

Tenant Empowerment Programme

Guidance on tenant-led stock options

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Introduction to the programme

- 1.1 The Department for Communities and Local Government (DCLG) wishes to encourage and support tenant-led stock options. This is where local authority tenants take the lead in looking at the future options for the management and/or ownership (as relevant) of homes in their local area and, if the preferred option is feasible, develop a tenant-led stock option. A likely key outcome is a tenant-led stock transfer RSL, an ALMO or a PFI.
- 1.2 Tenant-led stock options are in line with wider government policy of encouraging community empowerment and neighbourhood-focused renewal. Two recent publications will be of particular interest: The Supplement to the Housing Transfer Manual – 2006 Programme www.communities.gov.uk/index.asp?id=1500523 and A Decent Home: Definition and Guidance for Implementation – June 2006 Update www.communities.gov.uk/index.asp?id=1152190.
- 1.3 The Tenant Empowerment Programme (TEP) provides a wide range of support opportunities for local authority tenant groups, including support for pursuing the option of the statutory right to manage (RTM). Separate guidance on TEP, including a web-based version of this guidance, is available on the Corporation website at [www.housingcorp.gov.uk/server/show/nav.2084]. The outcome of the RTM process is a management agreement allowing a Tenant Management Organisation (TMO) to take over all or part of the management role from the local authority landlord. Tenant management through the RTM is not therefore covered by this guidance.
- 1.4 A separate block of funding has been allocated within the TEP to enable council tenant groups to explore options for tenant-led stock options and for developing the preferred option in partnership with their local authority. Tenant groups engage their own advisers to explore the options and, once an option gets general support from the group and their local authority, to help put that option in place. Feasibility Study stage funding supports tenant groups in appraising the options and Development stage funding supports tenant groups in implementing the chosen option, **so long as the selected option is tenant-led.**
- 1.5 This guidance defines tenant-led stock options (TLSO) and sets out a framework for the process of exploring and implementing these options. It looks particularly at how and where TLSO grant will be available for the Feasibility Study stage and the final Development stage. The guidance is primarily for tenant groups, local authorities and Approved Persons under the Housing (Right to Manage) Regulations 1994 (refer to paragraphs 6.4 – 6.7).

2. What is a ‘tenant-led’ stock option (TLSO)?

- 2.1 The principal stock options will be familiar from the Options Appraisals that all stock-owning local authorities have been carrying out over recent years. These are stock transfer, arms length management organisations (ALMO) and Private Finance Initiative (PFI). Tenants can be, and are, involved in many ways in looking at future options for the management and ownership of their homes.
- 2.2 The TLSO process, however, is different. Rather than the initiative or leadership coming from the local authority, a local tenant group leads the process. In particular, the group will want to:
- look at the tenant-led options for the particular area or estate that it represents. This means that the likely options will be partial stock options rather than whole stock options;
 - appoint and manage its own advisers to provide support and advice through the process and specialist advice on financial, technical and legal matters. These advisers will then directly report to the tenant group:
 - look in depth at those stock options where the community has a lead role. This could include setting up a new Registered Social Landlord to take on the stock for the local area where tenants are in the majority or the largest group on the board. It could also include the option of a tenant-led ALMO;
 - negotiate a preferred option with the local authority.
- 2.3 The purpose of TLSO grant is to ensure that tenant groups have the necessary support and advice that they need. In this guidance ‘tenants’ means council housing tenants, including leaseholders.

3. How TLSO grant can help

- 3.1 TLSO grant is potentially available to help groups with the following aspects of exploring and implementing the various tenant-led stock options:
- Advice, training and support from a specialist tenant advice agency – this would need to be an “Approved Person” (referred to in this guidance as an AP) under the Housing (Right to Manage Regulations) 1994. More information on the AP is given in paragraphs 4.1 and 6.4-6.7 below.
 - specialist advice from financial, technical, legal or other advisers;
 - the preparation of consultation material;

3.2 **Grant is available at a number of stages in the process and these are described in summary below. There is fuller guidance about each of these stages later on in this document.**

3.3 Funding will not generally be available to APs to carry out general promotion of the TLSO programme. A small amount of funding will be made available to enable an AP to attend a single meeting to offer advice to an eligible group which has requested further information on the TLSO transfer, ALMO or PFI options. Funding will be available to reimburse the AP's expenses in attending these meetings and will be limited to a maximum sum of £500 per visit. The AP must apply to the Corporation for funding prior to undertaking the visit to the tenant group.

Feasibility Study stage

3.4 This stage is where the tenant group explores in detail the various options for the future management and/or ownership of the homes in the area the group represents. It is broadly comparable to the stock options appraisal stage that most local authorities have carried out for all of their housing stock. The outcome of this stage will be a selected future tenant-led option for the area that:

- is technically and financially feasible;
- has the general support of tenants across the area;
- has the support of the local authority.

