

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 20th March 2017

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PORTFOLIO: Cllr Ajaib, Commissioner for Housing & Urban Renewal

PART I **KEY DECISION**

HOUSING OPTIONS APPRAISAL UPDATE

1 Purpose of Report

To provide Cabinet with an update on the Housing Options Appraisal in respect of:

- consultation with the Residents Board and other residents groups;
- a number of options and opportunities for innovation in respect of the housing stock.

2 Recommendation(s)/Proposed Action

The Cabinet is requested to resolve:

- (a) That the following recommendations from the Commissioning Consultative Group are endorsed, for the reasons set out in paragraphs 5.4 and 5.5 –
 - The option to 'do nothing' is not accepted; and that
 - The option of Large Scale stock transfer is not to be progressed further
- (b) All other options are to be considered and reviewed by the Commissioning Consultative Group, chaired by Cllr Ajaib, Commissioner for Housing and Urban Renewal, and Resident Consultative Group with final recommendations being brought to Cabinet in December 2017.

3. The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan

3a. Slough Joint Wellbeing Strategy Priorities

The option appraisal will enable the council to identify and develop innovative options for its housing stock that link with the following Slough Joint Wellbeing Strategy priorities:

- Increasing life expectancy by focusing on inequalities - the links between decent housing and health are well documented

- Housing – identification of options that would result in improvements in the quality of private rented housing, increase in numbers of affordable homes. In addition the repair, maintenance and investment in the Council’s housing assets is funded directly by the HRA

3b **Five Year Plan Outcomes**

The option appraisal will help to deliver the following Five Year Plan outcomes:

Outcome 3 - Slough will be an attractive place where people choose to live, work and visit;

Outcome 4 - Our residents will have access to good quality homes;

Outcome 5 - Slough will attract, retain and grow businesses and investment to provide jobs and opportunities for our residents

4 **Other Implications**

(a) Financial

At the core of the HRA Business Plan is a series of 30 year financial projections. These have been analysed by Savills and summarised at paragraphs 5.4 and 5.5

(b) Risk Management

There are no risk management issues at this stage.

(c) Human Rights Act and Other Legal Implications

There are no Human Rights Act implications relating to the option appraisal. There may be legal implications as the details of emerging Government policy are made clear.

(d) Equalities Impact Assessment

Equality Impact Assessments are routinely carried out as part of operational service delivery and reviews. There are no equality related issues in relation to the option appraisal at this stage

(e) Property

The housing option appraisal supports the Council’s ambition to maintain and invest in its current housing assets whilst continuing to deliver a development programme to build new, affordable homes in Slough.

(f) Carbon Emissions and Energy Costs

The re-commissioning of the repairs, maintenance and investment contract will provide opportunities to reduce carbon emissions in Council owned homes.

5 **Supporting Information**

As part of its Housing Strategy 2016 – 2021, the council has set out its plans around 5 key themes:

1 : New Housing Supply - Ensuring the right supply and mix of new homes and increasing affordable housing through the efficient use of land and capital resources.

2 : Private Sector Housing - Ensuring that the private housing sector provides sufficient good quality market housing through support for landlords and tenants and, where necessary, robust quality control and regulation.

3 : Council Homes - Ensuring council homes are managed and maintained to a high standard and the Council builds new homes for Slough residents.

4 : Homelessness and Housing Need - Reducing homelessness and rough sleeping through effective prevention work.

5 : Special Housing Needs and Vulnerable Groups - Ensuring that specialist accommodation is available for vulnerable people and those with special housing needs, for example, young people, older people and people, people with disabilities.

The HRA Business Plan 2016 – 46 is an integral element of Theme 3.

5.1 In considering the HRA Business Plan 2016 – 46, at the meeting of 17th October 2016, Cabinet resolved :

- That the draft Business Plan be issued for consultation to the Residents Board and other residents groups;
- That authority be delegated to the Strategic Director, Regeneration, Housing and Resources following consultation with the Cabinet Member for Housing and Urban Renewal to finalise the Business Plan in the light of comments received during the consultation;
- That the Strategic Director, Regeneration, Housing and Resources, following consultation with the Cabinet Member for Housing and Urban Renewal, be authorised to begin planning for the Options Appraisal of the Council's housing stock, with a proposal to be brought back to Cabinet for approval.

The Council will undertake a formal review of the HRA Business Plan by the end of March 2017 and update it with any new information available by that time.

5.2 In December 2016 a special edition of the resident newsletter, Streets Ahead, were distributed to each of the Council's 7,400 tenants and leaseholders. The newsletter set out the key messages from the HRA Business Plan and asked residents to complete a survey to comment and feedback. Residents were directed to the Council's website where a Your Homes Our Homes page had been created for the purpose of major consultations. The newsletter survey was recreated using Survey Monkey for the web page and residents were encouraged to complete the survey online. The deadline for completing the survey was 31 January 2017. A total of 97 surveys were completed and returned, 49% of which were completed online.

