



H&F RESIDENTS'  
COMMISSION ON  
COUNCIL HOUSING

# 2015 STRATEGIC HOUSING STOCK OPTIONS APPRAISAL

PREPARED BY HAMMERSMITH & FULHAM COUNCIL  
FOR H&F RESIDENTS' COMMISSION ON COUNCIL HOUSING

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The 2015 Stock Housing Stock Options Appraisal Report (this report) is Annex B.

Annexes referred to in this report are:

Annex C – Savills' Stock Condition Survey Report

Annex D – Capita's Financial Appraisal Report

Annex E – TPAS Independent Tenants' & Leaseholders' Adviser Report

- |   |                                  |  |
|---|----------------------------------|--|
| 1. White City Estate                      | 46. Sulgrave Gardens Estate      | 91. Musard Road  |
| 2. Edward Woods Estate                    | 47. Rocque & Maton               | 92. Burnfoot Avenue  |
| 3. Clem Atlee Estate                      | 48. Creighton Close              | 93. The Grange, Goldhawk Road  |
| 4. West Kensington Estate                 | 49. Aldine Court                 | 94. Alex Gossip House  |
| 5. Sullivan Court                         | 50. Broxholme House              | 95. Cyril Thatcher House/<br>Eric MacDonald House/<br>Richard Knight |
| 6. Charecroft Estate                      | 51. Charcroft Court              | 96. Dan Leno Walk  |
| 7. Brecon Estate                          | 52. Waterhouse Close             | 97. Mylne Close Estate   |
| 8. Margravine                             | 53. Ethel Rankin Court           | 98. Lintaine Close   |
| 9. Maystar                                | 54. Planetree Court              | 99. Wormholt Estate  |
| 10. Fulham Court                          | 55. Wyfold Road                  |  |
| 11. Lytton Estate                         | 56. Swanbank Court               |  |
| 12. Queen Caroline Estate                 | 57. Hadyn Park Court             |  |
| 13. Becklow Gardens                       | 58. Banim Street                 |  |
| 14. Emlyn Gardens Estate                  | 59. St Peters Terrace            |  |
| 15. Lancaster Court                       | 60. Underwood House              |  |
| 16. Ashcroft Square Estate                | 61. Da Palma Court               |  |
| 17. Riverside Gardens                     | 62. Barclay Road                 |  |
| 18. Aintree Estate                        | 63. Stanford Court               |  |
| 19. Flora Gardens Estate                  | 64. Viking Court                 |  |
| 20. Springvale                            | 65. Rainville                    |  |
| 21. Bulow                                 | 66. Munden Street                |  |
| 22. Arthur Henderson/<br>William Banfield | 67. Frithville Gardens           |  |
| 23. Blakes Wharf                          | 68. Cobbs Hall                   |  |
| 24. Walham Green Court                    | 69. Browning Court               |  |
| 25. William Church Estate                 | 70. Bradford & Burnand<br>Houses |  |
| 26. Aspen Gardens                         | 71. Bearcroft House              |  |
| 27. Wood Lane Estate                      | 72. Farm Lane                    |  |
| 28. Barclay Close                         | 73. Standish House               |  |
| 29. Robert Owen House                     | 74. Rosewood Square<br>Estate    |  |
| 30. Gibbs Green Estate                    | 75. Chisholm Court               |  |
| 31. Philpot Square                        | 76. Carnwath House               |  |
| 32. Kelmscott Gardens                     | 77. Verker Road 50               |  |
| 33. Watermeadow Close                     | 78. Marryat Court Estate         |  |
| 34. Townmead Estate                       | 79. Yeldham House                |  |
| 35. Linacre Court                         | 80. Lillie Mansions              |  |
| 36. College Court                         | 81. Laurel Bank Gardens          |  |
| 37. Malvern Court                         | 82. Keir Hardie House            |  |
| 38. Manor Court                           | 83. Ashchurch Park Villas        |  |
| 39. Crabtree/Wheatsheaf<br>Wharf          | 84. Arlington House              |  |
| 40. Verulam House                         | 85. Robert Gentry House          |  |
| 41. Seagrave Road                         | 86. Hadyn Park Road<br>67-105    |  |
| 42. Askham Court                          | 87. Burlington Place             |  |
| 43. Etemit Wharf Estate                   | 88. Benbow Court                 |  |
| 44. Wengham/Hayter/<br>Orwell             | 89. Vereker Road 25              |  |
| 45. Woodman Mews Estate                   | 90. Vereker Road 1               |  |

**KEY**



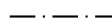
LBHF Housing Estates



West Kensington and  
Gibbs Green Estates

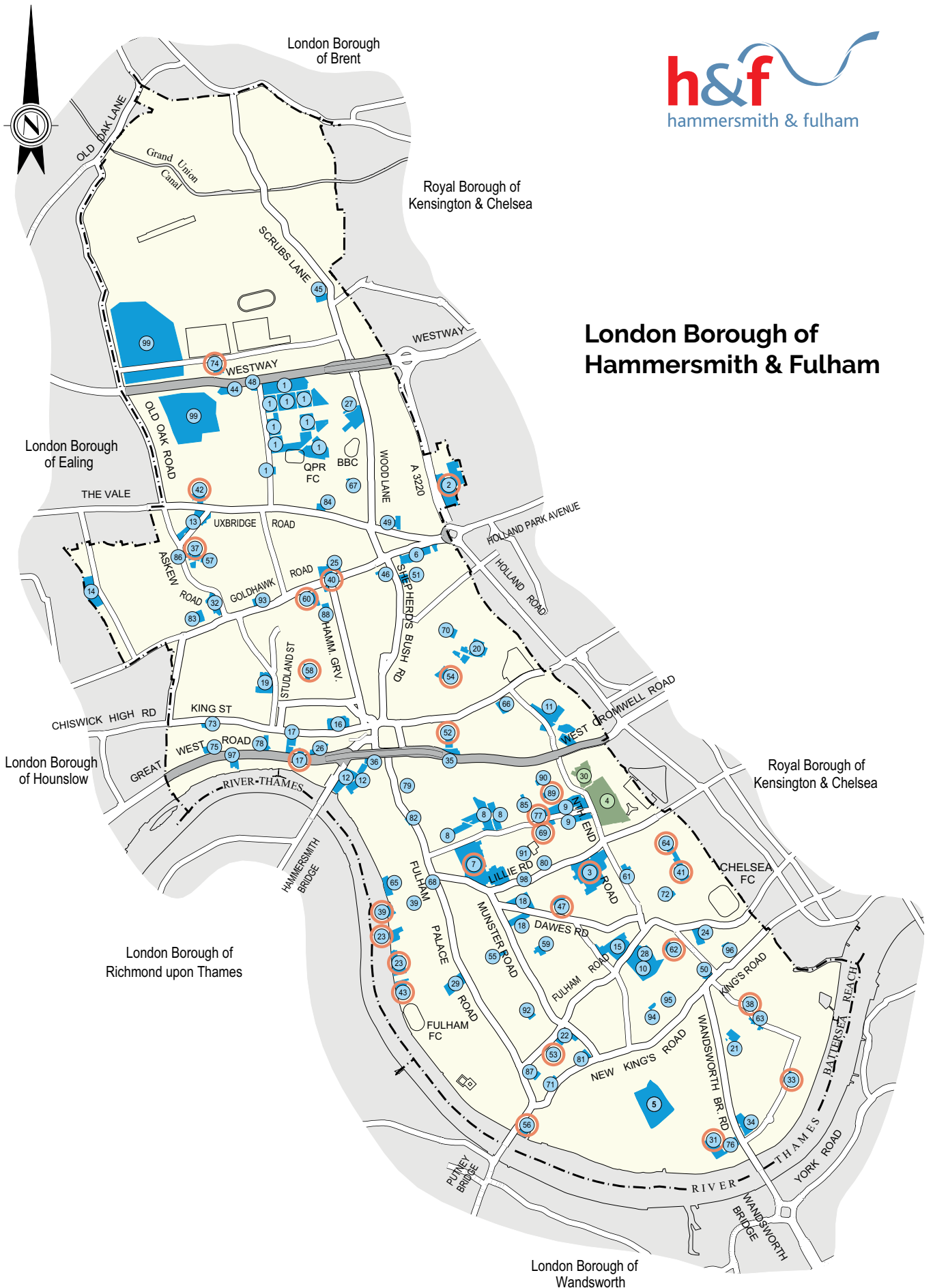


Sheltered Housing



Borough Boundary

This map does not show  
approximately 2,200 dispersed  
street properties that also form  
part of the LBHF housing stock



## London Borough of Hammersmith & Fulham

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October 2015





# EXECUTIVE SUMMARY

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## Why this stock options report has been prepared?

The Council decided in December 2014 to undertake a strategic housing stock options appraisal process which would examine the long term future housing investment needs of its housing stock. In addition to that, the Council agreed to establish a Residents' Commission with an independent chair and 12 members whose membership would have a resident majority. The remit of the Commission was to "*consider the best options for the future of social housing in the borough*". The core elements of the Residents' Commission's brief were to consider how to:

- Safeguard Council homes and estates for the future
- Protect tenants' rights and keep rents and charges at levels residents can afford
- Give residents greater local control over their homes
- Fund improvement to homes and housing services

The Residents' Commission will be reporting separately, but they will be drawing on the content of this report to make their recommendation to the Council. They will consider both the report's appraisal information but also their own findings. As part of the Commission's process they have received advice from an independent

tenants' and leaseholders' adviser, and from legal and other experts to help inform their process.

## What is this appraisal report about?

This appraisal report is about three things:

- **What condition the stock is in now**
- **How much money is needed to improve and maintain it**
- **What models of ownership and management – basically stock retention by the Council or stock transfer to a new organisation – need to be considered to secure the investment needed**

## What is the council's housing stock condition and what investment does it need?

Overall, the condition of the stock is on average good, partly because of the Decent Homes investment undertaken and stock investment since. Over a 40 year period, the investment needs of the stock have been identified as totalling £1.4 billion, a level of investment required to maintain the stock to a reasonable standard. This has a considerable impact upon the decision to retain the stock or transfer to a new organisation.

## What next?

The Residents' Commission will consider the stock options – stock retention or stock transfer – as set out in Section 8 of this report to deliver their objectives and make their recommendation to the Council.





**REASONS FOR THIS  
STOCK OPTIONS  
APPRAISAL REPORT**



## 1.1 REPORT SUMMARY

This section of the report describes the reasons for preparing this report, technical pieces of work that underpin it and the “strategic oversight” role of the Residents' Commission.

The Administration elected in May 2014 made a number of election commitments on delivering change to housing in the Borough. Two specific commitments on council housing included:

- Taking measures to protect council homes now and in the future
- Working with council housing residents to give them ownership of the land their homes are on

Linked to these two commitments, was a further commitment to review the Borough's land holdings and make maximum use of them for new affordable house building. This is returned to later in this stock options appraisal document.

The decision to undertake a Strategic Housing Stock Options Appraisal (SHSOA) process and establish the Residents' Commission was discussed and agreed by the Council's Economic Regeneration, Housing and the Arts Policy and Accountability Committee on 11 November 2014 and subsequently approved by the Council's Cabinet on 1 December 2014.

In taking forward the first two commitments above, the Council initiated two actions:

Firstly, it established a Residents' Commission to review the future of council housing in the Borough. The Commission would be independently chaired, but with a resident majority amongst its membership. The Commission announced the

appointment of its Chair, the Right Honourable Keith Hill on 16 February 2015 and the Commission's membership was announced on 11 May 2015. The remit of the Commission was to “*consider the best options for the future of social housing in the Borough*”. The key elements of its remit were to:

- Safeguard Council homes and estates for the future
- Protect tenants' rights and keep rents and charges at levels residents can afford
- Give residents greater local control over their homes
- Fund improvement to homes and housing services

Secondly, it initiated a SHSOA process to examine what option (or options) could meet the Residents' Commission's priorities. In addition, an in depth financial appraisal would be carried out to establish the financial viability of retaining the current housing stock under the management of the Council or transferring the stock to another Registered Provider of affordable housing, i.e. a housing association. The Cabinet Report set out a number of possible types of Registered Provider models resulting from recent stock transfers.

Two core components of the Options Appraisal process would require a condition survey of the Council's housing stock which would assess its current condition and estimate its future investment requirements (see Section 6). This would inform a further piece of work to examine what the financial requirements would be to

meet the investment needs identified and what stock options – principally stock transfer or stock retention – would deliver the core and broader outcomes the Residents' Commission were seeking.

## 1.2 WHY UNDERTAKE A STOCK OPTIONS APPRAISAL

As set out in the 1 December 2014 Cabinet Report initiating the Strategic Housing Stock Options Appraisal process was considered necessary for the following reasons:

***“A Strategic Housing Stock Options Appraisal on a regular basis is considered to be good practice in order to achieve the best value possible from ongoing maintenance and repairs, but the potential costs and the lack of a guaranteed outcome should be carefully considered and therefore regular reviews are built in through the process to ensure that the process does not continue to work up unviable options.”*** (Cabinet Report - 1 December 2014, Section 1.6)

In addition the Cabinet Report stated that the Council had not undertaken a full Stock Options Appraisal since 2003 and given that the Administration was keen to devolve more control to the community, tenants would need to be involved in an accountable and transparent options appraisal process.

The Residents' Commission was established to meet these needs, and it was noted that any recommendation leading to a substantial change, such as stock transfer, would likely need to be put before tenants in a potential ballot.

As set out in the 1 December 2014 Strategic Housing Stock Options Appraisal Cabinet Report, two processes were initiated:

- Establish the Residents' Commission
- Undertake a Strategic Housing Stock process

The initiatives would run in tandem, but the Residents' Commission would have 'strategic oversight' of the Options Appraisal process.

## 1.3 REPORT OBJECTIVE

The objective of this report is to present, and promote appraisals of, the options for the future of the Council's housing stock.

The remainder of this report is structured as follows: Section 2 describes council housing in Hammersmith & Fulham. Section 3 describes the context and drivers for change, providing a backdrop and a connection with the stock options appraisal process. Section 4 describes how this report was undertaken, principally how the Council went about the programme, with specific reference to the work of the Residents' Commission. Sections 5, 6 and 7 host the executive summaries of the work on stock condition; the financial appraisal; and the independent tenants' and leaseholders' adviser's report. Section 8 of the report focuses evaluation criteria and options assessment and Section 9 focuses on the issues associated with pursuing the stock transfer option.

It will be for the Residents' Commission to consider which stock option best meets the priorities that it has been charged with adhering to and make its recommendation (or recommendations) accordingly.







# COUNCIL HOUSING IN HAMMERSMITH & FULHAM

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hames

## 2.1 BOROUGH PROFILE – GEOGRAPHY AND PEOPLE

Hammersmith & Fulham is situated in the centre-west of London on the transport routes between the City and Heathrow airport. It borders the boroughs of Brent to the north, Kensington & Chelsea to the east, Wandsworth and Richmond-upon-Thames to the south, and Ealing and Hounslow to the west. The borough has three thriving town centres – Hammersmith, Fulham and Shepherd's Bush.

It is the fifth smallest local authority in the country, covering 1,640 hectares (Census 2011). H&F is made up of 16 electoral wards from College Park & Old Oak in the north to Sands End in the south. (Source: p 9/10 Strategic Housing Market Assessment 2014)

The borough accommodates people from many different social and economic backgrounds, ethnicities and faiths. Almost 12% of the population are of Black origin; 9% of Asian ethnic origin; 6% of mixed origin and; 4% are of Irish origin. The borough's school children speak over 100 languages. Foreign-born residents made up 43% of the Borough's population in 2011, in comparison to London overall at 37% and England & Wales at 13%.

The most common foreign languages spoken in the Borough are Arabic, Somali, Spanish, Polish, Portuguese, French, Persian/Farsi and Tagalog/Filipino.

The population is comparatively young with over three quarters of the total population being of working age. There are comparatively low proportions

### About the people who live in Council Housing:

- the number of people – adults and children – living in council housing is estimated to be just under 28,000 out of an estimated total of 180,000 living in the borough
- the economic activity profile of people living in council housing reflects the following: 26% of one of the heads of households in council housing was in full time employment with a further 11% in part time employment. 24% were retired with a further 12% long term sick or disabled. 7% were self employed
- the ethnic profile of people living in council housing includes the following: 35% White British; 14% Black African; 10% Black Caribbean; 8% mixed; 8% All Asian groups; 4% White Irish
- the household composition of people living in council housing was as follows: 28% were single adults; 17% were single elderly; 16% were lone parents with dependent children; 10% were couples with dependent children; 9% were lone parents with no dependent children

Source: H&F Performance & Information (Sept 2015) drawn from the 2011 Census

of the population that are children or older people; with low levels of households that contain children, and very high levels of single person households.

Since the 2001 Census the Hammersmith & Fulham population has increased by 10.4% to 182,493. The population is expected to rise by 3.1% between 2014 and 2025. The 2011 census showed that there were 82,390 households in Hammersmith & Fulham. The 2013 GLA (central trend) projections show that the number of households is expected to increase

by 1.5% between 2014 and 2019 (1,177 households); and by 2.7% up to 2024 (2,128 households) and by over 6% to 2,041 (almost 5,000 households).

