced the decisions of the TP, EFG and HOP, in making their final recommendations.

14.2 Improving Housing Services and Quality of Homes

14.2.1 The baseline analysis identified that the Council was underinvesting in the Housing Service, based on Government assessment of investment need informed by the characteristics of the Council's housing stock and the needs of the local population. Through analysis of the revenue costs within Northampton's HRA budget and the measures of tenant satisfaction, it was identified that the HRA could reasonably afford an additional £2m towards improvements in day to day service delivery.

14.2.2 There was a significant amount of costs categorised as 'special services' for which service charges were not being raised (£2.4m). It was recommended that this should be investigated further, to identify whether there was scope for additional income to the housing service, through additional charging, thereby supplementing the additional investment specified above.

14.2.3 Following this, tenants and employees developed a new local standard of investment, the Northampton Standard. This standard addressed many of the concerns tenants raised

through the Tenant Survey and Tenant Conferences, relating to the standards of service and the quality of their homes and neighbourhoods.

- 14.2.4 The new service standards specified within the Northampton Standard were capable of being delivered by any of the options assessed, as the investment required was included within the base costs for each of the financial scenarios tested in section xxx above.

14.3 Asset Management Strategy

- 14.3.1 The evaluation of asset performance identified a number of properties that needed further analysis to assess their overall viability and it provided a basis for the development of an informed comprehensive asset management strategy to support the future business's 30 year Business Plan. The implementation of an effective strategy could significantly improve value for money, with investment decisions informed by accurate and up to date property condition information.

14.4 Assessment of the Retention Options

- 14.4.1 Both retention options offered opportunities to deliver the Northampton Standard of investment, although the constraints of the debt cap meant that choices would need to be made around the timing of some works, in addition to any new build provision.
- 14.4.2 The retention options could achieve the Northampton Standard and just stay within the debt cap provided £44m of expenditure was re-profiled from Years 1-5 to Years 6-10, and provided there was no HRA-funded new build. Tenants and employees decided to re-profile the Northampton Standard to allow delivery of the Retention with review or ALMO options, within the constraints of the debt cap.
- 14.4.3 The Business Plan would have some capacity to deliver new additional affordable housing under the retention options, although again choices would need to be made between the timing of new homes, and the level and timing of investment in existing homes. Consultation with tenants and employees indicated that priority should be given to improving existing homes and estates and that new housing provision should be delivered outside of the HRA.
- 14.4.4 These decisions resulted in the retention, scenario 3: Northampton Standard investment, without new build and with early years expenditure re-profiling, being chosen by tenants and employees, to measure against the three transfer options, described in section 9.8.6 above.

14.4.5 When assessing the two retention options against the 46 criteria, retention as an ALMO scored the highest and was ranked first against all of the options due to it scoring strongly, or very strongly, across all eight categories and not, for example, because it has a very large margin over the other options in a few categories. The ALMO scored most strongly on: tenant rights; employee issues; financial implications; the legal framework; and the implications for the Council.

14.5 Assessment of the Transfer Options

14.5.1 All of the stock transfer options could provide an opportunity to deliver improvements to existing homes and to build new homes sooner than under retention, however stock transfer would require a significant level of debt write off and this would need to be justified by savings and benefits to central government.

14.5.2 The economic case for these benefits may be difficult to justify given that the additionality delivered through stock transfer related more to timing of works and new homes, rather than absolute levels of activity.

14.5.3 There were significant barriers to pursuing any of the transfer options arising from the new transfer guidance, in addition to the significant challenges that would need to be faced in obtaining funding for a transfer organisation to be able to finance its commitments due to the reduction in funding availability from the market following the economic downturn from 2007/08 onwards.

14.5.4 There were also significant barriers to transfer due to the new rules from DCLG relating to the need to provide an economic case based on costs and benefits to central government, the restriction of standard able to be delivered, and the high level of risk involved in considering transfer within the timescales required for completion, namely March 2015.

14.5.5 In addition to the above barriers, the new transfer guidance restricts the ability of councils to manage, through debt write off calculations, the impact of additional costs to the on general fund, thus reducing the appetite for transfer.

14.5.6 The assessment of the options carried by tenants and employees resulted in the Mutual Transfer model scoring highly, and ranked second overall, due to its ability to meet significant elements of the 46 criteria developed by Tenants and employees to compare and assess the different options.

14.5.7 The tenants' viewed the transfer options favourably due to their ability to deliver an accelerated investment programme and more opportunities for increased tenant and employee empowerment. However, they did not support an option that minimised the local focus (option 5- Transfer as part of a subsidiary) of the housing service, or long-term council influence on it.

