



**Report to:**

Northwards Housing Board

9 September 2008

**Item No:**

**10a**

<b>Title:</b>	Post 2010 Strategic Plan		
<b>Date:</b>	2 September 2008		
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<b>Confidential:</b>		no	
<b>For: (Please tick action required)</b>	<b>NOTING</b>	<b>DISCUSSION</b>	<b>APPROVAL</b> ✓

**PURPOSE OF REPORT**

The purpose of this report is to suggest to the Board how Northwards' options can be explored & developed beyond the expiry of the current Management Agreement in December 2010.

**RECOMMENDATION**

1. The Board is asked to note the future housing options for Northwards beyond its current Management Agreement which expires in December 2010.
2. The Board is further asked to note the timescale for the option appraisal exercise, including the agreement of the Council to the preferred option & consultation with tenants & leaseholders.

**IMPLICATIONS**

<b>Equality &amp; Diversity:</b>	No specific implications
<b>Financial:</b>	Future housing options will be evaluated for the financial implication
<b>Staffing:</b>	No specific implications
<b>Decency Target:</b>	The preferred option should support and maintain decent homes standards
<b>Governance:</b>	It is important for the effective governance for the Board to consider options beyond December 2010
<b>Risk Assessment:</b>	All options will be fully risk assessed

**Equality & Diversity Implications (Please tick where relevant):**

BME	<input type="checkbox"/>	Lesbian/Gay/Bisexual/Transgender	<input type="checkbox"/>
Gender	<input type="checkbox"/>	Single Parents	<input type="checkbox"/>
Age	<input type="checkbox"/>	Domestic Violence	<input type="checkbox"/>

Disability

Alcohol/Drug Mis-users

**Consultation/Consideration:**

	<b>Yes, No or N/A:</b>	<b>Name:</b>	<b>Date:</b>
<b>Sub-Committee:</b>	n/a		
<b>Area Panel:</b>	n/a		
<b>Task Groups:</b>	n/a		
<b>Ward Councillors:</b>	n/a		

**1.0 Purpose of the Report**

1.1 The purpose of this report is to suggest to the Board how Northwards' options can be explored & developed beyond the expiry of the current Management Agreement in December 2010.

**2.0 Background**

2.1 Although Northwards is just over half way into its 5 year term, it is important to plan now for the ALMO's future beyond December 2010 because this will involve detailed negotiations with the City Council & consultation with Northwards' tenants & leaseholders.

2.2 This report therefore develops the discussion on future options commenced at the Board Away Day on 19th July. The report back from the Away Day is the subject of a separate report to this Board Meeting. Attached to this report is a copy of the slide used to facilitate the discussion on future options.

2.3 Initial discussion has been held with the Director of Housing concerning Northwards' options beyond 2010 & the process for selecting the preferred option. Further discussion is to be undertaken with the Deputy Chief Executive (Regeneration) & Director of Housing in the Autumn of 2008.

**3.0 Options Beyond 2010**

3.1 There are essentially 5 options available to Northwards beyond 2010:

- i) Revert to the housing stock to the direct management of the Council;
- ii) Extend to current Management Agreement for a further 5 year period on the same terms & with the same range of delegated functions;
- iii) Enter into a new Management Agreement for a further term, but longer than 5 years, & with a broader range of delegated functions;
- iv) Develop an alternative model, such as the Preston Community Gateway Model or Bolton's Community Leasehold Model;
- v) Establish Northwards as a Registered Social Landlord & transfer the housing stock from the Council, similar to other transfer landlords sponsored by the Council in Manchester.

3.2 There are risks & benefits attaching to each of these options & these were discussed at the Board Away Day. The risks/benefits & the financial modelling of these options will

need to be developed in consultation with the Council over the coming year. The timeframe for exploring options & agreeing the preferred option is set out in Section 5.

3.3 However, initial comment on the future options would suggest that there is a need to extend Northwards' Management Agreement for an absolute minimum of 2 years in order to complete the Decent Homes programme. Northwards' programme was predicated on completing Decent Homes work by March 2011. However, the requirement of the Department of Communities & Local Government to re-profile Round 3, 4 & 5 ALMOs' expenditure plans means that Northwards' investment will continue into 2011/12. The re-profiling exercise was approved by the Board earlier this year.

3.4 The Director of Housing has indicated that the Council's preferred option would not be to bring its housing stock in North Manchester back into the direct management of the Council. This recognises the strides made by Northwards in developing the housing service & the cost & disruption of having to TUPE staff back to the Council's employment. Assuming the direct management of Northwards' stock would also be contrary to the Council's Housing Investment Options (HIO) programme where it is divesting itself of landlord functions by transfer of stock to new & existing RSLs, sponsoring Housing Private Finance Initiative (PFI) projects & creating an Arms Length Management Organisation in Northwards.