However, the Borough is one of contrasts with some pockets of significant deprivation in close proximity to areas of relative wealth. There are four output areas that fall into the 10% most deprived areas in the country. These are found in a number of social housing estates: White City (north western part); Charecroft; Clem Attlee; and Wormholt North.

## 2.2 CENSUS 2011 HOUSING TENURE PROFILE

The tenure profile for the Borough is as follows:

Tenure	Number of Homes	% of Homes
Owner Occupied (without mortgage)	12,777	15.9%
Owner Occupied (with mortgage)	14,620	18.1%
Shared Ownership	1,257	1.6%
Council Rented	12,683	15.7%
Housing Association Rented	12,450	15.4%
Private Rented (inc rent free)	26,803	33.3%
<b>Total</b>	<b>80,590</b>	<b>100%</b>

Source: Borough Profile 2014 (May 2014) from Census in 2011

In comparison to the information generated in 2001, there were two marked changes in the tenure profile. Owner occupiers (with and without mortgages) fell from 43% in 2001 to 34% in 2011. There was a corresponding increase in the private rented sector from 23.4% to 33.2%. During this time the population increased from 165,242 to 182,493. A further increase to 185,237 was estimated in 2013.

Specifically in relation to the Council's housing stock, this declined from 19.2% of the housing stock in the borough in 2001 to 15.4% in 2011. Housing association rented stock has increased slightly from 13.5% to 15.4% over the same period.



## 2.3 COUNCIL HOUSING STOCK PROFILE

As of July 2015, there were 12,260 council rented homes and 4,858 leasehold (and other forms of ownership) homes, totalling 17,102 homes. The council rented homes figure includes the 538 council rented homes and 149 leasehold homes on West Kensington West Kensington and Gibbs Green which have been sold to Capital & Counties PLC (Capco).

The Council's housing stock – council homes rented and sold - has the following bedroom mix profile:

### H&F Council Rented & Sold (e.g., including leaseholders' and freeholders' homes) - Bedroom Mix Profile

	BS	1BR	2BR	3BR	4BR	5BR	6BR	Other	Total
%	6.2%	32.3%	34.5%	20.5%	5.6%	0.5%	0.1%	0.2%	100%

Note: Council = council rented home; Equity Sh = Equity Share home; Freehold = former council rented property sold as a freehold on HRA land; Leasehold = former council rented property sold as a lease in an HRA building/land.

The Council's housing stock – council rented homes only - has the following bedroom mix profile:

### H&F Council Rented Homes - Bedroom Mix Profile

	BS	1BR	2BR	3BR	4BR	5BR	6BR	Other	Total
%	4.8%	34.8%	33.6%	19.7%	6.3%	0.6%	0.1%	0.0%	100.0%

## 2.4 COUNCIL HOUSING STOCK DESCRIPTION

The residential stock is overwhelmingly flatted accommodation and predominantly situated in medium-rise or high-rise blocks. Nearly half of the stock dates to before the Second World War and includes a significant number of acquired street properties, many of which have been converted into flats.

Traditional dwellings of brick construction predominate, accounting for 87% of the stock. The remainder are predominantly high-rise blocks of in-situ and/or Precast Reinforced Concrete (PRC) construction together with a small number of Cornish units. A significant 39% of dwellings are in blocks with flat asphalt or felt roofs and no pitched-roof conversions have taken place since 2005. Materials employed for roof coverings, as with walls, generally reflect the property age, 72% of the stock now has low-maintenance PVCu or aluminium windows compared to 41% in 2001. The majority of other dwellings, mostly street-based, retain timber single-glazed sashes or casements. A number of dwellings have a mix of window materials, normally the legacy of piecemeal replacements, but in some cases the result of planning constraints.

In addition, the Housing Revenue Account owned stock includes a significant number of non-residential assets including commercial premises, resident and community halls, garages, sheds and parking spaces. Specific strategies are either in place or being developed for these assets.

The **Housing Types** that make up the council housing rented stock are as follows:

Bedsits	5%
Flats	70%
Maisonettes	15%
Houses	10%

The **Stock Age** is as follows:

Pre 1919	20%
1919-44	24%
1945-64	21%
1965-79	31%
Post 1980	4%

The **Stock Archetypes** (i.e., building characteristics) are as follows:

Houses pre 1945	8%
Houses post 1945	2%
Low-Rise Flats (2-3 storeys)	7%
Medium-Rise Flats (4-5 storeys)	60%
High-Rise Flats (6+ storeys)	23%

*Source: H&F Asset Management (July 2015)*

## 2.5 COUNCIL HOUSING SERVICE DELIVERY

The Council provides a wide-ranging set of housing services, funded from the Housing Revenue Account (HRA).

Some of the services the Council provides are 'contracted out' to private sector organisations, chief amongst these are Mitie Property Services Ltd. who deliver repairs and maintenance services and Pinnacle Housing Ltd. who provide housing management services for housing stock in the south of the borough and caretaking services across the borough. Services that are funded from the HRA include:

- Housing and estate management
- Void (empty homes) management
- Allocation of accommodation
- Granting of tenancies
- Rent collection
- Garage and pramshed provision
- Asset management comprising:
  - Day to day repairs and maintenance
  - Programmed and Cyclical maintenance
  - Major repairs and improvements

Some of these services are provided to leaseholders and freeholders who have bought their homes under the Right to Buy or have bought them on the open market from leaseholders or from the Council under the former Administration's disposals programme.

## 2.6 RESIDENT SATISFACTION

Residents' satisfaction and contractor performance are measured through a performance indicator mechanism.

Estate Service Performance focuses on:

- Customer satisfaction
- Dealing with customer complaints
- 'Excellent' or 'Pass' grading of inspection of repair works
- Fly tip removal response times
- Graffiti removal response times

At the last report to the former Tenants' and Residents' Forum (now replaced by the Housing Representatives' Forum) in March 2015, four out of five of the performance targets were being achieved.

## 2.7 IMPROVING RESIDENT INVOLVEMENT

A new outline Resident Involvement Structure was agreed in November 2014. During early 2015, officers from the Council's Resident Involvement Team worked with residents – tenants and leaseholders – to improve the Team's offer to resident-led groups are in the resident involvement structure.



The aim of these groups is to give residents an opportunity to:

- influence policy review and development
- monitor service delivery
- ensure that their priority areas are reflected in the work that the department undertakes
- promote more opportunities to influence how services are managed.

The agreed structure focused on four distinct elements:

- Consultation
- Governance/Quality Assurance
- Elected representation
- Recommendation Setting (i.e. decision-making)

Further work was undertaken by a 'task and finish' Resident Involvement Structure Group (RISG) in Spring and early Summer 2015 to consider the structure in more detail.

Some further revisions to the Resident Involvement Structure were agreed and the first meetings (morning and evening) of the Housing Representatives' Forum (replacing the former Tenants' and Residents' Forum) were held on 15 September 2015.

## **2.8 ASSET MANAGEMENT APPROACH TO COUNCIL HOUSING STOCK**

The Council's housing investment approach is consolidated in the *Financial Plan for Council Homes* Cabinet Report adopted on 5 January 2015.

Following the agreement of that report (and also the approval of a £57.548m budget envelope for the housing capital programme by Budget Council on 25 February 2015), the Cabinet approved an HRA Housing Capital Programme for 2015/16 to 2017/18 financial years on 30 March 2015. The Council has an Asset Management Plan that was adopted in April 2013.

The types of work funded from the 2015/16 to 2017/18 Housing Capital Programme are as follows:

### • Category 1: Prior Commitments

These expenditure items take priority as they will be existing contractual commitments generated from previously adopted schemes.

### • Category 2: Statutory and health and safety works (capitalisation)

These expenditure items include fire safety improvements; water tank replacements; disabled adaptations; Landlord's electrical installations; capitalisation works (where day-to-day revenue expenditure is temporarily used to fund capital-type expenditure); and capitalisation of salaries and associated oncosts.

### • Category 3: Mechanical and electrical works; building structure

These expenditure items will include communal boilers; heating distribution systems; communal extract fans; lift modernisation; cyclical planned maintenance; major external and communal refurbishment; controlled access (e.g., door entry systems).

- **Category 4: Internal amenities; estate works, and miscellaneous items**

These expenditure items include internal modernisation (e.g., renewal of kitchens; bathrooms; and electrical rewiring); Estate CCTV; minor estate improvement programme; other environmental projects; tenant hall refurbishment; play areas; provision for emergency capital works; and, an over-programming provision which allows for potential 'slippage' of committed expenditure in 2015/16, but will necessarily need to be paid for in future years.

The Housing and Planning Bill published in October 2015 includes proposals to give councils a legal duty

to guarantee the delivery of 200,000 Starter Homes for first time buyers; ensure all councils have their Local Plans in place by 2017; managing high value assets effectively by ensuring the sale of such council assets that can be used to support people into home ownership; give automatic planning permission in principle on brownfield assets.

The Welfare Reform and Work Bill published in July 2015 includes extensive changes to welfare benefits, tax credits and social housing rent levels, including lowering the benefit threshold. These and other changes are expected to contribute to approximately 70% of the £12bn - £13bn in welfare savings envisaged in the Summer Budget 2015.

## 2.9 AVERAGE COUNCIL HOUSING RENTS 2015/16

Average Council rents and service charges are as follows:

Bedrooms	2015/16 Average Rents	2015/16 Average Tenant Service Charge	Rent and Service Charge
Bedsit	£84.21	£6.98	£91.18
1	£100.72	£6.44	£107.17
2	£105.18	£8.55	£113.73
3	£121.63	£6.52	£128.15
4	£148.29	£3.66	£151.95
5	£162.98	£2.29	£165.27

Source: H&F Housing Finance (20 July 2015)

## 2.10 HOUSING REVENUE ACCOUNT (HRA) BASE POSITION

The cash turnover of the HRA in 2015/16 is expected to be £77.5m. The number of staff directly employed by the Council is 240. The most recent HRA position statement was agreed by the Council's Cabinet on 5 January 2015. This comprehensive report entitled *Financial Plan for Council Homes: The Housing Revenue Account Financial Strategy, 2015/16 Housing Revenue Account Budget and 2015/16 Rent Increase* covered in detail.

- **Proposals for a long-term 40 year financial plan for Council homes that do not depend on the sale of empty council homes to outside property investors**
- **Plans for the repair and maintenance of Council homes**
- **Proposals to reduce the rate which rents and service charges increase for tenants of Council homes each year**
- **The 2015/16 budget for Council homes (also known as the Annual Housing Revenue Account (HRA) budget) including the proposed increases in rents and tenants service charges for 2015/16.**

Since that report was adopted, the Chancellor of the Exchequer's summer 2015 Budget Statement set out a number of changes that will affect the future policy 'direction of travel' for social housing. The impact on the HRA (and this Housing Stock Options exercise) is significant, as described later on in this report.

## 2.11 CURRENT DEMAND FOR AFFORDABLE HOUSING (INCLUDING COUNCIL HOUSING)

In July 2015, there were 1,872 applicants who are both eligible and qualify to be on the Council's Housing Register. The 'rules' that set the eligibility and qualifying criteria are set out in the Council's Housing Allocation Scheme (December 2012). The rules for the Scheme are tightly defined, for example, applicants need to have been resident in the borough for at least 5 years in order to qualify to be on the register.

Proposed changes to the Housing Register being consulted on in the summer of 2015 involve the relaxation of the current criteria and are likely to increase the number of qualifying applicants to at least 2,300, subject to proposed changes being implemented.

By way of responding to identified housing need, in the last financial year (2014/15), the Council made 606 nominations to applicants on its register. The majority of these – 362 – were to council homes with the remainder – 244 – to housing association homes. What the table illustrates is the 'mismatch' between the high demand for family accommodation and the low supply of available stock to meet it. Whilst the Council was successful in allocating the 606 affordable rented homes in 2014/15 to those in need, new applicants requiring support are entered on the register meaning housing demand will continue to exceed supply.



The table below shows:

- the number of allocations that were made in 2014/15 broken down by size (but with sheltered homes as a separate category)
- what that means in terms of the average availability per week of different property types
- the number of households on the register waiting for accommodation of that size type (as at 21 June 2015)

Accommodation Size	Number of Allocations	Percentage of total Allocations	Average number per week	Number of qualifying applicants on the housing register
1 bed/studio	253	41.7%	4.9	338
2 bed	153	25.2%	2.9	957
3 bed	95	15.7%	1.8	316
4 bed (and above)	18	3.0%	0.3	175
Sheltered	87	14.4%	1.7	86
<b>Total</b>	<b>606</b>	<b>100%</b>	<b>11.7</b>	<b>1,872</b>

Source: H&F Housing Options (July 2015)



**CONTEXT AND  
DRIVERS  
FOR CHANGE**

### 3.1 DRAFT BOROUGH LOCAL PLAN

Since May 2014, the key local strategic documents that have been published have been the 'Issues and Options' Draft Local Plan in January 2015 and the Draft Housing Strategy in January 2015, a final draft of which was subsequently adopted in May 2015.

The **Draft Local Plan (January 2015)** is the Council's local spatial development strategy. When adopted, likely to be in late 2016, the Local Plan will be used, together with the Mayor of London's London Plan, to help shape the future of the borough and to determine individual planning applications and deliver development. It will be supplemented by Supplementary Planning Documents (SPDs) which will need to be in conformity with the Local Plan. The Draft Local Plan identified five regeneration areas which could host a significant amount of regeneration activity over the next twenty years. These are identified as follows:

- Old Oak Common Regeneration Area (including part of Park Royal)\*
- White City Regeneration Area
- Hammersmith Regeneration Area
- Fulham Regeneration Area (which includes the Earls Court and West Kensington estates)
- South Fulham Riverside Regeneration Area

The Draft Local Plan included a vision for **Achieving sustainable communities** which featured the following principles:

- A place where people want to live and work, now and in the future.
- A clean and safe neighbourhood located in an area rich in opportunity.
- A housing mix by type, size and tenure that meets the needs of local people on a range of incomes.
- Types of residential development that are predominantly low or medium rise, consisting of houses, small scale developments of flats and maisonettes, modern forms of the traditional mansion block, with gardens and shared amenity space in street based layouts, rather than inward looking estates or gated developments.
- Good design that enhances the community.
- Well designed, accessible and inclusive buildings, public and private spaces, and active streets that respect their surroundings.
- A range of shops, local services, leisure and other facilities (including open space and play space) within walking distance that meet the needs of a mixed community at different stages of peoples' lives.
- Employment and training opportunities for a range of skills and attainment levels.
- Good levels of educational attainment and skills, achieved or sought. Schools of choice for local people.

\*Note: The planning authority for Old Oak Common Regeneration Area is now the responsibility of the Mayor of London's Old Oak and Park Royal Development Corporation.

- Neighbourhoods which enable healthy lifestyles and good access to healthcare services which will help deliver better health outcomes.
- Low levels of crime, fear of crime and anti-social behaviour.
- A street pattern linking one place to another, encouraging walking and cycling routes through areas.
- Access to good public transport services.
- Satisfaction with the local townscape, public realm and environment, and its upkeep.
- No wasted or uncared for land.
- Satisfaction with management of the public realm and the housing stock.

Source: H&F Draft Local Plan (January 2015) Section 4.7

### 3.2 HOUSING STRATEGY

The Council's **Housing Strategy** adopted by the Council on 11 May 2015 set out the following vision statement:

*This Housing Strategy aims to identify the change we need in housing and set out a plan to make this happen. Our vision is for more and better, well-managed affordable housing in mixed income, mixed tenure successful places. Implementing and sustaining that vision is dependent on a range of other factors and we seek to identify those connections in this document.*

*As set out in the Cabinet Member for Housing's foreword, this strategy is focused on changing the Council's approach to housing and the broader regeneration contribution. What is unique to the housing agenda is the manner in which it overlaps with, and on occasions is core to, delivering change in other policy and service delivery areas.*

*This means the links between housing and other agendas need to be clear. Failure would lead to the strategic interventions across all policy and service delivery areas being less than the sum of their parts. It confirms that changes need to be part of a wider, coherent approach to the economic, environmental and social challenges that local people are facing.*

*To translate that vision into reality we have identified three themes with actions for delivery:*

- Regenerating places & increasing affordable housing supply
- Meeting housing need and aspiration
- Excellent housing services for all

*Because of the scale of change that we are facing, some of the solutions we are proposing are radical and initially may be difficult for people to accept. But we are convinced that to achieve the radical scale of our ambition, we need to adopt radical solutions.*

16 actions were identified to help deliver the housing strategy vision, the first of which was to establish the Residents' Commission:

**Housing Strategy Action 1:** *The Council has established a Residents' Commission which is considering options for empowering residents to take local control over their homes, maximise investment in existing and new council homes and achieve wider local regeneration. The Commission will make its recommendations to the Council and residents later in 2015.*



Part of the Residents' Commission's work would include "...fully exploring future stock options for Council housing, fully working through the advantages and disadvantages of particular models."

