

POLICY & FINANCE COMMITTEE

4 APRIL 2019

HOUSING MANAGEMENT REVIEW

1.0 Purpose of Report

1.1 To report back to the Committee following the completion of the Strategic Housing Liaison Panel's review of the options for managing the Council's housing stock and to make recommendations on the preferred route forward.

2.0 Background Information

2.1 At its meeting on 29 November 2018, the Policy & Finance Committee agreed to initiate a review of the housing management arrangements for the Council's housing stock. It tasked the Strategic Housing Liaison Panel (SHLP) to undertake the review work looking at two options (the options), either to:

- i. Retain the current arrangements by which Newark and Sherwood Homes Ltd (NSH) manage and maintain the Council's housing stock; or
- ii. Re-integrate the housing landlord service into the Council.

2.2 The Strategic Housing Liaison Panel undertaking the review work consisted of six Council representatives (councillors) and five NSH board members.

2.3 To assist SHLP in its work the Council engaged specialist housing consultancy support (Savills) to assess and advise on the optimal way forward taking into account the Council's objectives for the review. The Consultants have reviewed a wide range of detailed numerical and written material and evidence submitted to them by the Council, NSH and tenant representatives, all of which is reflected in its final report and recommendations (this is attached as an exempt document at Item 15 on the agenda).

3.0 Objectives of the Review

3.1 The two options have been assessed against the following objectives, which are grouped into four overall headings around tenants, operational, financial and reputational. There is inevitably some overlap between these objectives.

TENANTS

- Maximise the ability within the HRA Business Plan to provide:
 - good services for existing tenants
 - new additional affordable housing for future tenants, evidenced through housing need
- Deliver the clearest focus on core housing management services
- Maximise satisfaction through tenant engagement and involvement
- Provision of services to reflect tenant priorities

OPERATIONAL

- Provide an efficient and effective housing management service to tenants, meeting their priorities

- Provide a joined-up service with other relevant service provision by the Council
- Provide a cost effective and efficient operational base to provide core housing management functions
- Manage the implications resulting from the anticipated changes in national policy.

FINANCIAL

- Deliver savings to the HRA that can be reinvested into tenants' services, homes (*existing and new*) and neighborhoods.
- Provide the most cost efficient model of service delivery to sustain a viable HRA BP, having regard to the impact of national housing policy
- Mitigate financial pressures on the Council's general fund where relevant and appropriate.
- Remove and/or reduce duplication between services provided by the Council and the Company.
- Provide transparency and reduce the cost of the client function to the Council.

REPUTATIONAL

- Achieve greatest alignment with the Council's strategic priorities
- Manage ongoing risk to the Council as the Asset Owner

4.0 Work of the Strategic Housing Liaison Panel

- 4.1 SHLP has met five times on 7 January, 14 January, 11 February, 25 February and finally on 4 March 2019. The Consultant presented an interim report to the Panel at its meeting on 11 February setting out initial findings following which the Panel, NSH and the Council were invited to submit responses and further information/evidence, all of which were taken into account by the Consultant in his final report, presented to the Panel on 4 March. The Panel has overseen, received and had an opportunity to test the review work done by Savills, which has culminated in its final report.
- 4.2 SHLP has also received reports from NSH during its review work. These reports highlight the fact that service performance by the Company is widely acknowledged to be good and performance data demonstrates a relatively low cost of service delivery in all main respects. This is recognised by the Council, however the issue is whether the Company is the optimum model of delivery for the Authority going forward into the future given the current and changing landscape.
- 4.3 During the review the Company has suggested opportunities for the Council to delegate further services to it, indicating the potential for savings of c£700k to the General Fund, however it is questionable as to whether this is a realistic figure. Furthermore, as Savills have pointed out in their report, it would be possible for these savings (whatever the true figure) to be delivered under both of the two options. In any event the review should be seen in the context of the Council's ambitions for growth, diversification and service delivery, rather than in the context of how NSH might take on a lead role for diversification and investment. The Company has also highlighted the potential risk to service delivery if the integrated option is pursued – this report addresses this risk in paragraph 8. Finally, the Company has offered to review its management and board structure to deliver efficiencies but the fact remains that this would not address the 'premium' (or cost) of having a company model for the delivery of the housing service.

