



## CABINET REPORT

<b>Report Title</b>	<b>HOUSING STOCK OPTIONS APPRAISAL FINAL REPORT</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	4 <sup>th</sup> December 2013
<b>Key Decision:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	No
<b>Directorate:</b>	Housing Directorate
<b>Accountable Cabinet Member:</b>	Councillor Mary Markham
<b>Ward(s)</b>	All Wards

### **1. Purpose**

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- 1.1 The purpose of this report is to recommend to Council the establishment of an ALMO following consideration of the recommendations of the Tenants' Panel, the Employee Focus Group, the Housing Options Panel and the conclusions and recommendations in the attached final report.

### **2. Recommendations**

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- 2.1 That Cabinet recommend to Council that:
- a) The Arm's Length Management Organisation (ALMO) Option is approved for implementation;
  - b) Following the creation of the ALMO, any future significant change to the delivery vehicle for housing services should be preceded by a robust Options Appraisal Process (except in the event of a risk of serious detriment to tenants and / or tenant services);
  - c) The ALMO should be created as a true arm's length managed organisation, ensuring that the ALMO has sufficient autonomy to make decisions for the benefit of tenant services and improvement;

- d) The implementation phase for the options chosen should continue to include a comprehensive programme of consultation and engagement with key stakeholders to ensure that they are well informed and remain at the heart of the process. This should specifically include the continued involvement of the Tenants' Panel and Employee Focus Group structures, working separately and as a joint panel;
- e) The Council considers adopting the Tenants' Panel and Employee Focus Group consultation and engagement approach used within this review across other service areas within the Council;
- f) The Council considers adopting a process for employees from all services to be actively involved in further continuous improvement activity to improve internal processes and systems.

2.2 Subject to Council deciding to approve recommendation 2.1a above, the following recommendations relating to next steps and arrangements for the implementation of the ALMO option, detailed further in 3.4 below, be considered and agreed;

- a) Project Oversight:
  - i. That the Housing Options Panel be retained in format but with a changed title – the ALMO Joint Panel;
- b) Project Governance and Advice:
  - i. That the project is to continue to be led by the Housing Options Programme Director as Programme Director (ALMO Implementation)
  - ii. That the Council appoint an interim ALMO Managing Director to advise and work with the ALMO Shadow Board and also to be the lead adviser for developing the necessary detailed governance, management and other arrangements required for the ALMO to establish itself and set itself up ready to lead the management of the Council's housing stock in an effective manner.
- c) Resources:
  - i. The residual budget allocated to carry out the Stock Options Review be used to implement the ALMO option

2.3 Authority be delegated to the Chief Executive in consultation with the Leader of the Council and the Cabinet Member for Housing to make decisions necessary to facilitate the implementation of the chosen option.

2.4 Tenants and officers involved in the process should be thanked for their commitment and contribution to the Review.

### **3. Issues and Choices**

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#### **3.1 Report Background**

- 3.1.1 Northampton Borough Council's Corporate Plan 2012-15 included a commitment to look at the potential options for the future ownership, funding and management of its Housing Stock, to examine which option would best deliver long term improvements needed to both homes and estates as well as improve the quality of services provided to its tenants.
- 3.1.2 There were several key drivers for initiating the Housing Options Review. These were focused on;
- Delivering improvements to the quality of housing services to customers
  - Meeting rising expectations of customers
  - Ensuring that the necessary investment can be provided to improve homes and the local environment on estates, and
  - Meeting the increasing demand for social housing
- 3.1.3 Before the Council could make fundamental changes to the way in which the Council's housing stock is owned and managed, the Government requires an options appraisal to be undertaken.
- 3.1.4 The Council therefore initiated a full Options Review process in April 2012 by appointing a lead officer and setting aside the budget necessary to fund a major consultation exercise, to include all key stakeholders.

#### **3.2 Issues**

##### **The Housing Stock**

- 3.2.1 Based on data obtained at the start of the review, fifty one per cent (51%) of the Council's housing stock failed the Government's minimum standard for property condition called the Decent Homes Standard.(DHS)
- 3.2.2 In January 2011, the Council successfully bid for a £49.3 million allocation of funding from government to help achieve decency. Current reported non-decency figures are twenty-eight (28%), following a substantial programme of work. In addition to the dwellings, the Council also owns 66 shops (many of which have connected dwellings), storage unit(s), Community room(s), pumping station(s), depot(s), garages and other housing assets.

##### **HRA 30 year business plan**

- 3.2.3 Following the introduction of self-financing, in line with best practice, the Council produced a 30 year business plan which was approved by Cabinet on 24th January 2012. This first business plan, developed under the new self-financing rules was used as the starting point for the financial analysis undertaken during the Housing Stock Options Review.

3.2.4 The review process identified the costs associated with improving and maintaining these assets over the 30 year Business Plan period and then used this information to assess each of the options considered in terms of their ability to meet such costs.

### **Approach to the review**

3.2.5 The Council recognised the significance of this project and its far reaching implications. It therefore allocated £2 million from the HRA reserves in order to ensure that the process would be robust, have access to up-to-date information and would comprehensively engage with all the key stakeholders.

