London Borough of Haringey

Future of Housing Review

Final Report of the Independent Adviser

Julian Wain

September 2015

Contents

EXECUTIVE SUMMARY 4

1. INTRODUCTION AND BACKGROUND – CONTEXT OF THE REVIEW 7

HOMES FOR HARINGEY 7
THE COUNCIL'S HOUSING STOCK 8
THE STRATEGIC FRAMEWORK 8
THE HOUSING CONTEXT 9

2. METHODOLOGY 11

THE REVIEW GROUP 11
APPROACH TO THE REVIEW 11
POTENTIAL OPTIONS 12
CRITERIA FOR OPTIONS ANALYSIS 12
THE APPROACH TO EQUALITIES IMPACT ASSESSMENT (EQIA) 16

3. APPRAISAL OF THE PRESENT SITUATION 18

STAKEHOLDER VIEWS - FOCUS GROUPS AND INTERVIEWS 18
Tenant Views 18
Leaseholder Views 18
Staff Feedback 18
Trades Unions 19
Feedback from interviews 19
THE GLA VIEW 21
THE DCLG POSITION 21
THE TEST OF TENANT AND LEASEHOLDER OPINION 21
HOMES FOR HARINGEY PERFORMANCE 24

4. STOCK CONDITION 27

5. THE FINANCIAL POSITION 31

HRA BASELINE POSITION 31

6. THE RESEARCH VISITS 39

OVERVIEW 39
THE REVIEW GROUP FINDINGS 39

7. THE OPTIONS - RETAINING MANAGEMENT THROUGH HOMES FOR HARINGEY 43

HOMES FOR HARINGEY AS DEVELOPER 44
HOMES FOR HARINGEY – PROPOSALS FOR ADDED VALUE 44

8. THE OPTIONS - IN HOUSE MANAGEMENT 45

9. LARGE SCALE VOLUNTARY TRANSFER (LSVT) 48

STOCK TRANSFER ANALYSIS FOR HARINGEY 50

10. PARTIAL TRANSFER OPTIONS 52

THE FINANCIAL POSITION 52

11. THE OPTIONS - DEVELOPMENT VEHICLES 54

FINANCIAL IMPLICATIONS 55

12. OTHER OPTIONS EXAMINED 57

Tenant Management Organisation 57
Co-operative model 57
Community Gateway 57
Tenant Management Organisation Owned Association 57

13. CONCLUSIONS 58

14. PLANNING FOR THE FUTURE 60

Ballot 60
Contract length 60
Implementation 61
The strategic direction of the housing service 61
Information and data 61
Customer Services Transformation 62
Business Infrastructure Programme 62
Terms and conditions 62

16. RECOMMENDATIONS 63

17. EQUALITIES 65

18. LIST OF APPENDICES 66

i. Interviews 66
ii. Key Project Personnel 66
iii. Options by Criteria for assessment 66
iv. Test of tenant and leaseholder opinion 66
v. Performance Measurement and Comparison 66
vi. London Local Authority Housing 66
vii. Summary of Site Visits 66
viii. Stakeholder Engagement Plan 66
ix. Equalities Impact Assessment 66
x. Submissions to the Review Group 66
a) Homes for Haringey 66
b) Resident Scrutiny Panel 66
c) UNISON 66
xi. Schedule of Review Group meetings and visits 66
xii. LB Haringey Arrangements for Statutory Consultation 66
xiii. Bibliography 66
xiv. Acknowledgements 67

Executive Summary

As part of the housing transformation programme this review was established to examine the future delivery of housing services after March 2016. This coincided with the end of the Homes for Haringey (HfH) contract and the end of Decent Homes funding.

LB Haringey owns over 15,000 homes, managed currently by HfH. There are nearly 5,000 leaseholders in addition. A significant amount of Decent Homes work has been carried out but little estate renewal completed.

There are some technically complex and high cost estates. There is considerable demand and pressure on the Council's housing stock exacerbated by purchases under the Right to Buy scheme reducing stock numbers.

The Council established a member Review Group led by the Cabinet Member Councillor Alan Strickland, to examine the possible future approaches.

Generally, informal tenant views were positive concerning HfH, recognising recent improvement, and suspicious of transfer options. Leaseholders were also cautious concerning transfer options but expressed some dissatisfaction with their present service.

Staff had mixed views, but were generally supportive of HfH, again recognising recent improvement. Trade Union colleagues were clear that they believed the service should return to direct in house management by the LB Haringey. They were also firmly of the view that there should be a ballot to determine tenants' wishes, whatever option was recommended.

Guidance dictates that a ballot will be required in all circumstances, unless the recommendation is to maintain the present arrangements.

A test of tenant and leaseholder opinion was carried out revealing:

- little support for transfer options
- low brand recognition of HfH
- increasing satisfaction amongst tenants
- recognition of recent improvement
- support for local provision of services
- leaseholder dissatisfaction with service
- the importance to tenants of involvement in service direction and governance

Detailed performance benchmarking was carried out which confirmed that HfH had improved significantly in the last two to three years, although the service was still mixed, and weak in some areas.

Ridge and Partners had carried out a stock condition survey commissioned by HfH. They had modelled two standards:

- High cost aspirational standard (Gold)

- Lower standard broadly equivalent to Decent Homes (Silver)

Financial analysis of the HRA has been carried out and resources modelled against the stock condition needs. With the gold standard there was a repairs funding gap throughout the 30 year business plan period with a deficit of £250m, even at year 30. With the silver standard the gap existed until year 17 when the HRA came into surplus. The peak deficit on this standard was £50 million between years 7 and 9.

The Review Group had made a range of visits to view different approaches to housing management and investment. From their visits they felt that the key lessons they wished to take to Haringey were:

- The importance of local focus
- Concentration on housing in its widest sense
- The need to understand what an authority can and cannot deliver and to gather a range of skills and approaches
- Most authorities were delivering housing services on a 'mixed economy' basis even if housing management was in house.

Considering the options, they looked first at continuing with HfH. HfH was making savings year on year and had improved its performance, albeit from a low base and with considerable further scope for improvement. There is a possibility of commissioning further functions in due course. Retaining the status quo brought no improvement to the financial picture.

If the service was to be brought in house members had to evaluate the risk of a drop in performance. There was a need to consider how to locate and integrate the service. It was important to consider the arrangements for tenant engagement and involvement in governance. There would be savings of around £500,000 but this would make no significant impact on the funding deficit. The Council was already taking savings through the Business Infrastructure and Customer Service Transformation Programmes, and HfH had delivered extensive savings.

Future policy on large scale voluntary transfer (LSVT) was uncertain, and at present there is no programme after March 2016. In theory transfer would give the ability to borrow to improve stock and contribute to regeneration. However, financial analysis concluded that LSVT was very unlikely to be financially viable based on current rent policy and the existing use valuation.

Subject to the above comments about a programme it was possible, though unlikely, that partial transfers could be made to work. Given the present negative valuations it was difficult to see tenanted transfer working.

In either option, members and officers need to believe that transfer was the right solution otherwise it would be extremely difficult to deliver.

Regeneration through a development vehicle was likely to be the Council's best solution for the improvement of estates, and the Council is carrying out a separate study in this area which will examine the detailed feasibility of the option. This solution would allow new housing and the replacement of old stock. It is unlikely to be a vehicle for refurbishing housing, and transfer would most likely operate on the basis of decanting tenants and potentially offering them the opportunity to return.

The recommendations of the review are that:

- There is no compelling case for bringing the service back in house and that HfH should continue with an extended contract. They should be charged with continuing to improve performance and with reviewing the service provided for leaseholders.
- As transfer, either whole stock or partial, is unlikely, further investigation should be carried out into the possibility of a development vehicle for Haringey which appears to offer the best chance of building new housing and replacing old stock.
- Noel Park and Broadwater Farm are key estates with particular condition needs and solutions should be brought forward for their improvement.
- The Council should examine its approach to ownership and direction of the housing service and particularly clarify ownership and decision making on investment and development.

Because there is not a solution that would close the financial deficit the Council should adopt an asset management approach for the future establishing:

- priorities between investment, new build and regeneration
- standards to which the housing stock will be maintained
- programmes to deliver those standards
- continued concentration on managing costs down.

1. Introduction and Background – Context of the Review

The LB Haringey Cabinet commissioned this review in July 2014 as part of the housing unification and improvement programme, later known as the Housing Transformation programme. Wave Five of this programme was to consider the development of options for the future of housing delivery post March 2016.

'Wave Five: The Future Housing Delivery review was asked to develop options for the future delivery of housing post March 2016, through:

> *'an independent and objective recommendation to Cabinet on the future delivery model for housing and the future of the ALMO, that fits with the Council's priorities and direction of travel, by September 2015.*
>
> *A recommendation that takes resident and other stakeholder views into account''*

Homes for Haringey

Council house related housing services in Haringey are currently delivered through the Council's Arms Length Management Organisation, (ALMO) Homes for Haringey (HfH). HfH was originally formed in April 2006, following approval from the Office of the Deputy Prime Minister. The Council entered a 5 year management agreement with HfH to deliver the management functions of the Council's housing stock, including those for leaseholders. In December 2009 Cabinet extended the agreement for a further five years with the option of a further extension of two years, subject to a review of performance.

The rationale for establishing the ALMO was essentially to access Decent Homes funding for investment in the Council's housing stock, but there was also a view that a distinction between service delivery and a strategic approach to housing on the Council's side would be achieved.

As the Decent Homes funding has now come to an end, the Council took the view that it was timely to review the Haringey model for delivering housing services through HfH against other relevant models. It was clearly apparent to members that it was not possible to divorce the future of management from the future investment needs of the stock, and the review was asked to examine options in both of these contexts.

In March 2014, the ALMO contract extension was invoked and the HfH contract now ends in March 2016, enabling the implementation of this review to be carried out in time for the contract end date.

HfH is an arms length management organisation, wholly owned by the Council and governed by a board comprised of a third Councillors, a third tenants, and a third independents. The chair of the board is an independent, currently Keith Jenkins, an experienced housing lawyer and board member.

HfH has 666 staff, of whom 124 are seconded from the Council as a result of the transfer of the lettings, homelessness and private sector housing functions in September 2014.

The Council's housing stock

LB Haringey has 15,658 homes in management, and also owns the freehold of 4,765 leasehold properties. In age the stock ranges from before 1919 to modern times, with the largest numbers built since 1964.

The stock is of mixed construction, with a significant amount of system built property and is 59% flats. Little estate renewal has been carried out to Haringey stock, although since accessing Decent Homes funding, 11,186 properties have been made decent. As at the end of Q1 2015/16 there were still 4,358 or 28%, not at the Decent Homes Standard.

The Council has a number of high cost and technically complex estates due to listing or method of construction. These provide significant challenges to the authority, and together with other parts of the Borough are included in the Council's regeneration proposals. The four principal estates, Love Lane, Broadwater Farm, Noel Park, and Northumberland Park are considered in more detail later in this report.

The strategic framework

The chosen model for future housing delivery, must help deliver the Council's strategic priorities.

The key strategic documents are the Council's Corporate plan - 'Building a stronger Haringey together', and the emerging Housing Strategy.

The priorities of the Corporate plan are summarised in 'Building a stronger Haringey together' as making Haringey a place that is:

- *Outstanding for all*
  - *Children, young people and adults are healthy, thrive and achieve their potential*
  - *Enable every child and young person to have the best start in life, with high quality education*
  - *Empower all adults to live healthy, long and fulfilling lives*
- *Clean and Safe*
  - *A place where everyone has a good quality of life, feels safe and is proud to live*
  - *A clean and safe borough where people are proud to live*
- *Sustainable Housing, Growth and Employment*
  - *Building a basis for communities to thrive*
  - *Drive growth and employment from which everyone can benefit*
  - *Create homes and communities where people choose to live and are able to thrive*

The Council's housing stock and its' management and the delivery of the related services contributes to these objectives.

However, from the Council's objectives there are two that are particularly relevant to this review.

1. Provide access to high quality affordable housing by increasing the supply of new homes

measured by

   a. Ability to deliver new homes
   b. Ability to deliver the types of housing needed across Haringey to establish a good balance of affordable and market tenures in each area

2. Effectively manage existing housing and provide excellent services to residents

measured by

   a. the number and proportion of homes brought up to decent homes standard.

These strategic priorities have been at the forefront of the review.

In addition, the developing housing strategy helps set the context and establish the perspective through which this review has been carried out.

Of particular relevance are:

Objective 2. To ensure that housing delivers a clear social dividend, where the strategy states that we will:

- *Ensure that the Council's housing services are of a measurably high standard and open to scrutiny and continuous improvement, and that residents are engaged in shaping them.*

Objective 3. To drive up the quality of housing for all residents, we will:

- *invest in improvements to Council homes.*

Objective 4.To achieve a step change in the number of new homes being built, we will:

- *Push ahead with housing estate renewal, rebuilding council homes alongside new homes of other tenures......achieving a better mix of housing across the Borough, while tackling poor quality homes where Decent Homes investment cannot deliver the necessary change. We acknowledge the particular challenges in making renewal work on estates like Broadwater Farm and Noel Park. We will prioritise a better balance of home sizes in the replacement of affordable rented stock, accepting that this will sometimes result in fewer affordable rented homes overall*

The housing context

In common with all London authorities, there is considerable demand and pressure on LB Haringey's housing stock and its housing service. There are 11,431 currently registered for housing on the Council's housing waiting list. 2,997 households are currently in temporary accommodation and the Council's bill for this is ever increasing. The number of homelessness applications is very high with over 1,100 in 2013/14 and 954 last year. Since the raising of the discounts for the Right to Buy in 2012, Haringey's sales have risen to 147 in 2013/2014 and 200 in 2014/2015 from less than 20 per year between 2008-12 which means that the stock will continue to reduce, increasing pressure on an already limited supply. The model, explained later, assumes an annual reduction of 150.

In summary then, Haringey's housing stock and housing service are under considerable pressure, with massive unmet demand for housing. The Council aspires to help meet this need through the development of additional housing, and wishes to regenerate and improve more challenging estates, not only to improve housing conditions, but again to produce new accommodation.

The recent proposals of the new government have made this challenge still harder. The proposal to extend the right to buy to housing associations, and to finance this by the compulsory sale of higher value Council properties, is likely to further reduce stock and increase already unmet demand. The subsequent proposal to require Council tenants earning more than £40,000 to pay market rents

(£30,000 outside London) must exacerbate this trend. At the same time the government announced plans to reduce Council house rents by 1% per year for 4 years. This will remove significant resources and capacity from the Housing Revenue Account and produce a further challenge for meeting the Council's aspirations. This is considered in more detail in section 5.

2. Methodology

The Review Group

The Council having identified the need for a review, Cabinet at its meeting of July 2014 established a member Review Group to guide the process, to be chaired by Councillor Alan Strickland, the Cabinet Member for Housing and Regeneration. The members nominated to serve on the Review Group were:

- Councillor Alan Strickland (Chair)
- Councillor Barbara Blake
- Councillor Jennifer Mann
- Councillor Joe Ejiofor
- Councillor David Beacham

Mabel Obeng, an active tenant from Northumberland Park was asked to take part in the review, and was co-opted onto the group to provide a resident perspective.

The Review Group met on 9 occasions, has considered papers and received presentations. It has also carried out a number of visits. Schedules of meeting dates, and of visits made are attached at Appendix xi

Julian Wain was appointed as Independent Adviser. His role was to:

- Support the Review Group producing relevant reports and discussions
- Provide advice on the available options
- Carry out research, visits and interviews
- Procure and co-ordinate other advisers
- Brief and support members and senior officers
- Manage the project overall

Business analysis and programme support was provided by Sean Ramdin of the London Borough of Haringey.

The need for independent financial advice was recognised, and accordingly the services of David Hall of David Hall Housing were procured by quotation.

Approach to the review

The following have been carried out:

- Internal document review
- External literature research
- Review of LB Haringey and HfH financial documents
- Interviews and meetings with
    - LB Haringey Councillors
    - HfH Board Members
    - LB Haringey staff
    - HfH staff

    - Trades Unions
    - Relevant agencies and interested parties
- Visits by the Review Group and by the Independent Adviser
- Detailed financial modelling
- Performance benchmarking and analysis
- Options analysis

Potential Options

It was agreed that the review would consider all possible options, including any newly emerging options that became available during the course of the review. The core possible options were:

Retention of the Housing Stock	Management by HfH (including possible extended contract or additional services)
Retention of the Housing Stock	In house management
Transfer of the Housing stock	To an existing housing association
Transfer of the Housing stock	To a new association including HfH
Transfer of the Housing Stock	Partial transfers
Other opportunities	Development Companies Partnerships/joint ventures Local Authority Companies Tenant Management Organisations

Criteria for Options Analysis

Given the huge importance of the housing stock to residents and the Council, and the strong views that housing delivery evokes, it was important that the recommendation of the Review Group to Cabinet was based on as objective and transparent data and evidence as possible, measured against clear and objective criteria, agreed and supported by members of the group.

