
STOCK OPTION APPRAISAL EXERCISE

1 SUMMARY

- 1.1 Members to consider the report of the Head of Revenue and Housing Management which outlines the processes surrounding the Stock Option Appraisal Exercise, the timetable to be adopted and the involvement of stakeholders in the exercise.

2 INTRODUCTION

- 2.1 In February 2003, with a backlog of repairs totalling £19 billion nationally, the Government's "Sustainable Communities Plan" set each Local Authority in England the task of bringing all homes up to the Decent Homes Standard (DHS) by 2010.
- 2.2 In an earlier Housing Green Paper "Quality and Choice: a decent home for all" the Secretary of State explained how Government policy included the encouragement of investment in housing through the potential transfer of around 200,000 Council homes each year to Registered Social Landlords (Housing Associations). The report went on to explain that stock transfer is just one of four options for the future of investment in housing in England.
- 2.3 Councils need to work with tenants and other stakeholders to establish which of the four options work best for their area bearing in mind the need for sustainability.
- 2.4 In the tight financial context set by Government, future plans for Council housing have to examine the costs and benefits of these investment options; a process called Option Appraisal. The four investment options are:-
- Retention: keeping the housing stock in Council ownership, managed the way it is now and with the same level of resources.
 - ALMO: setting up an Arms Length Management Organisation to manage the housing, which stays in Council ownership and gets limited extra resources.
 - LSVT: Large Scale Voluntary Transfer of ownership of the housing stock to a Registered Social Landlord (RSL) that is allowed to raise more funding than the Council.
 - PF: Use a Private Finance Initiative to introduce private sector investment to part or all of the housing stock, which remains in Council ownership.
- 2.5 The Government have set a deadline for each Local Authority to have this process signed off by the Government Office for the Region by July 2005. In support of this process new Government Guidelines "Delivering Decent

Homes – Option Appraisal” were released by the ODPM in July 2003. A copy has been placed in the Members’ Library for reference purposes.

- 2.6 This guidance insists that tenants must be at the heart of the process and involved at every stage, not just consulted about the results once a decision has been made. To aid the process the Government has set up the Community Housing Task Force to help Local Authorities through the process. In November 2003 Members received a presentation from Martin Thomas, Lead Officer for the London and Eastern Region area.
- 2.7 Mr Thomas outlined the process to be adopted and illustrated, by way of an Action Plan, the various stages in the model. The Government envisaged an immediate start on the exercise but, unfortunately, Rochford did not have the resources to do this. There is, therefore, already slippage against the Government model timetable. However, Members recognised the need to strengthen resources for the exercise and agreed a high level post of Housing Manager (with responsibility for Service Delivery). This post was advertised in the professional press in January with a closing date of 9 February 2004. At the time of drafting this report a short-list of applicants was being drawn up and the Head of Service is hopeful of making a suitable appointment.

3 TIMETABLE FOR IMPLEMENTATION

- 3.1 The sign-off date is an immovable milestone in the exercise; hence an Action Plan has been produced by Officers which, in discussions with GO-East, may be circulated to other stock-holding authorities as an example of “Best Practice”. That Action Plan is appended for Members’ consideration and approval. Key milestones in the exercise are shown in bold text. These will act as progress monitoring points and will form the high level Service Action Plan for the Division which is monitored by Corporate Management Board on a six monthly basis.
- 3.2 Members are advised that two very useful documents produced jointly by ODPM and TPAS (Tenant Participation Advisory Service) entitled “Stock Option Appraisals” and “Council Housing Transfers” have been placed in the Members’ Library. These illustrate the process in detail, give explanations of the four options and guide the reader through the process. They also describe the important role of the Independent Tenant Advisor.

4 INDEPENDENT TENANT ADVISOR

- 4.1 One of the key elements in the plan is the appointment of an Independent Tenant Advisor (ITA). Guidance indicates that an ITA should be appointed as soon as the Option Appraisal exercise begins. As our tenants’ needs may change during the year-long process it would be sensible to appoint an ITA on a phased work programme and probably from a specialist consultancy firm rather than an established post on the Council’s payroll. In this way true independence and impartiality can be shown.

4.2 An ITA will:

- provide independent advice and information to tenants
- make sure tenants have a real voice in the appraisal process
- validate information about options put out by the Council and its consultants
- make sure that the Council works in a way that allows tenants a proper role
- work with tenants and the Council to develop options
- work with tenants on the detail of any preferred option.

4.3 Core tasks for the ITA are:

- gathering information to make sure tenants' priorities are addressed
- helping tenants interpret information produced by the Council and its consultants
- supporting tenant groups and individuals to make an informed decision on the process
- helping to develop new tenant participation structures and processes
- helping tenants develop their skills and knowledge
- guiding tenants through the decision-making process.