3.5 As mentioned above, most TLSOs will be for the area represented by the tenant group. In exceptional cases, where a number of tenant groups may want to come together to jointly look at a TLSO that covers a number of estates. In this case TLSO grant may be available for a **Feasibility Preparatory stage**. This provides support from an AP to help groups come together and jointly assess whether this is a route that is practical and desirable. If so, this stage will be followed by a joint Feasibility Study.

3.6 During the Feasibility Study stage, TLSO grant will be paid directly to the AP.

Development stage

3.7 If there is an outcome of the Feasibility Study stage that meets the criteria in paragraph 3.2 above, then TLSO grant is potentially available to help tenant groups put that tenant-led option into place. This is called the Development stage.

3.8 This stage will cover the implementation of the option in accordance with the specific Government guidance for the selected option. It will

not cover the full process, but will cover the activities up to and including the stock transfer ballot (for stock transfer) or obtaining approval from the Government under section 27 of the Housing Act 1985 in respect of an ALMO taking on management. Thereafter, the activities leading up to the full implementation of the option would be funded in the normal way.

- 3.9 Normally the Development stage would follow on from Feasibility Study stage. There are cases, however, where a local authority has already decided on a course of action, such as whole stock transfer, following extensive consultation with tenants. A tenant group may, however, wish to develop its own tenant-led stock transfer proposals for its own area or estate. In this case TLSO grant may be available for the Development stage of the selected option without the group needing to go through the Feasibility Study first. This is because a feasible option has already been selected.

4. Who is eligible to apply for TLSO grant?

- 4.1 Only tenant groups that represent council tenants (including leaseholders) in association with an AP may apply for TLSO grant to explore and implement TLSOs. A list of APs is maintained by the Corporation on behalf of DCLG and can be found on the Corporation's website. [link]
- 4.2 Local authorities may not apply, although they may well wish to support a group in starting the process off. At the Feasibility Study stage, grant will be paid directly to the AP, although at the Development stage, grant will be paid direct to the group.
- 4.3 Exploring and implementing local stock options will require a great deal of commitment from tenants, local authorities and other stakeholders, such as potential RSL partners for stock transfer. Applications, therefore, need to be well-founded and in particular, groups will need to demonstrate that:
- they are properly constituted and representative of the local community and have a strong membership;
 - the management committee includes a majority of tenants and leaseholders;
 - they are clearly independent of the local authority and directly accountable to their membership;
 - they represent a clearly defined area;
 - there is a track record of productive partnership working with the local authority;

- they have well thought out reasons for looking independently at TLSOs for their community and that this has been agreed and minuted at a general meeting of the group.
- 4.4 Typically, a Tenant Management Organisation (TMO) would meet these criteria, although they will also apply to many other established tenant groups.
- 4.5 It is essential that the tenant group contacts the Corporation's Resident Involvement Team (tenantempowerment@housingcorp.gsx.gov.uk) at an early stage to discuss any proposed application to check grant availability and eligibility and how to take an application forward.
- 4.6 There is no minimum number of properties represented by a tenant group that will be eligible. It is likely, however, that groups that represent only a small numbers of local authority-owned properties will find that the stock options may not be technically or financially feasible. In addition the cost of setting up the selected option may well be disproportionate. There may be special circumstances, however, where an application for grant may be considered and this needs to be discussed with the Corporation's Resident Involvement team.
- 4.7 There is no maximum number of properties that will be eligible. However when considering whether TLSO grant should be made available, the impact on the overall TEP budget will be taken into account as well as the criteria described in paragraph 4.3 above. Again, this needs to be discussed with the Corporation's Resident Involvement Team.
- 4.8 When considering demand for TLSO grant against a finite budget, the Corporation may take into account other factors when considering grant applications.

5. Local authority support

- 5.1 Stock options can only be effectively explored in partnership with the local authority.
- 5.2 In line with the government's stated objectives, local authorities are expected to provide this support. However, it is accepted that the local authority may have grounds not to give this support (where, for example, developing a specific stock option for the group's area could significantly undermine the local authority's own approach to the future of the rest of its housing stock).
- 5.3 All applications for funding **must be accompanied** by a letter of support from the local authority in order to be considered. A template for use by local authorities may be downloaded from the Corporation's website. [link]

6. Role of stakeholders

The local authority

- 6.1 TLSO grant applications will only be considered where the local authority gives its support. In addition it will need to directly finance 25 per cent of the cost of the Development stage.
- 6.2 Importantly, the local authority will need to work closely in partnership with the tenant group. Any TLSO arising from the study will need its full support and it will need to provide key financial and technical information, such as rent forecasts and stock condition. It will also want to make sure that the impact of the options on the rest of its service is fully assessed as part of the Feasibility Study.
- 6.3 The local authority will probably want to make sure that it is represented on any working group overseeing the project.