Accordingly the Review Group agreed the following criteria by which the various options were to be judged. Ultimately, all of these factors are relevant and the Review Group's recommendation is a judgement based on the evidence and the advice received from officers and advisers. Members agreed not to attach particular priority to one factor or another, as given the complexity of the subject, overreliance on weighting may undesirably affect the results of the Groups' analysis. The wishes of the tenants are of course ultimately paramount.

Members were however, extremely keen to be able to increase the available stock of social and affordable housing to mitigate the current housing pressures in Haringey, and examined all of the options thoroughly in the context of this aspiration.

The agreed criteria were:

Contribute to Council Aims and Objectives

Members wished to consider each option in terms of how far it contributes to the aims and objectives of the Council, as set out in the Corporate Plan and Housing Strategy.

As has been noted above, the priorities of the Corporate plan agreed in February 2015, are summarised in 'Building a stronger Haringey together' as:

- Outstanding for all
- Children, young people and adults are healthy, thrive and achieve their potential
- Enable every child and young person to have the best start in life, with high quality education
- Empower all adults to live healthy, long and fulfilling lives
- Clean and Safe
- A place where everyone has a good quality of life, feels safe and is proud to live
- A clean and safe borough where people are proud to live
- Sustainable Housing, Growth and Employment
- Building a basis for communities to thrive
- Drive growth and employment from which everyone can benefit
- Create homes and communities where people choose to live and are able to thrive.

The Council's housing stock and the management and the delivery of housing services contribute directly or indirectly to these objectives and members wished to consider each option's potential contribution overall.

However, from the Council's objectives and the proposed measures there are two that stand out as key comparisons.

2. Provide access to high quality affordable housing by increasing the supply of new homes

measured by

c. Ability to deliver new homes
d. Ability to deliver the types of housing needed across Haringey to establish a good balance of affordable and market tenures in each area

and

3. Effectively manage existing housing and provide excellent services to residents

measured by

b. the number and proportion of homes brought up to decent homes standard.
c. The overall customer satisfaction rating

In addition members wished to include a further criteria, not directly drawn from the Corporate Plan that:

The options should not lead to an overall drop in the numbers of social and affordable homes available in Haringey, unless there are overriding financial or policy reasons to do so.

Assessment of tenant views and the opportunity for tenant engagement and involvement

It was agreed tenants views should be measured by:

Positive or negative feedback on the options from tenant engagement with the project

- Tenant member on scrutiny group
- Tenant Board members
- Residents panel
- Scrutiny panel
- Focus groups
- Results of tenant test of opinion

While all of the potential options can offer significant tenant involvement, the obligatory level of representation, at Board level for example, varies across the options. Given the primacy of tenants' wishes in the future of their housing service this should be taken into account and may be an important factor. Members indicated that they felt maximising tenant involvement should be an aim.

It was agreed that this should be measured by:

Number and extent of opportunities for:

- Tenant ownership
- Tenant Board involvement
- Tenant decision making powers
- Strength and structures of participation mechanisms
- Leaseholder involvement in board, decision-making and participation

Optimise Housing Stock Condition

Data from the Council's stock condition survey will be costed to achieve a picture of the investment needs of the stock.

It is proposed that this should be measured by:

- Number of properties meeting Decent Homes standard
- Number and cost of properties exceeding Decent Homes standard
- Ability of option to finance meeting of overall stock condition needs measured by extent of shortfall or surplus.

Seek positive financial Implications for the Council (Housing Revenue Account (HRA) and General Fund

Members agreed to consider the position of the HRA over a 30 year period. Central to this is the ability to meet the investment needs of the stock over that period bringing all homes to a 'Decent Homes ' Standard, and aiming to achieve a balanced HRA business plan.

All the options will affect the Council's General Fund in one way or another and we are duty bound to preserve the financial stability and integrity of the Council and protect the interests of the wider Council tax payer. It was agreed that careful consideration of each option would take place to examine whether the effect on the Council is positive or otherwise.

It was agreed that this should be measured by:

- Positive or negative financial implications measured in numerical cash terms (£)

- Ability to reach or add a considerable impact towards producing a balanced HRA Business Plan over a 30 year period.
- Ability to meet or help meet the Council's aspirations:
- Decent Homes – achieved and sustained
- Regeneration
- Estate Renewal
- New build housing
- Deliver affordable housing whilst protecting properties from Right to Buy

Maximise Service Performance

Key performance indicators were agreed to be taken into account when considering the existing service from HfH against a range of informative comparators. The detail of these is covered in section 3 and at Appendix 5.

Offer opportunity for additional service delivery

Some of the options offer the possibility of enhancing performance of other Council functions, placing them together with housing services where the skills or structure are appropriate.

It was noted that measurement of this is quite difficult as there is limited established performance data to compare. This led to a need to form a judgment based on structural and organisational suitability. However where possible measurement will consider:

- Established performance data
- Relevant comparable evidence of service turnaround or performance improvement
- Projected Financial savings

Maximise contribution to regeneration

The scale of the potential contribution to the Council's regeneration agenda varies across the options.

It was agreed that this should be measured where possible on the basis of:

- Financial contribution (£)
- Number of new homes that are projected could be delivered
- Estate remodelling potential
- Potential number or amount of income towards potential jobs and employment contribution
- Potential number or amount of income towards skills and training courses delivered
- Projected reduction in crime and anti-social behaviour
- Emerging social regeneration indicators

All measures to consider annual and five year projections

It was noted that it was not possible to measure all these across all of the options, and the direct contribution is hard to measure in some instances.

Optimise accountability, control and influence

The extent to which the Council can control and influence possible future models varies, and hand in hand with this goes the extent of their accountability. Consideration was given to how much the Council would wish to continue to exert influence or control and balance this with other factors.

It was agreed that this should be measured by assessing each option against the following:

- LB Haringey stock ownership
- LB Haringey vehicle ownership
- Relationship to Council structure and governance
- Council Board membership
- Decision Making and Control Mechanism e.g. Management Agreement, contract
- Tenant accountability and control
- Council financial influence
- Procurement Risk

Deliver Value for Money/ Efficiencies

Each of the available options will offer the opportunity to contribute to the Council's drive for value for money and to the need to make savings both within the HRA and corporately.

It was agreed that this should be measured by:

- Amount of savings or efficiencies provided expressed in numerical cash terms(£) over 3 years

An assessment of the options against the above criteria is attached at Appendix iii.

The Approach to Equalities Impact Assessment (EqIA)

It was identified that there was a need to carry out an equalities impact assessment on the review of the future of housing. This helps to determine whether the policies, practices and new proposals for future housing delivery and investment will impact on, or affect different groups or communities. It is necessary to examine whether the options proposed are positive, negative or unlikely to have a significant impact on stakeholders identified in each of the protected characteristic groups. The stakeholders identified for the EqIA are:

- Tenants and leaseholders
- HfH staff
- LB Haringey staff involved in work on housing
- Residents of Haringey
- Applicants for housing whether through application or homelessness

Advice was sought from the Councils' Policy Team (Equalities) as to the appropriate timing and approach to conducting an EqIA. Their view was that conducting the FHD Review itself will not have any impact on residents, the public or employees. However the outcome of the review – that is, the identification and implementation of a new housing delivery model - may have implications which will need to be considered during the review.

The potential options, while intended to be positive for all parties, may have significant implications for tenants and staff and possible implications for the Council’s public sector equality duty. As a result, an EqIA was necessary and is attached at Appendix ix.

3. Appraisal of the present situation

Stakeholder views - focus groups and interviews

Tenant Views

Focus groups with tenants were held in February, March and June. A mixed range of views was evident, with some broad support for HfH and a recognition of recent improvement. Tenants expressed caution over transfer options and were concerned that they wanted more involvement and more say in the management of their homes. Some concern was expressed that many homes had not received Decent Homes work despite the promises made when the ALMO was established. There was also a strong desire to be reassured that the Council had not 'made up its' mind' and that the review and the discussions with tenants were meaningful.

The resident scrutiny panel was visited on two occasions and they also made representations to the Review Group. The group was keen to see as much tenant involvement as possible, and ideally would have wished for more tenant representation on the Review Group. They would also have liked more one to one interviews with tenants, and meetings with residents groups, neither of which were practical given the resources and time available for the review. The panel were strongly in support of the test of tenant opinion. The panel felt that the services newly transferred to Homes for Haringey; homelessness, lettings and private sector services were already better than when in the Council, and those with experience of the Council managing housing as a whole, felt it was now better under HfH. They felt that transfer options needed to be approached with caution. They stated that the wider tenant body needed as much information as possible. Overall, they were extremely positive about HfH and its improvement.

Leaseholder Views

A meeting was held with leaseholders on 17th March 2015 and a number of leaseholders also attended general resident meetings and focus groups. As with tenants, a range of points were made and on balance there was some suspicion and opposition to transfer type options. A number of concerns were raised with the efficacy of the existing management by HfH, particularly as regards major works and the billing and charging of this service. Leaseholders were quite resentful of the fact that in any formal ballot on transfer they did not get a determining vote. The overriding message was that they felt that more leaseholders need to have a say on the process of review. They too were keen to have more information and to better understand what each of the options meant.

Staff Feedback

Meetings were held with staff in January and again in June 2015. These took the form of presentations, discussions and consultation and staff were encouraged to give their views on the options available. A wide range of views was expressed. Generally, but not exclusively staff were supportive of HfH and noted that improvements had been made in recent years; that the organisation is both flexible, and focused on housing; and generally allows for swifter decision making. However, staff also recognised a potential for savings and reducing the duplication arising from there being two organisations. Some concern was expressed that tenants would lose their opportunities for involvement if the service returned to the Council, and doubts were also expressed about the costs of Decent Homes work and prices obtained by HfH. Staff felt that neither they nor tenants and leaseholders knew enough about the options at present, and that more information was required. As a result of this, the further sessions were arranged in June. Some positive views were expressed about transfer options but overall there was some suspicion of these. A number of staff did feel that residents had voted for the ALMO in the expectation of receiving Decent Homes works, and as significant numbers had not yet received the work to their properties would be unlikely to vote for anything different in future. Staff members, who were seconded from the Council most recently as a result of the transfer of the Community Housing Services, were most likely to express a wish to return to the Council.

Trades Unions

A helpful and healthy dialogue with Trade Unions was held at regular intervals throughout the review. Union colleagues made clear from the outset that they were strongly in favour of the housing management service returning to the Council in accordance with position held nationally by UNISON and other trade unions, and they were opposed to any form of transfer. Acknowledging the requirement for a ballot in most of the possible options, they were clear that in the event of a recommendation to retain HfH as the deliverer of the housing service, they also wished to see a ballot on that option. This debate is covered in section 14. They acknowledged that the process of the review was fair and transparent, but later expressed some concern about HfH having the opportunity to present its achievements and development proposals to the Council. This was followed by a submission attached at Appendix x (c) to which is also appended the reply from the Independent Adviser.

Notwithstanding the above, Trade Union colleagues recognised the improvement in HfH over the last couple of years, and that the staff group were more confident. They were keen to ensure throughout the review process and beyond, that there was a meaningful and continuing dialogue with residents about the future of their homes. Trade Union colleagues were in favour of the carrying out of a test of tenant and leaseholder opinion.

Feedback from interviews

A wide range of interviews was carried out and a schedule of these is listed at Appendix i.

As ever a wide range of views came out of the conversations. These are summarised below:

- Significant improvements were noted in HfH in the last few years
- There was now a strong culture around achieving Key Performance Indicators and a much greater discipline about monitoring and measurement of performance.
- There had been strong improvements in the repairs service including reducing jobs in the system, improvements in procurement and bonuses and reductions in the amount spent on repairs.
- HfH had made significant financial savings over the last few years.
- The quality of the relationship between HfH and the Council in recent times is vastly improved and is now an open and positive one.
- HfH's Board functions well, and is well chaired, with clear roles and a focus on performance.
- There has been a breath of fresh air and a changed culture.
- HfH can be fleet of foot, make swift decisions and adopt a commercial approach in the way that the Council cannot.
- Tenant elections for the ALMO Board attracted a significant turnout.

- There were a large number of residents associations in the Borough, but their role in shaping the service was very limited and there was perhaps a dislocation between the strong tenant governance structures set up to lead the ALMO, and the more traditional existing associations.
- There was doubt as to whether tenants recognise the difference between HfH and the Council
- The decision for the Council should be based on whether running the ALMO is of value. Do HfH need the structure to support them? Can this be trimmed and does the governance require as much energy as it presently receives?
- Should HfH be doing other things outside of Housing or should they be sticking to their core purposes ensuring focus?
- Project 2020 could be scaled up to deliver more
- Arms length options to deliver homes for temporary accommodation, or to make purchases of housing were favoured ideas.
- LB Haringey should use the arms length relationship and exploit the freedoms it gives.
- HfH could be a vehicle to do other things.
- HfH staff and board members were keen to end the uncertainty and to have a decision made by the Council that could then be implemented and allow progress going forward, irrespective of what decision that was.
- If HfH is the chosen option, then a 10 year long agreement would allow significant service development and progress, with some long term certainty.
- Noel Park will be the one estate we will not knock down.
- Members or tenants will be unlikely to vote in favour of a large scale voluntary transfer, although partial transfers may be acceptable.
- Councillors' contact with Housing Associations had overall not impressed them.
- One of the challenges facing the housing service was the separation of strategic functions between the parts of the organisation
- Tenants might vote for transfer if there was enough on the table
- Stock transfer rules itself out because it is not sensible
- May be prepared to consider small scale transfers on estates that need doing.
- HfH can do more than the Council can do
- There is no reason to say HfH cannot continue although it should reduce its costs
- Movement from being anti the ALMO to being in support of it
- HfH are able to do things because they are the housing provider. If they stop doing housing they lose the legitimacy.
- Having a unified housing service with homelessness, lettings and private sector housing together with housing management makes sense. The previous arrangements were a false split. Under the previous arrangements there was no housing focus. Adult services dominated the Department.
- There is a need for the situation of seconded staff to be resolved – to be TUPE transferred or the situation otherwise sorted.
- The ALMO, or any other provider should not be given Council services to provide just because they are there, but because they are the right solution and you would get better results.

The GLA view

Consultation with the GLA was carried out in December 2014. The GLA are supportive of Haringey and keen to see the Borough do well and develop, and supportive too of the aspirations for regeneration and new housing. Haringey has a contribution to make to the GLA housing target of more than 15,000 homes between now and 2026. Support for the Homezone has subsequently been earmarked by the GLA to the tune of £44 million. The view was expressed that by competent attention to developments, and by ensuring early wins such as South Tottenham, land values will increase, helping with the development and regeneration of the Borough.

On the specific issue of the future of the Council housing stock and its' management and investment, the GLA were said to be agnostic, with the Mayor having no view either way. This may well be the same in the event of a different administration, and it was likely that a compelling solution to the management and investment dilemma would be supported. These comments were made prior to the unveiling of the present government's housing policy which has clouded the picture and made the development of overall solutions difficult.

The DCLG position

Ongoing dialogue was maintained with the DCLG during the course of the review. The current transfer programme expires in March 2016, and no indications have been given as to policy beyond that period, although the statutory legislation remains in place. Civil servants are considering future policy and are holding discussions with Ministers, although at the time of writing no announcement has been made. It remains possible that there will be a provision for transfer after the spending review of summer 2015, and the government may, as in the current policy round, be attracted to partial or estate based transfers which are seen as catalysts for regeneration.

For the moment however, the position remains uncertain, and this has been increased by recent announcements on housing policy by the new government which will reduce capacity for investment in the local authority and housing association sector. LB Haringey would be well advised to maintain a continuing and open dialogue with the Department to formulate an appropriate and deliverable strategy into the future.