4.4 It will be for tenants to select their own advisor but the Head of Service will provide as much support as tenants request.

4.5 In February 2003 the Council appointed a Tenant Participation Officer (TPO) to engage tenants and get them involved in the important decisions related to the homes they rent. The TPO will play a pivotal role in the Option Appraisal process and it will now be necessary to review her duties, responsibilities, hours and salary. It is recommended that an appropriate report be drafted for consideration by Policy and Finance Committee as the success of this post will make the ITA far more effective.

5 MANAGING THE OPTION APPRAISAL EXERCISE

5.1 An Officer Executive Group comprising

- Housing Manager (Service Delivery)
- Tenant Participation Officer
- Administrative Support Officer

will administer and facilitate the process, but there will need to be a high level management board overseeing the whole exercise. Guidance indicates that no group within the management board shall be dominant, so it will be necessary to have an equal membership of tenants, stakeholders and Members. The Management Board will need to work in isolation from the Committee structure reporting mechanism and Council Constitution. Guidance on the operation of Board is emerging from other Best Practice

authorities and will be the subject of a further report, which will set out terms of reference. Meetings will be held away from the Council Offices and Civic Suite.

- 5.2 At the moment three tenants have given a firm indication of involvement and a fourth tenant has given an initial indication of interest. Membership of the Management Board will also need to include two staff representatives, a leaseholder, a representative from one of our partner Registered Social Landlords (RSLs) and a representative from the Local Strategic Partnership (LSP). Members are therefore requested to indicate the names of three of their number who are prepared to become involved in the Option Appraisal Management Board for the period to July 2005 (and possibly beyond), plus the name of a “reserve”. Membership of the Board is not dependent upon remaining a Member of Council, merely that at this stage there is an intention to remain involved until the ultimate conclusion of the project.

6 FINANCE AND RESOURCE IMPLICATIONS

- 6.1 In order to supplement established resources, it will be necessary to employ consultants with expertise in the specialist areas of housing. With all stock holding Local Authorities working to the same timetable and competing for the same consultants, fees are high. The consultation and dissemination of information exercise will also be a considerable task.
- 6.2 The Head of Financial Services advises that £300,000 has been set aside for Option Appraisal in the 2004/5 Housing Revenue Account Business Plan. Tenants support this level of expenditure.
- 6.3 The existing Housing Management Team will also have a considerable role to play and there may be a need to restructure in order to meet the anticipated growing demands of the exercise. It will be prudent to undertake this exercise with the new Housing Manager (Service Delivery) in post.

7 RISK IMPLICATIONS

7.1 Strategic Risk

It is imperative that processes are in place and regularly monitored in order to ensure that the Council delivers the Option Appraisal to timetable and in accordance with Government requirements. GO-East will ensure the process is regularly monitored through a nationally agreed process; this includes certain “sign-off” stages throughout the process, which, in the initial stages, will include a Tenant Empowerment Strategy and Communication Strategy. It is therefore imperative to adhere to the timetable so as to avoid strategic risk.

7.2 Resource Risk

Capacity within the Housing Management team is limited and they have to meet an expanding agenda with tight timescales. Capacity will be increased

by the use of external consultants and secondment of existing staff into a 'task team' in order to meet new statutory obligations. As indicated above, there will need to be a review of the Housing Management Teams capacity in due course, to ensure the Action Plan remains on track and the Option Appraisal process delivered to programme.

8 RECOMMENDATION

8.1 It is proposed that the Committee **RESOLVES**

- (1) To adopt the timetable and Action Plan for the Option Appraisal exercise including the appointment of an Independent Tenant Advisor.
- (2) To appoint external consultants to help in the exercise.
- (3) To nominate three Members to sit on the Management Board with a nomination of a fourth "reserve" Member.
- (4) To agree the changing role of the Tenant Participation Officer and the establishment of the Management Board.
- (5) In the light of (4) to **recommend** to Policy and Finance Committee a review of the hours, status and salary of the Tenant Participation Officer.
- (6) To **recommend** to Policy and Finance Committee a review of the Housing Management Team as to its capacity to deliver the Option Appraisal.