The Approved Person (AP) under the Housing (Right to Manage) Regulations 1994

- 6.4 The AP is responsible for ensuring that the TLSO grant provided is properly spent and that the work is carried out in accordance with the programme. The AP will commission, or assist the group to commission, appropriate advice. It will ensure that the local authority and the tenant group are provided with necessary information to carry out their roles effectively. The AP will provide or arrange training for the group appropriate to the stage of work.
- 6.5 The AP will write progress reports (quarterly) and final reports. It has a particular responsibility to ensure, as far as possible, that outcomes at each stage include achievable and viable options to meet tenant and community aspirations.
- 6.6 If at any stage the evidence shows that the group is at serious risk of failing to reach appropriate standards of competency, the AP will advise the group accordingly and take steps to terminate the study as quickly as possible.
- 6.7 If it becomes clear that a study is not making progress towards a TLSO, the AP should identify this fact and ensure that study is brought to an orderly close keeping further expenditure to the minimum needed to complete a final report.

The Independent Tenant Adviser (ITA)

- 6.8 The role of an ITA in a TLSO appraisal is to provide **independent** advice on request to tenants, eg via telephone or surgeries. This is NOT a role for the AP working for the group since the AP is an advocate for the group and its proposals and is likely to have a part in shaping and driving forward these proposals.

- 6.9 In a conventional stock options appraisal, the ITA may have a much wider role including communications with tenants and advising and training a tenant-led steering group. This wider role is **not** required in the TLSOs process since this work is undertaken by the tenant group and AP.
- 6.10 The ITA needs to be suitably experienced and qualified to assess the information provided to individual tenants and give an objective and reliable opinion as to its accuracy. This role may be fulfilled by an organisation or an individual, as long as they are easily accessible. It is important that tenants should be involved in selecting an ITA, but the process should ensure that the ITA is genuinely independent of and from the tenant group.
- 6.11 An ITA is not necessary during a Feasibility Study stage but may be appointed during the Feasibility Study stage and be in place at the time of a test of opinion on a final option. An ITA should be available during the Development stage.
- 6.12 The ITA role should be funded by the local authority, separate from the programme costs. **It is not funded by TLSO grant.** The AP will provide a guideline estimate of the reasonable costs of the service.
- 6.13 There is guidance for appointing an ITA on the DCLG's website at (<http://www.communities.gov.uk/index.asp?id=1152246>)

Government Office

- 6.14 The relevant Government Office should be advised at an early stage that a tenant group is proposing to pursue a TLSO.
- 6.15 The Government Office may also be able to advise both tenant groups and local authorities if there are any concerns from either party about TLSOs.

The Corporation

- 6.16 The Corporation has two roles in respect of TLSOs.
- 6.17 The first role is as manager of the Tenant Empowerment Programme and administering grant. The Corporation will confirm that applications for TLSO grant are soundly-based and have the support of the local authority. In addition the Corporation will require properly prepared work programmes and regular progress reports signed by both the tenant group and local authority that monitor progress against the programme, to be submitted with grant claims.
- 6.18 The Resident Involvement Team at the Corporation will be able to provide early advice to prospective applicants about availability of funding.

- 6.19 The second role of the Corporation is to register new tenant-led stock transfer RSLs. This will be carried out via its specialist Stock Transfer Registration Unit (STRU). If a tenant-led stock transfer is being considered, then it would be useful to contact the STRU during the Feasibility Study stage for informal advice. STRU must be informed early on in the Development stage should transfer be the selected option.

Department for Communities and Local Government (DCLG)

- 6.20 The Decent Homes Division in the DCLG is responsible for the policy on Decent Homes and TLSOs. It sets the priorities for this part of the TEP budget and agrees a framework for the allocation of grants administered by the Corporation. DCLG is responsible for giving final approval to all applications for TLSO grant.

Specialist advisers

- 6.21 To appraise any stock option, tenants are likely to need a number of technical studies and specialist financial studies including valuation, business viability and HRA impact and, possibly, environmental and regeneration studies.
- 6.22 The AP would be expected to specify and work with the group to commission such studies if needed. Much of the information should be available, free of charge, from the local authority. TLSO grant may include a contribution towards meeting the costs of specialist advice where it is required to evaluate the impact of local decisions and choices. The cost of this advice must be included in the grant application as Project Direct Cost. Additional funding for exceptional studies, such as options for major regeneration, must be sought from other sources.

The tenant group

- 6.23 The 'tenant group' here refers to the management committee of the tenant-led organisation at the Feasibility Study and Development stages.
- 6.24 The tenant group is client for the project. It will act as an informed and active client for the AP and other consultants. It should make timely decisions to progress the project.
- 6.25 The group is to involve the residents of the area as widely as possible in its decisions and activity. It must be accountable to all tenants and to the community more generally. It should work closely with the local authority and should consult and include local stakeholders, including other community and tenant groups.

- 6.26 The group should take part in training as specified in the work programme and follow the advice of its AP in reaching necessary levels of competence, especially in respect of governance.