3.2.6 To manage the programme, a Programme Director was appointed and a team of experienced and specialist advisers on the process, financial modelling and technical aspects was brought together as well as some internal resources.

3.2.7 A Tenants Survey to gain an understanding of tenant views and satisfaction levels and identify priorities for improvement was conducted. The survey achieved a 27% response rate, which was considered by Ipsos MORI as excellent and remarkable in the light of their experience elsewhere.

3.2.8 In order to ensure that key stakeholders remained fully informed throughout the process, the Review employed a number of engagement platforms and developed a comprehensive Communication and Consultation Strategy. Governance involved the formation of three key groups, who met at least monthly throughout the review; a Programme Team, a Programme Board, and a Member Board. The engagement structure consisted of a Tenants' Panel (TP), an Employee Focus Group (EFG), and a Housing Options Panel (HOP). The HOP met monthly, however due to the nature of the work undertaken, the TP and EFG groups met more frequently.

3.2.9 The TP was supported to appoint its own Independent Tenants' Adviser (ITA) and all tenants were invited to join the Panel throughout the process until August 2013, when tenants on the TP felt that it would be unfair for new members to be expected to fully understand the issues sufficiently well to take part in the scoring process, which took place in September 2013.

3.2.10 All tenants were kept informed of the process and were able to attend a number of events held throughout the process. Tenants were actively encouraged to participate by joining the TP, attend Area meetings, a tenant open day in July 2012 and Tenant Conferences held in December 2012, May 2013 and November 2013. Newsletters published by the Council and the ITA were also sent to all tenants periodically throughout the Review.

3.2.11 The HOP was made up of 5 tenants who were on the TP, 5 employees from the EFG and 5 Councillors with representation from the three main political parties. The tenants and employees who sat on the HOP were elected by members of their respective groups. The HOP examined the key issues in the Review and functioned in a decision making capacity

## **Identifying the options**

3.2.12 An initial list of ten possible options was drawn up for consideration. Following discussions within the EFG, TP and HOP regarding the nature and implications of each of the options, a decision was made by the HOP, with the agreement of the TP and EFG, to reduce the options to be considered by the review process, down to six and then to five:

- Option 1      Retention with service review
- Option 2      Retention by creating an ALMO
- Option 3      Transfer to a stand-alone registered provider
- Option 4      Transfer to a mutual registered provider
- Option 5      Transfer to a separate registered provider within an existing group structure

3.2.13 Following the selection of the options to be assessed, the review process required significant supporting evidence covering various issues. The evidence required included a baseline analysis of the Councils current Housing Business Plan, service costs and performance levels, a Tenant Survey, Stock Condition Survey and Asset Analysis information.

### **Housing Business Plan, service costs and performance levels Baseline analysis**

3.2.14 An assessment of the Council's expenditure plans, based on a comparison with other similar local authorities, was undertaken by Savills as an essential part of the review. Alongside this, an assessment of the performance of the housing service was undertaken, again making comparisons with other similar local authorities, and where possible, with those authorities where financial comparison, as well as performance information, was available.

3.2.15 The HRA business plan (year one 2012/13) showed that the cash flow would largely break even in years 4 to 7 when there was a planned peak in capital investment and then return a steady year on year surplus. The business plan demonstrated that even with prudent assumptions, the Council should have the resources to repay all of its housing debt by year 30 of the Plan.

3.2.16 The key findings from the baseline analysis were as follows:

- The analysis of overall costs showed that the Council's was potentially underinvesting in the revenue management and maintenance of the housing stock when assessed against the comparator councils, by over £2m per year.
- A comparison of measures relating directly to the housing service performance with other housing providers subscribing to Housemark in 2010/11 showed that Northampton was in the lower or lower middle quartile.

- When comparing the baseline analysis with the outputs of the Tenant Survey and the Housemark benchmarking, it appeared that the lack of investment in service provision could have contributed to the low levels of performance and tenant satisfaction. The findings from this analysis were used as a key part of the review evidence, leading to the EFG and TP undertaking several workshops specifying improved draft service standards. The resources to finance this additional expenditure were also built in to subsequent financial analyses and the appraisal of all of the options.

### **Tenant Survey**

3.2.17 The main findings of the survey identified that there were significantly lower levels of tenant satisfaction in Northampton compared to other housing providers previously surveyed by MORI. Some key areas of concern were:

- Repairs and maintenance
- Overall quality of home
- How much views are taken into account
- Anti-social behaviour

3.2.18 Comparing the results to surveys previously carried out in Northampton, there was evidence of a decline in service quality over the two years leading up to the survey and a decline in tenants feeling that their views had been taken into consideration, since 2006.

### **Stock Condition Survey**

3.2.19 Savills surveyors carried out a stock condition survey of the Council's housing stock, in the autumn of 2012, with a view to assessing the current and future repairs and maintenance liability. In addition to assessing the costs to meet the Decent Homes Standard, Savills were asked to model the costs to maintain the properties at a higher Northampton Standard, developed by the EFG and TP, over a 30 year period. Properties were carefully selected from a representative 25% sample (1 property in every 4) based on property type, age and location.