The Test of Tenant and Leaseholder opinion

There will be a need to carry out a ballot whichever option the Council chooses, unless it opts to retain HfH or chooses options that do not involve tenanted transfer. This is certainly the case where transfer or partial transfer are being contemplated The current guidance for authorities considering taking housing management functions back in house from Arms Length Management Organisations, while non – statutory and thus only guidance rather than mandatory, states that:

'*The government does not consider it necessary to impose upon all councils with ALMOs a mandatory duty to hold a ballot of their tenants when considering taking housing management functions back from their ALMOs.*

However, in line with the principles set out in the review document, Government considers that in the interests of fairness and consistency, councils that had held ballots to gauge tenant opinion before transferring their housing management functions to an ALMO <u>should</u> also similarly hold a ballot *when considering taking housing management functions back from their ALMOs. This is important as it allows tenants to express their opinion in a similar manner to the original ballot.'*

However, it is expected that the consultation exercises undertaken by all Councils considering the future of their ALMOs should be as comprehensive as that undertaken when transferring those functions to the ALMO originally. This could be either through a ballot or a full survey or other locally appropriate method.'

In the context of London Borough of Haringey where a ballot was held prior to establishing HfH, this means that it is recommended to hold a ballot should the authority wish to bring housing management functions back in house. While, as noted above, the guidance is non - statutory, and some authorities have not chosen this path, it is recommended that as a matter of good practice, relations with tenants, and engagement with government, a ballot should be held in these circumstances.

Therefore, unless the chosen option is the status quo with HfH, a ballot is almost certain. As noted above, Trade Union colleagues are strongly of the view that a ballot should also be held if the recommendation is indeed for the status quo.

A tenant engagement strategy was agreed by the Review Group in December 2014 and is attached at Appendix vii. At that time it was decided to consider the best course of action in terms of a formal test of tenant opinion during the course of the review and in advance of a decision and a ballot.

After due consideration it was recommended that there was a strong case for carrying out a test of opinion in advance of decision making by Cabinet.

Firstly, because the understanding of tenant priorities will help complete the evidence base for the review.

Secondly the *Criteria for Assessment* established a need to take account of 'positive or negative feedback on the options from tenant engagement with the project' and 'the results of a test of tenant opinion if appropriate'.

Thirdly, a deeper understanding of tenant wishes and priorities would help the deliberations on the options, and assist in narrowing down the viable options for Haringey.

In addition there was a divergence of views amongst staff, Councillors and those tenants who have been interviewed or attended focus groups as to 'what it is that tenants want' and what their priorities will be, and a test of tenant opinion would help remedy that knowledge gap. There was also, in all those groups, some weight of support for testing tenant opinion.

Finally, as a matter of good practice and given the primacy of tenant wishes in this matter, it was wise to seek the views of tenants at an early stage. It was felt however, that in view of residents requests to have more information, it would be premature to have a ballot, and that tenants and leaseholders should be surveyed on the principles that lead to the options. The Council would, in essence learn 'what matters' to tenants.

LB Haringey has Arrangements for Statutory Consultation under s105 Housing Act 1985.(Appendix xii) Section 105 sets out the legal obligation of local housing authorities for consulting with secure tenants on 'matters of housing management' The test of tenant opinion process largely complies with these standards, but was not intended to be a full s105 consultation, as some other authorities have done; but was intended simply to obtain an understanding of tenant views to inform more formal consultation in due course. As discussed above, this may well take the form of a ballot.

In formal ballots on the future of housing management services, leaseholders do not have a statutory vote. However, when HfH was established the Council did include leaseholders in the ballot, and it seemed only right, both from fairness and good practice, as well as obtaining the best possible information on leaseholder views that they should be included in the test of opinion process.

Accordingly quotations were sought for outside assistance for this work in accordance with the Council's procurement rules. The company were to provide an independent objective resource to deliver the test of tenant opinion and ensure the timely and fair nature of the process.

The successful bidder was M.E.L Research Ltd of Aston Science Park, Birmingham. A copy of their full report is attached at Appendix iv.

M.E.L carried out a telephone survey as the primary methodology for this project speaking to 1004 tenants and to 150 leaseholders achieving a confidence level of + or – 3% for tenants, albeit not so robust for leaseholders, due to the limited number of available phone numbers for them. A random sample was contacted, allowing the setting of gender and age targets to achieve a broadly representative sample. The fieldwork was completed between the 1st and 29th June 2015.

In addition, in order to give all tenants and leaseholders the opportunity to give their views a postal survey was sent to all the Council's properties, and an opportunity given to complete the survey on line. The surveys were dispatched on 9th June 2015 and all responses received by 29th June 2015 were included.

The main findings of the survey were that tenants had little support for alternative future options for the housing service, although they were keen to have more say in how the housing service was run, and might support an option that gave them this. Local provision was hugely important and few would support transfer to a provider not locally based. Leaseholders were more open to alternative options.

Rent increases were not well supported, although the opposition to an increase up to 5% was not overwhelming.

All participants indicated that their first choice for future investment in housing should be on existing homes rather than on new build, or estate works.

From the telephone survey a significant body of tenants indicated that they were 'more' or 'much more' satisfied with their area, value for money, safety and security and the overall quality of their home. Postal survey returns, and leaseholders were less positive, and in the case of leaseholders overall expressing some decline in satisfaction.

Similarly leaseholders indicated a decline in the quality of repairs and maintenance, while generally tenants indicated increases in satisfaction. This was also true of satisfaction with customer service.

Tellingly, 71% of tenants were more satisfied with HfH than three years ago, and postal returns were similar at 65%. This is not the case for leaseholders who indicate a decline in satisfaction over the three year period.

Amongst tenants the awareness of who their housing management provider, HfH is, is low, although amongst leaseholders this is higher.

The conclusions that may be drawn from this test of opinion are as follows:

- Generally tenant satisfaction is increasing and this corroborates both the informal feedback from the focus groups and the views of interviewees on the recent performance of HfH.
- Leaseholders, by contrast are showing a decline in satisfaction.
- There is little appetite for transfer options.
- Both tenants and leaseholders are keen to have a say in how their service is run, and to have board level representation.

Homes for Haringey performance

The Review Group agreed 26 indicators by which it wished to examine the performance of HfH and other potential comparators. Snapshots of performance were taken in March 2015 and again in June 2015 and these are attached at Appendix v.

The process was that the data was collected from HfH, and then benchmarking carried out using the Housemark database, to which the authority is already a subscriber.

The HfH performance was then benchmarked across the range of providers and provider types, as well as compared to the organisations that the Review Group visited.

On page 3 of the June benchmarking document, an attempt has been made to rank HfH against those organisations visited, using a basket of indicators.

As at June 2015, 19 of the 26 selected indicators are improving and this is a better position than in March. Only 6 indicators are declining at present.

The ranking against the visited organisations using a basket of indicators places HfH in the middle of that small sample.

On overall customer satisfaction HfH is improving year on year, but it is clear that it has some way to go to achieve the satisfaction levels of the best performers. The improvement does corroborate the general feedback concerning their general performance and the views of tenants and leaseholders expressed both formally, and informally.

Rent income collection is improving considerably, although not yet upper quartile performance against any of the benchmarks. Current tenant arrears as a % of the rent debit, though improving, remains extremely high at present.

Void relet times are improving, as is the time taken to repair voids. This latter measure, remains though, poorly performing against the comparisons. Surprisingly for rent loss from voids, HfH's performance is substantially improved; is the best of the organisations visited, and is in, or approaching, top quartile performance against a number of the comparators. This surprising result has been noted to the Housing Commissioner.

Because of the change in monitoring repairs, it is difficult to draw significant conclusions from the repairs figures but there appears to be a general upward trend. The % of tenants satisfied with quality of repair has improved substantially in the last two years, but again is not hitting top quartile performance. The % of jobs completed right first time is extremely high and outperforms the top quartile performers across every comparison.

The average cost of a repair is expensive, significantly in the lower quartile and after a period of reduction travelling in the wrong direction.

For the % of properties with a valid gas certificate, HfH performs at 100%, an improvement on 2007. There is little variance in performance of this measure nationwide, but compliance is important.

The grading of the estates by Quality Assurance officers, is not comparable with others, but is showing a decline in performance.

Indicators 15 and 16 were included because of the central nature of the decent homes programme to HfH's work, and to illustrate the issues that the Council still faces in maintaining and achieving standards across the Council stock. They are however subject to considerable variables, not least the availability of finance and are not true measures of HfH performance. Performance on completion of units against those programmed units dipped considerably, from a previously high position, because of contractual issues. The % of residents satisfied with the outcome of works has increased significantly in 2014/15.

At 6.22, the average number of working days lost to sickness absence is very low and is upper quartile performance across all comparators. This is a useful, if crude, proxy for the health and morale of an organisation.

At the latest available figures, HfH is mid-ranked in terms of the cost of housing management. It is in the lower quartile against national Councils and National ALMOs, and against London Councils and ALMOs. It is in the upper quartile against London Housing Associations, and the median rank for the rest. Costs are reducing and HfH has made significant savings in recent years, but the figures indicate scope for more reductions.

The numbers of homelessness acceptances fell last year, and the number of preventions is rising with consequent improvements in the ratio between the two. This is some indication that the transfer of the homelessness service to HfH has been a success. The number of households in temporary accommodation continues to rise, year on year, and this is a London wide trend which causes most of the authorities visited extreme concern. Positive performance is also seen in the number of social lets to applicants in temporary accommodation, and in the average number of weeks in temporary accommodation. Again the improvements reflect some degree of credit on HfH.

The number of empty private sector properties brought back into use is not an indicator that is performing strongly at present with 2014/15 figures down on the previous year and the year to date figure suggesting a likely further drop. This is not an easily comparable indicator as there is a disparity in how this figure is recorded.

The performance of HfH overall is somewhat mixed and does not as yet reflect a high quality or a top performing service. A number of the service areas are still lower quartile. However, the benchmarking reflects improvement in performance over the recent years. Indicators are all better than the earliest available recorded data for comparison. The improvements are corroborated by the increase in satisfaction, of tenants in particular, recorded by the test of tenant opinion.

4. Stock Condition

LB Haringey had a stock condition survey carried out in 2011 when 6,191 dwellings were surveyed. Data was cloned across those properties which were not surveyed, and since that time commendable efforts have been made to keep the information up to date with surveys carried out on completion of Decent Homes work. This has given full survey information across the stock and the updating process continues. Nonetheless it was deemed prudent to carry out an updated survey, which following a procurement exercise, was a task given to Ridge and Partners LLP, who had also carried out the 2011 Survey.

Ridge were asked to survey the rest of the stock and undertake related supplementary studies.

The survey was to capture the following key areas:

- Property attributes
- Internal Aspects
- External aspects
- Communal areas
- RdSAP Energy Survey
- Housing Health and Safety Rating system survey

As usual with stock condition surveys data was to be collected on the material, quantity, remaining life and install date of building elements.

The work was commissioned by HfH and the brief to Ridge was to assess the stock to an all inclusive standard (Gold standard). This was a high standard which included the cost of delivering the Council's strategic aspirations including energy efficiency measures, and is a standard broadly equivalent to that which a new registered provider of social housing would aspire.

8,000 dwellings were targeted for survey plus flatted blocks and 80% of those were successfully inspected. There have also been specialist mechanical and electrical surveys at Broadwater Farm, inspections of garage sites, and specialist surveys of selected blocks.

The usual DCLG headings have been used in the cost tables:

- Catch up repairs
- Future major works
- Improvements
- Estate Works
- Contingencies
- Exceptional Extensive works
- Cyclical Maintenance
- Disabled adaptations
- Response and void maintenance

The modelled investment needs based on the standard are shown below.

COST SUMMARY

	Year 1	Year 2	Year 3	Year 4	Year 5	Years 1-5 Total	Years 6-10	Years 11-15	Years 16-20	Years 21-25	Years 26-30	Total	% of total
Catch Up Repairs	£10,147,382	£10,136,444	£10,136,444	£10,136,444	£10,136,444	£50,693,159						£50,693,159	3%
Future Major Works	£46,348,154	£7,874,450	£8,047,024	£12,589,169	£17,465,422	£92,324,219	£86,340,915	£85,020,998	£70,773,280	£116,514,581	£80,856,107	£531,830,100	29%
Improvements	£15,490,676	£15,736,321	£15,390,676	£15,390,676	£15,390,676	£77,399,024	£18,647,500	£20,271,245	£18,647,500	£20,566,777	£18,647,500	£174,179,546	9%
Estate Works	£4,882,233	£3,505,870	£3,476,442	£3,354,000	£5,710,593	£20,929,138	£17,681,894	£9,102,780	£8,937,859	£11,459,698	£8,678,732	£76,790,101	4%
Contingent Major Repairs	£3,344,866	£2,190,327	£2,195,504	£2,331,768	£2,478,056	£12,540,521	£10,840,227	£10,800,630	£10,373,198	£11,745,437	£10,675,683	£66,975,698	4%
Exceptional Extensive Works	£10,356,197	£13,927,158	£13,675,746	£6,830,480	£6,348,933	£51,138,514	£26,799,415	£30,221,921	£13,838,583	£9,306,076	£8,078,246	£139,382,756	8%
Sub-Total	**£90,569,508**	**£53,370,570**	**£52,921,836**	**£50,632,537**	**£57,530,124**	**£305,024,575**	**£160,309,952**	**£155,417,574**	**£122,570,420**	**£169,592,569**	**£126,936,268**	**£1,039,851,359**	**56%**
Cyclical Maintenance	£13,722,122	£13,732,122	£13,742,122	£13,752,122	£13,762,122	£68,710,610	£56,291,410	£56,291,410	£56,291,410	£56,291,410	£56,291,410	£350,167,660	19%
Disabled Adaptations	£1,500,000	£1,500,000	£1,500,000	£1,500,000	£1,500,000	£7,500,000	£7,500,000	£7,500,000	£7,500,000	£7,500,000	£7,500,000	£45,000,000	2%
Responsive Repairs and Void Works	£14,591,911	£14,500,000	£14,300,000	£14,100,000	£14,000,000	£71,491,911	£70,000,000	£70,000,000	£70,000,000	£70,000,000	£70,000,000	£421,491,911	23%
Total	**£120,383,541**	**£83,102,692**	**£82,463,958**	**£79,984,659**	**£86,792,246**	**£452,727,096**	**£294,101,362**	**£289,208,984**	**£256,361,830**	**£303,383,979**	**£260,727,678**	**£1,856,510,930**	**100%**
Average per tenanted dwelling per year	£7,693	£5,310	£5,270	£5,111	£5,546	£5,786	£3,759	£3,696	£3,276	£3,877	£3,332	£3,954	
											Average per property for 30 years	£118,634	
% of total	6%	4%	4%	4%	5%	24%	16%	16%	14%	16%	14%	100%	
Additional Leaseholder contribution	£15,648,971	£8,624,395	£8,901,421	£8,993,329	£9,909,268	£52,077,385	£27,994,329	£27,602,553	£28,058,476	£24,059,811	£24,392,467	£184,185,021	
Total all costs	**£136,032,512**	**£91,727,087**	**£91,365,379**	**£88,977,988**	**£96,701,515**	**£504,804,481**	**£322,095,690**	**£316,811,538**	**£284,420,306**	**£327,443,790**	**£285,120,146**	**£2,040,695,951**	

Base date of survey	
2nd Quarter 2015	
Total number of properties:	20,410
Leasehold stock number:	4,761
Tenanted stock number:	15,649
Notes (applies to all tables):	
Rates include preliminaries	
Rates exclude fees, VAT, management costs etc.	

A comparison with the 2011 survey and the higher cost results of the 2015 survey was also carried out and this is shown below.

	2015	2011	Difference
Catch Up Repairs	50,693,159	11,028,118	39,665,041
Future Major Works	531,830,100	538,157,653	-6,327,553
Improvements	174,179,546	64,986,132	109,193,414
Estate Works	76,790,101	6,147,000	70,643,101
Contingent Major Repairs	66,975,698	37,354,473	29,621,225
Exceptional Extensive Works	139,382,756	82,721,697	56,661,059
Cyclical Maintenance	350,167,660	364,484,184	-14,316,524
Disabled Adaptations	45,000,000	36,000,000	9,000,000
Responsive Repairs and Void Works	421,491,911	359,094,177	62,397,734
30 Year Total	**1,856,510,930**	**1,499,973,434**	**356,537,496**

HfH assess that the predominant reasons for the cost increase between surveys are:

- The extension of the Decent Homes programme to 9 years.
- Cost increases over the time reflecting a number of variant factors
- The inclusion of energy efficiency measures
- Inclusion of flat roof to pitched roof conversions
- Significantly higher level of estate works and improvements
- Increase in provision for contingent major repairs e.g. asbestos
- Increase in exceptional extensive works such as non traditional structures and high rise repairs
- Major allowance for planned preventative maintenance.