Of those that responded there was broad support for the Council's plans to spend £100 million to repair, maintain and invest in the existing stock and invest in new technology.

In addition to the above, the Director, Regeneration, Housing & Resources, presented the HRA Business Plan to the Residents Board on 2nd November 2016.

- 5.3 Work on an options appraisal of the Council's housing stock led by Cllr Ajaib, Commissioner for Housing & Urban Renewal, began in the latter part of 2016, with the project being split into two phases. Phase 1 involved;
- Establishment of the Consultative Commissioning Group (CCG), chaired by Cllr Ajaib;
 - Appointment of Independent Tenant Advisor and recruitment to Resident Consultative Group (RCG)
 - Analysis of the existing HRA Business Plan by Savills:
 - High level review of options available by Trowers & Hamlin with an in depth review of stock transfers by Savills, so as to establish a credible range of options for further evaluation; and
 - Modelling of social rent levels for development sites, by 31Ten Consulting.

5.4 Analysis of the HRA business plan

External advisers Savills have carried out an analysis of the existing HRA Business Plan and confirm;

- that as per the HRA business plan, investment for new development is not sustainable beyond year 5;
- the business plan is financially viable;
- The plan is robust - it is able to withstand considerable changes in housing and financial policy;
- the plan delivers an ambitious programme of 200 new homes over the next 5 years, but is not able to sustain ongoing development beyond that point;
- that the stock condition survey update has confirmed the existing funding position in the business plan: in the long term, asset maintenance can be fully funded, but no additional capital is able to be released for development either in the first 5 years or over the longer term.

However there remain some key challenges to the HRA plan, including:

- After 5 years, plans around the investment in new homes are less well developed
- Throughout the whole 30 years of the plan, there is a net loss of affordable rented housing of around 15% (700 units).

With sales under the Right to Buy showing no signs of slowing, the analysis of the plan strongly suggests that 'doing nothing' is not an option and the council needs to bring forward new options to deliver the affordable housing the borough needs.

5.5 Alternative option: stock transfer

In response to the analysis of the business plan, Savills have also carried out financial analysis on the option to transfer the housing stock to a housing association. Since the HRA self financing settlement in 2012, less than a handful of authorities have transferred their housing stock and they received financial support from the government to help clear housing debt.

Savills estimate the following for a possible stock transfer:

- The valuation of the housing stock - what a purchasing housing association would pay the council = £77m.
- The current debt in the HRA = £144m.
- This would leave substantial overhanging debt - this would require financial support from government to assist in clearing the debt.

- No government support is currently available.
- There would also be some "diseconomies" of scale for the council's General Fund, with an estimated impact on the General Fund of between £1-3m pa.

Stock transfer has therefore been discounted as an option.

5.6 Bringing forward future options

Whilst the HRA is able to make a positive contribution to the delivery of new affordable housing in the future, the HRA alone will not deliver on the council's housing needs and aspirations. Stock transfer is not a realistic alternative. There is a need to find new options and creative approaches to deliver more homes and increase the quality of existing homes. The council has already made a positive move with the creation of Slough Urban Renewal and the two new subsidiary housing companies.

5.7 One of the options that has been identified is taking a look at new ways of providing affordable housing in the HRA - setting affordable rents at different levels (still well below market rent levels) in three example areas. This has shown that the local market and circumstances are really important in shaping what is possible - and that the council's approach should be to continue to look at these options on a case-by-case, site-by-site basis.

5.8 Other new options and approaches that have been identified for review in phase two of the appraisal work are:

- Review the Treasury and Debt Management strategy within the HRA - to see if there is a sustainable way to deliver more investment directly from the HRA.
- To look at ways in which the capacity within the HRA, and within the Council as a whole, can be brought together to deliver new housing.
- To assess the scope to deliver new types of affordable and intermediate-type housing, including opportunities to build for sale - and also to consider the ways for the council to offer new ways to help local people to get into affordable home ownership.
- To look into different financing options with the private sector, in particular with pension funds and reputable financial institutions to see if there are ways to lever in new money into the borough.
- A detailed review of the asset-base, in the HRA and wider for the council, to see whether there are opportunities to provide more homes.
- Whether there are new and different arrangements for managing our housing that could deliver extra value.

This will be done, in the context of the Government's recently issued White Paper on housing 'Fixing our broken housing market'.

5.9 The Council has already established a number of innovative options for building new homes through Slough Urban Renewal , and increasing the supply of private rented accommodation and temporary accommodation through it's two new subsidiary housing companies; and members have been looking at what other local authorities are doing. The option appraisal will consider what other options / vehicles may be required drawing on examples from other councils / organisations.

6 **Comments of Other Committees**

Not Applicable.

7 **Conclusion**

The council has embarked on an important piece of work in undertaking an options appraisal in respect of housing. This paper has provided an update of the work undertaken so far and set out the work to be done to December 2017.

8 **Background Papers**

None.