4.4 The Tenants Participation Advisory Service was commissioned by the Council to hold a tenant's workshop as part of the review. TPAS produced a report to SHLP following this workshop. The key outcomes from the workshop, which involved a small number of involved and well informed tenants selected by NSH from their tenant engagement structure, were that:

- NSH was trusted to provide a high level of service, albeit that there were areas that needed improvement;
- There was some anxiety that the option of bringing the housing service in-house might lead to a loss of housing focus, less tenant influence, and possible dip in service;
- Tenants were very interested in efficiencies and developing further tenant involvement and trust;
- Involved tenants prioritised the development of additional social housing almost on a par with existing homes.

4.5 SHLP also had evidence submitted to it from two of the unions representing staff employed by NSH. The union feedback was that many of the staff feel comfortable with the service coming back in-house.

5.0 Summary of Savills Report

5.1 The overall conclusions are set out in paragraph 7.2 of the Savills report:

- The consultants consider that in addition to the objectives set out for the review in paragraph 3.1 above, the major considerations for the Council are:
 - i. The evolving and changing service backdrop within the Council around a range of new initiatives and new thinking around core service delivery, (focussed on the Cleaner Safer Greener campaign) and its commitment to a new delivery and investment vehicle (Arkwood Developments Ltd); and
 - ii. The recent progression in the relationship between the Council and Newark & Sherwood Homes which has resulted in increasing challenges and to an extent some misalignment.
- There is considerable financial opportunity to realise efficiencies through re-integrating the service back within the Council as a directly provided service.
- Savills have estimated that a minimum of **£0.95m** annually could be realised through the discontinuation of NSH and through the reintegration of landlord and the associated support services into the Council (subject to one off costs of transition). By way of example, annual efficiencies of £950k could sustain new borrowing of more than £25m to deliver a programme of c200 homes, or alternatively to deliver year on year investment from revenue of up to 10 new homes per year. Further opportunities to achieve synergies would almost certainly arise as NSH teams are reintegrated with similar service provision within the Council. Realisation of these efficiencies would primarily be within the HRA, allowing these to be released to invest in improved services, new homes and regeneration.
- Further opportunities arise from the potential release of feed in tariff income up to **£0.5m** per annum from the HRA, which is currently 'pass ported' through to NSH.
- There is also opportunity to realise synergies from the integration of front-line services, (as highlighted by the Company in the context of NSH delivering additional services for the Council – and referred to in paragraph 4.3 above), which could be delivered directly within the Council through completely integrated services. If achieved these efficiencies would be realised primarily within the General Fund.

- The reserves currently held by NSH are also able to be released for reinvestment by the Council on housing services within the HRA. These are likely to be at least **£3m** (as at April 2019).
- Whilst it might be possible to realise similar synergies through the current delivery model with NSH, the quantum of efficiencies (being over 10% of the Management Fee) risks the growth of further strain and misalignment in the relationship between the Council and the Company. There is also significant risk that to achieve this scale of efficiencies, there would have to be a reduction of resource put into front line service delivery.

6.0 Conclusions and Recommendations

- 6.1 As the report by Savills shows, the fundamental question is whether there is good reason to retain NSH given the scale of the efficiencies that could be released to the HRA through integrating the service within the Council, particularly given that the initial reason for setting up the Company, to access funding for the Decent Homes Programme has ended. Housing service planning has been fundamentally changed by the self-financing of the Housing Revenue Account (HRA) and the advent of 30 year business planning requirements introduced in 2012/13 under the Localism Act 2011. Added to this changing financial landscape, is the government's more recent decision in November 2018 to lift the HRA borrowing cap for local authorities. This has given councils even more flexibility to increase their affordable housing stock without the need to necessarily do this through a separate ALMO vehicle, along with greater opportunity to invest in landlord services. For additional national context, it should be noted that whilst there were 69 ALMOs in place in 2009, 31 have been brought back in-house.
- 6.2 The recently published Social Housing Green Paper: A 'New Deal' for Social Housing, sets out a new vision for social housing with five principles to underpin a new, fairer deal for social housing residents. The proposals in the Green Paper will see national regulation of the housing function for all local authorities with a HRA function irrespective of how that function is delivered. Direct control over service delivery would undoubtedly make it easier for the Council to ensure that it complies with this new regulatory regime.
- 6.3 The Council's financial and operational position has moved on significantly in the last 5 years. It has maintained a strong financial position, despite 5 more years of austerity at a national and local level. It has done so by focussing the Council's future finances around long-term planning for income and investment, securing year on year efficiencies and savings for example through the move from Kelham Hall to the newly built Council offices, setting up company vehicles for direct service delivery where this can achieve efficiencies (e.g. Active4Today Ltd), or income generation/investment returns (e.g. Arkwood Developments Ltd). Since 2012/13, which saw the initiation of the self-financing agenda, the General Fund has had its government funding reduced by £3.388m (45%). There has also been diversification of service delivery within the Council, mirroring a trend within all councils towards driving efficiencies in service delivery to make the most of resources available. The Council's move to newly designed and developed offices in the centre of Newark is also providing significant opportunities for the integration of team working across the Council, and co-location and working with partner agencies – all of which has improved the customer experience.