7. Detailed guidance: Feasibility Study stage

Introduction

- 7.1 Feasibility Study stage grant enables a local authority tenant group to undertake a Feasibility Study to assess which stock options are most effective in addressing the group's objectives for the future of their homes. It will also assess the technical and financial implications of the options and which ones tenants living on the estate will support via a test of opinion.
- 7.2 During the Feasibility Study Stage, the tenant group works with an AP. This AP will support and advise them in exploring the options, evaluating them and assessing the implications. The AP may need to sub-contract some work to other specialists such as financial advisers.
- 7.3 It is recommended that tenant groups interview up to three APs before making a decision as to which AP it will work with to carry out the Feasibility Study stage of the TLSOs process. See also paragraph 7.5 below.
- 7.4 The Feasibility Study Stage would generally take 9 to 12 months to complete. At the end of the Feasibility Study stage, there will be three main outcomes:
- the tenant group will have chosen a TLSO for the future of the homes. This will have emerged from a thorough exploration of the options and an evaluation against agreed objectives. This will have been selected in partnership with the local authority and will have its support.
 - there will be tenant support for the chosen option demonstrated through a test of opinion;
 - there will be a tenant group with the capacity to deal with issues involved in the work programme and the subsequent Development stage.

Selecting an AP

- 7.5 It is important that during the Feasibility Study stage, support and advice is provided by an AP with the necessary experience and skills. This would be usually demonstrated by an AP that has had direct experience in one way or another with TLSOs or, at a minimum, as a provider of independent tenant advice as part of a stock options appraisal. The AP would not necessarily need to have all the necessary financial or technical skills and experience to carry out an

appraisal, but there would need to be recognition of how skills gaps could be filled using other expert advisers.

Key elements of the Feasibility Study stage – the work programme

- 7.6 The purpose of the Feasibility Study stage is four-fold:
- to evaluate the TLSOs and how far they meet the tenant group's objectives;
 - to assess the technical and financial implications of the stock options, including their impact on the remainder of the housing service;
 - to consult tenants across the area and see which option or options they will support; and
 - to select an option for the future of the area covered by the tenant group in partnership with the local authority.
- 7.7 It is recommended that the Feasibility Study stage and work programme is overseen by a Joint Steering Group that is led by the tenant group, but includes representatives from the local authority. The Joint Steering Group will also consider the findings and assess the options against the objectives in the Feasibility Study. Other community representatives could also be included in the Group if it was felt to be appropriate.
- 7.8 The following is a description of the key elements of the Feasibility Study. The tenant group, in conjunction with the AP and local authority, will need to produce a work programme based, as a minimum, on these key elements. Reference should also be made to the government's guidelines on Stock Options Appraisals. ([link] <http://communities.gov.uk/index.asp?id=1152416>)

Evaluation of the options against the tenant group's objectives

- 7.9 The key elements will include:
- looking at local issues with the tenant groups and what they see as priorities;
 - agreeing objectives with the tenant group. These are likely to include issues such as developing tenant empowerment, standards of improvement to the homes and the environment and developing and improving local services;
 - training for the tenant group on the stock options and how they could address local issues and objectives;

- reviewing the local authority's position in relation to the future of its housing stock. This will cover the local authority's approach to Decent Homes or a higher standard and the sustainability of good quality housing services;
- visits to other areas where local TLSOs have been implemented;
- jointly evaluating, with the local authority, how well the various stock options address local issues and meet the tenant group's objectives.

Assessing the implications of the various stock options

7.10 The key elements will include:

- training on the technical and financial aspects of the stock options;
- reviewing stock condition information and assessing the potential resources needed to meet various standards of repair and improvement;
- assessing the implications of ensuring good quality sustainable services for each of the options;
- assessing the implications of each of the options on the rest of the local authority's housing stock;
- partial stock transfer indicative valuation would be necessary to assess the implications of the stock transfer option.

7.11 Early discussions with the STRU are also recommended in respect of registration of a tenant-led stock transfer Registered Social Landlord. In this situation an organisation's size will be an important factor. The Corporation will look at a potential new landlord's sustainability and viability and will be able to advise on the benefits of being a subsidiary in a group structure or becoming a management board/committee if registration is not an objective or viable option.

7.12 As no further bidding rounds for ALMO funding are planned after the current round, under which bids have to be submitted by 31 July 2006, tenant groups that wish to adopt the ALMO model in an area where the local authority does not already have an existing or proposed ALMO should be aware that such an organisation would not have access to additional decent homes funding. Funding for decent homes will already have been located to local authorities that have a place on the ALMO programme and may be allocated in the future to local authorities that make a successful bid in the 2006 bidding round. Tenant groups should contact the DCLG's ALMO team at an early stage for advice if they wish to explore the option of a tenant-led ALMO. Similarly, if a tenant-led PFI is to be explored, the tenant group should contact the Housing PFI team in DCLG.