The effect of decent homes work completed between 2011 and 2014, has helped reduce the overall cost for catch up repairs and future major works. This however, is overridden by the other matters listed above and of course the potential for homes to fall back into non-decency.

The resources available to meet the stock condition needs and the financial impact on the Housing Revenue Account are considered in detail in the next section of this report.

Because of the high cost attributed to the ‘gold standard’ an alternative ‘silver standard’ has been modelled which is approximate to a ‘decent homes’ standard. Many variants of these standards can be modelled and one of the most central issues for the Council, given the financial circumstances described shortly will be to adopt a clear and effective asset management approach in future. One of the key components of this will be to identify and seek to deliver a clear and agreed standard.

The silver standard as presently modelled reduces allowances for:

- Solid wall insulation
- SAP80 Energy allowance
- Estate Improvements

- Unadopted lighting
- Extensive voids
- Decorations/Planned Preventative Maintenance
- Elderly persons decorations
- Adaptations
- Responsive repairs
- Voids

It removes altogether the allowances for :

- Conversions from flat to pitched roofs
- Loft space conversions
- CCTV
- Extensions
- Noel Park Costs (remodelling)

5. The financial position

The financial appraisals have been prepared independently, by David Hall of David Hall Housing and summarise the financial position of the options considered.

The core purpose of the financial analysis has been to assess the base Housing Revenue Account (HRA) position over both the short term and the longer term (30 years).

This has then been compared with other options including stock transfer and partial disposals.

During the process of preparing the financial analysis there have been some key changes to government policy which have had a significant impact on housing finances, in particular the proposed extension of the Right-to-Buy to housing associations, which it is proposed will be funded by the sale of high value Council houses and the reductions in social rents announced in the Budget on 8 July. These have been considered as appropriate alongside the other issues which the Council is having to face.

HRA Baseline Position

Model Development

A baseline 30 year model was developed to assess the capacity of the Council to meet the investment needs of the stock and establish the extent of any additional capacity to deliver other housing and regeneration objectives.

In order to establish the level of revenue and capital resources available various assumptions have been made.

Assumptions have been drawn from a variety of sources including the HRA Revenue and Capital Budgets and Medium Term Financial Strategy (MTFS).

Data on future stock investment requirements (capital and revenue) has largely been drawn from the Stock Condition Survey prepared by Ridge & partners for HfH. The survey results were issued on 14th August so the figures included here vary slightly from the earlier drafts of this report.

Where appropriate the Council's 'Preliminary HRA Model' has also been used. This was being developed by the Council prior to the start of the 'Future of Housing Delivery' project. Other sources are stated as appropriate.

Economic assumptions

The core assumptions for inflation are based on the Consumer Price Index (CPI). This has been based on the mean figure from the latest forecast of the Monetary Policy Committee (MPC) and has been set based on the rate assumed at September of the preceding year (in line with rent policy to date).

Based on this analysis the figures assumed are 1.0% for 2016/17, 1.5% for 2017/18 and 2.0% for 2018/19 onwards.

Interest rates have been based on the existing debt portfolio. New borrowing (for refinancing and additional capital expenditure) has been based on the budget for year 1, 3.5% for the next 4 years and 4.0% thereafter. These figures have been drawn for the Council's 'HRA Debt Maturities & Interest' Schedule.

Income assumptions

Core revenue income assumptions are as follows:

(i) A base year of 2015/16 with an opening tenanted stock figure of 15,658 dwellings.
(ii) An average rent of £105.50 per week for 52 weeks.
(iii) Tenant service charges of £9.978m and leaseholder (revenue) service charges of £7.141m per annum.
(iv) Voids and bad debts losses of 3% (on all rent and service charges).
(v) Other income of £10.452m per annum.

Prior to the Chancellor's Budget announcement on 8 July it had been assumed that rents would increase at CPI + 1% in line with the previous year's policy guidance.

The Budget now requires all social landlords to decrease rents in cash terms by 1% per week for the next 4 years (i.e. 2016/17 to 2019/20).

Whilst it has yet to be announced, it has been assumed that the government will seek to enforce this through existing regulations rather than section 19 of the new Welfare Reform Bill (which has primarily been designed to enforce Private Registered Providers).

One option would be for the government to use the existing Limit Rent rules. The current Limit Rent for Haringey (2015/16) is £108.58. Under current rules if the Council chooses to set rents higher than this level it would not receive Housing Benefit Subsidy on the balance above the Limit Rent. Tenants would still be eligible for the extra benefit but the cost would become a charge to the HRA.

The government has also announced a 'pay to stay' policy whereby tenants who have incomes over £40,000 per annum would be charged market rents. The exact impact of that is not yet known.

For the time being until further details have been declared it is has been assumed that Council rents in the HRA decrease by 1% in cash terms for the next 4 years and then increase again at CPI + 1% in line with the previous policy. No additional income has been assumed yet for the 'pay to stay' policy.

Other income has been assumed to increase at CPI + 0.5%.

Expenditure assumptions

The current HRA Budget is split into the fees paid to HfH, the Managed Accounts and Retained Accounts.

In order to provide a suitable basis for projecting forwards these have been split as follows in the financial forecasts:

(i) Core housing management services have been split £13.924m (fixed costs) and £9.289m (variable costs). Fixed costs are initially assumed to be 60% of the management budget.

(ii) Service expenditure has been set at £17.119m to match (revenue) services charged to tenants and leaseholders.

(iii) Other operating costs have been set at £3.005m (covering the Newbuild and Regeneration support teams).

(iv) Revenue repairs (for responsive, void and cyclical maintenance) have been based on an analysis of the Ridge survey outputs and reconciled against the current HRA Budget. At this stage a figure of £19.548m has been used for 2015/16. All repairs administration is included in the core housing management budget.

In addition to the above revenue items the Council is required to set aside a provision for depreciation which gets charged to a Major Repairs Reserve. This has been based on a figure of £1,234 per unit equating to a figure of £19.319m in 2015/16.

The figures for 2016/17 and 2017/18 have been forecast forward using information included in the MTFS which include scheduled savings built into the operating budgets. Growth thereafter has been based on CPI + 0.5% and is linked to stock number where appropriate (repairs and variable management costs). It has been assumed that there will be a saving in the newbuild support team from 2018/19 (see section on Right to Buy and New Build below).

Capital financing costs

Capital financing costs have been based on the HRA Capital Financing Requirement (HCFR) figures reported by the Treasury Management team. The HCFR equates to the amount of borrowing which is assumed for the HRA and is based on a portfolio of existing loans and internal borrowing.

The opening HCFR figure for 2015/16 has been declared as £271.096m. Net new borrowing for 2015/16 has been forecast as £23.253m giving a closing HCFR of £294.349m. The interest charged to the HRA for 2015/16 is forecast to be £10.972m.

The Council is currently allowed to borrow up to a cap of £327.538m. The current HCFR has been forecast to increase to £301.097m by 2017/18. The remaining headroom is assumed to be taken up in 2018/19. New borrowing and refinancing of existing loans are assumed to be based on the interest rate assumptions set out in the economic assumptions above.

Right to Buy and New Build

Right to Buy sales have gradually been increasing in recent years following the Right to Buy reinvigoration policy commenced by the last government.

It has currently been assumed that there will be 150 Right to Buy sales per annum at an average discounted price of around £100,000 per sale (i.e. around £15m).

Government regulations set out how these receipts can be used. Based on an analysis of the recent quarterly returns it has been estimated that around 20% (£3.0m) is repaid to the DCLG, 55% [£8.3m] is 'recycled' towards replacement dwellings and 5% (£0.7m) is available for capital investment.

The remaining 20% (£3.0m) is notionally set aside towards the Council's 'attributable debt' on those dwellings but based on government guidance this may be used in practice for other non-HRA purposes.

At present the Council is planning to use some of the 'recycled' replacement funds towards 83 new and repurchased Council dwellings over the next three years in conjunction with other resources. However beyond that it has been assumed at present that the money designated for replacement dwellings will be paid back to a central / regional pot for new housing. A key issue going forward will be the extent to which the Council seeks to deliver new build itself given the cost and challenges of the programme to date.

It is currently being assumed, in line with current Council practice, that £0.7m of the receipts is invested in the HRA capital investment programme but the £3.0m sum set aside for attributable debt is retained in the corporate pot and interest on these sums is also retained in the General Fund.

The government has also recently announced that it would be extending the Right to Buy to housing association tenants. In order to help provide funds for replacement dwellings the government also announced that it will be requiring Councils to sell some of their most valuable Council dwellings on the open market as they become vacant. Details of these arrangements have yet to be announced and so have not yet been factored into the financial modelling but this could also have a quite significant impact.

Other capital funding sources

The Council has various sources of funding available to invest in the Council stock as well as newbuild and regeneration programmes. As identified in the sections above the key sources of funding are the Depreciation / Major Repairs Provision alongside any available borrowing headroom and receipts from Right to Buy and other disposals.

The Council is also expecting to receive Decent Homes Grant funding of (£11.270m) in 2015/16 as well as contributions from leaseholders towards capital expenditure.

The other main source of funding is from surpluses on the Operating Account. During the next three years this has been earmarked as £8.941m in 2015/16, £26.534m in 2016/17 and £24.861m in 2017/18.

Thereafter it has been assumed that a minimum balance of £10m is held in the HRA Operating Account and where required all remaining available resources are targeted towards stock investment.

Stock Investment Programme

As set out above HfH have recently commissioned a Stock Condition Survey from Ridge and Partners to update a previous survey carried out in 2011.

The output from that has highlighted the following investment needs over the next 30 years. This has nominally been labelled the 'Gold Standard'. A lower level of investment has also been drawn up loosely labelled the 'Silver Standard'. It is understood that both standards would meet the minimum decent homes standard.

A further review of these standards will be necessary in due course.

GOLD STANDARD

	Year 1	Year 2	Year 3	Year 4	Year 5	Years 1-5 Total	Years 6-10	Years 11-15	Years 16-20	Years 21-25	Years 26-30	Total
Catch Up Repairs	£10,147,382	£10,136,444	£10,136,444	£10,136,444	£10,136,444	£50,693,159	£0	£0	£0	£0	£0	£50,693,159
Future Major Works	£46,348,154	£7,874,450	£8,047,024	£12,589,169	£17,465,422	£92,324,219	£86,340,915	£85,020,998	£70,773,280	£116,514,581	£80,856,107	£531,830,100
Improvements	£15,490,676	£15,736,321	£15,390,676	£15,390,676	£15,390,676	£77,399,024	£18,647,500	£20,271,245	£18,647,500	£20,566,777	£18,647,500	£174,179,546
Estate Works	£4,882,233	£3,505,870	£3,476,442	£3,354,000	£5,710,593	£20,929,138	£17,681,894	£9,102,780	£8,937,859	£11,459,698	£8,678,732	£76,790,101
Contingent Major Repairs	£3,344,866	£2,190,327	£2,195,504	£2,331,768	£2,478,056	£12,540,521	£10,840,227	£10,800,630	£10,373,198	£11,745,437	£10,675,683	£66,975,698
Exceptional Extensive Works	£10,356,197	£13,927,158	£13,675,746	£6,830,480	£6,348,933	£51,138,514	£26,799,415	£30,221,921	£13,838,583	£9,306,076	£8,078,246	£139,382,756
Sub-Total	**£90,569,508**	**£53,370,570**	**£52,921,836**	**£50,632,537**	**£57,530,124**	**£305,024,575**	**£160,309,952**	**£155,417,574**	**£122,570,420**	**£169,592,569**	**£126,936,268**	**£1,039,851,359**
Cyclical Maintenance	£13,722,122	£13,732,122	£13,742,122	£13,752,122	£13,762,122	£68,710,610	£56,291,410	£56,291,410	£56,291,410	£56,291,410	£56,291,410	£350,167,660
Disabled Adaptations	£1,500,000	£1,500,000	£1,500,000	£1,500,000	£1,500,000	£7,500,000	£7,500,000	£7,500,000	£7,500,000	£7,500,000	£7,500,000	£45,000,000
Responsive Repairs and Void Works	£14,591,911	£14,500,000	£14,300,000	£14,100,000	£14,000,000	£71,491,911	£70,000,000	£70,000,000	£70,000,000	£70,000,000	£70,000,000	£421,491,911
Total	**£120,383,541**	**£83,102,692**	**£82,463,958**	**£79,984,659**	**£86,792,246**	**£452,727,096**	**£294,101,362**	**£289,208,984**	**£256,361,830**	**£303,383,979**	**£260,727,678**	**£1,856,510,930**
Average per tenanted dwelling per year	£7,693	£5,310	£5,270	£5,111	£5,546	£5,786	£3,759	£3,696	£3,276	£3,877	£3,332	£3,954
											Average per property for 30 years	£118,634
% of total	6%	4%	4%	4%	5%	24%	16%	16%	14%	16%	14%	100%
Additional Leaseholder contribution	£15,648,971	£8,624,395	£8,901,421	£8,993,329	£9,909,268	£52,077,385	£27,994,329	£27,602,553	£28,058,476	£24,059,811	£24,392,467	£184,185,021
Total all costs	**£136,032,512**	**£91,727,087**	**£91,365,379**	**£88,977,988**	**£96,701,515**	**£504,804,481**	**£322,095,690**	**£316,811,538**	**£284,420,306**	**£327,443,790**	**£285,120,146**	**£2,040,695,951**

SILVER STANDARD

	Year 1	Year 2	Year 3	Year 4	Year 5	Years 1-5 Total	Years 6-10	Years 11-15	Years 16-20	Years 21-25	Years 26-30	Total
Catch Up Repairs	£10,147,382	£10,136,444	£10,136,444	£10,136,444	£10,136,444	£50,693,159	£0	£0	£0	£0	£0	£50,693,159
Future Major Works	£46,348,154	£7,874,450	£8,047,024	£12,589,169	£17,465,422	£92,324,219	£86,340,915	£85,020,998	£70,773,280	£116,514,581	£80,856,107	£531,830,100
Improvements	£3,448,799	£3,174,444	£2,828,799	£2,828,799	£2,828,799	£15,109,638	£5,000,000	£6,623,745	£5,000,000	£6,919,277	£5,000,000	£43,652,660
Estate Works	£3,752,233	£2,375,870	£2,196,442	£2,074,000	£4,430,593	£14,829,138	£11,281,894	£6,702,780	£6,537,859	£9,059,698	£6,278,732	£54,690,101
Contingent Major Repairs	£3,344,866	£2,190,327	£2,195,504	£2,331,768	£2,478,056	£12,540,521	£10,840,227	£10,800,630	£10,373,198	£11,745,437	£10,675,683	£66,975,698
Exceptional Extensive Works	£9,964,953	£10,150,018	£9,683,854	£6,430,480	£6,134,182	£42,363,486	£15,351,666	£9,622,061	£6,506,429	£9,926,739	£6,506,429	£90,276,811
Sub-Total	**£77,006,386**	**£35,901,553**	**£35,088,066**	**£36,390,660**	**£43,473,496**	**£227,860,162**	**£128,814,702**	**£118,770,214**	**£99,190,766**	**£154,165,732**	**£109,316,951**	**£838,118,528**
Cyclical Maintenance	£11,141,282	£11,151,282	£11,161,282	£11,171,282	£11,181,282	£55,806,410	£40,257,410	£40,257,410	£40,257,410	£40,257,410	£40,257,410	£257,093,460
Disabled Adaptations	£1,400,000	£1,400,000	£1,400,000	£1,400,000	£1,400,000	£7,000,000	£7,000,000	£7,000,000	£7,000,000	£7,000,000	£7,000,000	£42,000,000
Responsive Repairs and Void Works	£14,591,911	£14,400,000	£14,050,000	£13,600,000	£13,250,000	£69,891,911	£64,000,000	£64,000,000	£64,000,000	£64,000,000	£64,000,000	£389,891,911
Total	**£104,139,579**	**£62,852,835**	**£61,699,348**	**£62,561,942**	**£69,304,778**	**£360,558,483**	**£240,072,112**	**£230,027,624**	**£210,448,176**	**£265,423,142**	**£220,574,361**	**£1,527,103,899**
Average per tenanted dwelling per year	£6,655	£4,016	£3,943	£3,998	£4,429	£4,608	£3,068	£2,940	£2,690	£3,392	£2,819	£3,253
											Average per property for 30 years	£97,585
% of total	7%	4%	4%	4%	5%	24%	16%	15%	14%	17%	14%	100%
Additional Leaseholder contribution	£12,676,058	£5,666,876	£5,923,655	£6,035,171	£6,933,861	£37,235,621	£25,421,078	£22,749,313	£25,193,530	£23,702,547	£23,621,084	£157,923,174
Total all costs	**£116,815,637**	**£68,519,712**	**£67,623,004**	**£68,597,113**	**£76,238,639**	**£397,794,104**	**£265,493,190**	**£252,776,938**	**£235,641,706**	**£289,125,690**	**£244,195,446**	**£1,685,027,074**

The relevant 'capital' items have been drawn together from that survey along with other capital commitments for the next three years (i.e. existing committed HRA newbuild and regeneration projects included in the MTFS). On-costs of 10% have then been added and figures have been adjusted for stock reductions and inflation (using CPI + 0.5%).