Other Housing Strategy actions which directly impacted on the Council's landlord role, focused on widening the allocations criteria which govern who qualifies to be on the Council's housing register for affordable rented and other suitable accommodation; what kind of social housing tenancies are granted in the borough, principally whether to issue lifetime or fixed term tenancies; reviewing and improving the current approach to residents advice and representation and engagement.

Chief amongst the recommendations that were intended to impact on the future of Council housing in the borough was the establishment of the Residents' Commission and the strategic oversight of the stock options appraisal exercise.

### 3.3 THE MAYOR'S LONDON PLAN

A key responsibility of the Mayor of London is the publication and periodic updating of his London Plan. This is the spatial development strategy for London and the most recent iteration was published in March 2015. It is an important document as it sets the planning policy framework for London and local documents, such as the Borough's own Local Plan and its Housing Strategy should be general conformity with it.

*Strategic planning in London is the shared responsibility of the Mayor of London, 32 London boroughs and the Corporation of the City of London. Under the legislation establishing the Greater*

*London Authority (GLA), the Mayor has to produce a spatial development strategy (SDS) – which has become known as 'the London Plan' – and to keep it under review. Boroughs' local development documents have to be 'in general conformity' with the London Plan, which is also legally part of the development plan that has to be taken into account when planning decisions are taken in any part of London unless there are planning reasons why it should not.*

#### **The London Plan is:**

*The overall strategic plan for London, setting out an integrated economic, environmental, transport and social framework for the development of London over the next 20–25 years. The document that brings together the geographic and locational (although not site specific) aspects of the Mayor's other strategies – including those dealing with:*

- **Transport**
- **Economic Development**
- **Housing**
- **Culture**
- **A range of social issues such as children and young people, health inequalities and food**
- **A range of environmental issues such as climate change (adaptation and mitigation), air quality, noise and waste**

*The framework for the development and use of land in London, linking in improvements to infrastructure (especially transport); setting out proposals for implementation, coordination and resourcing; and helping to ensure joined-up policy delivery by the GLA Group of organisations (including Transport for London) the strategic, London-wide*

*policy context within which boroughs should set their detailed local planning policies the policy framework for the Mayor's own decisions on the strategic planning applications.*

### **3.4 GOVERNMENT'S BUDGET STATEMENT (JULY 2015)**

Following the General Election outcome in May 2015, the Chancellor of the Exchequer in his Budget Statement made a number of announcements which, if implemented, will have a significant impact on the affordable housing and broader welfare agendas in the country and any proposed stock retention or transfer option proposed by the Council. Specifically, Central Government is proposing:

- A reduction in social housing rents in England by 1% a year for 4 years, requiring housing associations and local authorities to deliver efficiency savings, replacing a previous agreement whereby rents would increase by Consumer Price Inflation (CPI) plus 1%.
- A Right to Buy for housing association tenants along the same lines as that available to council tenants. This would be funded by sales of high value empty local authority homes.
- To reduce the maximum allowable benefits (the 'benefits cap'), in London from £26,000 to £23,000 per year.
- To introduce a £40,000 per year gross income cap for applicants living in social rented accommodation, with households who earn more than this figure paying a market rent equivalent. This will by default mean that local authority Housing Allocation Schemes documents that set out the 'rules' by which suitable accommodation including social and affordable rented homes

are allocated will need to be revised to reflect this change.

A paper published by Central Government shortly after the Budget Statement on productivity, growth and raising living standards was entitled, *Fixing the foundations: Creating a more prosperous nation*. This document sets out in more detail the Government's national economic priorities and is effectively the framework for the Comprehensive Spending Review scheduled for later in 2015.

In *Fixing the Foundations*, the preference for the provision of new affordable low cost home ownership housing – described as *Starter Homes* – is made clear. There is no reference to Affordable Rented (or Social Rented) accommodation but there is detailed a national target of 200,000 Starter Homes, which are to be discounted by 20% for 'young first time buyers' to be built by 2020.

In summary, Central Government's proposals will be creating a range of pressures on both tenants and social landlords – council and housing association – which they will need to respond to. A particular issue relates to the proposed four year rent reduction which will restrict landlords' ability to invest in their stock on previously modelled business plans. It is also likely to reduce the potential for using future rent increases to resource new affordable housing delivery. Initial responses from housing associations indicate a curtailing of future development programmes for affordable rented purposes.

### 3.5 COMMUNITY REGENERATION LEVERAGE

When attempting to define what 'community regeneration' is in the context of this Options Appraisal, the guiding principle should be to ensure that any future housing stock investment approach creates opportunities for the people who live in the homes concerned. Such opportunities might be economic, social or environmental in nature, all helping to regenerate the places in which those homes are located.

Historically, there has been a perception that when housing investment has been undertaken, core underlying challenges such as poverty, educational under-achievement, and poor health have remained. Limited repairs and improvements are unlikely to yield opportunities to undertake such initiatives. However, comprehensive investment approaches can help meet those challenges, but the need for change needs to be evidenced and remedial approaches both planned for and funded.

The deprivation scores for Hammersmith & Fulham are high. According to the Index of Multiple Deprivation (IMD) published in 2010 by DCLG, the borough is measured the 55th most deprived local authority in England (out of 326) and the 13th most deprived in London (out of 33). So despite the borough being an economically successful place, there is significant poverty and deprivation which housing investment has the potential to alleviate. Explored below are some commonly identified regeneration themes and some responses that major housing investment can help deliver.

#### **Creating and sustaining jobs & skills for local people and reviving local economies**

Responses can include helping to ensure refurbishment contracts include clauses which support local labour in construction; 'white collar' job opportunities; and apprenticeships delivered in partnership with educational institutions. Housing organisations can play an important role in reviving local economies. The Council owns a significant portfolio of retail units, the use of which play a direct role in improving the local economy. It can also play a role in facilitating financial inclusion through credit union services as well as providing debt advice. Through the contracts they commission, local labour and local supplier provisions can be specified.

#### **Improving educational attainment**

Responses can include increased childcare provision, both nursery and crèche provision, can help give young children have a good start in life by growing up in a safe, learning environment with a nutritional diet. This can also help parents (or parent) access learning and employment opportunities in the process.

#### **Improving health outcomes**

Responses can include improving the quality of homes to a warm, weathertight standard, reducing the potential for condensation and mould growth. Providing housing which is not overcrowded; does not feature condensation and mould growth; helps improve individuals' and communities' health and well-being. Housing organisations through use of community space also help facilitate health initiatives to help reduce obesity; reduce dependency on alcohol, smoking and drug use; and generally raise health awareness in a proactive and practical fashion.

**Reducing crime and anti-social behaviour** – Responses can include ensuring that new communal and environmental space is designed with personal and community safety as the primary consideration. Management responses - particularly joint partnership working between the local authority, housing organisations, and the police - are key to addressing crime and anti-social behaviour. Victims of crime and anti-social behaviour are often the most vulnerable members and disadvantaged members of the community, e.g., older people, young people, the disabled (including those with learning disabilities); people from black, Asian and minority ethnic communities and therefore have most to gain from such initiatives.

**Increasing and widening community involvement** – Responses can include facilitating community involvement through specific housing investment-driven projects. There is a wider agenda around those who are classed as 'economically inactive' by being unable to work. These are people who might be retired; disabled; temporarily unemployed who can be more involved in the community and the wider economy, possibly through volunteering, to help facilitate community involvement and cohesion. Improving the quality and availability of community space can further achieve this outcome.

**Building more homes that people need** – As the largest single landowner in the borough, the Council is committed through its Housing Strategy to reviewing land holdings with a view to maximising affordable housing supply. Whichever option is recommended by the Residents' Commission to the Council and the land available on council housing estates represents a significant

opportunity to increase the delivery of affordable housing in the borough, in consultation with local residents.

In conclusion, some interventions may simply require more management time and money, e.g., intervening to reduce anti-social behaviour and facilitating greater community involvement. Other interventions, e.g., building more affordable homes will require both significant management time; consultation with residents; and major capital resources.

Any commitments made will need to be underpinned by both a 'business case' for each intervention and the securing of necessary resources to achieve the identified outcomes.

In the context of the Strategic Housing Stock Options Appraisal and Residents' Commission processes, the Cabinet Report of 1 December 2014, sets out a number of outcomes that a new landlord could deliver, i.e., positive incentives to change landlord. The report stated that "*Initial consideration has been given as to what key promises could potentially be given by a new Landlord that will be reviewed in the Strategic Housing Options Appraisal, these could include:*"

- **Further investment** – Maintaining the Decent Homes Standard, additional affordable housing, environmental works, street properties investment plan and Equalities Act 2011 plus accessibility.
- **Regeneration** – Estate renewal and new development.
- **Empowerment** – Independent board with resident majority, ward panels/localism, devolved budgets, setting priorities/policy/standards, selects staff/contractors, scrutiny of performance and choice.



- **Community Benefits** – Community regeneration, community engagement, community empowerment, stimulus of local economy and community identity and pride.
- **Financial** – Rent setting confidence, rent set in relation to service level and budget setting/prioritisation.

Any landlord actions above and beyond the 'core' business will need to be funded, partly (accompanied with external funding) or wholly through the Business Plan, in a realistic and robust fashion.

The scale of ambition set out in the Draft Local Plan, Housing Strategy and Mayor's London Plan has been described earlier to convey the potential role that a new organisation could play in delivering the transformational change described, but in a way that is community-led delivering the social, economic and environmental outcomes. Such an organisation would also be a useful counter-balance to the increasing number of private sector organisations that are investing in Hammersmith & Fulham, becoming a partner with other housing organisations - principally housing associations - who also have a large stake in the Borough's housing stock.

# 4

**HOW THE STRATEGIC  
HOUSING STOCK  
OPTIONS APPRAISAL  
WAS CARRIED OUT**

## 4.1 PROGRAMME MANAGEMENT AND OBJECTIVES

The programme objectives were defined within the Strategic Housing Stock Options Appraisal (SHSOA) report to Cabinet dated 1 December 2014 as follows:

- The programme delivers a SHSOA for Cabinet consideration
- In order to deliver a viable appraisal, council officers will be supported by external legal, financial, property and communications advisers
- In order that the SHSOA is based upon up-to-date and accurate information a stock condition survey of all the properties included into the SHSOA will be carried out by the property adviser
- To inform councillors in their decision making a Residents' Commission on Council Housing will be formed and will report and make recommendations the Council utilising the work carried out to deliver the SHSOA
- To support residents, but independent from both the Council and the Residents' Commission, the council will engage an Independent Tenants' and Leaseholders' Adviser (ITLA)

The approach to achieving these objectives and the governance framework supporting the Programme, were set out in the Programme Brief, which was approved by the SHSOA Programme Board on 11 May 2015. Each of the objectives above have been achieved and the details are set out in this section.

## 4.2 PROGRAMME GOVERNANCE

Following approval of the Cabinet report on 1 December 2014, a Programme Team was established to coordinate the Stock Options Appraisal process, monitor progress, support the work of the Residents' Commission and produce the final technical appraisal report.

Operational delivery of the Programme has been the responsibility of the programme team reporting into the Programme Board. The Programme Board is composed of the members of the Housing Service Management Team (HSMT), with the Senior Responsible Officer (SRO) the Director of Housing Strategy and Housing Options. The SRO is responsible for the overall delivery of the SHSOA. Membership of the Board at this level has ensured that decisions can be taken quickly and issues resolved effectively. This has also been supported by an indirect reporting line from the Cabinet Member for Housing, Councillor Lisa Homan to the Senior Responsible Officer. A direct communication and reporting link to the Cabinet has therefore been maintained.

The programme team is composed of a Project Support Officer and two Project Managers, reporting to a Programme Manager. Project Managers and the Programme Manager share the responsibility of coordinating the six work streams through as follows:

- Resident Engagement and Consultation
- Support for the Residents' Commission
- Communications

- Financial Appraisal
- Stock Condition
- Legal Advice

Coordination of each work stream has been focused on achieving the objectives set out in section 4.1 above. This process has been made visible to key stakeholders through the following regular forums:

- Departmental Management Team – Programme Board reports and meetings and workshops
- Residents' Commission – Closed Meetings and workshops
- Adviser Workshops with both advisers and officers
- Delivery Team meetings with advisers the Programme Team and Programme Board and one of the Independent Members of the Residents' Commission.

#### 4.3 APPOINTMENT OF ADVISERS

Following the establishment of the Programme Team in early February 2015 a number of key advisers were procured and then appointed from suppliers with a significant amount of experience within the sector and specifically within the field of optional appraisals and stock transfers as follows:

- **Independent Tenants' and Leaseholders' Adviser** - TPAS UK Ltd - Provision of independent advice and support to the tenants and leaseholders throughout the Strategic Housing Stock Options Appraisal and provision of monthly briefings for housing staff. Delivery of a final report to outline key findings and conclusions of resident engagement during the SHSOA.

- **Communications Adviser** - SKV Communications Ltd – Provision of strategic communications advice including the development and design of communication material such as the website, newsletters and estate noticeboard posters.
- **Property Adviser** - Savills (UK) Ltd - Provision of a sampled, warrantable stock condition survey, specialist structural surveys and expert property advice. Delivery of a final report to outline key findings and conclusions of stock investment requirements.
- **Financial Adviser** - Capita Property & Infrastructure Ltd – External validation of HRA Business Plan and development of retention and transfer models for the financial appraisal of models to be included in Strategic Housing Stock Options Appraisal. Delivery of a final report to outline key findings and conclusions of retention and transfer models.
- **Legal Adviser** - Trowers & Hamblins LLP - Provision of expert legal advice and support to the Council and Residents' Commission during the Strategic Housing Stock Options Appraisal. Assurance and review of newsletters and delivery of final legal report.

Further details of the work undertaken by each of the advisers above is set out in section 4.6.

#### 4.4 KEY ASPECTS OF THE SHSOA PROGRAMME

Standard programme management techniques have been used to manage and monitor the SHSOA programme, including agreed governance and reporting structures. However the programme is unique in its usage of alternative techniques to coordinate



and monitor the programme, as well as ensure that all relevant stakeholders are engaged and empowered, examples of which are set out below:

- **Role of the Chair of the Residents' Commission** – The Chair has not only overseen the work of the Residents' Commission but he has also acted as vital communication link with the Cabinet and officers of the Council via the following channels:
  - Regular updates and contact with the Leader and Cabinet Member for Housing.
  - Regular updates and contact with the Departmental Management team with Housing Service.
  - Meetings with key Directors/Managers on specific topics such as investment, regeneration and business intelligence etc.
  - Direct engagement with Tenants and Residents Associations (TRAs) by the Chair.
- **Relationship between the Programme, the Commission and the Advisers** - Programme Management has not precluded the building of relationships between the advisers and the Project Managers or liaison between the Commission and the advisers.
- **The Resident Engagement programme** - This has featured a combined approach to engagement from the Chair of the Residents' Commission, Commission Members, the ITLA and the Resident Involvement team. Focus has been on early resident engagement to raise levels of awareness amongst residents about the work of the Commission and to provide evidence of residents' views on investment in their homes and future management arrangements.

- **Involvement of the Independent Members of the Residents' Commission** - The Independent members of the Commission have provided guidance and support to the members of the Commission and in depth quality reviews of the appraisal process and the subsequent evaluation of the options.
- **Communications** - A visible timeline reporting system has been introduced from the start of the programme to ensure that progress was visible to the Residents' Commission and key stakeholders.

## 4.5 KEY ASPECTS OF THE APPRAISAL PROCESS

### The Golden Thread

Given the context in which the Stock Options Appraisal has been carried out, the golden thread can be defined as the focus on the needs and views of residents. Key elements of the golden thread can be set out as follows:

- As part of the process of gathering evidence to support its recommendation, the Residents' Commission has collated an extensive body of evidence to support future improvements to housing services and investment in residents' homes.
- The Resident Engagement Programme also focused on obtaining residents' views about the future of their homes and improvements to services and investment.
- The Stock Condition Survey carried out by Savills included both estimated costs for maintaining residents' homes over the next 40 years and future improvements.



- The financial appraisal considered in depth how to maintain the financial viability of services and investment in residents' homes, again over that 40 year period.

### **Involvement of housing and corporate officers and teams**

The expertise of housing officers both local and technical has been used to inform the appraisal process at each key stage. For example, the Resident Involvement team worked closely with the ITLA to develop and implement the Engagement programme. The Asset Management team were closely involved in the set up of the stock condition survey, providing information relating to the stock and current work programmes as well as undertaking the final quality review. Officers from across the Council contributed to the Corporate Impact Assessment, which was undertaken as part of the Financial Appraisal.

This approach has improved the quality and depth of the appraisal process and enhanced officer awareness of the SHSOA process.

### **Quality Review Process**

As part of the governance structure a quality review process was implemented encompassing all aspects of the appraisal process.