Consulting with tenants and testing opinion

- 7.13 Before any option can be progressed, tenants across the area represented by the group need to have their say in terms of influencing the decision and showing their support for the option that it is felt best meets the needs of the area.
- 7.14 The key elements will include:
- newsletters, meetings and drop-ins to explain the proposals and implications of the various options.
 - surveys and other methods of obtaining feedback and assessing tenants' views on the options.
- 7.15 The final test of opinion on the options can be in the form of a full or sample postal survey or door-to-door survey. Guidance on tests of opinion in relation to stock options appraisals can be found on the DCLG website. [link]
(http://communities.gov.uk/pub/417/DeliveringdecenthomesoptionappraisalPDF264Kb_id1152417.pdf)

Selecting an option in partnership with the local authority

- 7.16 No TLSO can be progressed without the support and active co-operation of the local authority. This means that the local authority needs to be involved in the whole process. In particular, the local authority needs to be part of a Joint Steering Group (see paragraph 7.7) which will oversee the Feasibility Study stage, look at the findings and assess the options against the objectives of the Feasibility Study.
- 7.17 The AP will need to produce a report to the Joint Steering Group setting out the agreed objectives and the issues that underlie them and an objective analysis of how far the stock options could meet the objectives plus the implications and feasibility of the various stock options.

Project monitoring

- 7.18 Project monitoring will need to be an essential part of the work programme. This should be carried out by the tenant group and local authority through the Joint Steering Group.

Planning for the Development stage

- 7.19 If a TLSO is agreed as an outcome of the Feasibility Study, then grant for the Development stage will be paid direct to the group (on application) and the group will need to select and engage an AP – an important element of this is the group becoming incorporated. The group will need to be advised by the AP and trained on good practice in AP selection and in managing the grant. The group may wish to

continue to work with the same AP as at Feasibility Study stage, or may decide to engage another AP.

Liaising with the Government Office

- 7.20 The relevant Government Office should be advised of the Feasibility Study and tenant groups may wish to invite the Government Office contact to early planning meetings. The Government Office should be kept informed of progress and should also be invited to the final evaluation meetings.

Output - Final report

- 7.21 At the end of the study, the AP must provide a final report covering:
- the work that has been carried out;
 - training that has been undertaken together with an assessment of capacity for the individuals on the committee/board and the group as a whole;
 - local issues, the options that have been explored and the results of the evaluation;
 - the option jointly selected by the tenant group and the local authority;
 - the result of the test of opinion;
 - an action plan for the next stage agreed with the local authority;
 - (If relevant) the reasons why the tenant group and local authority could not agree on an option.
- 7.22 The final report must be submitted to the tenant group, the local authority, the Government Office and the Corporation. A copy must also be submitted with the Development stage application for grant.

What Feasibility Study grant will pay for

- 7.23 The main area of eligible expenditure that Feasibility Study grant will pay for will be:
- the cost of advice and support from the AP and for any specialist advice that the AP is not able to provide;
 - information and consultation material and carrying out surveys of tenants.
 - training undertaken by the tenant group and visits to other projects;

- 7.24 Feasibility Study Grant will **not** pay for expenditure that would be incurred by the local authority in working in partnership on this project. The local authority is responsible for providing stock condition information, including any additional information in respect of costing higher standards locally. The local authority should already have most of this information on an estate basis already. The local authority will also need to make available information on rents and the forecasts for the HRA.
- 7.25 Grant will pay for 100% of the costs that are eligible

Grant levels

- 7.26 An application for Feasibility Study stage grant may be up to £18,705 for up to 250 secure tenanted and leasehold homes plus £19 per home thereafter, plus up to £8,000 for the cost of technical evaluations. There is a ceiling of £55,000 on the total amount of grant available. Where there is a Feasibility Study Preparatory stage, additional grant may be available. This would be up to £4,620 for up to 250 tenanted and leasehold homes plus £9 per home thereafter. There is a ceiling of £10,000 for the total amount of grant available for the Feasibility Study Preparatory stage. All figures are inclusive of VAT.

Making an application for Feasibility Study stage grant

- 7.27 The AP should submit an application for Feasibility Study stage grant [[link to form](#)] to the Corporation at least 4 weeks before work is due to start. Work started prior to the application being approved by the Corporation will be carried out at the AP's risk. The Corporation will generally process applications for grant within 30 working days of receipt of a complete submission.
- 7.28 The AP will need to make sure that tenant group meets the eligibility criteria set out in this guidance at paragraph 4.3 above.

Supporting documentation

- 7.29 The following information must be submitted with the grant application to enable it to be processed within 30 working days. Incomplete submissions will not be processed and will be returned to the AP.
- Outline of the proposal setting out:
 - Description of the tenant group and history (showing how the group complies with the eligibility criteria set out in paragraph 4.3 above);
 - Description of the area represented by the tenant group, including total number of dwellings, together with a breakdown of secure tenants, leaseholders and details of any freehold and

housing association properties within the area covered by the study;

