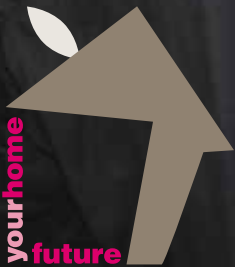


June 2010



Housing Stock Options

An update and invitation to a consultation evening for tenants and leaseholders



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

Invitation

a consultation evening for tenants and leaseholders



When: Monday 28 June 2010 from 5.30 to 8.30pm

Venue: Great Hall, Kensington Town Hall

We would like to let you know where we are in reviewing the financial options for the Council's housing stock and what happens next.

We also want to hear your views about the difficult issues we face together and we will try to answer any questions you may have.

Council and Tenant Management Organisation (TMO) officers will be in attendance as well as Lead Councillors. There will be opportunities to talk to them all in the course of the evening.

Programme for the Evening of 28 June 2010

5.30 to 6.30pm Buffet food, exhibition and informal discussion

6.30 to 7.20pm Presentations by officers

7.20 to 8.20pm Questions and discussion

8.30pm Close

If you have any questions or comments please use the freepost slip at the back of the leaflet or email us on: **yourhomeyourfuture@rbkc.gov.uk**

Housing Stock Options

Over the last few years the Council has had to plan carefully to meet growing financial pressures on its role as a landlord. The previous Government introduced some changes to our funding:

- money to achieve and maintain the Decent Homes standard is no longer available – **yet our housing stock needs a continuing capital investment.**
- the subsidy that enables our Housing Revenue Account (HRA) to stay in balance is being withdrawn – **as things stand the HRA is projected to go into overall deficit in 2012-13 (this would be unlawful).**

In 2008-09 we carried out a full Stock Options Review, looking at the options of **i)** carrying on as we are; **ii)** using private finance; **iii)** seeing if the Government would change the HRA subsidy rules; **iv)** transferring the stock to another (social) landlord or **v)** redeveloping some of our estates.

Tenants and leaseholders were consulted in a variety of ways and a series of well-attended Insight Group sessions was held here at the Town Hall. These were run by DOME

Consultants as Independent Tenants' and Leaseholders' Advisers.

The Insight Group produced its own report alongside a series of reports by officers and consultants into the pros and cons of the options. In November 2009 the Council decided to keep its housing stock and its management arrangements with the TMO. We also decided to look more closely at what we could do to control our expenditure, increase our income and manage the stock more effectively. At the same time the previous Government was still conducting its own review of the HRA subsidy rules – which might lead to other options.

Over the last six months we have been working with the TMO on a number of projects to see how the problem of the HRA deficit can be replaced by a plan that will provide long-term financial security.

What would happen if we did nothing?

The Housing Revenue Account (HRA)

If we were simply to maintain current levels of annual income and expenditure then we project that the HRA would go into a deficit for the year in 2013-14 (or 2012-13 if subsidy is withdrawn earlier). This would be unlawful and would almost certainly result in financial penalties and losing control of decision-making and local accountability.

The Capital Programme and Housing Investment

The investment needs of our housing stock are based on its age and condition, the life-cycles of different building elements and the need to meet certain standards to make sure the homes are fit to live in.

We use the stock condition information held for us by the TMO to work out the amount of investment needed to keep the stock up to standard.

Current forecasts show that the capital maintenance programme, which the TMO delivers for the Council, can only meet some of the needs of the stock. However without access to funding, it will not



be possible to maintain or improve current standards.

Initially, programmes of investment which do not contribute to the Council's legal obligations as a landlord would have to be cut. This could include, for example, painting programmes, environmental schemes and garden maintenance.

At the same time we would have to look at extending the life cycles of certain building components and at prioritising certain estates over others in order to meet health and safety standards.

Inevitably the appearance and functionality of our housing stock would start to deteriorate in some areas. We would then have to consider more difficult choices including proposals to sell off estates we could no longer afford to maintain.

Housing strategy and managing our assets

As well as being a landlord, the Council has strategic housing responsibilities – it has a legal duty to meet the housing need of the population of the Royal Borough.

This means thinking not just about the present generation of our tenants and leaseholders but also about the needs of the next and future generations.

We have to plan for there to be an adequate supply of good quality housing which meets modern standards and is affordable by people on a range of incomes and with a range of different needs.

As well as working with other landlords, we have to make sure that our own housing stock remains fit for this forward-looking purpose and that we are using our housing assets to best effect. This has therefore been one of our key areas of study over the last six months.

Work in progress

- A survey of the condition of all our housing stock has now been carried out. The final report will be available later in June and will give us a clearer idea of what investment is needed and where and when.
- There are proposals to build some new homes on the Silchester Estate. We are also looking at whether other estates could offer opportunities to build new homes on spare land or open space.
- Some individual street properties need major investment but also have very high values which could be used for investment elsewhere if they were sold.
- Some properties have basements or other unused areas which could be converted into extra living space (hidden homes).

Key issues

- If we do not have the resources to meet the stock investment needs indicated by the stock condition survey, how should we prioritise non-essential works – and should we consider lowering standards?
- If we can identify sites for development, should we encourage private development – and use the money we receive from this to help meet present and future need – or more social housing?