- 6.4 There are sound business reasons for the Council to wind up the Company and bring the service back in-house. The re-integration of the housing service would enable a more joined up service delivery with the rest of the Council services, and the significant efficiencies identified for the HRA would mean more money to spend on housing support, repairs, estate improvements and investment in the development of new affordable housing. Savills' report also identifies savings and efficiencies for the General Fund, albeit on a smaller scale than for the HRA. Therefore, for the Council, its tenants and council taxpayers – bringing the housing function back in-house provides a significant opportunity to bolster capacity, broaden the span of the Council's housing activity, and deliver related front line services such as estate management & improvement, ASB, and the Cleaner Safer Greener agenda in a more co-ordinated and synchronised way across the whole district.
- 6.5 Whilst both of the options have the potential to deliver against the Council's objectives for the review to a greater or lesser extent, the reintegration of the housing landlord service into the Council gives the better opportunity to control and influence the direction of the service and the release of significant financial resources.
- 6.6 The Company's Board and management have a track record to be proud of and this is to be commended. However, the Council also has a proactive record of innovation and value for money and is continually developing its services for its residents and businesses. As the sole shareholder of NSH, the Council cannot afford the luxury of maintaining a separate housing company if it can save money by the re-integration of the housing service back into the Council and deliver better 'value for money' for its tenants. Whilst the Company has put forward proposals for efficiencies, Savills report has identified that the anticipated efficiencies that were proposed in the Council's last review of the housing service (in 2012/13) have not been driven forward in the management fee to the extent that the Council has achieved with its other services. This inevitably affects the confidence of the Council around the future delivery of these efficiencies by retaining the current Company delivery model.

7.0 Tenant Consultation

- 7.1 Tenants are absolutely key to the review process and one of the overriding factors on the future of the housing service must be the benefits provided to tenants. There is a statutory requirement for tenants and leaseholders to be consulted on the proposal to re-integrate the housing service back into the Council and dissolve the Company as a consequence. It is recommended that a wide ranging consultation be undertaken on the proposals focussing principally around a survey/questionnaire to be sent to each tenant/leaseholder but also to include meetings, tenant events, newsletters, social media, etc. to maximise engagement in the process. It is proposed that the survey/questionnaire be conducted by an independent organisation and that quotes for this work be sought from companies with this expertise eg. IPSOS Mori, ERS etc. The cost of this consultation will be met from the HRA. It is proposed to conduct an 8 week consultation period to begin following the local elections. The Council will work with tenant representatives to develop the consultation programme.

8.0 Planning Considerations and Management of Risk

- 8.1 There are a series of key elements and planning steps that would need to be put in place should the Council be minded to bring the service in-house for direct provision by the Council and close down Newark and Sherwood Homes. These steps are intended to ensure that any transfer back in-house will be successful, to the benefit of the tenants, and manage any risks of adverse performance impact due to a lack of focus from the transition and a change in senior personnel.
- 8.2 The principal consideration is that the Council must consult on its proposals to bring the service back into the authority, and the rationale for the decision, giving tenants the opportunity to feedback their views on the proposal. There is a reputational risk to the Council from closing down a company that is perceived as doing a good job and the authority will therefore need to make clear its plans for change in the context of efficiencies, enhanced service delivery and investment in new homes. There should also be a process developed to continue and enhance tenant engagement and involvement in the housing management service, and this could involve the Company's Board as a consultative body.
- 8.3 Should tenants support the proposal, planning for re-integration would need to incorporate the following key steps:
- Design and implement a revised structure for the Council including the housing landlord service, and associated support services. Experience of other local authorities that have successfully re-integrated housing services have shown that it is key to retain a strong service lead for landlord services ensuring a good continuity with the previous ALMO service with a minimum of disruption on the transition, maintain focus on housing and landlord services, and to involve & engage tenants effectively in the development of these services. Management services and repairs services have often been successfully combined alongside other estate and 'place based' services into a Neighbourhood/Housing related services and it is proposed to draw upon these positive examples when designing the revised structure;
 - Engage temporary housing/project management resource and support to provide additional capacity and expertise for the Council during the period between now and the formal end of the contract with NSH to ensure the smoothest service transfer. The cost of this will be met from the HRA;
 - Develop the necessary HR plan to manage the transfer of staff from NSH to the Council on the transfer date in accordance with the requirements set out under the Transfer of Undertakings (Protection of Employment) Regulations 2006, commonly referred to as "TUPE". This will require significant resourcing to manage and the Council will need some temporary HR capacity to support this. The cost of this will be met from the HRA.