- Background to why the group wishes to explore TLSOs;
- Nature of liaison with the local authority;
- Description of the local authority's approach to the future of its housing stock, including details of the option for the area in the authority's Options Appraisal for achieving Decent Homes Standard;
- A work programme identifying key themes, together with a full breakdown of forecast input costs, i.e. travel time (TT), preparation time (PT), meeting time (MT) and total hours;
- Itemised Work Programme Costings identifying the cost of AP hours plus any additional direct costs (which must be clearly explained and split between financial years where necessary);
- Standard letter of support from local authority [link to template letter].
- Map showing area to be covered by the study;
- Copy of the minute of a general meeting of the tenant group recording the passing of a resolution to carry out a TLSOs Feasibility Study;
- Copy of the tenant group's constitution;

8. Detailed guidance: Development stage

Introduction

- 8.1 The likely outcome of the Feasibility Study stage should be that a tenant group, in partnership with the local authority, has agreed to put into place one of three options: a tenant-led stock transfer, a tenant-led ALMO or a tenant-led PFI. These options must also have received support from the tenants across the area via a test of opinion. The tenant group may apply for Development stage grant to move forward with implementing the chosen stock option. There is no pre-determined timetable for the Development stage. However, it should have the same time period as any pre-ballot/pre-section 27 stage for stock transfer/ALMO. More information on these timescales is set out in the relevant DCLG guidance (refer to paragraph 8.5)
- 8.2 During the Development stage, the tenant group will need to work with an AP that will provide advice and support to the group. Unlike Feasibility Study grant, the grant will be paid direct to the tenant group rather than the AP. **In addition, grant will only pay 75% of the total**

cost; the remaining 25% needs to be provided by the local authority.

8.3 This part of the guidance covers:

- Selecting an AP;
- Outcomes of the Development stage;
- Who can apply for Development stage grant;
- Key elements of the Development stage;
- Outputs of the Development stage;
- Independent Tenant Advisers;
- The work programme post-ballot/test of opinion;
- What Development stage grant will pay for and the role of the local authority;
- Making an application for Development stage grant;
- Grant levels;
- Supporting documentation to be submitted with the application;

8.4 The outcomes and key elements of the Development Stage will be different for the three TLSOs: stock transfer, tenant-led ALMO and PFI. The following guidance covers stock transfer only. If a tenant-led ALMO is likely to be the option selected at the end of the Feasibility Study stage, then early four-way discussions between the tenant group, the local authority, the Government Office and the ALMO team in DCLG will be necessary to determine the next steps. If a tenant-led PFI is likely to be the selected option, then early four-way discussions between the tenant group, local authority, the Government Office and the Housing PFI team in DCLG will be necessary to determine the next stage.

8.5 At the beginning of the process, everyone involved should be made aware of the relevant government guidance on stock transfers www.communities.gov.uk/index.asp?id=1152570, ALMOs www.communities.gov.uk/index.asp?id=1152506 and PFIs www.communities.gov.uk/index.asp?id=1152707.

Selecting an AP

8.6 It will be important that the Development stage provides value for money and carried out by an AP with the necessary experience and skills. If the tenant group carried out a Feasibility Study, it may be

happy to continue working with the same AP. See also paragraph 7.5 above.

Outcomes of the Development stages

Tenant-led stock transfer

- 8.7 Where stock transfer is the chosen option, the outcomes will be:
- A successful application will have been made to go on to the DCLG's annual stock transfer programme;
 - An existing or prospective new tenant-led RSL to take ownership of the stock will have been established together with a shadow board. This could be stand alone or part of a group structure. A preliminary application form (APP1) in respect of registration will have been submitted to the Corporation;
 - There is a sound business plan and stock transfer valuation;
 - There has been a ballot of tenants following extensive informal and formal consultation.
- 8.8 If the tenant ballot is in favour of stock transfer, then there will be further work needed, following the Development stage, to implement stock transfer, but this would not be funded by Development stage grant (see paragraphs 8.35 to 8.37).

Who can apply for Development stage grant?

- 8.9 Development stage grant can normally only be applied for by a local authority tenant group that has carried out a feasibility study and selected, in partnership with the local authority, a TLSO.
- 8.10 It is possible, however, in certain circumstances for a tenant group to apply for Development stage grant without having gone through the Feasibility Study stage. This is where the local authority has chosen, following tenant consultation, the option of wider stock transfer, ALMO or PFI already as part of an options appraisal exercise and will be implementing this for the wider housing stock. At the same time, a tenant group wants to develop a separate tenant-led approach for the same option parallel to the local authority's approach for the rest of the housing stock.
- 8.11 In this situation a tenant group is eligible to apply directly for Development stage grant to implement a tenant-led version for its local area.
- 8.12 Where this is the case, the same eligibility criteria for Feasibility Study grant will apply to the tenant group (link to guidance on Feasibility Study grant).

Key elements of the Development stage - work programme (stock transfer)

- 8.13 Reference needs to be made to the Housing Transfer Manual including the latest supplement www.communities.gov.uk/index.asp?id=15000523 and the Government Office needs to be kept informed of the work programme throughout its progress.
- 8.14 The following is a list of the key elements of a work programme for a tenant-led stock transfer up to and including a ballot of all tenants.