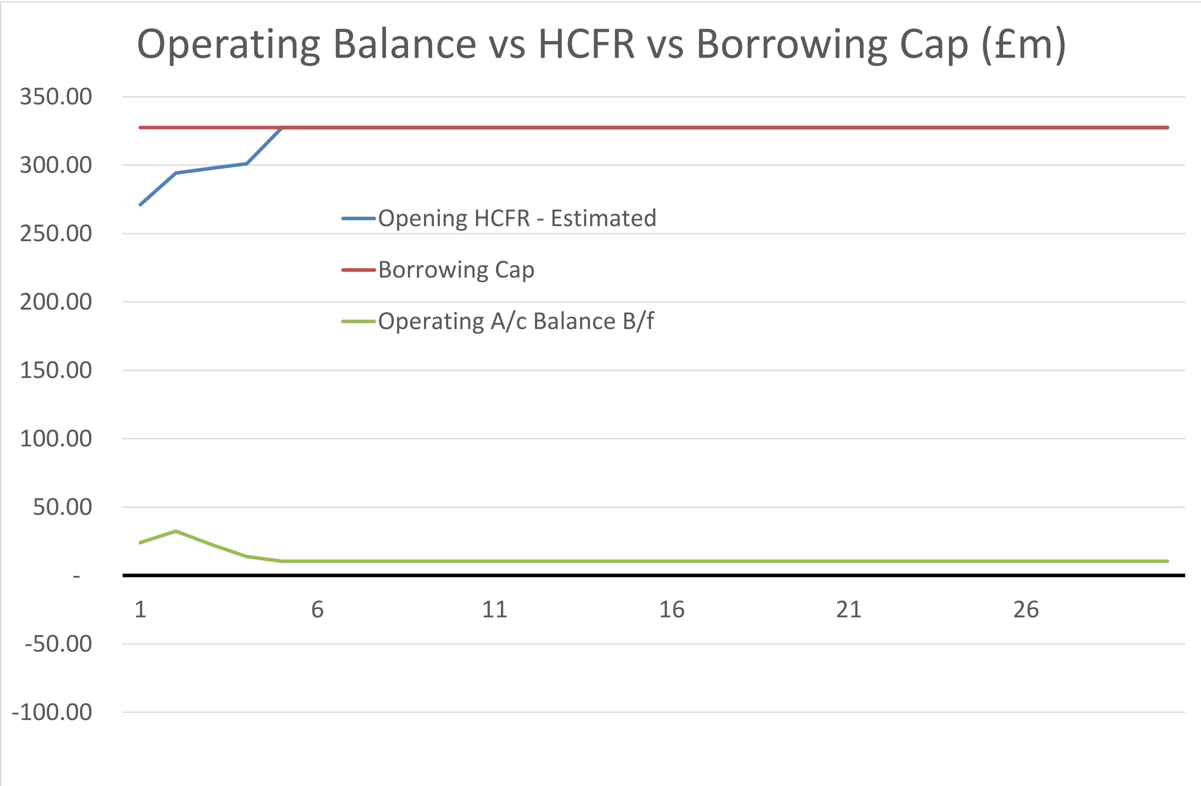
Resulting Outputs from HRA Analysis

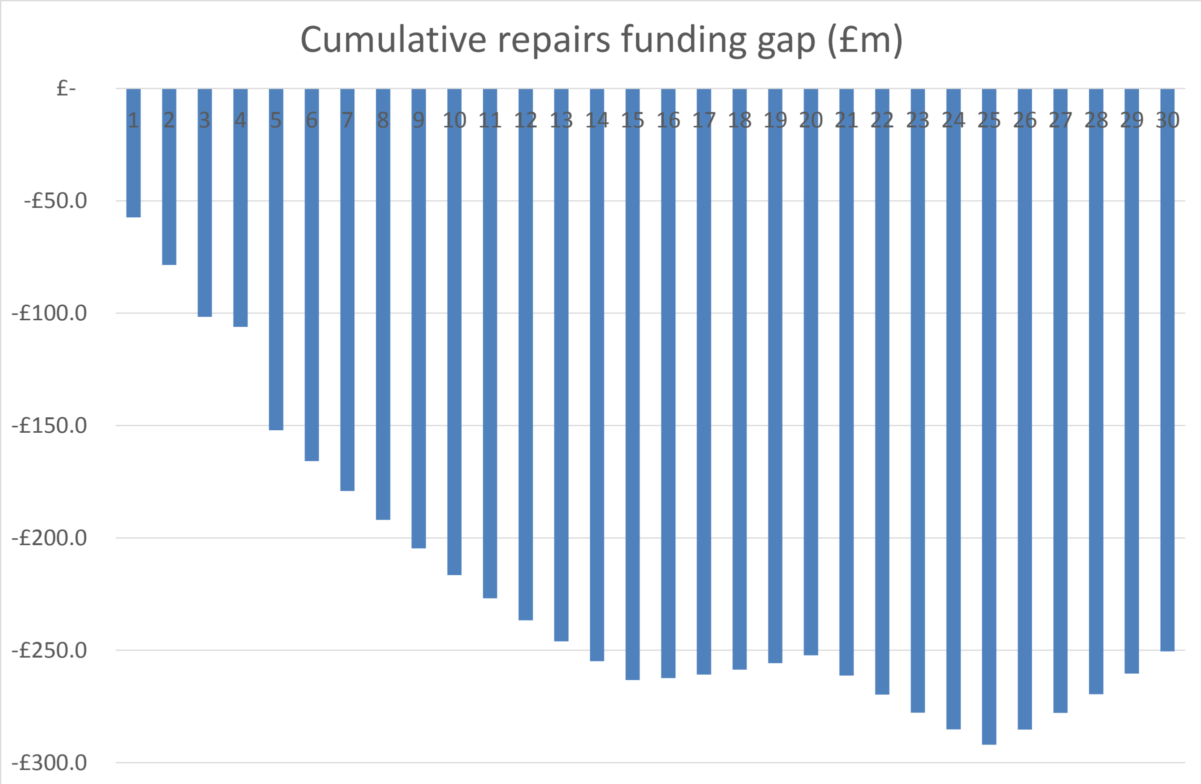
The overall capital investment requirement has then been compared with the capital resources available based on the preceding analysis. The results below show two charts as follows for each of the Gold and Silver Standards:

(i) The balance on the Operating Account along with the total level of HRA debt (based on the HCFR).

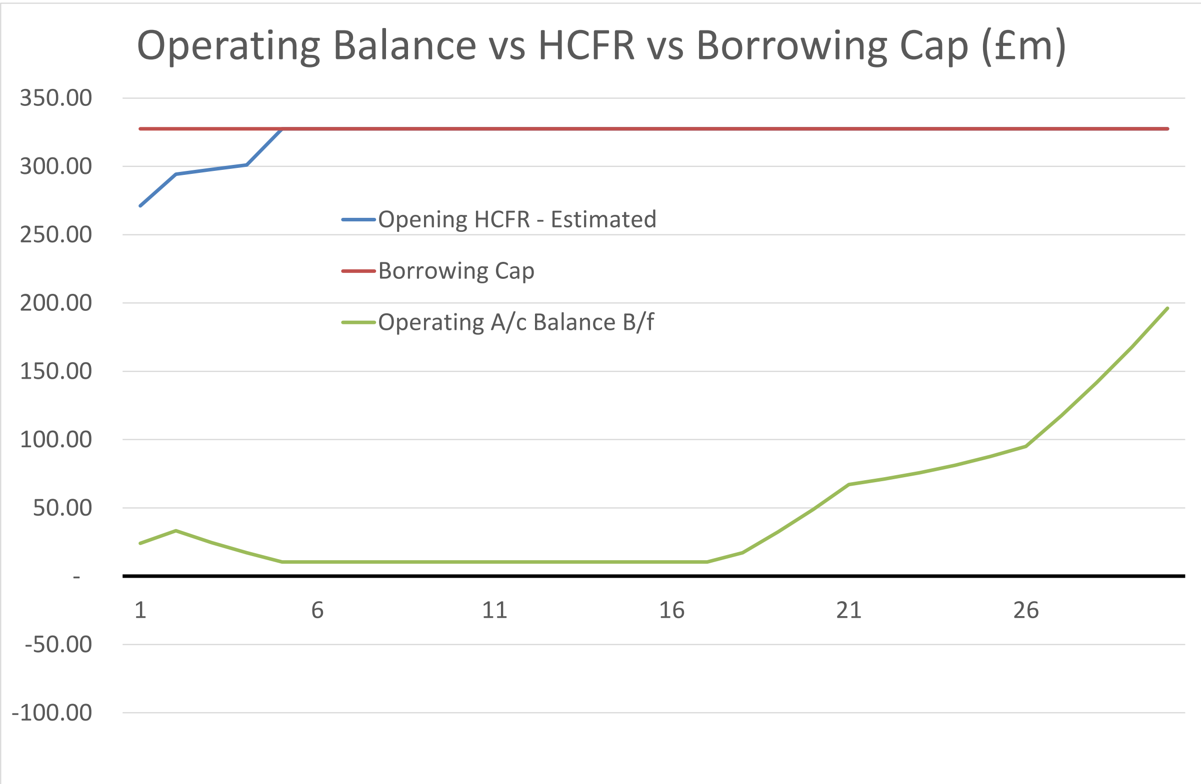
(ii) The level of Capital Funding gap at each year based on the resources available and the cumulative capital investment needs identified from the Stock Condition Survey (plus existing commitments).

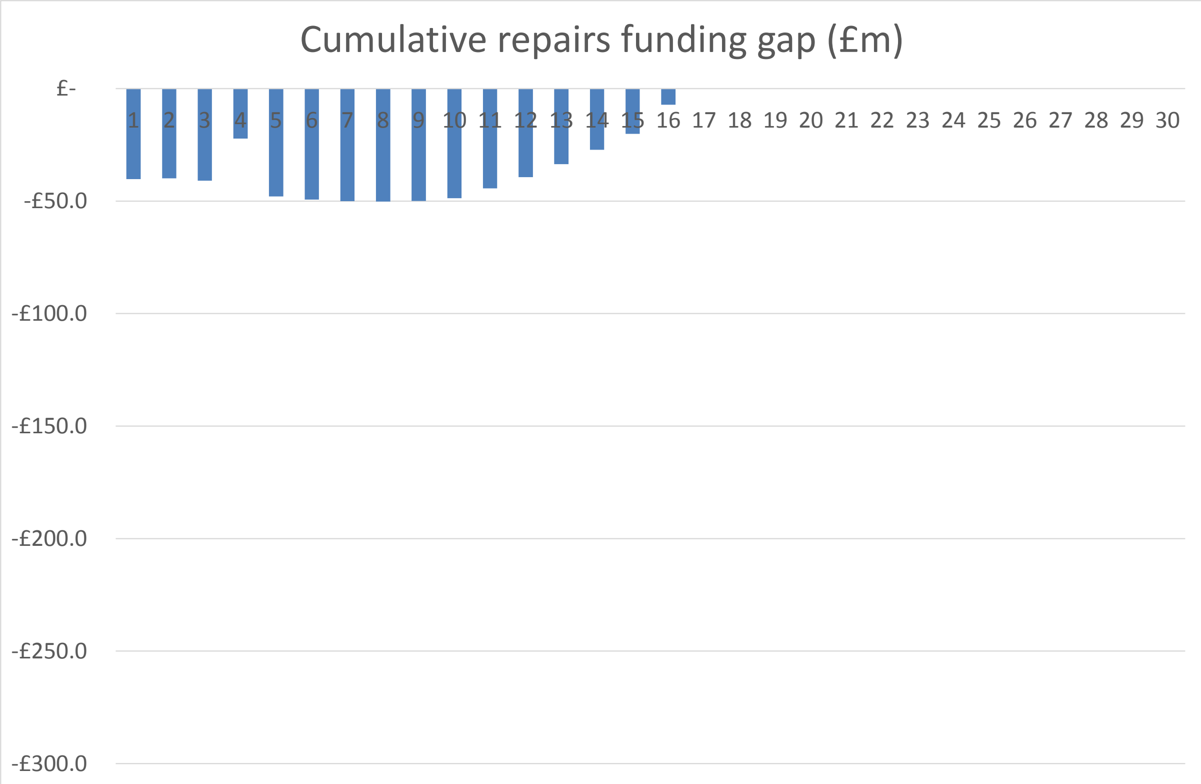
GOLD STANDARD





SILVER STANDARD





The charts show that based on the assumptions currently in the model it will not be possible to meet the Gold Standard during the 30 years. Even at year 30 there will be a funding gap of around £250m.

Based on the reduced Silver Standard the funding gap will peak at around £50m but will eventually be covered by around year 17 at which time revenue balances on the Operating Account start to increase.

The modelling does not currently assume any further deterioration in stock resulting in the continued funding gap. This would need to be further reviewed.

During this time the debt remains at the borrowing cap of £327.538m on both charts (i.e. all maturing loans continue to be refinanced).

As indicated above the breakdown of the investment figures included under each standard will need to be reviewed in due course.

In practice pending any significant change in these results it will be necessary for the Council to carefully prioritise the programmes it chooses to invest in both in the short term and the longer term including any new regeneration projects not covered in the above analysis.

Other options for addressing these investment needs are considered in the sections which follow.

6. The research visits

Overview

The detailed views of the Review Group on the visits they made are set out below. However, the members drew some overarching lessons from the visits and in arriving at the recommendations of the review it is important to recognise that these are taken into account.

Review Group members felt that there was a need for a clear geographical focus from whichever solution was chosen. National registered providers may not have genuine interest in stock in Haringey, and the visit to Sunderland illustrated that transfer organisations can seek expansion into neighbouring areas and national projects. Members were attracted by an area focus, which should not, or cannot, be expanded, to ensure that the strategic energies of the board and senior leadership team are focused on improvement, innovation and regeneration of existing stock.

Haringey's housing needs should be at the forefront of board and staff energies and ambitions. The Review Group saw risks in a divergence from a focus on housing, and failure to concentrate on a core housing purpose. Visits to both Newham and Sunderland showed that structures work well where clearly designed to drive identified, local priorities. This pointed to a need for Haringey to be clear about what it is trying to achieve and for form to follow function.

It is important to take a modern progressive approach to housing that recognises housing is fundamentally about people and communities and not just bricks and mortar. So non – core activities such as running apprenticeship schemes or youth engagement projects are fine as long as they contribute to the overall purpose and vision.

Members also recognised that there was a need to understand what the Council can and can't do. Successful solutions embrace a range of skills and different types of organisation. In many instances, even where housing management services had in fact been brought back in house, there was a mixed economy and a number of different approaches to delivering housing services in their widest sense.

The Review Group findings

Waltham Forest – Retained ALMO (under review at the time of visit – subsequently the decision was taken to return to in house management)

The Review Group members visited Waltham Forest which at the time of the visit was in a similar position to Haringey with a retained ALMO (Ascham Homes), undergoing a review. Waltham Forest subsequently brought the ALMO in house.

Members were impressed with the performance of the Waltham Forest ALMO, its' delivery of additional services and its completion of Decent Homes. They noted that the authority's focus was moving to new build rather than maintaining existing homes, and that it was not proposing to do regeneration through the ALMO. In fact they were developing a special purpose vehicle for new development, charging rents at 80% of market value and retaining a long term financial stake.

The Review Group understood that Waltham Forest members felt that the ALMO duplicated resources and was too distant from the Council's priorities.

Rochdale Boroughwide Housing – Co-operative housing association – Mutual Model

This was seen as a really interesting visit, although the authority itself was not a particularly good comparator with Haringey, as the demand for housing was relatively low.