The above issues together with the restrictions detailed within the transfer guidance rendered the stock transfer options unachievable.

15 Recommendations

1. The ALMO Option is approved for implementation
2. That any further substantial change to the future of the delivery/management and ownership of Housing services should be preceded by a robust Options Appraisal process (except in the event of a risk of serious detriment to tenants and/or tenant services)
3. The ALMO should be created as a true Arms Length managed organisation to ensure the ALMO has sufficient autonomy to make decisions for the benefit of tenant services and improvement
4. The implementation phase for the option chosen should continue to include a comprehensive programme of consultation and engagement with the key stakeholders to ensure that they are well informed and remain at the heart of the process. This should specifically include the continued involvement of the Northampton Tenants' Panel and Employee Focus Group, working both separately and jointly
5. The Council considers adopting the consultation and engagement approach used within this review across other service areas within the Council
6. The Council considers adopting a process for employees from all services to be actively involved in further policy development and continuous improvement activity to improve internal processes and systems.
7. If 2.3 a) is agreed, the next steps (outlined in section 3.4) be considered and agreed;
8. Authority be delegated to the Chief Executive in consultation with the Leader of the Council and the Cabinet Member for Housing to make the decisions necessary to facilitate the implementation of the chosen option.

16 Supporting Information

16.1 Key Documents List

Key Doc 1 - TP Final Report

Key Doc 2 - EFG Final Report

Key Doc 3 - ITA Final Report

Key Doc 4 - HOP Final Report

Key Doc 5 - TP TOR

Key Doc 6 - EFG TOR

Key Doc 7 - Nov 13 HOP TOR

Key Doc 8 - Programme Team TOR

Key Doc 9 - Programme Board TOR

Key Doc 10 - Member Board TOR

Key Doc 11 - HRA Baseline Position

Key Doc 12 - Re-Profiled Northampton Standard Expenditure

Key Doc 13 - Communication & Consultation Strategy

Key Doc 14 - Stock Condition Survey

Key Doc 15 - Initial Options Criteria

Key Doc 16 - Scoring Framework

Key Doc 17 - TP Weighting

Key Doc 18 - EFG Weighting

Key Doc 19 - Options Comparison Document

Key Doc 20 - Individual Scoring Sheet

Key Doc 21 - Nov 13 Conference Feedback

Key Doc 22 - Financial Analysis Presentation (does not feature in this report)

Key Doc 23 - Consultation on the Housing Transfer Manual (does not feature in this report)

Key Doc 24 - Draft Northampton Standard (does not feature in this report)

16.2 Appendices List

Appendix 1 - DCLG Final Guidance

Appendix 2 - Risk Assessment

Appendix 3 - Community Impact Assessment

Appendix 4 - Financial Assessment Alternative Options

Appendix 5 - Treasury Management

16.3 Background Document List

Background Doc 1 - Tenant Survey

Background Doc 2 - Asset Evaluation

Background Doc 3 - Corporate Plan

17 Explanation of Terms

30 year Business Plan

Required from all council housing providers showing that they can fund the delivery of housing services and the maintenance of their housing stock for this 30-year period.

Arms Length Management Organisations (ALMOs)

A not-for-profit company that provides housing service on behalf of a local authority. Owned by the local authority, it operates under the terms of a management agreement between the authority and the organisation.

Asset Management Strategy

A plan identifying the investment priorities for Council owned dwellings.

Back log funding

Money made available through the Governments 2010 Spending Review settlement to help Local Authorities and ALMO's bring their homes to the Decent Standard.

Ballot

An independent process required by law if the Council is considering the transfer of ownership of the Council stock. Provides all tenants, including joint tenants the opportunity to vote on the offer being made.

Communication and Engagement Strategy

A document that sets out how NBC intends to communicate and engage with its key stakeholders for the duration of the Review process.

Corporate Plan 2012-15

NBC's document that details its priorities and explains what they want to achieve over the time period 2012 to 2015. The document also highlights what progress had been made over the previous year.

Department for Communities and Local Government (DCLG)

A ministerial department supported by 11 agencies and public bodies who work to move decision-making power from central government to local councils. This helps put communities in charge of planning, increases accountability and helps citizens to see how their money is being spent.

Decent Homes Standard (DHS)

A technical standard for public housing set by Government that aims to provide a minimum standard of housing conditions.

Direct Labour Organisation (DLO)

A section of Housing Services with staff directly employed by the Council that undertakes construction and maintenance works and work specified by Local Government on the Housing Stock.