Landlord choice

- 8.15 At an early stage, the tenant group will want to explore whether it will set up a stand alone new tenant-led landlord organisation for the area, or set up a new landlord that is part of a group structure with an existing RSL. The tenant group should take advice from the Corporation's Stock Transfer Registration Unit (STRU) on this and, if the group structure route is preferred, it is recommended that it invite a number of RSLs to express an interest. Following this there would be a competitive selection process involving written submissions, interviews and visits.

Repair and improvement plan

- 8.16 The tenant group will want to develop a clear repair and improvement plan for the homes to be transferred. This needs to be based on up to date stock condition information.

Production of the Single Transfer Model

- 8.17 This will need to take into account stock condition and the repairs and improvement plan (Cost Generation Model) and the Pricing, Rents and Public Sector Net Borrowing Effects Model.
- 8.18 In addition, there should be an initial assessment of the availability of funding the transfer from potential funders.

Application to go on the government's annual stock transfer programme

- 8.19 Where a transfer is in excess of 499 properties, an application needs to be made to go on to the DCLG's annual stock transfer programme. This needs to be made in accordance with the guidance in the Housing Transfer Manual.
- 8.20 Where the transfer falls under the Small Scale Voluntary Transfer (SSVT) rules, information still needs to be sent to the DCLG in accordance with the guidance in the Housing Transfer Manual.

Establishing a prospective new landlord organisation

- 8.21 Early contact with the Corporation's STRU is essential, so that the tenant group understand the registration criteria and what they need to do to be sure of meeting the registration criteria. This is particularly important given the tenant-led nature of the stock transfer and stock transfer RSL. Size, independence and capacity will have a bearing on whether they can be registered as a standalone or a subsidiary. Also, registration criteria will need to be met.
- 8.22 Following this and a decision on whether to stand alone or become part of a group structure, there needs to be agreement on the composition of the Board. The next stage would be recruiting tenant members, independents and local authority nominees to the Board.
- 8.23 There will also need to be a submission of preliminary application form (APP1) to the STRU followed by the Corporation's attendance at an early meeting of the prospective new landlord's Board.

Tenant group training

- 8.24 Throughout the process, the tenant group needs to have training and capacity-building so that tenants can fully understand the process, make informed decisions and ensure the effective running of the prospective new landlord organisation. A training programme covering these elements will be important.
- 8.25 The Corporation will take steps to assure itself of the sound governance of any new RSL before it registers it and this is therefore an area of training that will be particularly important. Key areas of training should cover:
- the roles and responsibilities of RSL board members;
 - the financial aspects of stock transfer RSLs including the importance of business planning and the role of funders;
 - the role and responsibilities of the Corporation;
 - performance targets for RSLs.

Consultation – informal and formal

- 8.26 Throughout the whole of the Development stage, tenants and leaseholders across the area represented by the tenant group need to be kept well informed of the stock transfer plans plus have the opportunity to make their views known on the proposals and influence decisions.
- 8.27 A consultation and communications strategy should be prepared at an early stage. There is extensive guidance and good practice about this, which the tenant group will be expected to follow. A wide range of

methods of engaging tenants and leaseholders should be used and special regard should be made to engaging effectively with BME tenants and leaseholders and other hard to reach groups. The tenant group will also want to use sample surveys and focus groups as a way of tracking opinion.

- 8.28 Following extensive informal consultation, and at the time when a formal offer document can be published, the tenant groups will need to carry out the formal consultation leading to a ballot of all tenants. This needs to follow the procedure set out in the Housing Transfer Manual.

Consultation with other stakeholders

- 8.29 Other stakeholders need to be consulted at an early stage. Members of staff affected by stock transfer are key stakeholders and they should be kept informed of the proposals and given the opportunity to make their views known.
- 8.30 The elements of the work programme described above form the Development stage. Further work will be necessary to implement the stock transfer (assuming the ballot of tenants is in favour of transfer) is set out in the section of this guidance about the post ballot work programme.

Key elements of the Development stage - work programme (tenant-led ALMO)

- 8.31 The key elements are likely to include the division of functions between the tenant-led ALMO and the local authority, the composition of the tenant-led ALMO Board, training and capacity building, tenant consultation and the procedures for obtaining section 27 consent. Further advice should be sought from the DCLG, as stated in paragraph 8.4 above.

Key elements of the Development stage - work programme (tenant-led PFI)

- 8.32 If a tenant-led PFI is to be explored, the tenant group should contact the Housing PFI team in DCLG for advice on the key elements of the work programme.

Outputs of the Development stage

- 8.33 Following the completion of the Development stage work programme, a final report needs to be submitted to the Corporation setting out:
- the work that has been carried out;
 - the result of the tenant ballot / test of support at the end of the Development stage;

- next steps for the project.