- Report outlines were approved before drafting commenced to ensure that all aspects were covered.
- Quality reviews were undertaken by technical and financial officers at each stage of the appraisal process, including the stock condition survey and the business planning process.
- Independent members of the Residents' Commission provided professional advice and guidance

during the appraisal process.

### **Benefit Realisation**

Benefits arising as a result of carrying out an SHSOA have also been identified as part of a benefit mapping exercise carried out by the Programme team including:

- A stock condition survey resulting in an increase in the quantity and quality of financial information available for both asset and financial planning in the future.
- Enhanced resident engagement as a result of the activities of the Commission and the stock appraisal evidence gathering exercise.
- Production of a blueprint for improvements to housing services in the future.

### **4.6 INDEPENDENT TENANTS' AND LEASEHOLDERS' ADVISER (ITLA)**

TPAS was appointed on 21 April 2015.

- The ITLA has worked with the Resident Engagement team and the Programme team to develop an engagement programme with two key elements:
  - A programme designed to raise awareness, as well as promote and encourage residents to participate through a variety of methods.
  - An information and education programme in order for tenants and leaseholders to become more knowledgeable and more confident about the work of the Residents' Commission.
- At regular intervals the effectiveness of the programme was reviewed with the Resident Involvement team and the Programme team.

- They have also conducted a skills assessment of the Residents' Commission prior to designing and implementing a training programme for the Residents' Commission.
- TPAS worked with the Programme Team to develop and implement a staff engagement programme and they delivered monthly staff briefings between June and October 2015 in each of the four housing offices. Staff have been kept informed of progress and given the opportunity to comment and raise issues.

Full details of the work carried out by the ITLA and TPAS can be found in Annex E.

#### 4.7 PROPERTY ADVISER

Savills conducted the stock condition survey during June and July of this year, following their appointment on 10 April 2015. The key features of the approach to this part of the process were as follows:

- Extensive preparation and research in advance of the onsite survey to ensure that a comprehensive approach to the survey was taken.
- Savills then condensed their research into a sample strategy for the onsite survey, which was approved by the Director of Asset Management and Property Services.
- They also undertook an Impressionistic Survey of properties to confirm that the sample strategy was correct before the start of the onsite survey.
- A detailed review of the treatment of related assets was undertaken for the financial modelling.
- A validation and quality review exercise was carried out with the Asset Management team at each

stage.

- Specialist Surveys of non-traditional blocks were included again to ensure that potential additional costs were taken into account.
- Savills then presented the results directly to the Residents' Commission to provide them with a comprehensive picture of future investment requirements.

The Stock Condition Report is contained in Annex C.

#### 4.8 FINANCIAL ADVISER

Capita carried out the financial appraisal between June and September this year, following their appointment on 10 April 2015. The key features of the approach to this part of the process were as follows:

- Validation of the HRA 2015/16 Business Plan.
- Corporate Impact Assessment of General Fund Recharges to the HRA.
- Stock reconciliation and validation to rent data.
- Tiered modelling based on the retention and stock transfer options.
- Investigation into the impact of the Chancellor's Summer Budget 2015.
- Modelling based on the evaluation criteria and options analysis from the Residents' Commission.

The Financial Appraisal Report is contained in Annex D.

## **4.9 COMMUNICATIONS ADVISER**

The Communication adviser, SKV Communications Ltd was appointed on 24 February 2015. The adviser has worked with the Council's Corporate Communications team, the Programme team, the Independent Tenants' and Leaseholders' Adviser (ITLA) and the Residents' Commission to develop a Communication and Consultation Strategy, which was approved by the Programme Board on 27 July 2015.

They have also supported the ITLA with the development of appropriate materials for their part of the Communication and Consultation Strategy and implemented the Strategy with the support of Corporate Communications and the Programme Team.

The effectiveness of the Strategy has been assessed at regular intervals and adjustments made as appropriate.

SKV created newsletters and a pocket guide as part of the Strategy and, through NEMS Market Research Ltd carried out a residents' telephone survey at the end of the Engagement Programme.

A key success of the programme was the development and running of a website for the Residents' Commission which received over 19,000 hits.

### **4.10 LEGAL ADVISER**

The Legal Adviser, Trowers & Hamblins LLP appointed on 19 February 2015 reviewed the stock condition survey brief to ensure that it will satisfy funders requirements should full or partial transfer be recommended.

They have also assisted the Council in identifying the stock options available for inclusion within the financial

appraisal process.

Trowers & Hamblins LLP also advised the Council on the setting up the Residents' Commission and provided advice and support to the Commission once it was operational.

They have also provided advice on the requirements of the HCA, GLA, DCLG and Her Majesty's Treasury (HMT) and assisted the Council, Communications adviser and Independent Tenants' and Leaseholders' Adviser on the development of a Communications and Consultation Strategy.

They have reviewed all reports and provide the legal implications of the SHSOA for inclusion in an annex to the SHSOA report and provided ad hoc advice on other legal issues as necessary.

The Legal Adviser has advised the Residents' Commission when considering its recommendations to the Council to ensure that they are concise and deliverable.

### **4.11 THE WORK OF THE RESIDENTS' COMMISSION**

#### **Establishment of the Residents' Commission**

On 1 December 2014, the Cabinet approved the establishment of a Residents' Commission on Council Housing to oversee a stock options appraisal programme and to make recommendations to the Council on the future management and ownership of the Council's housing stock. The report to Cabinet envisaged a report back from the Commission to the Council in autumn 2015.

At the end of 2014, the Council advertised for an independent person to chair the Residents' Commission. 16 applications were received and a

number of applicants were interviewed by a panel of members and residents. As no appointment was possible from this process, an approach was made to the Right Honourable Keith Hill, former Minister for Housing. After interview, using the same format as that for earlier applicants, Mr Hill was appointed to chair the Commission in February 2015.

Residents were invited to apply to join the Commission in February 2015 via a letter from the Cabinet Member for Housing. Over 100 applications were received. Tenants and Residents Associations nominated four residents to sit on the selection panel. Together with the Commission Chair, and with the support of the Tenant Participation Advisory Service (TPAS) they carried out the shortlisting and interviews for the Commission. No council officers or members took part in the selection process.

Mr Hill appointed three independent experts to serve on the Commission.

- Anthony Mason responsible for finance and regulatory advice.
- Joanne Drew responsible for organisational effectiveness.
- Peter Bevington responsible for engagement.

The Commission is made up of six tenants, three leaseholders and three independent experts. The members of the Commission are: Andy Robson (Leaseholder), Anthony Mason (Independent), Anthony Wood (Tenant), Joanne Drew (Independent), Jonnie Ghazi Quick (Leaseholder), Kim Shearer (Tenant), Lorna Wynter (Tenant), Mathias Kulubya (Leaseholder), Paul Ekudo (Tenant), Peter Bevington (Independent), Shirley Cupit (Tenant) and Sofia Saraiva (Tenant).

At its inaugural meeting on 27 March 2015, the Commission had a preliminary discussion about their Terms of Reference and how they wished to operate. Their intention was to agree the Terms of Reference at their second meeting on 16 April; however, following a number of revisions, the Terms of Reference were endorsed by the Commission on 17 June 2015.

### **Involving residents in the work of the Commission**

The Commission produced a work plan to report in the autumn, having considered the wide range of options available to give residents more control over their homes. The Commission took evidence from independent housing experts, council officers, community groups, residents and members of the public. While considering the legal, financial and governance issues of any potential future ownership and management model, the Commission committed to engaging fully with tenants and leaseholders, explaining the various options open to the Council.

The Commission has communicated regularly with residents to explain the options it was considering and to give opportunities for feedback so that the Commission fully understood the aspirations which residents have for their homes and estates. Monthly newsletters were distributed by the Commission along with a dedicated website, public hearings and estate engagement events across the borough.

### **The Residents' Commission Evaluation Process**

The timetable set out in the Cabinet report envisaged that the Commission would be set up and external advice procured by the end of April 2015.



The programme remained largely on track and the Commission held its first meeting on 27 March 2015. Procurement of the external advisers was completed in April 2015. The Commission held nine public hearings and invited evidence from residents, housing experts and other stakeholders after the General Election on 7 May 2015.

In addition, a number of study visits were undertaken to a wide spectrum of Registered Housing Providers to allow the Residents' Commission to see at first hand their approach to different transfer and retention governance models. The details were then discussed at Commission meetings and highlights added to the Commission website.

A 'strategic overview' of the appraisal process carried out by the Programme Team was also carried out by the Residents' Commission through workshops and presentations with each of the advisers, supported by the ITLA. This included training sessions for Commission members and workshops designed specifically around the work of the Commission at each stage.

The results of their evaluation process and recommendations are included in the Residents' Commission Report to the Council in Annex A.

#### **4.12 OVERVIEW OF THE APPRAISAL METHODOLOGY**

The key focus for the Programme Team was to bring together the various work streams in a coordinated appraisal process, which would achieve the objectives set out by the Cabinet Report on 1 December 2014.

#### **Stock Condition Survey**

The onsite survey commenced with a desktop Impressionistic Survey of the estates involved in the survey to confirm that the agreed sample methodology was appropriate. Various workshops were carried out at the same time with officers from the Asset Management team to examine the costs associated with other types of properties owned by the Council but not included within the onsite survey. These included garages and commercial properties. Reviews of current responsive repairs and cyclical decorations programmes were also carried out.

Once the onsite survey was completed, Savills completed the analysis of the data and a validation exercise was carried out with officers from the Asset Management team, before being presented to the Residents' Commission of 10 August 2015.

The results of the survey are set out in Annex C.

#### **Financial Appraisal**

The early stages of the financial appraisal process commenced with a detailed review of the HRA Business Plan for 2015/16 with officers from the Finance team. A Corporate Impact Assessment was completed in August 2015 by the Programme team to assess the financial impact on the Council of services currently being supplied to the Housing Service, which may no longer be required in the event of a transfer. Services as diverse as pest control, HR and IT systems were included in the assessment process.

The number of properties included within the stock condition survey were also reconciled with the properties contained within the Business Planning

Model to ensure that income from rents and the expenditure on investment in the stock represented by the Stock Condition Survey were the same. The new Stock Condition Survey was then added to the Business Plan to build financial plans for the retention model and the transfer model and to assess the financial viability of each option. The results of the financial appraisal are set out in Section 6 below, with the detailed financial appraisal process contained in Annex D.

What follows are the summaries of the Stock Condition Survey; the financial appraisal; and the independent tenants' and leaseholders' adviser reports (with full documents in Annexes C-E). Legal, communications and consultation advice has informed the Residents' Commission process, but do not feature as separate documents to this report.

Befitting the Commission's transparent approach they committed to publish as many documents and evidence on their website.



5

**SAVILLS' STOCK  
CONDITION SURVEY  
REPORT - SUMMARY**

Savills (UK) Ltd were appointed by the Council as its Property Adviser to provide expert advice and guidance to support the Council in completing a stock options appraisal. This component of the Strategic Housing Stock Options Appraisal underpins the whole exercise. In summary, Savills' brief was to appraise the condition of the stock and assess what its investment requirements would be over a 40 year period. Below is the Executive Summary of the full report which can be found in Annex C to this report.

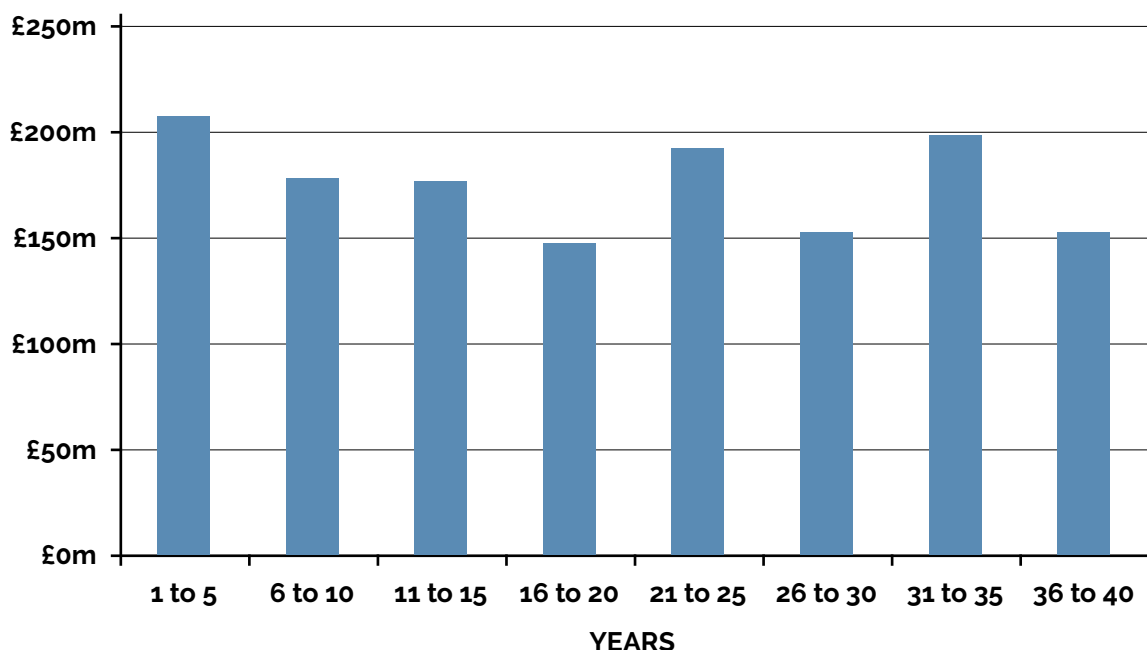
## EXECUTIVE SUMMARY

Savills were instructed by Hammersmith & Fulham Council to undertake a sample stock condition survey in April 2015. The main objective of the survey was to provide the Council with robust information relating to the level of investment required to the stock over a 40 year period across all areas of investment. This survey was not intended to be an asset management survey.

In accordance with your instruction we have undertaken a stock condition survey of your housing stock with a view to assessing the current and future repairs and maintenance liability. Of a total of **11,722** rented dwellings we have surveyed **1,362 (11.6%)** internally and externally. This stock total excludes properties located within West Kensington and Gibbs Green estates and Edith Summerskill house where the properties were assessed by way of a desktop study of available stock data.

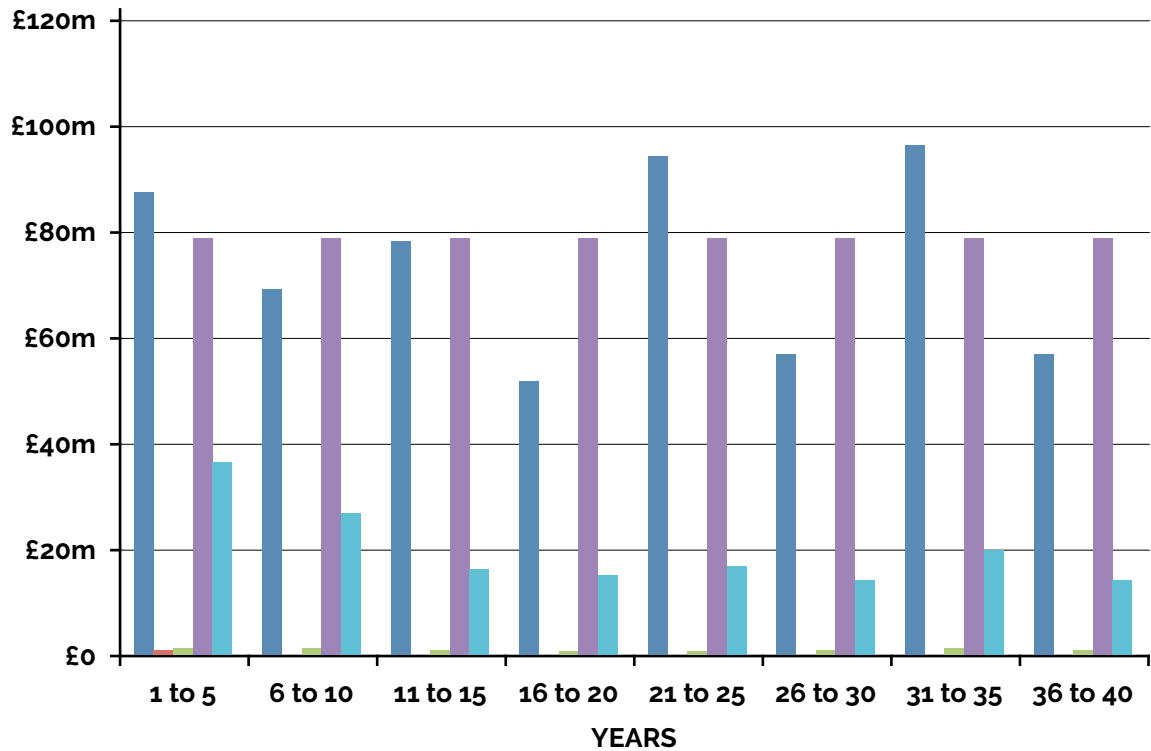
The total forecast expenditure to maintain the stock to a reasonable standard including revenue expenditure over 40 years is estimated at **£1,405,760,351 (£1.4 billion)**. This equates to **£119,925** per tenanted dwelling or **£2,998** per dwelling per annum. The costs are at a base date of September 2015 and comprise all items of capital and revenue maintenance expenditure and include contract preliminaries, but excludes professional fees, management costs, VAT and inflation. This expenditure is shown graphically on the chart below.

