Annex D - Appendix B - Financial Appraisal Summary Options

	Stock Retention	Stock Transfer
1. Control and governance	No change in stock ownership Management could be to continue in-house or to convert the management back to a new ALMO	Stand alone new Registered Provider (RP) possibly as a "Mutual" set up as a brand new housing association where the board has tenant, employee, council and independent representation; stock ownership and management transferred to it. OR New subsidiary RP set up to become part of an existing RP group or to join with an existing stand alone RP to form a new group; stock ownership and management transferred to it; RP board has tenant, council and independent representation, but "Mutual" option not possible.
2. Securing Investment	Self-financing of HRA; no additional resources under this option to help deliver the Decent Homes Standard (DHS). There is a restriction on borrowing which is a "debt cap" imposed by DCLG. DHS may not be achieved and maintained if the debt cap restricts work required.	A loan (or peak facility) can be agreed with banks as long as it can be shown that the loan can be repaid within an agreed period (normally 30 years). This would be based upon the maximum amount required to deliver the investment in the housing stock over a 30 year period, rather than borrowing restricted by a debt cap. This should therefore guarantee that the landlord could invest in the stock at the time that it is needed to maintain the DHS. Additional funds may be available to improve the standard if transfer is to an existing group and the group is willing to cross-subsidise works in Hammersmith. VAT shelter may also be available to increase the standard. Mutuality may also improve services on offer by delivering efficiencies in management. *NB The future of stock transfer valuations with regard to managing overhanging debt after self-financing is currently only guaranteed up to 31 March 2016. For transfer after this date, there has been no official confirmation of debt write-off to support transfer. This may affect the availability of investment.*
3. New, replacement and additional homes	Minimal opportunities in the next 10 years within the HRA, other than those schemes already being undertaken due to the debt cap restriction on borrowing. RTB sales may continue to generate 1-4-1 replacement receipts but require 70% match funding (which cannot be any other form of social grant), otherwise the receipts must be surrendered to a national pot for re-use. The proposal to force councils to sell off high value voids to support the RTB extension to RPs will reduce the number of social homes in council ownership.	Options available for development of new build properties arising from additional borrowing facilities on top of transfer facility if business plan can show loans can be repaid. New homes count as benefit towards debt write-off Assistance in the form of gifted land may help, also availability of social grants. RTB receipts after transfer are currently (ie. since 2012) retained in full by the new landlord with no sharing with the local authority, nor any requirement to pool any element for HM Treasury. More RTB receipts can be re-invested locally. There is currently no restriction on the percentage of use of the receipts on a scheme. *NB The RTB is being extended to all housing associations (not just LSVTs) and the arrangements for use of receipts may change. However, the intention is to increase the number of sales and replacement homes. The new proposals would encourage RP's to build and are likely to provide support funding through council sales of high value voids.*
	Stock Retention	Stock Transfer

Annex D - Appendix B - Financial Appraisal Summary Options

4. Security of tenure and customers' rights	As now. *NB The availability of lifetime tenancies to new council tenants is under review. There is a proposal to limit the tenancy to five years*	In effect as now. Hammersmith & Fulham tenants become assured customers of the new RP with preserved rights e.g. Right to Buy. However, security is strengthened due to nature of the Assured tenancy contract.
5. Housing management and maintenance performance	Performance is eventually limited by the constraints placed on the HRA resources. The debt cap will limit the availability of investment to improve services and cuts to maintain the DHS may lead to a reduction in services offered. Service improvement will depend on the availability of in-house skills.	A stock transfer business plan which reflects the current level of services provided may be able to continue this provision and where borrowing up front for investment can be made may improve services and deliver cost savings in future. There may be some improvements driven through changes in registration, regulatory inspection and culture change. Improvement depends largely on in house skills but further resources possible from external partnerships.
6. Wider area impacts	Limited job creation from low level capital investment and restriction on work. Issues re variance of standard across the council properties arising from the redevelopment of estates accommodating less than 5% of the total stock. The contract will require a first call on borrowing resources in the next 10 years. The remaining 95% of homes will pay equivalent rents but may have less than proportional investment in them.	More job maintenance / growth from ability to maintain investment in the housing stock and potential new homes. Additional resources may be available for investment and provision of wider neighbourhood services. Separation of the main stock from the redevelopment scheme will provide a higher likelihood of delivering a consistent standard for all tenants paying similar rents.
7. Staff Issues	Retention option has less staff overall then retained service + transfer. In addition, staffing under retention would need to reduce, either to meet cost savings to stay within the debt cap, or as a result of the increase in the loss of stock due to RTB sales and forced sale of voids.	Housing staff and some corporate service staff would TUPE transfer to the new organization. A core management staff would also be required at the council to manage the retained HRA service throughout the redevelopment scheme. Overall the total staff required will be greater than at present. Additional services provided may increase the employment levels. A "mutual" organization may provide employees with the chance to be involved in the management of the organisation.
8. Rents and service charges	Rents for the four years from 1 April 2016 follow proposed Government legislation for all social housing providers – a cut of 1% per annum. Service charges are assumed to cover no more than the cost of the service. After four years, the HRA plan assumes rents rise by CPI + 1% and continue to converge towards target rent.	Rents for the four years from 1 April 2016 follow proposed Government legislation for all social housing providers – a cut of 1% per annum. Service charges are assumed to cover no more than the cost of the service. After four years, the transfer business plan assumes rents rise by CPI + 1% only, thereby rising by less than the HRA rents.

	Stock Retention	Stock Transfer

Annex D - Appendix B - Financial Appraisal Summary Options

9. Impact on Hammersmith & Fulham General Fund	Constrained ability to meet general fund recharges.	TUPE staff costs and other contract / equipment costs will transfer to the new RP, but there may be an overall loss of economies of scale. Set up costs may need to be met by the council to achieve a transfer, but may be mitigated by inclusion in the RP business plan. General fund land may need to be included in the transfer to support debt write-off by Government. VAT shelter may cover costs of set up, pension fund deficit, loss of economies. Scope for cost of GF services to be provided at lower cost by new RP giving revenue savings.
10. Deliverability	Hammersmith & Fulham would see a widening investment gap and potential for homes to become non-decent. RTB receipts generated for replacement homes may have to be returned to the national pot or passed to another Registered Provider, risking loss of local resources.	Over 170 councils have achieved stock transfers (whole or partial) including three very recent post self-financing transfers. These transfers were required to demonstrate a strong business case that delivered benefits to the Government arising from transfer to mitigate the cost of writing off debt. There is a Disposals Programme in place up to 31 March 2016, and councils were encouraged in June 2015 to come forwards to discuss potential options for future stock transfers. This may or may not include the provision of debt write-off. The outcome of the Spending Review is still awaited. The key risk will relate to the reduction in the value of the stock compared to self-financing that results from the new rent reductions introduced. A separate debate with DCLG will be required on this element. There are some risks to the General Fund but these may be manageable. This transfer would need to be built around demonstrating protecting the assets for the community as well as the financial case for transfer.
Summary	Reduction in the standard of some stock compared to others in same authority. Unacceptable to tenants and Government. Potential for loss of assets from the community through various policies.	Good standard housing for all tenants, plus independent delivery of estate redevelopment (de-risks the options). Private investment introduced without loss of community involvement in the estates. Some General Fund risks to be managed. Debt write-off support required