Independent Tenant Advisers (ITA)

- 8.34 Where there are proposed stock transfers, ITAs are normally appointed for the pre-ballot stage. It is also expected that this will be the case for proposed tenant-led stock transfers. There is a key difference, however, in that the tenant group will have its own advice from the AP it has appointed and will be carrying out its own consultation. This means that the ITA will have a more limited role, focusing on independently verifying information and being directly accessible to individual tenants through means such as an independent help line.
- 8.35 The tenant group should be involved in producing a brief and selecting the ITA in partnership with the local authority. This should happen at an early stage in the process, but after the group has selected the AP. The AP will be able to provide advice and support on the selection of the ITA. [link to DCLG guidance]

The work programme post ballot/test of tenant support

- 8.36 Development stage grant will not pay for work necessary to implement the chosen option post ballot in respect of stock transfer or test of tenant support and S27 consent in respect of a tenant-led ALMO.
- 8.37 The reason for this is that it is considered that these costs are more appropriately borne by the local authority or through other means (as will be the case with most of the stock transfer costs).
- 8.38 The key elements of the work that fall outside the Development stage are:

Stock transfer

- Registration
- Funding
- Negotiating the final valuation
- Transfer agreement, contract and legal aspects of the transfer
- Transfer of staff
- Organisational start up

What Development stage grant will pay for and the role of the local authority

- 8.39 Grant will provide 75% of the costs of the work that makes up the eligible elements of the Development stage work programme. The local authority contributes the remaining 25%.
- 8.40 The eligible elements of the Development stage work programme are:
- AP costs;
 - Specialist financial advice in relation to the Single Transfer Model;
 - Costs associated with landlord choice;
 - Costs associated with communications and tenant consultation (excluding ITA and ballot costs);
 - Training and capacity building not carried out by the AP;
 - Visits to other projects;
 - Running costs of any premises used by the tenant group during the Development stage;
 - Any pre-ballot legal advice.
- 8.41 On top of its 25% contribution to the cost of the above elements, the local authority is expected to pay for:
- Stock condition surveys;
 - Its own external financial and legal advice (if needed);
 - Ballot costs (although not other forms of testing tenant support for a tenant-led ALMO);
- 8.42 The local authority will have to play a very active role during the Development stage, the key elements of which will include:
- Jointly overseeing the project in partnership with the tenant group through, for instance, being part of a Joint Steering Group;
 - Consulting its staff;
 - Providing financial, housing management and stock condition information;
 - Negotiating outline terms of transfer'

- 8.43 Where a TLSO (e.g. stock transfer) is being developed in parallel with the same option for the remainder of the local authority's stock, tenants should be given clear factual information about the terms of the local authority's proposals. The local authority's proposals, however, should not be promoted in the form of some sort of competition between the two approaches. This would be an inappropriate use of public resources and would undermine the purpose of Development stage grant.

Grant levels

- 8.44 An application for the Development stage may be up to £48,400 for up to 250 tenanted and leasehold homes plus £35 per home thereafter. The maximum grant available would be £100,000. 75% of the cost of this application would be met by Development stage grant. The local authority would meet 25% of the cost. All figures include VAT.

Making an application for Development stage grant

- 8.45 The tenant group should submit a completed application form for Development stage grant (link to form) to the Resident Involvement Team at the Corporation at least 4 weeks before work is due to start. Work started prior to receiving consent of the Corporation will be carried out at the group's and / or AP's risk. The Corporation will generally process applications for grant within 30 working days of receipt of a completed submission.

Supporting documentation

Where the Feasibility Study stage has been successfully completed

- 8.46 The following information must be submitted with the grant application to enable the application to be processed within the timetable of 30 working days. Incomplete submissions will not be processed and will be returned to the tenant group.
- Development work programme identifying key activities and full breakdown of forecast input hours, ie travel time, preparation time, meeting time and total hours;
 - Itemised work programme costings identifying the cost of AP hours plus any additional direct costs (which must be clearly explained and split between financial years where necessary);
 - Calculation of fees to be charged by other agencies or consultants employed by the tenant group in relation to the Development programme;
 - Copy of the Feasibility final report;

- Letter from the local authority confirming its 25% contribution to the cost of the Development stage;
- Budget head itemisation;
- Where a scheme straddles two financial years, the hours and the cost must be split between the two years;

Where no Feasibility Study stage has been undertaken

8.47 As mentioned earlier, it is possible in certain circumstances for a tenant group to proceed directly with the Development stage. Where this is the case, it will be necessary to submit the following information (in addition to that information set out above):

- Outline of the proposal setting out:
 - Description of the tenant group and history (showing how the group complies with the eligibility criteria set out in paragraph 4.3 above);
 - Description of the area represented by the tenant group, together the number of dwellings, together with a breakdown of secure tenants, leaseholders and details of any freehold and housing association properties within the area represented by the tenant group;
 - Background to why the group wants to explore TLSOs.
- Nature of liaison with the local authority;
- Description of the local authority's approach to the future of its housing stock including details of the option for the area in the authority's Options Appraisal for achieving the Decent Homes Standard standard;
- Copy of the tenant group's constitution.