The Review Group saw that there were advantages in this model, as it allowed the association to borrow as necessary against the equity of the stock, meaning that the organisation was able to maintain housing to a high quality standard and the Council bore no housing costs. Decent homes however, had already been achieved before transfer.

Through staff and residents having a stake in the organisation, relationships were good and there was a strong ownership and commitment to the good of the organisation, as well as increased community activities. Resident engagement was an absolute priority. Through the governance structures, the members of the organisation, the staff and residents control the membership of the board.

The company was almost exclusively locally focussed and was unlikely to expand or merge with other organisations.

However, members felt that to some extent the suitability of this model was not transferable, and it owed much to the historical context of Rochdale as the home of the co-operative movement. The Review Group felt that they were looking for a model that drove more innovation, particularly with regard to regeneration and was more than just a housing management vehicle. They were not sure whether the model gave Councillors sufficient control, and they noted that this vehicle is a housing association. To enable the tenant involvement, financial advantages and well maintained stock through this model, you have to be prepared to transfer your stock, and obtain a successful ballot, which is a hard process, requiring the right mindset.

Finally, although members applauded the mutual model, they were unclear from the visit how much it had impacted on the neighbourhood as a whole.

Salford - Arms length management organisation being established as a housing association following successful ballot of tenants

Salford was embarking on a transfer to Salix Homes following a successful ballot of tenants. This would further add to the mixed economy in Salford's housing, following a previous transfer to City West Homes and a longstanding PFI deal. Salford was comparable to Haringey in stock size and in having some estates that were challenging.

Review Group members understood that Salford had found themselves in a position where they had no alternative, and officers, members and the tenant representatives had all concluded this was their only viable solution; even though for preference all would have remained with the Council. Transfer will deliver the necessary financial resources for the housing stock.

Tenants had supported the transfer with 64% in favour, despite a campaign opposing transfer. There was strong tenant involvement, and a high level of satisfaction with the existing service. Performance of the ALMO was good, and management costs low. However, the HRA picture allowed them no choice.

The Review Group noted that this was a long and difficult process to arrive at this solution, despite previous successful initiatives in the authority. There was also a strong recognition that Salford had run out of choices and options.

Newham – In house Housing Management as part of mixed economy

Newham has brought its' housing management back in house, but has established a housing association to provide temporary accommodation and a commercial company to deliver private rented sector and market housing. Newham's principle priority is economic development; its own housing stock is in good order.

Members recognised that while Newham's housing management service had been brought in house, with high satisfaction and continued efficiencies year on year, there were actually a range of housing solutions. As well as the above examples, regeneration was being done in partnership with housing associations. It was also clear that the existing Council stock was not a key priority.

Red Door Ventures, was the solution for delivering new private rented sector housing which was a major Newham priority; would provide some new build, and would also deliver an income stream to the Council. Under the rules applying at the time of discussion, the right to buy did not apply to local housing companies like Red Door.

Members felt that the ALMOs in Newham and Haringey were not directly comparable, as HfH did not appear to have the level of potential savings that Newham had found. Newham had delivered Decent Homes, but Newham officers raised questions as to how strategic the asset management had been. Members felt they preferred a model with more direct tenant engagement, recognising that funding for tenants groups had been withdrawn.

Homes for Haringey

The Review Group also visited HfH, the Council's own ALMO.

Members recognised an improvement in standards, together with a desire on the part of staff to continue to improve and to be involved in regeneration. They also felt that staff were motivated and knowledgeable. Performance generally was improving with a consequent improvement in tenant satisfaction. HfH had recently successfully taken on homelessness, and private sector housing and were already making substantive progress. Initiatives like Project 2020 and the Apprenticeship Academy were contributing to the wider Council agenda. In recent times the approach of the HfH management team had been very supportive and aligned with the Council and the relationship was seen as being in a healthy place. Overall, they felt that the company added value to housing functions and gave a useful focus.

However, members also felt that there was a need for more innovation, and to help develop this and potential involvement in regeneration there was a need to look at HfH's skill set. The financial constraints were impacting on HfH, both in terms of Decent Homes, and in terms of improving big estates. They also noted that management costs were relatively high.

If the Council were to keep HfH, members felt that they should be challenged to drive performance and their approach forward.

Sunderland

Sunderland has a long standing transfer housing association, Gentoo housing which has delivered and maintained high quality housing investment and has diversified into both national projects and providing services to nearby areas. The transfer to Sunderland Housing Group which became Gentoo took place in 2001. Members understood that there was some disappointment about the Council's ability to set the agenda, and although there had been and remained significant financial advantages, and that Gentoo was a high performing organisation, having housing managed outside the Council did hinder the Council's placemaking objectives.

It was recognised however, that the impact on the Council's finances was positive, and that the Council's houses were put in good and far better condition, as they have had an effective modernisation programme.

Sunderland were now trying to position themselves very strongly on regeneration and as a result have set up SIGLION, which is a local asset backed vehicle with Carillion as key partners. This will bring resources, business acumen and skills to regeneration which presently Sunderland does not have. The company will accelerate regeneration, dealing with unviable sites through cross-subsidy and attracting other investment. The Council's property portfolio has been placed in the vehicle to give it an income.

Sunderland believe in putting in place what is needed to make things work right across their service areas. They are currently in the process of establishing a Joint Venture for the delivery of leisure services following a careful options review.

Despite the reservations expressed about their current position, doubt was expressed as to whether having the whole social housing function back in house was right.

Family Mosaic Housing Association

The Review Group enjoyed a presentation from Family Mosaic and recognised the different and entrepreneurial approach that they were taking, delivering a high number of units each year and supporting significant numbers of people into work. They had an innovative financial model, which was based on diversity of approaches and sources, and the organisation was hugely changed from how it had operated in the past. Members were very interested in the approach and particularly applauded the ability to deliver new homes. However, they felt that the entrepreneurial approach, and lack of purely local focus was not exactly what they wanted for their housing service. They were very keen however to explore working with Family Mosaic in future.

7. The Options - Retaining management through Homes for Haringey

What does it mean?

If this option is chosen, the management of the housing stock will continue to be carried out by HfH. The Council would continue to retain the ownership of the stock – there would be no transfer of ownership out of the Council's control.

Staff would remain company employees and the contractual position of those staff who are currently seconded to HfH from the Council and who work on homelessness and lettings, would need to be resolved. Both from the organisation's point of view and from that of the staff themselves there is a need for certainty and there would seem to be no justification for the secondment's continuing and it would therefore be recommended that these staff should TUPE transfer into HfH. It is understood that private sector housing staff will be returning to the Council following a change in structure.

Throughout HfH's existence it has achieved the Council savings targets year on year. In 2013/14 it saved £2 million, and £3.2 million in 2014/15. If the option chosen is to retain HfH, it should be charged to continue to make savings annually. While the company does not appear from the experience of those involved in the review to be heavily over resourced, the relatively high management costs examined in the performance section above, suggest that there is continued scope for efficiencies.

Similarly, while this report notes the significant performance improvement in recent times, the service remains mixed and in some areas low performing. It would be imperative to challenge the ALMO to continue that improvement and to drive on, to top levels of performance.

Leaseholders have expressed discontent with the service, both informally and through the test of tenant and leaseholder opinion. While leaseholder discontent is not unusual given their particular relationship with the housing service and the major improvement work in particular, sufficient evidence exists to suggest that a review of the leaseholder service is required to ensure that proper processes and skills are in place and that the optimum service is delivered. Again, HfH should be charged with carrying out this review.

Financially, the retention of HfH will make no significant impact on the capital funding deficit. The housing service will continue to be funded by rents and income under the self – financing rules, as well as being subject to the vagaries of national rent policy. The most recent proposals in this area have significantly worsened the Council's position. Borrowing will continue to be constrained by the borrowing cap. In both the short and the long term, there will be insufficient money for all Haringey aspirations.

In terms of the members concerns about numbers of social housing, there will be no net loss as a result of the selection of this option, but neither does this option allow an increase in the available stock.

Homes for Haringey as developer

A number of representations have been made about the potential for HfH to lead on developments for the Council, particularly for small sites and infill sites. In addition, HfH staff and Board members have suggested that they have the creativity and capability to develop temporary accommodation to relieve the Council's problems in that area, and to create new developments on top of existing buildings.

During this review we have not done a full skills audit of HfH, and cannot therefore comment as to whether they are adequately skilled and resourced to substantially deliver this, but they do have some development skills and experience within the present team. A careful appraisal of their abilities would be required before setting them this task.

However, the Council has struggled to lead small scale development itself in recent times and during the review has acknowledged that it lacks the skills to make developments happen. In light of this it is worth giving consideration to a role that HfH could play in this area. Careful consideration of matters relating to risk and transfer of land will also be required.

Homes for Haringey – Proposals for added value

HfH has delivered on a number of excellent initiatives. Project 2020, is a well regarded scheme which at January 2015, had provided advice guidance and support to over 100 residents, and had assisted more than 20 into paid employment. This scheme was proving its value in establishing skills and confidence amongst young people, leading them to jobs, away from crime and into a more stable community. Additionally, more than 50 apprentices had been trained through Decent Homes and repairs service work. There is no doubt that such schemes could be expanded and bear considerable fruit. However, it should be remembered that to date these have been largely funded by the HRA at relatively modest levels. Significant increases in funding for activities of this nature will require resourcing and consideration will need to be given as to whether general fund resources are more appropriately used for such activities.

During the course of the review, there has been considerable debate on the possibility of HfH, or other housing management providers, providing additional Council services. It has been noted that HfH has successfully taken over the lettings, homelessness and private sector housing services. In addition they are establishing a quasi – commercial lettings agency. In doing so the review has been told a number of times that they have been responsive, flexible and acted quickly.

While there is undoubtedly potential for this, no one from the Council or HfH has made a clear and compelling suggestion for the delegation of additional functions, certainly not one to which detailed analysis could be applied. The recommendation of the review is therefore, that if the Council retains HfH, the possibility of the enhancement or further delegation of services should be reviewed in due course and officers bring a further report.

A number of local authorities have established Council controlled companies to deliver functions, including development of new and temporary housing. It has been well argued that if the Council opts to bring management back in house and dismantles the company – any future company set up would be a duplication of work. Dismantling HfH is essentially a once and for all option. If this option is taken then there will be no further opportunity to pass the company additional functions or to use it for other activities such as development.

8. The options - In house Management

What does this mean?

If the Council chose this option, then following a recommended ballot of tenants and leaseholders, HfH would be wound up at the end of the management agreement in March 2016, and the housing service brought back in house. The housing management and maintenance functions would be carried out directly by the Council. A number of other local authorities have done this, both within London and outside. An example of the current position with regard to London Boroughs is at Appendix vi.

If the service is brought back in house, it will be necessary to decide where it is located and how it should be managed. As part of this debate, clarity will need to be achieved on the location of responsibility for strategic decision making on the housing stock and housing investment, which has suffered from a lack of clarity in recent years, as noted elsewhere.

As stated in the analysis of performance, in recent years HfH has significantly improved performance across the Board. While returning service to in house management need not of itself prevent this continuing, clarity of targets and objectives to ensure that the trajectory of improvement continues will be vital. Given previous Council performance there must be an element of risk of loss of impetus in this, and tenants will wish to be assured of continued improvement. However, the benchmarking analysis also shows a considerable space for further improvement by HfH, and it is clear that in-house housing services can perform to the highest level.

There could also be a reputational risk to the Council, if the transition is not managed smoothly, or if the Council does not continue the improvements made by HfH. There is some argument that a transition back to in-house management will be disruptive at a time when the Council has much on it's agenda involving these functions.

It should be noted however, that within the Council there is a significant programme of change, and by observation, a staff thirst and culture to embrace this. This demonstrates that the context for taking the service back in house is different to that which applied prior to the establishment of HfH.

If the management agreement is terminated by the LB Haringey at the end of the contract and the service taken back in house, the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) is likely to take effect. Members of staff employed by HfH will transfer to the Council on no less favourable terms and conditions than those on which they were employed before the transfer, and have continuity of employment. Those members of staff who are currently seconded to HfH, would return to the Council on the same terms and conditions, and their secondments will be brought to an end.

One of the significant advantages claimed for arms length housing organisations, is that they enable the organisation to focus more effectively on the housing service, and freed from the constraints of local authority governance can respond more flexibly and swiftly. These points are debatable and both sides of the argument have been put by interviewees from LB Haringey. Other commentators do support these arguments and during the visits there was evidence that this was indeed the case.

On balance, I would suggest that their may be a loss of focus on the housing service if there is a return to direct management.

Tenant and resident engagement at a strategic level is delivered through the HfH Board, and through the resident Scrutiny Panel, both of which bodies express considerable support for the continuation of the local housing company. If the service is brought back in house then the Board will be dissolved and it will be open to the Council to determine how it wishes to proceed with the Resident Scrutiny Panel. An in house service will necessarily come under the jurisdiction of the Council's normal governance structures. Experience elsewhere suggests that a return in house can lead to a loss of tenant involvement, and tenants and the Council will need to be mindful of structures to give an appropriate level of involvement. Observation during the review suggests that the tenant board members receive considerable support at the time of elections, and this may be a significant loss to tenants, if the opportunity to influence service direction is lost. At the same time, it is apparent that there is some dislocation between the HfH Board, and the operation of the tenant groups and organisations, and whichever solution is chosen the opportunity and indeed the need, exists to remedy this. The Test of Tenant and Leaseholder opinion makes very clear that it is important to both tenants and leaseholders to be able to influence the service they receive, and that they are involved at Board level. Consideration would be required as to how this was delivered if the service is brought in house.

The end of the Board will also mean the loss of the expertise of the independent board members and consideration will need to be given to replacing this in future, if there is a desire to do so. Generally, this is not replicated in 'in-house' models – although Enfield have set up an interesting structure for this purpose.

Should the service be brought back and merged within the Council, there will be savings, which are anticipated to be in the region of £500,000.

These include:

- Staff Savings including client costs;
- Financial accountancy/statutory returns and External Audit
- Governance/ Board

In year one of the transition there will be redundancy and other costs that would reduce these savings in the first year. To this should be added the cost of a ballot which would be in the region of £25,000- £30,000.

The Council has indicated that through the Customer Service Transformation programme, and the Business Integration Programme it wishes to bring together customer service and back office functions such as finance, accountancy, HR, policy and procurement and realise the benefits of savings from this. These savings could be considerable, but the Council has indicated that it will take them irrespective of the continuation of HfH or bringing the service back in house. They cannot therefore be considered to be savings directly attributable to the potential transfer of the service in house, and have not been taken into account here.

Again, in financial terms the decision to bring the service in house will have no significant impact on the capital funding deficit and there will still be insufficient money for the Council's aspirations.

In terms of the members concerns about numbers of social housing, there will be no net loss as a result of the selection of this option, but neither does this option allow an increase in the available stock.

In summary, while there would be a potential annual saving of around £500,000 this is outweighed by the considerable savings that HfH have themselves delivered in recent times, and the Council is in any event taking a significant proportion of available savings from back office and customer services functions. This solution makes no impact of any significance on the Capital funding deficit and will not in any way obviate the need to prioritise the Council's housing maintenance, new build and regeneration ambitions, set appropriate standards and programme works accordingly, managing costs down throughout.

Comments made in the previous section concerning leaseholders also apply to this option.

9. Large Scale Voluntary Transfer (LSVT)

What does it mean?

This option would involve the transfer of ownership of the housing stock to a housing association currently known as a private registered provider. Typically, this would mean a large scale voluntary transfer to an association based on HfH which would register with the Homes and Communities Agency as a registered provider and would need to comply with a number of regulatory conditions. The new landlord must be independent of the local authority and the organisation will be funded and controlled outside the public sector. The association would own and manage the stock and take over the freeholds for leaseholders.

Existing tenant's rights would be protected, but at present, new tenants after transfer would be assured tenants without the right to buy. However, the new government has signalled its intention to introduce the right to buy for all housing association tenants and this is therefore likely to change.

The association would be governed by a board similar to HfH composed of a third each of tenants, independents and Councillors.

At present the feasibility of this route is uncertain as the policy beyond March 2016 awaits determination following the comprehensive spending review. However, assuming a continuation of the policy enshrined in the current Housing Transfer manual published in July 2014, the government will require a strong business case to prove that stock transfer provides the best value for money.

The business case includes a requirement for Strategic, Economic, Financial and Management cases and includes a full cost-benefit analysis as part of the economic case. The consent of the Secretary of State under s32-34 and/or 43 of the Housing Act 1985 is also required. Where the write-off of debt is required, as would be the case for LB Haringey, the application would be assessed by the GLA in conjunction with the DCLG and the Treasury, with the DCLG making the ultimate decision.