### 40 year investment (all categories)





## 40 year investment (by category)



■ Catch Up / FMW

■ Related Assets

■ Contingencies / Exceptional Extensives

■ Improvements

■ Revenue / Disabled Adaptions

This profile illustrates that the peak of investment required to the stock is in the short term, following which the investment level reduces before fluctuating reflecting the existing condition of the stock and future life cycle replacements.

The graph above illustrates the overall expenditure profile over the same time period, but broken down across the key investment headings.

This graphic demonstrates that the Future Major Works (FMW) category (replacement of existing building elements derived from the survey) is the main driver in the overall investment profile in the short term, and reflects the existing condition of the stock, along with the contingency/exceptional extensive category that allows for undertaking additional structural and compliance works where required. This graphic also

demonstrates the continuing need to invest in existing ongoing regimes regarding cyclical, void and responsive maintenance (Revenue).

Externally, the fabric of the properties is generally sound with a majority of dwellings benefiting from replacement windows (albeit that a significant number of older street properties require window replacements over the short term). Only limited roof replacements have been identified in the short term, however the survey has identified investment over the next 5 years for associated roofing works such as fascia, soffits and gutters etc. In addition to this the survey has also identified early investment to external areas such as fencing and paths, and common areas and facilities.

Internally, a large majority of properties have a full central heating system and cavity/loft insulation where

appropriate. Whilst the survey has identified evidence of significant internal investment in the past specifically to areas such as kitchens and bathrooms, the survey has identified the need to maintain the investment in these areas over the short term to replace internal elements as required.

The spread of costs for Future Major Works (capital replacement works derived from the survey) is split over the 40 year forecast period with approximately **£206.2m** (35%) required for external works and approximately **£388.2m** (65%) for internal works. However over the next 5 years approximately **£37.7m** (43%) of the investment is to the external areas, compared to approximately **£49.9m** (57%) for internal works. In addition to this the survey has also identified approximately **£0.5m** of Catch/Up works to rectify early failing elements and/or repair items.

The programmed renewal works to dwellings (over 40 years) is supplemented by a **£1.0m** improvement programme that will provide new or improved amenities to dwellings that currently do not exist. This typically comprises items such as installing additional cavity wall and loft insulation.

Various "related assets" exists within the stock, namely: Garages, un-adopted areas, shops, commercial units, hostel and support schemes. Following a review of these assets **£9.9m** over the 40 years has been identified to adequately maintain these areas.

The responsive/void and cyclical, or 'revenue', works total **£465.2m** (circa £11.6m per year) and **£142.0m** (circa £3.5m per year, which is made up of

£2.3m of servicing items and £1.2m of decorations based on a 7 year cycle) respectively over the 40 year forecast period. These costs were derived from reviewing historic expenditure and will ensure that existing commitments in this regard will continue to be met.

Under a specific investment category we have allowed for all exceptional extensive works such as statutory compliance work, structural work to the non-traditional stock and scaffolding and complex mechanical and electrical works. This investment category equates to approximately **£140.7m** over the 40 years.

In addition to the above we have also made an allowance of **£23.7m** (4% of Future Major Works) over the 40 years for associated contingencies in delivering the capital programme.

All information recorded during the stock condition survey has been loaded onto a Microsoft SQL database and this has been used as a basis for analysing the data and producing the cost reports. This information has been provided to the Council for on-going use.

The site inspections were carried out during quarter 2 and 3 of 2015.



**CAPITA'S FINANCIAL  
APPRAISAL REPORT -  
SUMMARY**

## EXECUTIVE SUMMARY

Hammersmith & Fulham Council appointed Capita Property & Infrastructure Ltd's Housing Consultancy team to provide clear financial guidance to the council and key stakeholders so that it can make decisions on the best ways to meet its housing objectives through its

Strategic Housing Stock Options Appraisal (SHSOA) programme.

### Options considered

The table below sets out the options available and those that have been considered in detail in the financial appraisal, and reasons why others have not:

Option	Treatment
Retention in full – ownership and management remains with the Council using in-house service	Considered in full as part of the report
Retention – ownership with Council, management via the set up of a new ALMO	Discussed, but disregarded for the modelling within the report as the Council only recently took the decision to close its ALMO in March 2011 and undertook an appraisal which at that time suggested the in-house option was more viable
Retention – ownership with Council, management with Council, but some estates managed by Tenant Management Organisation (TMO) or Estate Management Board (EMB)	Discussed but as per partial transfer option below, not considered to be a solution that would provide a fair solution for all of the council's housing stock
Stock transfer (LSVT) of all housing stock including Earls Court (West Kensington & Gibbs Green (WK/GG)) estates	Legal opinion obtained suggests that the transfer of the West Kensington and Gibbs Green estates as part of a full LSVT is not possible due to the contractual nature of the land sale of those estates to Capco. This will mean that the Council needs to retain the 538 units in an HRA and consider transfer for the rest of the stock at this time. The Council is still free to decide who manages the 538 homes, but ownership would remain with the Council. On completion of the Earls Court scheme, it should be possible to transfer the remaining homes to a housing association landlord and close the HRA once this is done.
Stock transfer (LSVT) of all housing stock with the exception of West Kensington and Gibbs Green estates	Considered as part of the report with discussion around the pros and cons of the typical landlord solutions, including transfer to a new stand-alone Registered Provider (RP) through to amalgamation within an existing landlord



Option	Treatment
Partial stock transfer – transfer of individual sets of stock rather than the majority	Not considered as there were no clear estates or types of stock highlighted as being suitable for partial transfer, and this option does not provide a solution for all of the stock

### Modelling undertaken as part of the appraisal

The table below sets out the relevant full financial models that have been prepared as part of the financial appraisal for the retention (R) and transfer (T) options. Yellow cells indicate where the variations occur. The report will also set out a number of sensitivities which show the variation on the output of the modelling in response to assumption changes. The retention models (R) will provide financial cashflow modelling over 40 years of the council's Housing Revenue

Account (HRA) and the transfer models (T) provide financial cashflow forecasts of a stock transfer housing association and a retained HRA containing only the West Kensington and Gibbs Green (WK/GG) properties. R2 and T4 will be the main models used in the report to provide the results of the financial appraisal. All models are based on a July 2015 stock condition survey prepared by Savills, which is designed to provide a minimum level of investment per annum required to maintain the properties to a reasonable standard.

Option		HRA Model	Transfer Model	Start Date	Main Stock	WK/GG	Equity Share	Rents	SCS Std	VAT%
Retention	R1	Yes	No	2015	12,260	inc stock	16	Old	Minimum	N/A
Retention	R2	Yes	No	2015	12,260	inc stock	16	New	Minimum	N/A
Transfer	T1	Yes - retained WK/GG	Yes - Main stock	2015	11,722	538	16	Old	Minimum	50%
Transfer	T2	Yes - retained WK/GG	Yes - Main stock	2015	11,722	538	16	New	Minimum	50%
Transfer	T3	Yes - retained WK/GG	Yes - Main stock	2015	11,722	538	16	New	Minimum	75%
Transfer	T4	Yes - retained WK/GG	Yes - Main stock	2017	11,622	538	16	New	Minimum	75%

## SUMMARY OF FINDINGS

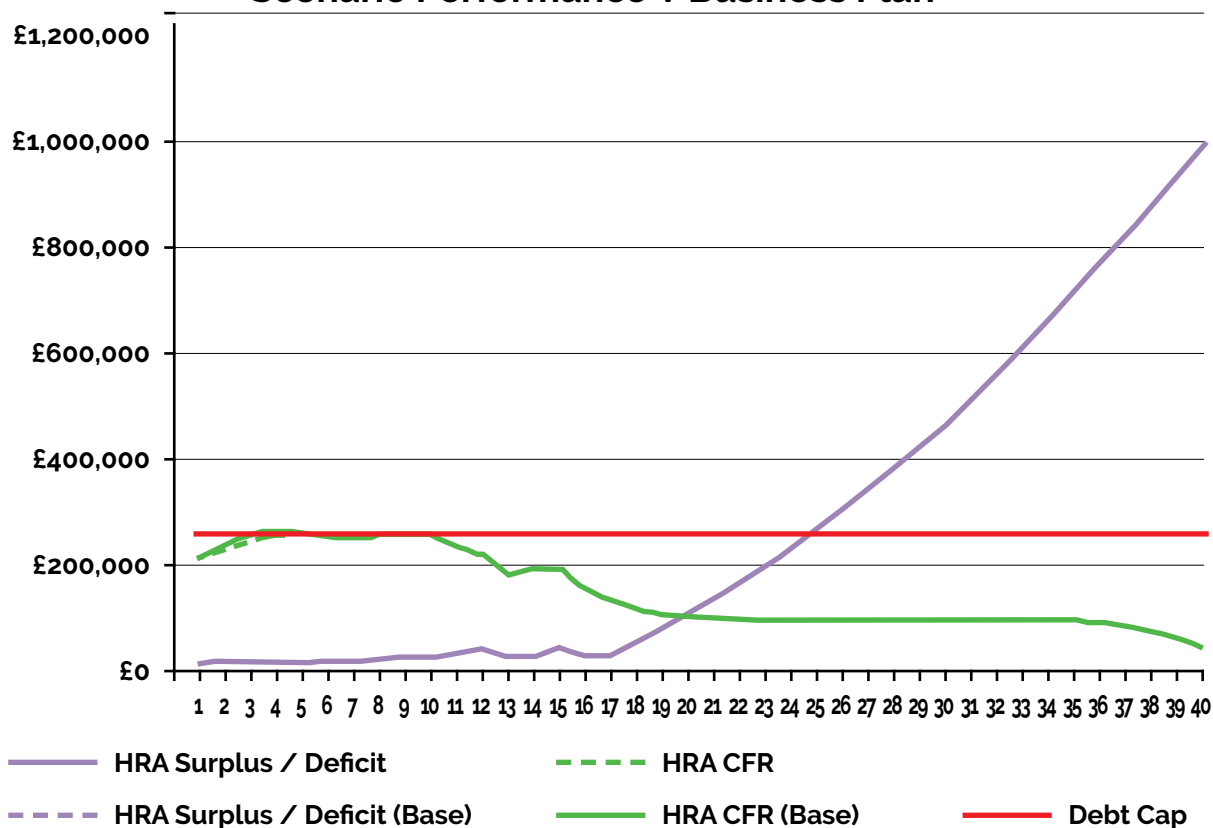
### Retention of all stock

R2 is a business plan for the HRA which contains all current HRA housing stock. The modelling reflects the rent regime that was announced by the Chancellor of the Exchequer on 8 July 2015, to reduce rents by 1% per annum for each of the next 4 years from April 2016, allowing no inflation. It reflects the very latest estimate of the minimum level of investment per annum required to maintain the properties to a reasonable standard as calculated by stock surveyors, Savills, in July 2015, together with the capital budgets for works already promised to residents for 2015/16 and 2016/17. This model also assumes that the plans for the redevelopment of West Kensington and Gibbs Green estates under the land sale to Capco, are achievable in line with the assumptions made. These assumptions are that:

- Leaseholder properties and other RP properties required to be bought back

- from owners to redevelop the area can be bought at the estimated values;
- That the properties can be purchased at the right time and that the vendor can be re-housed without delays;
- That the funding from Capco in the form of receipts in advance of land transfer is available;
- The replacement homes not taken up by leaseholders and freeholders are available for sale in year 10 and can produce the level of sales receipts estimated;
- There is no slippage in the currently predicted timescales for the redevelopment of the site and therefore the capital receipts are realisable within the expected timescales in the HRA to fund the required investment whilst the council is at its debt cap and unable to borrow.
- The compensation and replacement home deal for residents is as set out in the draft contracts appended to the Land Sale Agreement.

### Scenario Performance V Business Plan



The graph shows that the current full HRA projections (R2) would mean that the Council would need to borrow to its maximum debt cap of £254m by 2018/19 and stay at that level until 2024/25. Combined with this, it shows that even to achieve this, the HRA revenue working balances would need to fall between £1m and £3m below the level considered prudent in years 4 to 8 as a result of loan repayments due. Taken together, in the next 10 years, this will mean a short fall on investment compared to the needs of the stock identified in the survey of around £67.5m through borrowing restrictions and an additional £1m due to use of HRA reserves not considered prudent.

If the £67.5m of work is re-phased to a time when it can be afforded then the works need to be pushed back annually from years 5 to 10 and would only be completed in year 15. This figure is heavily reliant on receiving realisable capital receipts (which only happen when the land transfers) from the West Kensington and Gibbs Green estates at the expected time and delays would cause the figure to rise. The push back of capital investment brings with it the risk that in not doing the works at the correct time it leads to increased repairs costs and/or void properties and loss of income. Either of these outcomes would reduce the resources available for investment and exacerbate the problem of reduced investment still further.

The HRA modelling assumes that:

- The Council resumes movement to target rent post budget cuts and CPI+1% + £1 rent rises in accordance with pre budget assumptions
- The effect of forced void sales is not included
- The effect that increasing rents

for high earners may have is not included

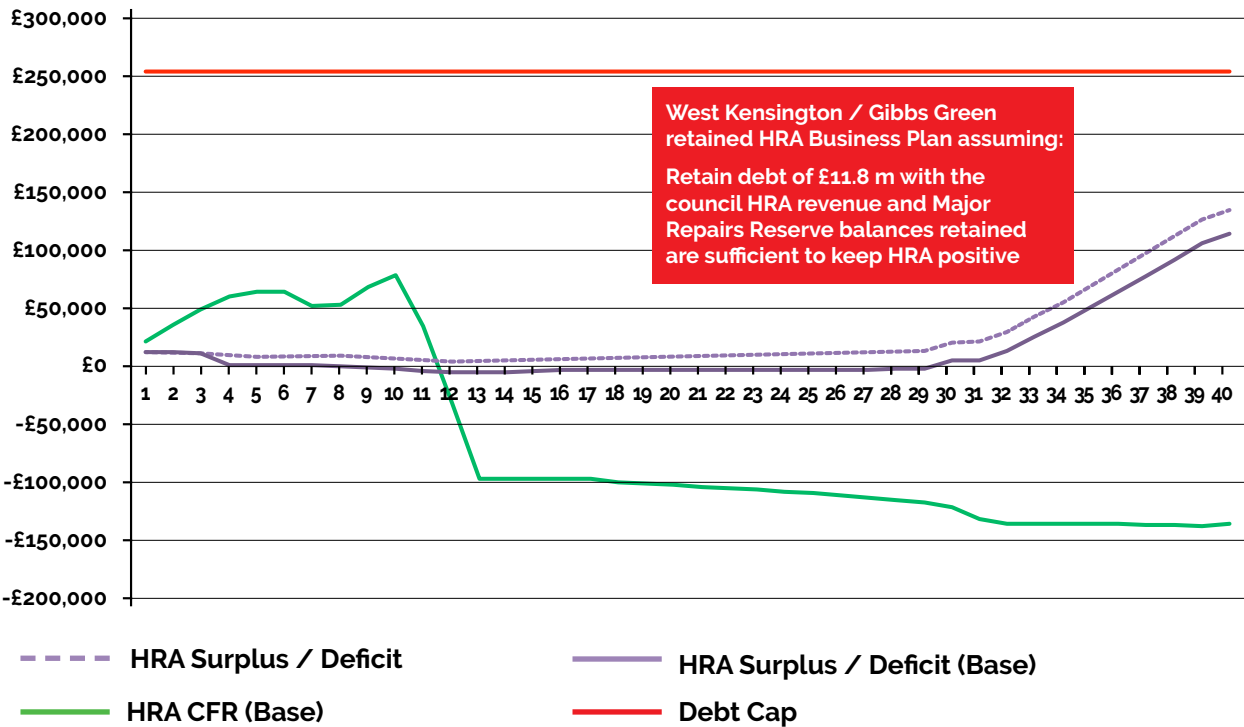
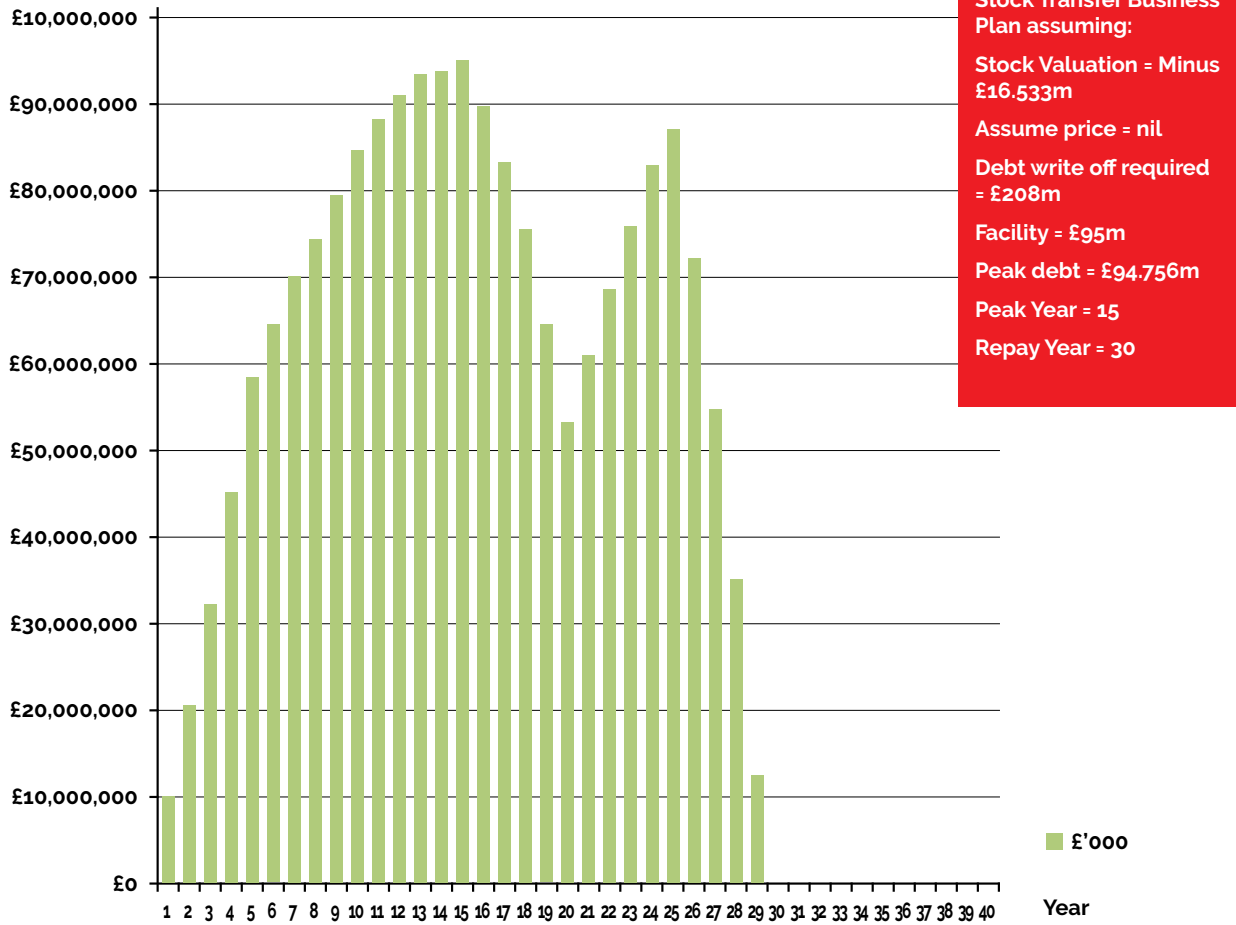
- Any cost pressures on the buy-back of properties within the West Kensington and Gibbs Green scheme do not materialise
- West Kensington and Gibbs Green realisable receipts assumed from 2017/18 – this is still to be confirmed