Steve Clarkson

Head of Revenue and Housing Management

Background Papers:

Various advice letters and notices from ODPM and CHTF

For further information please contact Steve Clarkson on:-

Tel:- Ext 3120

E-Mail:- steve.Clarkson@rochford.gov.uk

OPTION APPRAISAL: HEADLINES

	TASK NAME	duration	2 J	0 F	0 M	4 A	M	J	J	A	S	O	N	D	0 J	5 F
1	Planning & Project Initiation	43 days	•	•	•											
17	Phase 1: Resident Empowerment, Participation & Communication	138 days			•	•	•	•	•							
27	Housing Needs Study	150days			•	•	•	•	•							
38	Stock Condition Survey	193 days			•	•	•	•	•	•	•					
50	Phase 2: Wide resident empowerment & participation	135 days									•	•	•	•	•	
56	Stock options evaluation	268 days				•	•	•	•	•	•	•	•			
97	Phase 3: Communication & Consultation	30 days													•	•
99	Sign off	30 days													•	•

OPTION APPRAISAL: PLANNING

	TASK NAME	J 5	A 12	N 19	2 26	0 F 2	0 E 9	4 B 16	23	M 01	A 8	R 15	22	29	A 5	P 12	R 19	26
1	Planning & Project Initiation	•					•	•	•	•	•	•	•					
2	Initiation meeting with GO & CHTF						•											
3	Officer/ Executive Steering Group set up	•																
4	Conduct skills/capacity and information audit	•																
5	Establish staffing plan for OA process	•																
6	Off/Exec Steering Group	•																
7	SG remit, update,SCS options	•																
8	SG visit & talk	•																
9	SG review resident & stakeholder input	•																
10	SG assess corporate impact of options	•																
11	SG options within options	•																
12	Stakeholder consultation								•	•	•	•	•	•				
13	Identify key stakeholders								•	•								
14	Agree role of members, residents,staff & other groups									•	•							
15	Preparation for development of communication strategy										•	•	•					
16	Planning for appt of independent tenant advisor								•	•	•							

OA: HSG NEED AND SCS

	TASK NAME	M	2 A	0 M	0 J	4 J	A	S	O	N	D	2 J	0 J	4 A
27	Housing Need Study	•	•	•	•	•								
38	Stock Condition Survey	•	•	•	•	•	•	•						
39	Appoint SCS consultant	•	•											
40	Advert & shortlist (poss OJEC)	•												
41	Develop brief	•												
42	Tender	•												
43	Interview, agree terms, references		•											
44	Appoint consultant		•											
45	Survey stock			•	•	•								
46	Stock condition assessment & reports						•	•						
47	Headline info						•							
48	Revise SCS report in the light of OA aspirations for investment							•						
49	Finalize report							•						

OA: PHASE 2 CONSULTATION

	TASK NAME	duration	J	2 F	0 M	0 A	4 M	J	J	A	S	O	N	D	J
38	Stock Condition Survey	193 days			•	•	•	•	•	•	•				
50	Phase 2: Wide resident empowerment & participation	135 days									•	•	•	•	•
51	Continued implementation of communication strategy	135 days									•	•	•	•	•
52	Specific leaseholder consultation	60 days										•	•		
53	Feedback from working group	135 days									•	•	•	•	•
54	Examples of where options pursued elsewhere	10 days										•			
55	survey	20 days									•				
56	Stock options evaluation	268 days				•	•	•	•	•	•	•	•	•	

OA: CRITICAL TASKS

	TASK NAME	duration	J	2 F	0 M	0 A	4 M	J	J	A	S	O	N	D	0J	5 F
1	Planning & Project Initiation	43 days	•	•	•											
2	Initiation meeting with GO & CHTF	0 days		•												
3	Officer.Executive Steering Grp set up	5 days	•													
4	Conduct skills/capacity and information audit	10 days	•													
5	Establish staffing plan for OA process	5 days	•													
17	Phase 1: Resident Empowerment, Participation & Communication	138 days			•	•	•	•	•							
18	Review existing TP strategy & compact	3 days			•											
19	Strategy for addressing local aspirations	25 days			•											
20	Identify residents for ITA(and other consultant?) selection	10 days			•											
21	Appoint ITA	40 days			•	•										
22	Tenant empowerment/ participation strategy	10days				•										
23	Agree resident empowerment strategy with GG/CHTF	0 days				•										
24	Communication strategy development & Phase 1	60 days				•	•	•								
25	Resident capacity building & Phase 1 consultation	50 days					•									
26	Set up OA working group	0 days					•									
27	Housing needs study	150 days			•	•	•	•	•							
38	Stock condition study	193 days			•	•	•	•	•	•	•					
50	Phase 2 resident empowerment & participation	135 days									•	•	•	•	•	
56	Stock options evaluation	268 days				•	•	•	•	•	•	•	•	•		
57	OA working grp meetings	138 days									•	•	•	•	•	
97	Phase 3 Communication & Consultation	30 days													•	•
98	Communications Strategy	30 days													•	•
99	Sign off	30 days														•
100	Council formal process	30 days														•
101	To GO for OA sign off	0 days														•