The transfer value is the amount the new landlord will pay for the housing stock, based on the guidance in the Housing Transfer manual. This values the housing at the on-going tenanted market value which is based on discounted cash flows. This is significantly lower than either an open market or Right to Buy valuation.

Since the first stock transfer in 1989 over 1.2m dwellings have been transferred to new or existing social landlords. The rules and funding arrangements relating to this process have been subject to many changes during that period but a consistent rule since the first transfer is that existing secure tenants should vote in favour of the transfer before it proceeds – this is now bound by legislation.

As noted elsewhere, while leaseholders' views can be canvassed they are of no determining significance. Staff would transfer to the new organisation through TUPE.

Properties and associated land transfer to the new organisation, and all risks associated with the ongoing investment and management of the housing stock transfer to the new organisation.

The potential advantages of a transfer are the ability to access funding to improve the housing stock to the extent identified in the stock condition survey, and potentially build new homes and contribute to the regeneration agenda, as a registered provider is not subject to a Housing Revenue Account debt cap and can borrow what it can support. In performance terms, as can be seen from the benchmarking, a number of registered providers are performing extremely well, and HfH's performance does not as yet match them.

If this model is feasible then not only can the condition of the existing stock be improved, but also it is possible to deliver an increase in the social housing stock.

The considerable disadvantage of this model is that the Council loses control of social housing, and given the Council's regeneration agenda and need to demolish and reconfigure estates, this is potentially a major issue. Transfers of this nature would introduce an additional major player into the regeneration process and add to the complexity of site assembly and scheme development.

This is the option which results in most change to staff and tenants, and to the Council as a whole. There are costs to the General Fund which require managing, and the set up costs are at risk given the requirement for a ballot before a transfer can proceed.

Such a transfer can also take place to an existing registered provider or group, and this would be similar in process, effect and most other considerations to the transfer to a new vehicle.

Important options to consider in that case though, are whether a separate subsidiary should be established to focus on Haringey stock, to ensure that a local focus on Haringey's interests is retained. The test of tenant opinion was very clear that local focus is important to tenants and leaseholders, and the informal feedback suggests that this is also important to members.

The financial position

Financial arrangements have changed in several ways in recent years. Since the redistribution of debt included in the HRA Reforms in 2012 all authorities now have housing debt. The level of that debt for each authority was based on a DCLG formula, which in theory, was designed to reflect an amount which would enable the authority to meet its long term stock investment needs.

As demonstrated in section 5 Haringey is unable to achieve those long term investment needs as defined by the Ridge survey (Gold Standard). This is in part due to the government's recent policy change requiring authorities to reduce rents in cash terms.

As indicated local authorities have been subject to a borrowing cap and other constraints (such as the Limit Rent). This does not apply to PRPs.

A core reason for pursuing stock transfer is to avoid the borrowing cap and bring forward investment in the stock as well as having more freedom to regenerate estates and develop / acquire new housing.

Several large scale transfers (Durham, Gloucester and Salford) have taken place since the HRA Reforms in order to bring forward investment in their stock. In each case the new landlord evolved from the existing Arms Length Management Organisation (i.e. like HfH).

A key financial difference between local authorities and PRPs is that authorities are able to recover VAT on their costs unlike PRPs. This can represent a significant element of a PRP's cost base.

Consequently in order for transfer to work it is generally necessary for the government to agree to write off some of the existing debt given it will be receiving future VAT payments from the PRP.

On all three of the above transfers some debt write off was agreed in order to facilitate the transfer (known as overhanging debt grant). It is understood that a budget of just £13m remains for the 2015/16 programme. As indicated it is not yet known whether there will be a transfer programme beyond March 2016 or whether there will be any overhanging debt grant associated with that.

Over the last decade (or more) the government has enabled authorities and PRPs to put in place a VAT shelter which will enable some of the VAT monies to be recovered (particularly during the early years). Whilst VAT shelters have to be approved by HMRC they are not subject to the same financial controls as overhanging debt.

As indicated above the government is also introducing new rules extending Right to Buy for PRP tenants as well as additional rent controls in the Welfare Reform Bill. This will introduce new constraints on PRPs which may hinder some of the opportunities available from transfer. Given the above changes the Office of National Statistics (ONS) is currently reviewing whether PRPs should be treated as public bodies. It is not yet known whether this will feature in the Spending Review discussions.

Stock transfer analysis for Haringey

Notwithstanding the current uncertainty on the stock transfer programme and the status of PRPs a financial appraisal has been carried out on the Haringey stock to assess whether transfer might be viable, should a new programme be announced.

The appraisal assumed the same income and expenditure base and other assumptions as for the HRA financial projections (in particular the rent reductions included in the Chancellor's Budget, the profile of the Ridge survey results and the HRA base budget).

The modelling excluded Right to Buy sales on the basis that this would be subject to a separate sharing agreement (like virtually all other stock transfers) albeit based on the new government rules. The base model also assumed (in the first instance) that VAT would be chargeable at 20% on all repairs costs and 40% of management costs.

Based on a nominal discount rate of 6% the cashflows produced a negative tenanted market valuation over 30 years of -£266m using the Ridge 'Gold Standard'.

This suggests that in order for a new PRP to be viable and let the dwellings on the same basis as in the HRA model it would be necessary for the government to write off the existing HRA debt of £271.096m. It would also be necessary to get a 'dowry' of £266m. There would also be transfer set up costs to accommodate.

A separate assessment was made based on the 'Silver Standard' which arrived at a slightly positive valuation of £4m. As above there would be set up costs to accommodate which would outweigh this and also some residual costs to the Council. It is also unlikely that this, on its own, would be an acceptable proposition for transfer as it is at a lower standard than the regulator, funders or indeed tenants might be prepared to support.

As indicated above there is no transfer programme or overhanging debt grant at present beyond March 2016 and there have been no dowries since the HRA Reforms in 2012.

In practice it may be possible to put in place a VAT shelter to recover some of the costs and the existing HfH direct labour force would generate some VAT savings if this was continued but on its own it is unlikely this would be enough to make the transfer viable.

One further option might be to take a different approach to valuing the stock, for example by setting relet rents at a significantly higher level (e.g. using the 'affordable' rent formula introduced by the last government in 2010 for new housing). There may also be scope to generate higher values in time through increasing density by regenerating or redeveloping some estates.

However whilst the government has encouraged this approach with some PRPs it is not one which has generally been used on entire stock transfers and potentially conflicts with the government's wider policy on extending Right to Buy and its policy on Welfare Reforms.

10. Partial Transfer options

What do they mean?

The Council's housing stock is scattered across various locations in the borough and varies in terms of its stock condition, social rents and open market values. It can be beneficial to transfer an estate or group of properties to a new or existing association, who again will own and manage the stock.

Considerations apply as for large scale voluntary transfer, but clearly the numbers of properties are fewer. If there is a transfer programme post March 2016, partial transfers as a catalyst for regeneration may be important and attractive to the government.

The financial position

As part of the financial appraisal an exercise was carried out to assess the tenanted market valuation of some key estates based on the existing rental base and the profile of the individual estates using the Gold Standard stock condition (revenue and capital costs) provided by Ridge in their interim survey.

The key estates which were selected for this exercise were Broadwater Farm, Love Lane, Noel Park and Northumberland Park. The data has been compiled from a 'Viability Model' prepared by Ridge for HfH.

A common average management cost of £1,200 per unit has been assumed along with a common void / bad debt rate of 3% per the overall HRA projections in the absence of more localised data. Service charges have been assumed to break even and no other income has been assumed in the similar absence of alternative data. Again no Right to Buy sales have been assumed pending a separate sharing agreement. VAT was assumed on all repairs cost and 40% of management costs as with the entire transfer option.

The results of that exercise showed that in all cases the valuation is negative as demonstrated in the table below. These exclude set up costs.

Summary					
	Tenanted Stock	Total Value Excl VAT	Value Per Unit Excl VAT	Total Value Incl VAT	Value Per Unit Incl VAT
Broadwater Farm	941	-41,619,557	-44,229	-60,779,944	-64,591
Love Lane	212	-8,107,093	-38,241	-12,248,927	-57,778
Noel Park	1,033	-14,668,943	-14,200	-34,332,121	-33,235
Northumberland Park	756	-14,206,382	-18,792	-26,913,559	-35,600

This shows that in all cases the four estates have a negative valuation based on existing use and current government rent policy. This is further worsened when VAT is added by between around £17,000 to £20,000 per dwelling.

Of the four estates the estate with the least negative value is Noel Park. This is primarily because rents on this estate are considerably higher than the other three. There may be scope to improve this value further with targeted redevelopment or sales. The results from the exercise are worse than an exercise carried out by Savills on Noel Park in January 2015 as a number of the assumptions differ (including the cash rent reductions required in the Chancellor's Budget). The Savills analysis also did not include VAT.

It is understood that some work has also been undertaken into looking at a major redevelopment of Northumberland Park which would have resulted in density increasing by around 160%. Whilst this would increase values on the estate over time it is understood that this would require significant investment of up to £385m before debt could start to be repaid. These options are worth exploring but may be difficult to achieve using a tenanted transfer.

As with the entire transfer there may also be scope to enter into a VAT shelter or make other VAT savings (e.g. through a direct labour force) to improve the position. A new landlord may also be able to improve on some of the assumptions included in the modelling.

An exercise was also carried out to assess the impact of each transfer on the remaining HRA. The results showed the following position compared to the base HRA model in section 2(i) above:

Summary					
			Peak Repairs Gap Value	**Year of Peak Repairs Gap**	**Repairs Gap in Year 30**
Base Model			**292.5**	**25**	**252.2**
Disposal of	Broadwater Farm		254.4	25	208.8
Disposal of	Love Lane		285.5	25	245.9
Disposal of	Noel Park		306.5	25	283.1
Disposal of	Northumberland Park		288.3	25	251.8

As can be seen this reduces the repairs gap significantly in the case of Broadwater Farm and much less so in the case of Love Lane and Northumberland Park. In the case of Noel Park the disposal of this estate would worsen the position over time because of the loss of the higher rents charged on these dwellings. As indicated in the main HRA analysis it has been assumed that 60% of the HRA management costs remain fixed (i.e. 60% of costs do not decrease following a disposal). Also it is assumed there would be no receipt available to reduce the current debt (pending further announcements on a new transfer programme and associated overhanging debt grant).

The rationale for any tenanted transfer will depend substantially on the location of the estate and local resident's views on what needs improving, particularly if the Council is proposing to work with an existing social landlord.

11. The options - Development Vehicles

What do they mean?

A range of development vehicles have been established country wide. These are predicated on carrying out regeneration and development through use of local authority assets. They can be local authority owned companies which operate outside the HRA, borrowing and ultimately holding assets in the General Fund. Alternatively, they can involve the private sector in a number of forms usually in some form of partnership or joint venture, generally on a 50:50 shared basis. In this case, the Council puts its land or buildings into the vehicle, and the private sector partner brings finance, skills and business acumen. LB Haringey is separately exploring the possibility of establishing a development vehicle in a different study and this will examine in detail the financial feasibility of what appears to be a positive option for the Council.

If a development company is established, it is most likely to be developing new housing, frequently through demolition and redevelopment of existing properties. It is unlikely to be established principally as a refurbishment vehicle. The premise of the company is likely to be based on enhancing land values, predominantly by intensification of development. They will not only deliver housing but often employment and retail uses as well. The purpose of this model is to increase the available stock of socially rented and affordable housing, and there is not likely to be a net loss of social housing, at least on a room by room basis, when considered across the area as a whole.

As far as the housing produced by such a vehicle is concerned, tenure will vary from social housing, through ranges of affordable to open market housing. The ultimate ownership of such social and affordable housing can also differ. It may be returned to the Council, or passed to a housing association or indeed held in the company. At present local authority controlled companies can hold property exempt from the right to buy, but the government has signalled its intention to remove this exemption. This will leave joint venture vehicles, part owned by the private sector as the only mechanism whereby properties can be protected for social use. These will however, not be secure tenancies; but rather private rented properties let at secure or affordable rents.

The relationship for tenants, where a development vehicle is proposed will be one of rehousing and return, rather than of transfer. Leaseholders will effectively negotiate on an open market sale basis; with of course the ultimate possibility of compulsory purchase.

It is likely that LB Haringey would wish to deal with tenants in a fair way, and may wish to seek to offer broadly comparable terms and conditions for tenants moving out and returning. The detail of such issues would arise from the study on Development vehicles being considered elsewhere, and would be agreed by Cabinet in due course

The governance and financial structures will vary from case to case. Subject to the viability of their schemes such vehicles have a significant part to play in increasing new build homes, and of bringing about regeneration. The down side is that Councils taking part in such vehicles do take on some development risk.

When such vehicles are successful, they can provide Councils with a long term revenue return, and the opportunity to enhance social and community provision in an area.

Financial implications

a. **Vacant disposal / redevelopment of estates**

Where the solution is to regenerate an estate through substantial redevelopment it would be rare to pursue this through a tenanted transfer. The usual process would be to work with a partner PRP and / or developer and redevelop the estate using incremental development of individual sites as they become vacant. This will generally require significant financial analysis and overall master planning and may take many years depending on the size of the estate.

Whilst this has tended to involve partner organisations this does give the Council more control over the process than via tenanted transfer and may enable it to retain some ownership of parts of the scheme depending on the overall scheme viability.

In some cases Councils have sought to set up wholly owned companies and in other cases they have sought to share the risk by forming joint ventures. It is understood that this is the principle behind some of the Council's current regeneration plans (such has been modelled at Northumberland Park). Any new vehicles will be outside the HRA.

The overall viability of the proposals will depend significantly on the location of the estate and existing / potential density of the estate. It will also depend on the scope to produce some market sales and market rented properties in order to cross subsidise the replacement social (or affordable) rented dwellings.

Under current rules there is no scope to seek overhanging debt on disposals of vacant sites (or enter into a VAT shelter) although there may be scope to seek other grant funding sources (e.g. European Funds) where applicable and these are available.

The arrangements for vacant disposals to a new landlord (including a vehicle owned by the Council) are currently governed by rules set out in the 'General Housing Consents 2013 (Section 32 of the Housing Act 1985). This covers vacant properties or vacant sites.

Under these arrangements a local authority may, subject to various conditions, 'dispose of land for a consideration equal to its market value'. In this context:

- "land" includes buildings (which could include dwelling-houses, houses and flats) and other structures, land covered with water and any estate, interest, easement or right over land;
- "market value" means the amount which a property would realise on the date of the valuation from a disposal between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion and where the market value is assessed not earlier than 3 months before the buyer applies or agrees to an offer in writing;

The regulations also say that 'a local authority may dispose of vacant land'. In this context:

- "vacant", in relation to land means land on which – (a) no dwelling-houses have been built or

- (b) where dwelling-houses have been built, such dwelling-houses have been demolished or are no longer capable of human habitation and are due be demolished

The regulations also say that a ‘dwelling-house which was social housing disposed of pursuant to this consent to a registered provider of social housing must remain as social housing for the period it is owned by the registered provider of social housing until it ceases to be social housing under the provisions of sections 72 to 76 of the Housing and Regeneration Act 2008.’

There are also various other rules in these regulations. These include various definitions including for ‘disposal’ and other arrangements for such disposals.

These rules currently have a significant influence on regeneration and redevelopment projects. Given the government’s proposals requiring authorities to sell some vacant properties under the new Right to Buy extension, it is anticipated that these rules will need to be revisited and reissued in the near future.

Vacant transfers are also covered by European State Aid rules which set down restrictions on subsidy arrangements in relation to land transfers and companies in which the Council has an interest.

The detailed feasibility and viability of the Development company will need to be evaluated by the study that the Council has currently commissioned from Turnberry in conjunction with GVA. However, given the continuing Capital Financing deficit and the limited range of available options for the Council, establishing a development company would appear to be a strong potential option for the Council.

In summary it will allow:

- Significant additional investment to provide improvements
- Retention of long term control of land and developments
- A potential income stream that can be spent on affordable or social rented housing, or other aspirations of the Council Plan.
- A long term return for the Council.
- Capacity and expertise to deliver change and help mitigate the Council’s major investment problems
- A catalyst for development on difficult or challenging sites.

12. Other options examined

In the course of the review a number of other options were considered and are listed below with a short commentary.