The Council's HRA is in a position whereby the costs of managing and maintaining the stock will keep flowing whilst the regeneration work is happening at the same time. The two investment requirements are applying pressure to the business plan at the same time. The regeneration work is committed and therefore has a first call on the HRA resources. It would be advisable to have headroom in the HRA available to protect the Council in the event of up to a 2 year delay in receiving the West Kensington and Gibbs Green realisable receipts to avoid further delays in capital investment and the uncertainty of the availability of the receipts, however the current assumptions show that this cannot be accommodated. The new imposition of rent reductions from April 2016 leaves the Council with fewer resources in the immediate future and therefore some very difficult decisions to make.

### **Transfer of all stock plus retention of West Kensington & Gibbs Green development**

T4 consists of a stock transfer model (LSVT) for the main stock of 11,622 properties (11,722 as at July 2015 less an assumed 100 properties sold under RTB in 2 years) and a HRA retention model of 538 Council tenanted properties/replacement properties that are part of the West Kensington and Gibbs Green Land Sale.

### Funding Profile





The modelling shows that a transfer of the main stock and the write off by the Government of the associated HRA debt estimated at £208m, could produce a fundable business plan for the transfer organisation, if the new landlord pays nothing for the stock. What this means is that despite the fact that the valuation of the stock is negative (- £16.533m here) as a result of the assumption that rents will be cut by 1% per annum for four years, a transfer landlord could still repay the loan the builds over time (i.e. year 15), to £95m within 30 years. This also means that the landlord would be able to undertake works at the time that they are needed to maintain the stock and manage the services as assumed in the HRA. The £95m facility required would be for the management of the existing stock only and there may be additional facilities made available for new build opportunities not available in the HRA due to the debt cap.

In addition, the retained HRA model can be seen to be managed with a positive HRA revenue balance to deliver the sale and replacement of the West Kensington and Gibbs Green estates and generate capital receipts post year 10, which may be of use in agreeing a business case for transfer. It can be seen that the scheme requires a high level of borrowing up to year 10 (£79m) but then capital receipts are generated after year 12 as properties received to replace leaseholder buybacks are sold.

It should be noted however, that the valuation of the stock is negative and in the past would have been eligible for additional Government "gap funding" to support the fact that the income expected over time is less than expenditure. This form of funding is not currently available and as such this means that the business plan is

under more pressure and has less of a margin to support additional costs. This version of the transfer business plan does not therefore include any cost associated with the set up costs of a new organisation and this may be something that has to be funded from Council resources. A recent ALMO stock transfer of 5,000 units had a budget for set up costs of around £2.5m. The cost is not fully variable with stock numbers, but would be higher than £2.5m for Hammersmith & Fulham.

In summary, the retention solution comprising of an HRA for all stock will mean that some properties may not receive the investment they require at the right time, which will lead to further repairs costs and/or increased void properties. It is the high level of borrowing in the early years to support the West Kensington and Gibbs Green scheme combined with the immediate rent reduction and structural works to tower blocks which is causing the Council to hit its debt cap. However, if the main stock and the West Kensington and Gibbs Green stock are separated by means of a transfer, then it would appear that both the main stock investment and the West Kensington and Gibbs Green scheme could be achieved at the right time without either scheme's investment requirements impacting upon the other.

### **Benefits of arising from transfer**

The three LSVTs that have taken place since the introduction in 2012, have been required to show that there are benefits to the Government arising from stock transfer that would warrant the funding of the write-off of debt. These have so far been:

Benefit of Transfer	Saving Generated to Government
Irrecoverable VAT on costs to housing association	Any VAT not reclaimable by an Housing Association is additional revenue to Central Government over time
Avoidance of long term empty homes (especially blocks of properties)	Tenants placed in private rented homes if the Council cannot maintain social homes – Local Housing Allowance (LHA) for a private rented home is greater than Housing Benefit (HB) for a social home. The Government save the difference in cost if voids are avoided
New build homes	Moving tenants from private rent to social rent saves Government value of LHA-HB. Government saves from new homes. Benefit calculated based on weekly rent values
Additional jobs/ avoid lost jobs	Increased tax revenue/reduced benefits costs/ economic impact on local area
Additional apprenticeships	Increased tax revenue/reduced benefits/social welfare increased
Energy efficiency/structural & thermal works (non-traditional build)	More cash in tenants' pockets - positive mental health effect/reduced health costs
Newly arising non-decent homes being able to be brought to decent standard	Avoids private letting costs
Additional investment in the stock/area	More sustainable homes/better neighbourhoods/lower ASB costs
Regeneration of areas	Attraction of investment to areas generates economic benefits from employment and private investment in community initiatives/schools
Council includes land in transfer that could be deemed to attract additional private funding for new build	New build benefits as above

These benefits have not however so far ever had to cover debt write-off relating to an assumed cut in rents. The debt write-off required usually arises from differences in the level and time of capital investment compared to the self-financing assumptions and the addition of VAT on costs. The level of debt write-off relating to the rent cut is estimated to be £110m (the amount assumed to reduce the valuation to nil rather than minus £16.533m), with the additional £98m (excluding debt premia) relating to costs of works that need to be done in the early years rather than on an average basis, irrecoverable VAT and pressures on debt recovery arising from new Central Government policies. The debt write-off relating to the rent reduction will require a conversation with GLA / DCLG. This is a fundamental change in rent policy and is over and above the cost/benefit requirements placed on the most recent transfer organisations.

### **Other areas to consider to bridge the gap**

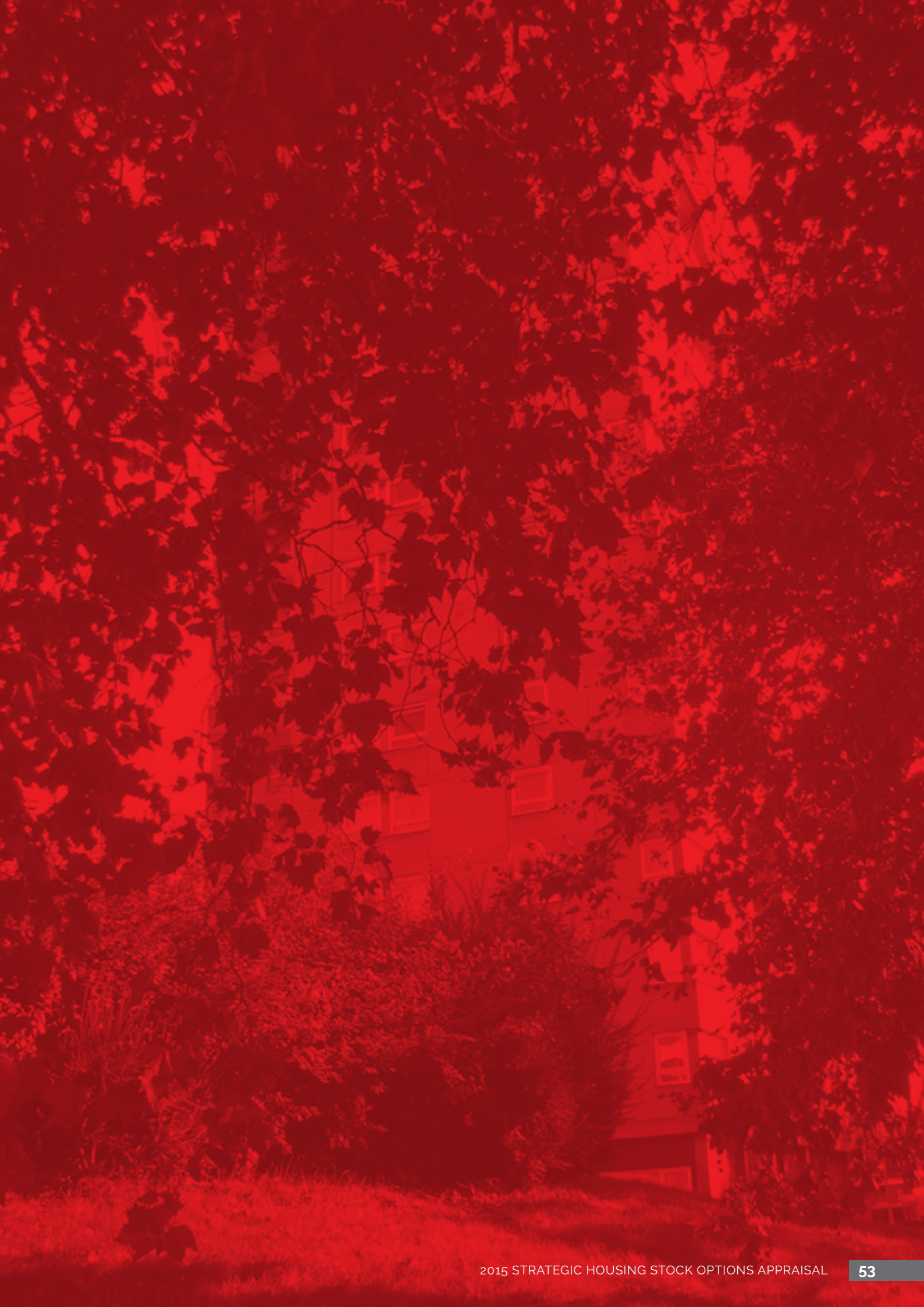
The amount of debt-write off is assumed to be around £208m plus debt premia. To reduce this sum there are several areas that could be considered and have been discussed in detail above:

- Increase the valuation – either by reducing expenditure assumed, or by increasing income. It should be noted that income arises mainly from rents which are controlled by Central Government legislation and also that the valuation is minus £16.533m so before the £208m is reduced, the valuation would need to become positive.
- Assume that the retained HRA can keep more debt than the £11.8m attributable to the retained stock and

still maintain a positive HRA.

- Look to include Council land in the transfer agreement that GLA/ DCLG agree is a contribution to the valuation.
- Seek to utilise capital receipts post year 12 from the retained HRA to deliver development potential either to the new landlord or other housing associations in the area to deliver wider economic benefits.
- Identify the support of the negative value of £16.533m as being private investment in the stock.









# 7

**TPAS INDEPENDENT  
TENANTS' & LEASEHOLDERS'  
ADVISER REPORT - SUMMARY**

Below is the Executive Summary of the full TPAS report which can be found in Annex E to this report.

The Tenant Participation Advisory Service (TPAS) were appointed by the Council as the adviser to provide independent expert advice to the Residents' Commission and the Council's tenants and leaseholders. Particular emphasis was given to the implications for tenants and leaseholders of a change of landlord that would arise from a stock transfer proposal.

## EXECUTIVE SUMMARY

The Strategic Housing Stock Options Appraisal strategy and process has been a robust and transparent one, with examples of good and best practice evident within some elements of the programme. The elements of good practice are contained within the empowerment of tenants and leaseholders by their appointment to the Residents' Commission and best practice is demonstrated by the transparency of the process in particular the filming of the public hearings and the creation of transcripts of the public hearings which were all available to view and download from the Residents' Commission's independent website.

There is a growing and reasonable awareness but low interest level amongst tenants and leaseholders that TPAS spoke to and engaged with regarding the independent Residents' Commission programme. In the latter stages of the programme, the tenants and leaseholders' awareness did increase. At the conclusion of the programme evidence from the sample opinion survey of tenants and leaseholders' conducted by TPAS suggested that 34% of tenants

and leaseholders' were aware of the Residents' Commission programme.

From results of the sample opinion survey, created by the Residents' Commission, and carried out by TPAS, the satisfaction levels amongst tenants and leaseholders about their location, (78%) the quality of their home (58%) is comparatively high. Tenants and leaseholders were particularly satisfied about the location of their homes, with the proximity to transport links and shops, a clear advantage. The feedback regarding the quality of their immediate neighbourhood (48%) and housing service (51%) is reasonable, but does not compare with high performance benchmarks of other Registered Providers locally or previously recorded tenant satisfaction levels within the Borough.

From the range of observations made at residents meetings, there is recognition, amongst the tenant and leaseholder population, of the uncertainty created by the former Council Administration's policy of selling council properties to the private sector.

Evidence from residents meetings demonstrate that there is also some concern from tenants about stock transfer, in particular the issues of tenancy security and rent levels. There is also real concern from tenants about the Government's recent budget announcements, made in July 2015, their implications for social housing in general, but specifically local authority housing in Hammersmith & Fulham.

The results of the Financial Appraisal demonstrate that Hammersmith & Fulham Council cannot afford to retain housing stock based on the Chancellor's rent charging instructions, without breaching the Government

HRA debt cap of £254m or making significant reductions in capital investment works. The Council would be required to manage a shortfall in the capital works to stock and make efficiency savings to revenue costs in the region of £67m. However a successful stock transfer business plan is predicated on negative transfer valuation of £-15m, a large HM Treasury debt write off of £208m, potentially with a requirement for a 75% VAT shelter agreement with the Government and HM Revenue & Customs (HMRC).

The stock condition survey revealed that the Council housing stock is in relatively good condition but that further investment is required to communal facilities such as lifts, staircases and communal areas.

The Residents' Commission recommendations were formed in September 2015 and concluded in October 2015. The Residents' Commission decided that, of the options examined for the future of council housing, to recommend a large scale voluntary transfer of all council housing (with the exception of those homes on the West Kensington and Gibbs Green estates) to a single, stand alone, not-for-profit Private Registered Provider constituted on the community gateway model.







# 8

## ASSESSMENT OF THE STOCK OPTIONS AND EVALUATION CRITERIA

## 8.1 FINANCIAL ASSESSMENT OF THE STOCK OPTIONS

### Financial Evaluation Criteria

The Cabinet Report dated 1 December 2014 set out the financial evaluation criteria to be included within the Strategic Housing Stock Options Appraisal. These are as follows:

- Ensure that stock transfer would be financially viable for the organisation into which the stock transferred, this should include considering the ability of the organisation to raise funding.
- Reviewing the tenanted market value of the stock and associated debt reduction issues, value for money and determination of the optimum transfer combination that maximise investment for the whole stock.
- Ensure the Council is clear on the financial implications to the Council of stock transfer.