Disabled Facilities Adaptations

Changes made which help disabled people continue to live in their home. Adaptions can provide easy access into and around the home and/or provide access to essential facilities in the home.

Employee Focus Group (EFG)

A group of employees who volunteered and subject to line manager approval formed a group of employees who met regularly and contributed to key pieces of work that were conducted as part of the Review. They received regular training and development.

Environmental works

Repairs and/or improvements that are required to the environment – the area outside and around your home including footpaths, grassed areas, car parking, fencing, communal areas etc.

Headroom

The difference between the amount of calculated debt held and the debt cap.

Homes and Communities Agency (HCA)

The national housing and regeneration agency and the regulator for social housing providers in England.

Housing Management Service

The management of Housing related services, ensuring tenants receive a good level of service. Covering work involved with tenants, rents, community and neighbourhood work etc.

Housing Options Panel (HOP)

Made up of elected members: 5 tenants (from the TP), 5 employees (from the EFG) and 5 councillors across each party who made the recommendation to the Council on the best option for Northampton considering all the facts and opinions. They met regularly to

discuss views of the TP and EFG and made decisions on key aspects of the review and how it should move forward.

Housing Options Review

The process of defining objectives, examining options and weighing up the costs, benefits, risks and uncertainties before making a decision on the future ownership, funding and management of Northampton Borough Council's (NBC) housing stock.

Housing Revenue Account (HRA)

A separate account that sets out the income and expenditure arising from council housing provision.

Housing Stock Transfer

Transfer of the ownership and management of the Council's Housing Stock to a non-for-profit housing association.

Housing Transfer Manual

A document that sets out the process local authorities and tenant groups need to follow if they are considering the transfer of housing to a private registered provider.

Independent Tenant Adviser (ITA)

An organisation appointed by tenant's independent to the Council who all tenants can approach for impartial, factual information on the Review. The ITA recruited for this review is PS Consultants.

Indices of multiple deprivation

An initial indicator of the levels of deprivation in different neighbourhoods measuring data for the general population at a post code level covering seven domains including;

- Income
- Employment
- Health
- Education and training
- Access/barriers to services
- Living environment/housing
- Crime

Lead Technical Adviser

An individual recruited by NBC who is an expert in housing options reviews, hired to provide detailed information and advice to the Council.

Member Board

A group of councillors and senior managers from NBC responsible for the communication of progress updates to NBC Cabinet Members.

Mission statement

A formal summary of the aims and values of the team.

Net Present Value

The assessed level of debt that the stock could afford and also represents the maximum amount that the individual authorities are allowed to borrow, a figure also known as the debt cap.

Private Finance Initiative (PFI)

A Government initiative that enabled local councils to enter into a contract with the private sector for the provision of services involving new or improved homes.

Programme Board

A group of senior managers who work for NBC that the programme team reported to. They set the overall strategic direction for the review.

Programme Team

The group of people specifically allocated to work on the Housing Options Review process.

Prudential Borrowing

Prudential borrowing meant that debt could be taken out providing the Council had the means by which to repay that debt in the future.

PS Consultants

Chosen by the Tenant's Panel to be their Independent Tenant Adviser.

Public Works Loans Board (PWLB)

Provide loans to public bodies from the National Loans Funds.

Schedule of rates

A guide detailing descriptions and costs of day-to-day and void repairs to social housing, used for estimating, tendering and contracting repairs and maintenance work.

Self-Financing System

Replaced the HRA subsidy system allowing councils to keep their rental income and use it to fund their housing stock. In setting up the system, a self-financing settlement redistributed debt between authorities on the basis of a Government assessment of their ability to pay the debt and in return, the councils no longer had to pay into a national pot.

Service Improvement Groups (SIPs)

Groups consisting of tenants and staff working together to improve services and ensure NBC meets the needs of its customers.

Service Standards

A public commitment to a measurable level of performance that customers can expect under normal circumstances.

Social Housing

Housing that is owned and managed by Local Authorities or Registered Providers which is let at low rents on a secure basis to those who are in most need.

Stock Condition Survey

Identifies the condition of the Housing stock and forecasts the future investment requirements.

Tenanted market value

Used to estimate the value of homes to be transferred

Tenants' Panel (TP)

A group of NBC Council tenants who registered their interest and volunteered to be on the panel. They met regularly and contributed to key pieces of work that were conducted as part of the Review. They received regular training and development and were supported in their work by the ITA.

Tenant Survey

A questionnaire designed to collect up to date data on tenants' level of satisfaction with various aspects of the Council's housing service.

Value for money

Achieving the right balance between economy, efficiency and effectiveness, or, spending less, spending well and spending wisely to achieve local priorities.