Tenant Management Organisation

The general implications of this are as for an Arms Length Management Organisation or in house management service. The properties remain Council properties and subject to the same constraints. They are usually driven by tenant's wishes and provide enhanced tenant management at various levels. There are no financial advantages and they are typically high cost.

Co-operative model

Rochdale which was visited by Review Group members is the best example, and is covered in more detail elsewhere. It needs to be remembered however, that this is a model available following large scale voluntary transfer, and the financial and other conditions have to be in accordance with transfer before this is feasible.

Community Gateway

Similar to the cooperative model the best known examples are in Watford and Preston, although Phoenix in Lewisham is a London example. Tenant and leaseholder members own the association, and they are strong and proactive on empowerment to local neighbourhoods, not just on housing but on environment and other service issues as well. The Board is composed of tenants, independents and the Council; the tenants electing the non-Council members. The tenants committee is a 30 strong scrutiny body which also includes the tenant board members. Again, this is a form of transfer housing association.

Tenant Management Organisation Owned Association

WATMOS was visited by the Independent Adviser, and is covered in detail elsewhere in this report. This organisation too, is a housing association formed following transfer from the local authority.

13. Conclusions

Having considered all the evidence outlined the conclusions of the review are as follows:

- The financial position facing the Council in terms of its capital funding deficit is very grave. The Council simply does not have enough money to meet its aspirations for the existing stock, much less for new build and regeneration. The Council cannot at this stage eradicate its capital funding deficit through any one solution, or at present, through any combination of solutions.
- The funding position is such that the criteria for assessment are not met in large measure by any solution. (See Appendix iii)
- The Council will have to consider and adopt a range of solutions, but the task of business planning, asset management and prioritisation will be ongoing and is absolutely critical.
- HfH has significantly improved in the last three years, and this is recognised by tenants who also applaud the increased opportunities for involvement. The ALMO has made significant savings, and taken over new services improving them in a relatively short timescale.
- HfH has demonstrated a flexibility and responsiveness to residents, senior officers and to members. They have an existing structure that can be used to add value as required and if members wish further services can be commissioned.
- The members need to consider if there is a compelling case for bringing the service back in house. Do they believe that for reasons of performance, tenant satisfaction or finance it will be better managed directly by the Council?
- Bringing the service back in house will make no significant impact on the capital funding deficit and the savings resulting from transfer back to the Council, though not inconsequential, will not improve the overall HRA financial position.
- It is a matter of judgement whether performance will continue to improve if brought back in house, and whether there will be consequent increases in satisfaction.
- The conclusion of the review is that there is not a compelling case for a return to in house services, and that HfH should be retained on a longer contract.
- However, this should not be considered to be a ‘no change scenario’. It is important that HfH are tasked with:
    - continuing to improve services
    - enhancing tenant involvement and engagement
    - reviewing service areas giving concern.
- Large scale voluntary transfer is unlikely to be financially viable, and while partial transfers may still be possible, the recent financial proposals by the government, reducing rents have made this unlikely too.
- Informal feedback and the test of tenant opinion shows little support for transfer options from the tenants.
- It is critical that transfer is embarked upon with a positive mindset that this is the right solution. The review has seen little evidence that stakeholders in Haringey believe this to be the case, although there was some acknowledgement that partial transfers were a potential solution.

- Transfer may make regeneration increasingly complex through the introduction of further stakeholders to schemes. Given the Council's well rehearsed aspirations in this area this may not be a wise development in any event.
- Noel Park is a major priority for residents and the Council. There are potentially higher land values and a self financing scheme can be developed, which may involve selective disposals. It is believed that there is a need to develop a scheme to deal with this. The review has heard evidence, albeit informal, that Noel Park residents are disappointed that works remain outstanding.
- The Council is looking at the potential of a Development vehicle through a separate study to bring in skills and resources to make development and regeneration feasible. From the evidence of the review this seems to be the best solution that will deliver improved and new housing as well as financial returns for the Council that can be spent on schemes, projects or services of the Council's choice. At present also, it may be that this is the only solution that allows properties to be maintained for social use and not become subject to the right to buy.
- The review has seen and heard evidence concerning the high cost and stock condition needs of Broadwater Farm and believes it is important that a scheme is developed to address this. It is understood that consultation with residents is planned by HfH to assist in shaping a scheme together that can best meet the needs of residents.
- The Council must adopt an asset management strategy of high quality to its housing stock, bearing in mind the stock condition and the resources available to meet it.
- There is a need to establish clear priorities between stock condition, new build and regeneration.
- The stock condition survey should be owned, understood, tested and used as a living document with appropriate reconciliation and updating.
- Clear standards need to be set for housing stock condition that the Council will aspire to and aim to meet.
- Work should be carefully prioritised and programmed bearing in mind the position of the HRA and the capital deficit.
- The Council needs to continue to manage HRA costs downwards, and examine the options for disposal of properties where appropriate.

14. Planning for the future

Ballot

As noted above, where Councils propose to retain the present arrangements there is no requirement to hold a ballot, though it is open to them to do so. As has been recorded, Trade Union colleagues have consistently argued that there should be a ballot in every eventuality, including if the Council wishes to keep HfH in control of housing management.

While having some sympathy with that view from the point of consistency and giving all residents a say in every circumstance, there is in my view no real justification for this. Comparable to the test of tenant opinion, the ballot is likely to cost £25 - £30,000 and through the test of opinion the Council has established the principle of tenants growing satisfaction with the service received. In addition, given the need to make residents clearly aware of the subject matter of the ballot and taking into account the relatively low awareness of the difference between the Council and HfH, a fairly intensive process of communication would be needed, adding to the cost and disruption of this process. Accordingly, it is not recommended that there should be a ballot of leaseholders and tenants if the recommendations of this review are accepted.

Contract length

ALMOs across the country have a range of very different contract lengths. These range from one ALMO that has no contract end date because it has a rolling contract, to the other extreme such as Stockport Homes which has agreed a 28 year agreement with their Council to align with the HRA business plan. Newcastle have agreed a further ten year agreement. East Kent Housing which is a new 'super ALMO' has agreed a 30 year agreement starting from 2011. Cheltenham Borough Homes has similarly made a 30 year agreement, while Berneslai at Barnsley has agreed an eight year extension. A1 at Bassetlaw and North Nottinghamshire have agreed 15 year deals.

The reasons behind these timescales vary as much as the agreements themselves. Some depend on the history, confidence in and track record of the ALMO, the financial position of the organisation and ability to deliver major works and the attitude of the authority with regard to commissioning and service delivery. Some agreements have been aligned to the terms of major works partnerships, some to the business plan period, the housing strategy period, or to the length of time required for borrowing to build new housing. Ultimately, as the sole shareholder and owner of the ALMO, the Council can, in theory, review and determine to wind up the ALMO at any time.

During the review a consistent theme has been achieving certainty to enable planning so that the future of the housing stock can be better managed and implemented, and that improvements to the ALMO organisation and performance can be made and embedded. On this basis a contract length of ten years seems sensible and appropriate, and it is recommended that subject to performance, the position is not reviewed again in the short term. A period longer than ten years opens the agreement to such a wide range of potentially changing circumstances that it feels unrealistic.

It was suggested by Local Partnerships when carrying out the Gateway review of the Housing Transformation programme that it was appropriate to include a break clause in the contract with HfH. Many local authorities with ALMOs do have break clauses, some based on the ALMO trying to achieve a measure of certainty for themselves, and some based on members requirements. There is a general acceptance that they are not necessary as the ALMOs are wholly owned companies, but they can be of cosmetic value.

Following discussion the Review group decided that they wished to include a five year review in the management agreement, which would be likely to include a test of tenant opinion, and which could ultimately lead to determination of the contract if necessary.

Implementation

If members are minded to accept the recommendation of the review, there will be an implementation process between Cabinet and the end of March 2016 which will require planning and resourcing. This will include the required legal arrangements and documentation; the TUPE transfer process referred to above and the establishment of the client arrangements for the future. While this is not as intense or disruptive as the process of bringing an ALMO back to in house management, it is nonetheless a significant piece of work. It is recommended that the relevant Council officers put this in hand and the process is monitored on an ongoing basis.

Tenants and leaseholders will need to be notified of the decision and given an opportunity to comment if they wish.

The Council's Head of Housing Commissioning has indicated that a different style of contract to that used hitherto is appropriate, moving to a contract specifying a service for a service fee. There is considerable merit in moving away from the existing agreement. Many of the existing ALMOs are adapting the model agreement, moving to a partnership agreement or having a bespoke contract. The Council will need to take appropriate advice and work out the detail of the most effective way of forming the agreement, during the implementation period and in conjunction with HfH.

The strategic direction of the housing service

The review has noted some lack of role clarity in ownership and delivery of the strategic direction of the housing service, particularly with regard to stock investment, and new build implementation and delivery. The Council's client and strategy team have some responsibility, as do staff responsible for regeneration and property, and the advice and expertise of HfH is also sought. It has not appeared clear at times who is ultimately responsible for the future of the housing. This appears to lead to duplication and confusion, and potentially poor decision making, and this issue was highlighted by interviewees. Outside of this review the Housing Transformation programme is looking at new structures, processes and approaches to the Council side of the housing service and it seems sensible that this programme should be responsible for resolving this. It is a recommendation of the review that this is resolved in a short timescale.

Information and data

Similarly, and probably linked to the above the review has noted difficulties in extracting data and colleagues have found themselves referred elsewhere on several times before obtaining information for the review. In addition, inconsistencies in assumptions and lack of knowledge of ownership have been apparent. Again, it is recommended that clear processes and lines of accountability are put in place, irrespective of the option chosen by the Council.

Customer Services Transformation

As part of its ongoing improvement programme LB Haringey has established a new vision and operating model for its customer services functions, and is in the process of designing new processes and approaches to delivery. The aim of this, as well as improving the customer experience, is to deliver considerable savings, potentially as much as £11 million in ongoing savings. In the next three years this review is targeted to deliver £3 million. As part of this 27 HfH customer service staff transferred back to the Council in January 2015, to deliver the 'one front door' approach. In terms of the Future of Housing Review, this is a relatively neutral matter particularly if the Council does not pursue transfer options. However, the review understands that there may be further discussions on merging estate management functions with other services, in order to pursue the same model. While not the subject of detailed consideration as part of this work, one would urge caution and careful consideration of such changes, as there may be a risk of diluting the focus and efficiency of housing staff on the estates.

Business Infrastructure Programme

The Council has also established a Business Infrastructure Programme to enable the delivery of faster and better support services. Key elements of this will be to improve the use of processes and deploy technology where appropriate. The principle behind the review as it relates to HfH is that support services will move back into the Council, with the aim of delivering a larger core team which can enable more specialisation, higher capability and performance. The Council has indicated its intention to proceed with this irrespective of the outcome of the review, and accordingly as noted above no account has been taken of potential back office savings in this review. The approach taken by Haringey is one that is being taken by other Council's with retained ALMOs, and may indeed help deliver significant savings and service resilience. The amounts of savings projected are not yet clearly defined, and it is anticipated that further debates may ensue as to the scale and extent of the transfers out of HfH's control.

Terms and conditions

During the course of the review references were made to the need and intention to run HfH on a commercial basis, and particularly examine the flexibility of its operating conditions. This review has not considered such matters in detail as these are undoubtedly outside its' remit. However, it is suggested that this is a matter for HfH to discuss with the Council and with Trade Unions after March 2016, with a view to identifying a positive way forward which would meet the aspirations of all parties.

16. Recommendations

Following consideration of all the above the recommendations to the Future of Housing Review Group are:

Housing Management

a) That Homes for Haringey is retained as the Council's Arms Length Housing Management company, and is offered an extended contract of 10 years in duration.

b) That a new management agreement with Homes for Haringey is agreed.

c) That the new management agreement should include:
- an expectation of continued improvement in performance, including reaching top quartile performance by March 2018.
- that HfH expands its offer to involve and engage tenants in the management of their homes.

d) That those staff seconded to HfH in 2014, dealing with homelessness and lettings will be transferred to HfH.

e) That Officers consider any additional services that the Council considers it appropriate to commission through HfH – the agreement of such commission being either part of the management agreement, or delegated for agreement by the Chief Operating Officer.

Noel Park

f) That a self-financing scheme at Noel Park is developed, which builds on the high land values and retains the estate within Council control for the long term, although consideration should be given to selective disposals as appropriate.

Broadwater Farm

g) That a scheme is developed to address the high cost and stock condition needs of Broadwater Farm. It is understood that consultation with residents is planned by HfH to assist in shaping a scheme together that can best meet the needs of residents.

Development Vehicle

h) That Officers continue to investigate the establishment of a potential development vehicle in order to maximise the potential for investment in the Council's housing stock, and the delivery of new social and affordable housing, as this appears to be the Council's best option for delivery in present circumstances.

Northumberland Park

i) As considerable work on the regeneration of Northumberland Park has already taken place, and it appears that a development vehicle may be the most suitable approach, this estate is considered in the context of the feasibility study for the Development vehicle.

Ongoing Investment needs

j) That the Council determines an asset management approach that delivers the following:
   - Prioritisation between stock maintenance, regeneration and new -build housing.
   - Clear standards of maintenance to be achieved for the housing stock
   - Clarity of resources to meet those standards both in terms of amount and source
   - Programmes to meet those standards
   - Management of costs to help mitigate the continuing capital funding deficit

   This should be in line with the Council's overall Capital Strategy, and should inform the HRA 30 year business plan.

k) Based on the models established for this review the Council should develop a 30 year business plan that provides a balanced budget and manages the continuing capital funding deficit on the Council's housing stock. The Council should establish and maintain a consistent set of assumptions and financial approaches to Housing Revenue account management going forward.

Reviews

l) That HfH carry out regular reconciliations between work done, stock condition data and financial investment to ensure easily accessible and accurate physical and financial information are available at overall and estate level.

m) The Council should establish clear ownership and responsibility at all levels of the relevant organisations for the development of strategy and policy, the formulation of recommendations to members, and the operational implementation of matters concerning housing. This should include:
   - Investment
   - Estate renewal
   - Redevelopment and disposal
   - New build developments

   The Council (and HfH where appropriate) should establish the most appropriate organisational structure to support this.

n) That officers review the Council's rent policy, including the possibility of increased and differential rents, and to present a report for consideration by Cabinet in early 2016, taking into account the governments' recent measures announced in the July budget.

o) That HfH conduct a review of the leaseholder management service, consulting with leaseholders as to the best way forward, based on the formal and informal satisfaction results provided to the review.

17. Equalities

The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:

- Tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- Advance equality of opportunity between people who share those protected characteristics and people who do not;
- Foster good relations between people who share those characteristics and people who do not.

An EqIA has been completed which considers the impacts of the key options consulted on, including the recommended housing delivery model in appendix ix.

The proposed model represents the best outcome for minimising disruption to staff and securing many of the positive inclusive measures put in place for tenants by HfH.

The EqIA highlights the potential adverse impact of the current financial position for the council's future housing delivery model, including for groups with the protected characteristics.

The Council has identified a number of actions to mitigate the adverse impact of the future funding shortfall, including exploring alternative investment solutions through a development vehicle. These will be subject to further decision and impact assessment.

18. List of Appendices

i. Interviews	1 Appendix i - Interviews.pdf
ii. Key Project Personnel	2 Appendix ii – Key Project Personnel.pdf
iii. Options by Criteria for assessment	3 Appendix iii - Options by Criteria fo
iv. Test of tenant and leaseholder opinion	4 Appendix iv - Test of tenant and leaseho
v. Performance Measurement and Comparison	5 Appendix v - Performance Measure
vi. London Local Authority Housing	6 Appendix vi - London Local Authorit
vii. Summary of Site Visits	7 Appendix vii -Summary of Site Visit
viii. Stakeholder Engagement Plan	8 Appendix viii - Stakeholder Engagem
ix. Equalities Impact Assessment	9 Appendix ix - Equalities Impact Ass
x. Submissions to the Review Group a) Homes for Haringey b) Resident Scrutiny Panel c) UNISON	10a Appendix x - Submissions to the Re 10b Appendix x - Submissions to the Re 10c Appendix x – Submissions to the Re
xi. Schedule of Review Group meetings and visits	11 Appendix xi – Schedule of Review G
xii. LB Haringey Arrangements for Statutory Consultation	12 Appendix xii - LB Haringey Arrangemer
xiii. Bibliography	13 Appendix xiii Bibliography.pdf

xiv. Acknowledgements	14 Appendix xiv – Acknowledgements.p

Future of Housing Review