This section of the report summarises the results of the financial appraisal compared to the evaluation criteria above for those stock options, which are available to the Council. It also sets out the additional evaluation criteria included with the December 2014 Cabinet report and examines the governance and management options in the event of a transfer of the stock.

### Identifying the Options

Two main management and governance options exist for the Council's housing stock: stock retention and stock transfer. The critical element to the evaluation is whether each option is financially viable. The level of investment required in the stock is a key element of determining financial viability.

To recap, Savills' Stock Condition Survey states the following:

*The total forecast expenditure to improve and maintain the stock including revenue expenditure over 40 years is estimated at **£1,405,760,351 (£1.4 billion)**. This equates to **£119,925 per tenanted dwelling** or **£2,998 per dwelling per annum**. The costs are at a base date of September 2015 and comprise all items of capital and revenue maintenance expenditure and include contract preliminaries, but excludes professional fees, management costs, VAT and inflation.*

£1.4 billion of investment is therefore required to maintain the stock at a reasonable standard over the next 40 years.

### The Financial Evaluation

Capita's Summary of the Financial Options Appraisal initially considered two stock retention options and four stock transfer options, with a detailed appraisal of one stock retention option - entitled R2 - and a detailed stock transfer option - entitled T4.

The **Stock Retention (R2)** option is described as follows:

Capita's Financial Appraisal report stated:

*R2 is a business plan for the Housing Revenue Account, which contains all current housing stock. The modelling reflects the rent regime that was announced by the Chancellor of the Exchequer on 8 July 2015, to reduced rents by 1% per annum for each of the next 4 years from April 2016, allowing no inflation. It reflects the very latest estimate of the level of investment per annum required to maintain the properties to a reasonable standard as calculated by stock surveyors, Savills in July 2015 together with the capital budgets for works already promised to residents for 2015/16 and 2016/17. This model also assumes that the*

*plans for the redevelopment of the West Kensington and Gibbs Green estates sold under the current transfer to Capco are achievable in line with the assumptions made.*

The key points of the financial evaluation for the transfer option are as follows:

- The Council would need to borrow to its maximum debt cap of £254m by 2018/19, and stays at that level until 2024/25. This is not considered to be financially prudent.
- HRA revenue working balances would need to fall between £1m and £3m below the level considered prudent in years 4 to 8 as a result of loan repayments due.
- This will mean a short fall on investment compared to the needs of the stock identified in the survey of around £67.5m.

If the £67.5m of work is re-phased to a period when it can be afforded then the works need to be pushed back annually from years 5 to 10 and would only be completed in year 15. This figure is heavily reliant on receiving realisable capital receipts (which only happen when land transfers) from the West Kensington and Gibbs Green estates at the expected time and delays would cause the figure to rise.

The push back of capital investment brings with it the risk that in not doing the works at the correct time, it leads to increased repairs costs and/or void properties and loss of income. Either of these outcomes would reduce the resources available for investment and exacerbate the problem still further.

In essence the retention option is financially viable but investment in residents' homes would be delayed by up to ten years, impacting upon the quality of their homes.

The **Stock Transfer (T4)** option is described as follows:

Capita's Financial Appraisal report stated:

*T4 consists is a stock transfer model or Large Scale Voluntary Transfer for the main stock of 11,622 properties and a Housing Revenue Account retention model of 538 Council owned properties that are part of the Land Sale Agreement.*

The key points of the financial evaluation for the retention option are as follows:

- The transfer value, or the amount that the new organisation would be required to pay for the stock, is a negative figure of £16.533m. This is due to the impact of the 1% reduction in rents for a 4 year period from 2016/17 onwards. In effect income over the 30 year period of the business plan for the new organisation is less than the expenditure required to fund services and investment in residents' homes.
- The new transfer organisation would still need to fund the difference in its business plan between the level of income and expenditure over the 30 year period post transfer. Capita estimated that the peak level of debt would occur around year 15, reaching £95m. However, they advised that suitable sources of external funding might be available for this level of debt.
- If a transfer takes place based on the current assumptions, the Council will not receive any money for the stock and the Government would be required to write off an estimated £208m of the Council's debt. The Council would also be required to demonstrate to the Central Government that there

are financial benefits to be generated as a result of transfer, which would reduce overall Government expenditure. These are explored in Annex D of this report.

Capita summarised the results of their evaluation in the executive summary in Section 6 of this report as follows;

*The modelling shows that a transfer of the main stock and the write off by the Government of the associated HRA debt estimated at £208m, could produce a fundable business plan for the transfer organisation. It assumes that the new landlord pays nothing for the stock.*

*In summary, the retention solution of an HRA for all stock will mean that some properties may not receive the investment they require at the right time, which will lead to further repairs costs and/or increased void properties. It is the high level of borrowing in the early years to support the West Kensington and Gibbs Green estates combined with the immediate rent reduction and structural works to tower blocks which is causing the Council to hit its debt cap. However, if the main stock and the West Kensington and Gibbs Green stock are separated by means of a transfer, then it would appear that both the main stock investment and the West Kensington and Gibbs Green estates could be achieved at the right time without either estates investment requirements impacting upon the other.*

### **Financial Implications to the Council**

A Corporate Impact Assessment was completed in August 2015 by the Programme team to assess the financial impact on the Council of services currently being supplied to the Housing Service potentially no longer being required in the event of a transfer. These might include for example services as diverse as pest control, HR and IT systems.

Capita identified that the financial impact on the Council could be minimised by to the TUPE transfer of a number of staff in certain services and shared services. The creation of service level agreements between the Council and the new landlord to deliver other services, particularly where there are existing contracts in place, which could not be easily novated, could also be used to reduce the cost to the Council. This preliminary exercise revealed that managers across the services have identified 10 full time equivalent posts that may need to transfer to the new organisation, accounting for a total of £478,000 of salaries and on-costs. £390,000 of costs have been identified that would no longer be incurred for recharge by the Council if the service was not used. £513,000 of costs have been identified as being required for a retained strategic housing budgets as the Council will retain some wider statutory duties and monitoring roles. Some services are carried out using external contracts and these have also been subject to an early review to determine how these might be split. A detailed impact assessment would need to be carried out following a decision to proceed with transfer.

### **Variations on Stock Transfer and Stock Retention Models**

If the Residents' Commission wishes to pursue a stock transfer option, this would involve a Large Scale Voluntary Transfer (LSVT). This is a term used to describe the transfer of the whole or a substantial part of a Council's housing stock to a new or existing social landlord (also known as a Registered Provider – RP). Traditionally transfers enable increased investment in improvements to the housing stock and living environments without calling on public sector housing budgets or putting pressure on the social housing



borrowing requirement. Under new Government rules set up since 2012, public debt written off under stock transfer is limited to that to achieve the same standard of investment as a council is expected to achieve. A higher standard of investment would require additional public funding.

Under stock transfer, there are a number of models that could be considered. These are described further below and would involve the transfer of the stock to a/an:

### **Arms Length Management**

**Organisation (ALMO)** – Under this option, the Council would delegate housing management responsibilities to a Board and executive management team of a newly created ALMO. The Council would wholly own the housing stock while the ALMO would effectively be the managing agent for the Council.

**Community Gateway** – A model that has been designed to provide a range of tenant and community empowerment opportunities. A Community Gateway's primary aim is to place community regeneration at the heart of the housing organisation and to use the strength of the organisation as a catalyst for community.

**Community Land Trust** – Involves transferring the land to a separate trust with the housing owned and managed by a mutual organisation. There is no precedent for a transfer of this type and given the separation of ownerships, may prove difficult to finance.

**Existing Registered Provider** (all stock or part) – Involves transferring all or part of the Council's stock to an existing organisation on the basis they have sufficient access to finance and other resources to undertake the investment the stock needs and deliver other identified outcomes.

**Mutual** – A mutual involves staff as well as tenants as members. There is an electoral college mechanism that does not *guarantee* tenant board membership and also provides for the Chief Executive and the Finance Director to be Board members.

If the Residents' Commission wishes to pursue a stock retention model (but different from current arrangements) there are two models that could be considered. These are described further below and would have the following features:

### **Tenant Management Organisation**

**(TMO)** – Under this option, the ownership of the land and buildings is retained by the Council, but management responsibilities are transferred to a tenant management organisation.

The retention option, R2 described earlier on in this section, was evaluated as part of the financial appraisal. It is the base case against which other options are tested. The Residents' Commission were clear that the status quo was not a viable option and that even with a retention option, it would be necessary to implement a customer focussed transformation of the housing service.

## **8.2 NON FINANCIAL EVALUATION CRITERIA**

The non-financial evaluation criteria set out in December 2014 Cabinet Report has been met as set out below:

**The Council has considered the guidelines set out in the Housing Transfer Manual (July 2014).** The DCLG Stock Transfer Guidance sets out four areas for consideration as part of the preliminary work for a stock transfer. The Programme is currently compliant with each of these areas as at October 2015:

- Demonstration of Potential Councillors support – In addition to the close involvement of the Cabinet Member for Housing throughout the process, accompanying the Technical Options Appraisal Report this will be a report to Cabinet in December 2015 seeking its support for recommendations of the Residents' Commission.
- Alignment with Government policies – The transfer option has been assessed to determine levels of reduction in Public Sector Borrowing Requirement; ensuring they provide a robust, long term future for estates and neighbourhoods; increase local economic activity; and empower residents in decisions about their homes and communities in line with Government Housing policy.
- Tenant involvement in developing the transfer proposal – The Residents' Commission has developed the detailed transfer proposal as part of its recommendation to the Council. This has been based upon the extensive evidence gathering and discussion by the resident members of the Commission both tenants and leaseholders.

**Increased communication with DCLG, GLA and the HCA** – Following early liaison work between the Programme Team and the HCA, a meeting was set up with the DCLG in June 2015 to discuss the Council's commitment to undertaking a Stock Options Appraisal and current progress in relation to a future transfer programme beyond 2016. The Programme team will be seeking to inform the DCLG and the HCA of the outcome of the SHSOA following the report to Cabinet.

**Developed a comprehensive communication and consultation strategy to raise awareness amongst all stakeholders of the role of the Council, promote transfer options, explain the implications of stock transfer and include a plan for engaging socially isolated communities and hard to reach groups** – An extensive resident engagement programme was developed and implemented during the summer of 2015 by the ITLA and the Resident Involvement team. The result was an increasing level of awareness among residents' about the work of the Commission. Included within the engagement programme were elements designed to reach socially isolated communities and hard to reach groups as set out by the ITLA in section 7 of this report.

**The Council is aiming to submit a formal transfer proposal, if this is the preferred option, to the DCLG in due course.**

If a stock retention model is proposed, a separate programme of work will need to be developed. This is set out in the next section of this report.

**Next Steps** – Whichever stock option the Residents' Commission wishes to recommend to the Council, a detailed, resourced plan will need to be prepared to take it forward.

### 8.3 A COMPARISON OF THE BENEFITS OF RETENTION AND TRANSFER

The Programme team and the Residents' Commission worked closely together to assess the benefits to

both the Council and the residents of retaining the housing stock or transferring to a Registered Provider. The details are set out below in the table.

Stock Retention	Issue/ criterion	Stock Transfer
<p>More control could be offered than the current level – for example through TMOs or estate boards. But ultimately options are limited by the nature of council ownership. Councillors would always have the final say in a democratic organisation.</p>	<p>Opportunities for resident control</p>	<p>More control could be offered than the current level. The resident-led (or strongly resident influenced) board of a new housing association would have the final say on the options for control on offer to tenants and leaseholders.</p>
<p>Principle of “not fettering future discretion” applies. Any single political administration at the council could offer greater safeguards – but these could always be revoked or revised by any future political administration.</p>	<p>Ability to safeguard residents’ homes and estates</p>	<p>Greater safeguards could be both offered and maintained as these issues would come under the direct control of the resident led (or strongly resident influenced) board of a new housing association.</p>
<p>Provided through the statutory Secure tenancies offered by local authorities. Councils have both defined and limited grounds for possession. Tenancy agreement may be varied following consultation.</p>	<p>Security of tenure</p>	<p>Provided through the contractual framework of Assured tenancies as supplemented by any additional terms offered to tenants voting in a ballot. The Council would safeguard the ‘offer’. Tenancy agreement may only be varied with tenant’s consent.</p>
<p>For all practical purposes, both rents and benefit thresholds are set by central Government. Previously the Council had some discretion here, but that was removed by the Chancellor’s summer 2015 budget for at least the next four years.</p>	<p>Affordability for residents</p>	<p>Rent levels and benefit levels are set by central Government. Housing associations have had to follow central Government/ HCA requirements on rent levels for many years now and there is no evidence that this will change in the future.</p>

Stock Retention	Issue/ criterion	Stock Transfer
<p>Councils are democratic bodies and most council tenants and leaseholders are also local electors. Accountability for housing decisions is via the council's Cabinet of elected Councillors. Regulation is through the HCA and, to an extent, the Council's auditors.</p>	<p>Accountability and regulation</p>	<p>The ultimate regulators would be the HCA who set standards and ensure compliance. Within the housing association, the board is likely to have a direct line of accountability to residents – for example through an open membership arrangement.</p>
<p>Subject to standards required of public bodies. No direct input by tenants and leaseholders to council policy making on housing.</p>	<p>Policy and operational standards (for example, housing service standards, complaints and equality and diversity)</p>	<p>At the national level, subject to the operational standards set by the HCA/GLA under their statutory powers. The resident-led (or strongly resident influenced) board of the housing association would direct these standards and policies.</p>
<p>Subject to the financial capacity of the HRA. The 2015 rent reductions mean that a potentially significant element of capital expenditure must be deferred, or a programme of substantial reductions in management costs would have to be implemented to avoid the Council breaching its HRA debt cap.</p>	<p>Investment and timing of investment</p>	<p>Subject to the financial capacity of the housing association business plan and supported by bank lending. There is no equivalent to the HRA debt cap to artificially limit expenditure. But borrowing always has to be affordable and paid back.</p>
<p>To March 2015, the 40 year HRA business plan was tight, but viable. Now it is subject to a number of negative influences including rent reductions that would mean deferring investment and future loss of stock or funds from the compulsory sale of high value voids.</p>	<p>Financial viability (of business plan)</p>	<p>The housing association's business plan would be set around the net income generated by the housing stock over 30-40 years and so would automatically pick up all planned and necessary expenditure. Plans would be scrutinised by the regulators and by funders.</p>



Stock Retention	Issue/ criterion	Stock Transfer
<p>HRA is ring fenced so only HRA resources can be spent on local authority housing. Previously, some central Government programmes have supplemented this, but none are on offer at present.</p>	<p>Access to other sources of funding</p>	<p>The vast majority of housing associations are not-for-profit and many are charities or have charitable aims and objectives. They can therefore bid for and access external funding to support specific projects. However this capacity is relatively small scale.</p>
<p>Some small scale new build programmes are in place. Borrowing to build new council homes is always subject to the HRA debt cap.</p>	<p>Ability to deliver new housing</p>	<p>Any new housing association would include in its business plan the borrowing it needed to deliver ambitious but affordable new housing programmes. This borrowing would be limited by the ability of the properties to generate rent and/or sales, but not by a mechanism equivalent to the HRA debt cap.</p>
<p>The position has improved of late, but the Council could do more to engage and communicate with tenants and leaseholders. All communications need to be in line with the Council's corporate brand identity.</p>	<p>Ability to engage and communicate effectively</p>	<p>Some regulatory guidance around these issues, but policy on engagement and communication is almost entirely in the hands of the resident-led (or strongly resident influenced) board.</p>
<p>Although theoretically independent, UK local government is a creature of statute and is also often subject to close central Government control.</p>	<p>Organisational independence</p>	<p>Housing associations are independent bodies (but where they are registered providers are regulated by the Homes and Communities Agency) – although the Office for National Statistics is currently reviewing how their borrowing should be classified.</p>
<p>The housing service is part of a larger democratically-controlled organisation. Some non-housing services contribute to housing management and so charge costs to the HRA.</p>	<p>Corporate impacts on the Council</p>	<p>A housing transfer would mean some council staff transferring to a new not-for-profit landlord and others providing services to it contractually. The Council would have to bear some loss of recharges to its General Fund and other costs if HRA debt is repaid earlier than planned.</p>