Value for money

Most of the expenditure side of the Housing Revenue Account (HRA) is managed by the TMO under its management agreement with the Council. Over the last five years savings of almost 25 per cent have been achieved in the TMO's costs.

However, value for money is not so much about reducing expenditure as about getting more for what you do spend. This means looking closely at all areas of spending and seeing whether there are better ways of doing things.

The Council and the TMO have each had to look at what is presently being charged to the HRA. We have been working together closely on all the key areas.

Work in progress

- If money can be generated by new development, should it be ring-fenced to the estate in question or pooled?
- At what point should the cost of maintaining a high value street property be outweighed by the money that would be raised by selling it?
- Are there other options for increasing housing supply?

- We are looking at how to get the best price for the best quality when we buy any works, goods and services.
- The TMO is continuing to look at what residents' priorities are and how to increase residents' satisfaction.
- We are looking at whether, and if so how, other organisations manage to do similar things for less (benchmarking).

Increasing our income

- We are looking at whether the TMO could provide the Council with other services and at the same time whether it is getting value for money from services provided to it by the Council.

Key issues

- A wide range of services is provided to tenants and leaseholders including many that are not essential to housing and estate management. At what point should we consider stripping out non-essential services and what should be the criteria for doing that?
- The TMO could achieve greater cost-effectiveness and value for money as an organisation if it were to broaden the scope of its services and bid for other work. What are the pros and cons of this for the Council and for our tenants and leaseholders?
- What areas of spending should we be particularly focusing on in benchmarking costs against those of other organisations?

The TMO plays a key role in bringing income into the HRA through its performance in collecting rents and other charges and controlling levels of arrears. But the Council has had to look at whether its rents as a whole are at a level where they can support current and future spending.

Compared to other options for reducing the HRA deficit, we are already clear that the most effective way of achieving long-term financial security would be through rent increases.

However, the previous Government proposals to give councils greater 'financial freedom' would require councils to stick to a prescribed rent increase formula. This means that if the Council sees increasing rents as the way forward it will have to act now, before legislation could bring 'financial freedom' into effect.

We have been looking at the effects of different levels of rent increase both under the present rules and under potential new Government proposals. We have also been looking at other ways of increasing income, such as parking charges, although these would be marginal in their effect compared with rent increases.

Work in progress

- We've looked at a range of average increases to take effect in 2011-12.
- It is clear that, overall, the higher the initial increase, the greater the long-term financial security of the HRA.
- If we brought in a new system the same level of increase would not necessarily have to be applied to every estate.
- Small amounts of additional income could be raised through the introduction of parking charges.
- There may be opportunities to develop other income-generating services.

Key issues

- How do our current rents compare with those of other social landlords in London and how do we compare on rates of collection?
- How can we get all our rents and service charges across the Royal

Borough onto an equitable basis of calculation?

- What would be the impact of different levels of rent increase on our current tenants?
- What other options are there for us to generate additional revenue income?



Issues of principle

Before any key decisions are taken, it is important to establish certain principles to guide the Council's decision-making.

External factors – which are by definition outside the Council's control – will shape many of these decisions and the impact they will have on tenants, leaseholders and staff. These include the direction that may be taken by the new Government on a range of issues including the HRA subsidy system, the future of social housing, levels of delegation to local authorities and the level of public expenditure cuts.

But the work that has been carried out on the known options available to the Council has already brought a number of issues of principle to the surface.

- The situation could arise in which essential capital investment – for example, replacing parts of buildings that have broken – has to take precedence over scheduled but non-essential maintenance.
- A balance needs to be found between using the Council's land assets to generate income and using it to provide additional social housing.
- The Council has to think about the long-term housing need in the Royal Borough alongside the needs of the present tenant population.
- Choices exist over continuing to provide certain services to estates and to tenants which, although desirable and valued, may not be considered essential.
- In order to keep the HRA in balance and provide for future needs under the present system, there will need to be a significant rent increase.
- We are fully committed to consulting and involving tenants and leaseholders as we proceed with the work we are doing.

Next steps

From the outset the Council has placed a premium on keeping tenants and leaseholders informed about the financial pressures on the HRA, the options to secure long-term investment and the course of action we are following to address these issues.

The consultation on Stock Options and the Insight Group process which took place during 2008-09 demonstrated that the views of tenants and leaseholders are taken seriously by the Council and help to shape our decisions.

There will be a further event in June on a different but related strategic issue. This will be a meeting of the Community Relations Advisory Forum to look at Allocations and Housing Need at 5.30pm on 30 June 2010.

We do not expect the new Government to be in a position to give us a greater degree of clarity about its approach to social housing, and in particular about the previous Government's 'financial freedom' proposals – in the course of the next few months.

We will therefore continue to examine – at a growing level of detail – issues like the options for a rent increase, value for money issues and longer term investment needs of the stock.

We will need to make a decision on rents before the end of this calendar year. There will be further consultation on this, and the implications for tenants, in the autumn.



2

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
HOUSING STRATEGY AND REGENERATION
THE TOWN HALL
HORNTON STREET
W8 7BR

Comments and questions

1. Do you have any comments about issues raised in this leaflet?

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Are you a tenant?

Are you a leaseholder?

Please provide your name, address or email if you would like our team to respond to your question.

Name: _____

Address: _____

Email: _____