
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	2 SEPTEMBER 2004	CATEGORY: RECOMMENDED
REPORT FROM:	CHIEF FINANCE OFFICER	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/hrastock options/coveringreportfor finance
SUBJECT:	HOUSING STOCK OPTIONS REVIEW – FINANCIAL APPRAISAL	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

1.0 Recommendations

1.1 That the financial appraisal is considered and any recommendations/comments be forwarded to Full Council.

2.0 Purpose of Report

2.1 Enclosed with this Agenda is a separate document that details the financial appraisal that has been undertaken as part of the Housing Stock Options Review.

2.2 Due to the potential significance of the financial implications associated with this review, the Committee is requested to consider this appraisal separately before a final decision is taken at Full Council.

2.3 A separate annex includes the report setting out the wider service and strategic housing implications of stock options as reported to Housing and Community Services. This Committee is asked however, to focus its attention on the financial aspects of the proposals.

3.0 Detail

3.1 The appraisal sets out the financial issues relating to the future ownership, management and maintenance of the Council's homes. The main aim of this is to help determine the best option financially, of ensuring the future viability of providing social housing in South Derbyshire.

3.2 This includes how the Decent Homes Standard and other tenant aspirations can be met, and what resources are required compared to that potentially available.

3.3 The document is prefaced by an executive summary. An introduction and background to the process and to Housing Finance in particular, is then provided. The document then goes on to review the 4 main options being considered in detail.

- 3.4 This includes a risk matrix at the end of each section, which sets out the potential benefits and risks associated with each option. An overall summary with conclusions brings the appraisal to an end. The executive summary from the report (**page 1**) is repeated below.
- 3.5 **“This appraisal was designed to test, which of the options is best financially for the Council and tenants alike. The main themes of the appraisal were to:**
- **Examine in detail the projected status of the Council’s HRA in the future.**
 - **Project the resources required to deliver repairs and improvements to Council Homes in the future.**
 - **Assess the suitability of the 4 options.**
- 3.6 **The main issues are explained in depth. This is to demonstrate both to the Council and the Government, that a rigorous approach has been taken, based on the best available information.**
- 3.7 **The overall process requires the Council to assess the financial implications over a 30-year business planning period. Clearly, projecting this far into the future is difficult. However, this is designed to ensure that whatever option is ultimately chosen, Social Housing be placed on a sound business footing over the long-term.**
- 3.8 **It is considered that a Private Finance Initiative (PFI) and Arms Length Management Organisation (ALMO) are less likely options for the Council. This basically leaves “Retention” and “Transfer.”**
- 3.9 **Transfer is probably the favored option financially as the Council can generate a substantial capital receipt that can be reinvested to meet priorities contained in its wider Housing Strategy, etc. In addition, the Council would not have any issues regarding the future viability of the HRA, which on current projections is not sustainable in the longer-term.**
- 3.10 **Furthermore, tenants may get improvements over and above those that can be delivered by the Council.**
- 3.11 **However, transfer could have a significant impact on remaining council services, if one of its major departments is transferred. In addition, there is no ultimate guarantee that a RSL could deliver all improvements and increased standards. It would be a business and subject to economic and other risks faced by other organisations.**
- 3.12 **Options available to the Council together with the possible impact of external factors could make the HRA viable in the medium-term. However, the main risk is that there are significant factors outside the Council’s control. This makes the future position uncertain.**
- 3.13 **The overall conclusion is, that based on current projections which indicate that the current HRA cost base is not sustainable, together with the estimates for the level of investment required for repairs and improvements in the future, “Transfer” appears the best option in the longer-term.”**

4.0 Financial Implications

- 4.1 These form a fundamental part of the appraisal.

5.0 Corporate Implications

5.1 These are considered as an integral part of the appraisal, in particular the potential effects on other Council services.

6.0 Community Implications

6.1 These are considered as an integral part of the appraisal, in particular the potential effects on other strategies and plans that affect both council house tenants and the wider public.

7.0 Conclusions

7.1 These are set out on pages 30-31 of the appraisal. The overall recommendation financially, is also highlighted in the executive summary.

8.0 Background Papers

8.1 None