#### **4.0 Housing Revenue Account Subsidy Review**

4.1 In Spring 2008 the Government commissioned a review of the current HRA Subsidy System which is considered by Ministers & local authorities to be unsustainable in its current form. This is a wide ranging review involving a range of stakeholders. The Director of Business Services is a member of one of 4 "expert groups" underpinning the review & the Chief Executive chairs the project group of the Chartered Institute of Housing.

4.2 The timetable for the review is that civil servants will report to Ministers in Spring 2009 with a view to agreeing new arrangements in Summer 2009. Any new arrangements are unlikely to be introduced until the start of the new Comprehensive Spending Review period in April 2011.

4.3 This review is directly relevant to the examination of Northwards' future options because Manchester's HRA is predicted to move from positive subsidy to negative subsidy in the next year or so. This means that council tenants in Manchester would then become net contributors to the national housing pot. Many authorities, including cities such as Leeds, are already in this position.

4.4 It is difficult to accurately predict when the city's HRA will move to negative subsidy because the system operates upon annual subsidy determinations & annual settlements which can vary wildly year on year. However, the loss of resource to the city impacts directly on the Management Fee paid to Northwards to manage the Council's stock. Because of the pace of the HIO Programme, within a couple of years Northwards' stock will be the only housing in the city owned by the Council & not subject to a 30 year PFI contract.

4.5 The HRA Subsidy Review is material to the consideration of Northwards' future options because the sustainability of those options where the Council retains ownership of stock in North Manchester is directly affected by annual subsidy determinations. If the national subsidy system is not overhauled it is likely that the Council will lose revenue resources to deliver housing management services & will have insufficient funds available to support Northwards in maintaining homes at Decent Homes standard. Under such circumstances, transfer of stock to the ownership of Northwards becomes a more credible option if current resource levels are to be maintained & the quality of homes assured into the future.

4.6 Furthermore, there is a legal requirement to consult tenants & leaseholders on the future options available to Northwards beyond 2010 in managing their homes. In undertaking consultation, which is likely to culminate in a further ballot, tenants need to be fully appraised of the risks & benefits attaching to each option. We therefore need to await the outcome of the HRA Subsidy Review & appraise the impact upon each of Northwards' future options.

## **5.0 Timeframe**

5.1 Discussions will continue with senior Council Officers through the Autumn & some further financial modelling may be required. The Executive Member for Neighbourhood Services will be kept informed & at the appropriate time Ward Councillors in North Manchester will be briefed.

5.2 Northwards' Officers will continue to contribute to the HRA Subsidy Review & the Board will be advised of any themes or issues emerging from the review. This will continue into Spring 2009, but any recommending changes are unlikely to be available until the Summer.

5.3 The full appraisal of future options is unlikely to be completed until Summer 2009 at the earliest. The Board will be fully engaged in the discussion on options & will be recommended by Officers as to the preferred option. The Board will make a formal recommendation to the Council's Executive on the preferred option & the process for consulting tenants, leaseholders & Ward Councillors.

5.4 Once the Council's Executive has agreed the preferred option & process for consultation, a full consultation exercise will be undertaken with Northwards' tenants & leaseholders. This is likely to be in Autumn 2009 & will probably involve a ballot towards the end of 2009.

5.5 If the preferred option is transfer of stock to Northwards' ownership, this will require discussion with CLG about adding Northwards to the transfer programme & discussion with the new Tenant Services Authority about registering Northwards as a Registered Social Landlord.

5.6 The implementation of the preferred option would be Spring/Summer 2010 depending upon the work required to give effect to the preferred option.

## **6.0 Conclusions**

6.1 It is important for Northwards to evaluate its future housing options beyond 2010 & to select its preferred option in consultation with the Council. For the reasons outlined in this report, a final evaluation of future options is unlikely to be possible until Summer 2009.

6.2 The Board will be kept appraised of discussions with the Council & will receive a detailed report on the risks & benefits of future options in Summer 2009. Some financial modelling may be undertaken to support the option appraisal.

## **7.0 Recommendations**

7.1 The Board is asked to note the future housing options for Northwards beyond its current Management Agreement which expires in December 2010.

7.2 The Board is further asked to note the timescale for the option appraisal exercise, including the agreement of the Council to the preferred option & consultation with tenants & leaseholders.



## 2010 and beyond

- **Robin to introduce and lead discussion on reverting to MCC (whole group)**
- **3 Work Groups**
- **Stay as we are/Stay as we are but with additional services (Robin and Larry)**
- **Large Scale Voluntary Transfer or Leaseholder Transfer (Steve W and Claire)**
- **Community Gateway Model (Steve F and Diane)**