Stock Retention	Issue/ criterion	Stock Transfer
<p>The housing service is part of a larger democratically-controlled organisation. Some non-housing services contribute to housing management and so charge costs to the HRA.</p>	<p>Corporate impacts on the Council</p>	<p>A housing transfer would mean some council staff transferring to a new not-for-profit landlord and others providing services to it contractually. The Council would have to bear some loss of recharges to its General Fund.</p>
<p>Council tenants and leaseholders are also council tax payers. For the most part, the ring-fenced nature of the HRA means that HRA financial matters don't impact on council tax payers.</p>	<p>Impact on council tax payers</p>	<p>Transferring tenants and leaseholders would still be council tax payers. Some of the costs of a transfer would be borne by the council's General Fund. Longer term, council tax payers may benefit from increased levels of new housing in the Borough and more employment opportunities locally.</p>
<p>The impact of both tighter HRA finances and the enforced sale of voids probably means a gradual reduction in staffing levels. Housing will also be affected by the wider reductions in staffing as the Council continues to implement nationally imposed cuts.</p>	<p>Impact on current housing staff</p>	<p>Most council housing staff would transfer to the new housing association. Those providing services through contractors would probably not be affected if contracts are also transferred.</p>
<p>Very much as in the present arrangements. A future retention option in itself neither boosts nor limits the Council's ability to innovate or build new partnerships.</p>	<p>Scope for innovation, partnership, wider impacts on local economy and new service solutions</p>	<p>Increased capacity for innovation and partnership – including any new housing association partnering with the Council itself. Greater levels of affordable housing would impact on the wider community. A new housing association with over 17,000 units would be a major player in the Borough and in London.</p>
<p>Incoming political administrations can set the tone for organisational culture throughout the council. Councils are large organisations and this affects their ability to be flexible and agile.</p>	<p>Organisational culture, agility and flexibility</p>	<p>Opportunity to review and focus on a new organisational culture. The resident-led (or strongly resident influenced) board would set the strategy for this alongside any new executive team that is put in place.</p>



**PURSUING THE  
STOCK TRANSFER  
OPTION**

## 9.1 ACTIVITIES AND TIMESCALES TO BE MET

The Residents' Commission meeting on 5 October 2015 considered an earlier draft of this Strategic Housing Stock Options Appraisal Report. Based on the information set out in that Report, the Commissioners requested an additional section be drafted focusing on what pursuing stock transfer as a recommended option would involve. This section sets out in more detail:

- Activities and timescales to be met

- Financial implications of stock transfer to the Council
- Shadow governance arrangements
- Liaison with Central Government, the Greater London Authority (GLA) and the Homes and Communities Agency (HCA)
- Future reports to Cabinet

On the basis that a new DCLG Housing Transfer Manual reflects current guidance, the following stages of work can be anticipated:

Activity
Preliminary discussions with GLA/DCLG leading to submission of a transfer application
GLA/DCLG considers application and where consent makes recommendation for approval to CLG
CLG and HM Treasury consider transfer application and where content approves
GLA notify Council that Government is content and Council may proceed to formal consultation subject to offer document being agreed
Council statutory consultation (Stages 1 and 2)
Engagement with social housing regulator (for registration)
Four week sign off checklist
Transfer completes

Any such application would need to meet business case requirements, reflected both in the DCLG Housing Transfer Manual, drawn from HM Treasury Green Book appraisal criteria, setting out how the proposal achieves the following:

- The strategic case for transfer – the drivers for change with strong emphasis on macro benefits
- The economic case for transfer –

monetising the benefits shown in the strategic case

- The commercial case for transfer – private finance for the transfer, asset management plans and landlord selection
- The financial case for transfer – the specific costs of the new transfer
- The management case for transfer – the timely delivery of the transfer programme



## 9.2 FINANCIAL IMPLICATIONS OF STOCK TRANSFER TO THE COUNCIL

As part of the transfer application development process, detailed consideration will need to be given to the following financial implications:

- Loss of revenue income for the Council's corporate services
- Unfunded pension costs
- Loss of council tax income on void (i.e., empty) properties
- Income from service level agreements (i.e., Housing Revenue Account funded services provided by other council departments)
- Transfer value and premiums and discounts on early redemption of debt
- Value Added Tax (VAT) Shelter arrangements
- Preserved Right to Buy
- Set up costs of the new organisation
- Cost of stock transfer

The Cabinet Report proposing the transfer application will need to set out in costed detail the financial implications of each of these items.

## 9.3 ESTABLISH SHADOW GOVERNANCE ARRANGEMENTS

If the Council decides to proceed with submitting an application to transfer its homes it will also need to consider the need to complete the registration of the new organisation with the Homes & Communities Agency (HCA) as a Registered Provider before the transfer can take place.

The Secretary of State's final consent to transfer will not be given until the new landlord is registered with the social housing regulator, being the HCA. In order to achieve registration, the governance arrangements for the Board of the landlord must satisfy the HCA's requirements.

In April 2015, the HCA announced increased scrutiny of new registrations and those new registrations would have to be fully compliant with the requirements from Day One of operation and not simply have a plan in place to become compliant.

If the Council's transfer proposal is approved by Central Government and agreed by tenants at a ballot, ownership of its homes would be transferred to the new Registered Provider. The Board would be responsible for:

- determining overall strategy
- monitoring and control of finance and performance of the landlord
- appointing and removing Board members
- overseeing service delivery and asset management
- direction and control of the landlord's affairs

All Boards must be registered in accordance with the guidelines set out in the HCA's "Guidance on Applying for Registration as a Provider of Social Housing". The HCA will expect Boards to be competent as social housing providers and will also expect to see a strong Board, leading the organisation.

## 9.4 LIAISON WITH GOVERNMENT, GREATER LONDON AUTHORITY (GLA) AND THE HOMES AND COMMUNITIES AGENCY (HCA)

The Council has had informal discussions on the Strategic Housing Stock Options Appraisal with the DCLG and GLA, particularly in relation to the possibility of the Council pursuing a housing transfer option. In order to advise the DCLG and GLA of the outcome of the Strategic Housing Stock Options Appraisal, it is proposed that a copy of this report should be provided, following the Council's decision.

## 9.5 FUTURE REPORTS TO CABINET

A number of key reports will need to be developed and approved by the Council, in conjunction with the Shadow Board when created, in order for the transfer option to be implemented. These are:

- Governance structures of and with the new Registered Provider – including the agreement of the constitution and appointment/election/nomination of the new Registered Provider Board of Management.
- The Transfer Agreement – this will set out the legal relationship between the Council and the new Registered Provider.

- The first 5 years of Transfer Promises (i.e. Annual Delivery Plan) – this will cover what the Council's expectations of the new Registered Provider are including performance delivery targets.
- The financial arrangements for the Registered Provider.
- The proposed staffing arrangements including those under the TUPE regulations.
- Accommodation and other land management issues.
- Contract management – this will deal with any live contracts already in existence and how they will be dealt with in the future.

The Council will need to ensure that transfer proposals are communicated to all internal and external stakeholders throughout the next stages of the process.

The next report considering all these issues will be considered at the Cabinet Meeting on 7 December 2015.

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# GLOSSARY

**Affordable Housing/Homes:** Homes available to rent or buy below open market value, often built with public subsidy. This includes council rented homes; housing association rented homes; shared ownership (part rent/part ownership) homes."

**Assured Tenancy:** This is a type of contractual tenancy agreement that is usually offered to tenants of housing associations.

**Arm's Length Management Organisations (ALMO):** Not-for-profit organisations set up by local authorities to manage their housing stock. The ownership of the housing stock stays with the Council as the legal landlord. Traditionally, an ALMO is controlled by a Board of Management – made up of an equal number of Councillors, Residents and expert advisers and/or independent representatives.

**Community Gateway Association (CGA):** With this model of housing organisation, matters such as governance, ownership and management of the housing stock are transferred to an elected tenant/resident body.

**Consumer Price Index (CPI):** A measure of inflation. CPI is based on cost of a representative sample of goods and services (food, fuel, clothes etc.) intended to reflect "typical" household spending on such items. The index works by considering the costs of these items last year compared to their cost today and finding the proportional difference. The Retail Price Index (RPI) includes an allowance for housing costs whereas the CPI does not. Therefore, income/expenditure that is linked to the CPI index means they will be lower than if they would be than if they were linked to RPI. The main difference between CPI and RPI, is that CPI does not consider the cost of housing (rent, mortgage, council tax) in its calculations whereas the RPI does. Therefore, it is generally held that CPI reflects changes in consumer spending relative to changes in the price of goods and services, more accurately than RPI.

**Decent Homes Standard:** A minimum standard of housing condition set by the Government in 2000 whereby homes must:

- meet the current statutory minimum standard for housing

- be in a reasonable state of repair
- have reasonably modern facilities and services
- provide a reasonable degree of thermal comfort.

**Department for Communities and Local Government (DCLG):** The abbreviation for a central government department. It is responsible for housing, planning, communities, and local government.

**Greater London Authority (GLA):** Established by the GLA Act 1999. Its staff are appointed by the Head of Paid Service, the GLA's most senior official, and serve both the Mayor and the London Assembly.

In its role serving the Mayor, the GLA is responsible for developing and implementing the Mayor's planning, housing, transport (and other) strategies and policies. The GLA also supports the work of the London Assembly which scrutinises the work of the Mayor. The planning policies of the Mayor of London are detailed in a statutory London Plan that is regularly updated and published.

**HM Treasury (HMT):** HM Treasury is the government's economic and finance ministry, maintaining control over public spending, setting the direction of the UK's economic policy and working to achieve strong and sustainable economic growth.

**Housing Association:** Also known as Registered Social Landlord (RSL) and Private Registered Provider (RP) is a not-for-profit organisation set up to provide affordable housing. Housing Associations range from small community-led groups, to larger operations involved in house building and development, often accessing funding through the Homes and Communities Agency, or private backers. Surplus from income generated is ploughed back into the organisation to maintain existing homes and to help finance new ones. They exist to provide affordable housing including providing access to affordable or low cost home ownership schemes.

**Homes and Communities Agency (HCA):** The HCA took over the responsibility for social housing regulation, housing and regeneration in 2008 as a successor to the Housing Corporation and English Partnerships. In 2010, the functions of the Tenant Services Authority were merged into the HCA.

**House Price Index (HPI):** The most up-to-date monthly sample of residential property asking prices issued by the Land Registry. The index monitors changes in house prices both annually and monthly, providing a comprehensive view on the current state of the property market in England and Wales.

**Housing Representatives Forum:** Previously called the TRA Forum, the Housing Representatives' was introduced in 2015 so that Hammersmith & Fulham residents could meet regularly with officers and decision-makers and have the opportunity to influence and shape housing policy and services.

**Housing Register:** Every local authority with housing responsibilities is required to produce a Housing Allocation Scheme. This scheme sets the 'rules' by which affordable and other forms of suitable accommodation are allocated to applicants needing housing support, such as homeless applicants. Successful applicants will need to meet both the eligibility and qualifying rules of the Scheme. If the local authority assesses an applicant's housing need as genuine, then they will be put on the Housing Register and an offer of suitable accommodation will be made at some point in the future. The timing of their offer will be dependent on the availability of suitable accommodation, so applicants are sometimes placed in temporary accommodation until such an offer can be made.

**Housing Revenue Account (HRA):** The Housing Revenue Account funds housing services provided to tenants and leaseholders in properties owned by the council (including properties held on a long lease), that are paid for by tenants' rents, tenants' service charges, leaseholders' service charges and any other associated income from land held for "housing purposes".

**HRA Business Plan:** A document that sets out income and expenditure projections for the council's housing stock. The HRA business plan can be for as long as 40 years and aims to provide the Council and its stakeholder partners with direction and priorities for how to manage its housing stock and provide services for its tenants and leaseholders. Themes such as 'Value for Money' are often found in the HRA business plan.

**Housing Strategy:** Sets out the local authority's approach to housing in its area and how it intends address them through investment and other management interventions.

Affordable housing is often at its core, but such documents also focus on private sector housing and the wider regeneration agenda.

**Intermediate Housing:** The collective term for all forms of both Low Cost Home Ownership (e.g. shared ownership) and submarket rented housing, but excluding social rented housing.

**Large Scale Voluntary Transfer (LSVT):** In the context of H&F's Strategic Housing Stock Options Appraisal, it is referred to simply as Stock Transfer. This is a transfer of local authority homes to a housing association and it must be approved through a ballot of tenants and by the Secretary of State.

**Local Plan:** The spatial development strategy for the local authority area. The Local Plan will need to be in general conformity with the Mayor's London Plan. It will cover all aspects of the development of the built environment ranging from housing; parks and leisure; office; retail; transport; education facilities. The Local Plan will help shape the future of the area and to determine individual planning applications and deliver development.

**Mutual:** A model of housing organisation that, in the context of H&F strategic housing stock options appraisal, involves the creation of a Mutual Housing Association set-up which means that governance, ownership and management of the housing stock lie within the membership, which may include both the residents and/or the officers.

**Options Appraisal:** The process seeks to assess whether there are better ways to achieve objectives, and better uses for the resources involved. In the context of the Council's Strategic Housing Stock Options Appraisal, the Options Appraisal will consider in detail the long term investment needs of the Council's tenanted and leasehold properties. The process will also allow the Council to explore options to secure investment to maintain and deliver further improvements to Council homes and deliver wider community regeneration outcomes.

**Registered Providers:** Social housing providers – council and housing association landlords – registered with the Homes and Communities Agency.

**Residents' Commission:** Independent working group set up by Hammersmith & Fulham Council to consider the best options for the future of social housing in the borough. The commission is made up of 6 council tenants, 3 leaseholders and 3 independent housing experts. The Commission is chaired by former housing minister Rt Hon Keith Hill. Commissioners are being supported by external advisers to ensure that appropriate independent advice is provided to them, the residents and to the Council.

**Retail Price Index (RPI):** The standard and most commonly used measure of inflation. RPI is based on the cost of a representative sample of goods and services (food, fuel, clothes etc.) intended to reflect "typical" household spending on such items. The index works by considering the costs of these items last year compared to their cost today and finding the proportional difference. Generally, RPI rises more quickly than CPI (or consumer Price Index). Therefore, income/expenditure that is linked to the RPI index means they will be higher than if they were linked to CPI. The difference between RPI and CPI, is that RPI considers the cost of housing (rent, mortgage, council tax) whereas the CPI does not

**Right-to-Buy (RTB):** A scheme under which longstanding local authority tenants are entitled to purchase their homes at a heavily discounted price. To qualify for the scheme, an individual must be a tenant of at least three years' standing.

**Service Charge:** Charge paid to landlords or, in the case of leaseholders to the owner of the freehold, in exchange for maintaining communal areas of a development.

**Shared Ownership:** A low cost home ownership product that allows people to buy part of a home and rent the remaining part, often from a housing association. Shared owners have the right to buy more shares in the property they part-own (minimum 10% tranches) thus reducing the amount of rent they pay the housing association. This process is known as 'Staircasing'. Shared owners can also opt to resell the property and will retain their share of the sale proceeds. It is worth noting that the housing association will have the option of nominating a suitable purchaser for a set period of time – usually 8 weeks.

**Social Housing:** Housing provided by a council or registered social housing provider.

**Sheltered Housing:** Council (or housing association) homes that are designated for older people.

**Staircasing:** The process of buying additional shares in a shared ownership property (10% tranches is the minimum share that the shared owner can buy).

**Stock Condition Surveys:** Conducted to assess the condition of the Council's housing stock. This is to help Councils identify the works that are needed in the future and the level of investment required to meet those needs. Councils can then plan how best to use their resources to meet the identified works. A representative sample of the Council's stock is usually surveyed with the results extrapolated to populate a representative picture of the entire stock. Anomalies are usually identified early and factored into the survey.

**Stock Transfer:** Otherwise known as Large Scale Voluntary Transfer (LSVT), is a transfer of local authority homes to a housing association and it must be approved through a ballot of tenants and by the Secretary of State.

**Strategic Housing Market Assessment:** A research document which assesses market and affordable housing needs over the medium to long term, taking account of factors such as forecast demographic and population movement changes in the respective areas. Such an assessment may be carried out regional, sub regional or local levels and are part of the evidence base required for local planning documents.

**Supplementary Planning Documents (SPDs):** are supplementary documents to the Local Plan and focus on particular issues such as provision of affordable housing. SPDs do not make new policy, but are intended to set out in more detail how planning policies adopted in the Local Plan should be implemented.

**Tenant Management Organisation (TMO):** A not-for-profit organisation set up by tenants and/ or leaseholders to manage their estate/ block. Each TMO has its own legal contract with the council, known as the management agreement. This agreement outlines what services the TMO is responsible for and what services the council is responsible for. The services provided by TMOs are mainly funded by the management fees paid by the council under the management agreement.

**Tenants and Residents Association (TRA):**

These residents' associations are independent to but registered with the council and are run by residents living in the council's housing stock.



# ANNEXES

Note: For clarity, the suite of reports that are to be submitted to the Cabinet meeting of 7 December 2015, will have the same Annex references as those referred to in this report.

Annex A – Residents' Commission Report

Annex B – 2015 Strategic Housing Stock Options Appraisal (this report)

Annex C – Savills' Stock Condition Survey Report

Annex D – Capita's Financial Appraisal Report

Annex E – TPAS Independent Tenants' & Leaseholders' Adviser Report

Annexes C-D are available on the Council and Commission websites.

[www.lbhf.gov.uk](http://www.lbhf.gov.uk)

[www.hf-residents-commission.org.uk](http://www.hf-residents-commission.org.uk).



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**Strategic Housing Stock Options Programme**

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