When developing this plan the Council will need to have regard to the obligation to inform and consult trade union representatives of "affected" employees long enough before the transfer takes place to enable both employers (NSH/Council) to consult with the appropriate representatives as set out under Reg. 13(2) of the TUPE Regulations 2006:

- The Council will also need to consider what “measures” it intends to take in relation to employees that are due to transfer to the Council including but not restricted to an organisational restructure, as set out above. Where appropriate, redundancy consultations will also need to take place in accordance with approved policies and procedures for NSH and the Council;
- Appointment of appropriate legal advisers to the board of NSH on their responsibilities during the wind-down of the Company;
- Develop a plan for reinvestment of planned efficiencies including – towards improved services, investment into existing homes and development of new homes (or a combination of these);
- Develop a revised approach to tenant engagement and involvement, which would reflect the feedback from involved tenants during the Review, and reflect an ongoing commitment to active engagement and involvement of tenants in the future of the service; and
- Refresh the HRA Business Plan in the context of re-integration, achievement of efficiencies and reinvestment commitments – allowing the Council to demonstrate the long-term benefits that reintegration of the service could deliver.

8.4 To ensure that resources are effectively managed, it is proposed that temporary transition arrangements be put in place from the date of approval of this report. All future contracts, establishment and staffing changes including redundancy and recruitment decisions will need Council Senior leadership approval.

9.0 Financial Implications (FIN18-19/6122)

9.1 Based on the Savills report, there are significant efficiencies to be generated from the re-integration of the Housing Management Service. These efficiencies can then be re-invested in further services for tenants and investment in new homes.

9.2 There may also be opportunities to increase further the total efficiencies that could be generated from the re-integration of the service once more detailed discussions take place. Contracts for services and consumables can be re-aligned across the Council to ensure that the organisation is receiving maximum value for money on its purchases.

9.3 The plan for re-investment of the efficiencies will be formulated over a period of time, strategically taking into account the tenants’ and Councils’ priorities and how best to maximise the potential of the resources made available through the efficiencies generated.

9.4 The proposals detailed in paragraph 8.3 above, regarding support for the next stages in the process are difficult to quantify in terms of value. Best estimates are that a budget of £150,000 be made available, from the HRA, in order to fund the activities outlined above, and within recommendations b), d) and f) below. Members will be informed of progress against this budget during subsequent update reports to this committee.

10.0 Equalities Implications

10.1 There are no direct equality implications arising from this report. Any proposed changes to operations and the consequential impact upon customers and staff will need to be considered in terms of any possible negative impacts on any protected characteristics

11.0 RECOMMENDATIONS that:-

- a) the Committee agree in principle to the decision to bring the housing management services in-house for direct service provision by the Council, such decision to involve the consequential winding up of Newark and Sherwood Homes Ltd;**
- b) the Council undertake an independent consultation exercise with its tenants and leaseholders, (the cost of which is to be met from the HRA), and a staff programme to take into account their views on the future of the housing service;**
- c) the Chief Executive consider and design a revised management and staffing structure for the Council to incorporate the housing landlord service, and associated support services;**
- d) temporary housing/project management resource and support be engaged to manage the period between now and the formal end of the contract with NSH to ensure the smoothest service transfer, the cost of which is to be met from the HRA;**
- e) the temporary transition arrangements referred to in paragraph 8.4 of the report be put in place from the date of approval of this report;**
- f) temporary HR resource be approved to provide the capacity to support the proposal as indicated in paragraph 8.3 of the report, the cost of which will be met from the HRA;**
- g) new tenant arrangements be drawn up for their future input into the housing service; and**
- h) a further report on the outcome of the consultations with tenants and staff be submitted to the Policy & Finance Committee for final consideration and determination.**

Reason for Recommendations

To enable the Council to progress the optimum means of delivery of the Housing Management Services for its council housing stock.

Background Papers

Nil

For further information please contact Karen White on Ext 5240.

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