3.2.20 Savills' report, provided summaries of 30 year costs based on both the DHS and the Northampton Standard.

3.2.21 Findings showed that significant investment was required to improve and maintain properties over the 30 year period.

## **Asset analysis**

3.2.22 An asset analysis based on data from the Business Plan and the Stock Condition Survey was undertaken to assess the performance of council stock to identify those properties where investment exceeded income over the 30 year period. This work was not key to the decision making aspects of the Review process, however it will form a key part of the Councils' Housing Asset Management Strategy going forward and will be incorporated into the implementation plans for the chosen option.

## **Analysis and Assessment of the Options**

3.2.23 Following the gathering of key evidence, the EFG, TP and HOP members were supported to assess each of the five options to see which one(s) could best meet the Mission Statement goals for the Review. The Mission Statement aimed to seek to identify the most tenant focussed option for the future management and ownership of the Council's housing which:

- Secured tenants' rights,
- Minimised tenants' costs,
- Would meet the quality of standards of home and environmental improvement which tenants wished to see,
- Was sustainable in the long-term,
- Appraised the potential contribution the various landlord options could have towards meeting the need for additional affordable homes and the regeneration of estates,
- Took into account the impact on the Council
- Took into account the impact on employees

3.2.24 This was mainly undertaken by holding three types of regular meetings: ITA-led development sessions, Council-led sessions and Joint discussion sessions.

3.2.25 The sessions supported understanding of the implications and issues surrounding key areas such as:

- The development of the Northampton Standard;
- Financial issues
- Tenancy Rights & Tenancy Agreements
- Governance issues in retention and transfer
- Informal and formal consultation: Overview of an Offer document and the ballot in housing stock transfer
- How to Compare the Options- development of a framework for comparison;
- Characteristics of the ALMO Model in detail
- The development of the options criteria framework to assess each
- The development of the weighting process for each of the criteria;
- The development of the scoring process;

3.2.26 The financial assessment considered both the retention and the transfer options. All scenarios included major investment costs based on the Northampton Standard, although the timing of some investments formed part of the scenario testing.

### **Options Analysis**

3.2.27 The EFG and TP assessed all options against 46 criteria which had been selected during the process. This assured that the assessment was undertaken on a basis that would select an option that would most clearly meet the desired outcomes of the Review.

3.2.28 The result of this was that both the EFG and the TP selected the ALMO option as being the option that most closely met the desired outcomes of the review.

### **Conclusion**

3.2.29 The baseline analysis identified that the Council was underinvesting in the Housing Service, based on Government assessment of investment need informed by the characteristics of the Council's housing stock. Through analysis of the revenue costs within Northampton's HRA budget and the measures of tenant satisfaction, it was identified that the HRA could reasonably afford an additional £2m towards improvements in day to day service delivery.

3.2.30 There was a significant amount of costs categorised as 'special services' for which service charges were not being raised (£2.4m). It was recommended that this should be investigated further, to identify whether there was scope for additional income to the housing service, through additional charging, thereby supplementing the additional investment specified above.

3.2.31 Following this, tenants and employees developed a new local standard of investment, the Northampton Standard. This standard addressed many of the concerns tenants raised through the Tenant Survey and Tenant Conferences, relating to the standards of service and the quality of their homes and neighbourhoods.

3.2.32 The new service standards specified within the Northampton Standard were capable of being delivered by any of the options assessed, as the investment required was included within the base costs for each of the financial scenarios tested.

### **Asset Management Strategy**

3.2.33 The evaluation of asset performance identified a number of properties that needed further analysis to assess their overall viability and provided a basis for the development of an informed comprehensive asset management strategy to support the future business's 30 year business plan.



## **Assessment of the Retention Options**

- 3.2.34 Both retention options offered opportunities to deliver the Northampton Standard of investment, although the constraints of the debt cap meant that choices would need to be made around the timing of some works, in addition to any new build provision.
- 3.2.35 The retention options could achieve the Northampton Standard and stay within the debt cap. Tenants and employees decided to re-profile the Northampton Standard to allow delivery of the Retention with review or ALMO options, within the constraints of the debt cap.
- 3.2.36 The Business Plan would have some capacity to deliver new additional affordable housing under the retention options, but choices would need to be made between the timing of new homes, and the level and timing of investment in existing homes. Tenants and employees indicated that priority should be given to improving existing homes and estates and that new housing provision should be delivered outside of the HRA.
- 3.2.37 These decisions resulted in the retention, scenario 3: Northampton standard investment, without new build and with early years expenditure re-profiling, being chosen by tenants and employees, to measure against the three transfer options.
- 3.2.38 When assessing the two retention options against the 46 criteria, retention as an ALMO scored the highest and was ranked first against all of the options due to it scoring strongly, or very strongly, across all eight categories.

## **Assessment of the Transfer Options**

- 3.2.39 All stock transfer options could provide an opportunity to deliver improvements to existing homes and to build new homes sooner than under retention, however stock transfer would require a significant level of debt write off and this would need to be justified by savings and benefits to central government.
- 3.2.40 The economic case for these benefits may be difficult to justify given that the additionality delivered through stock transfer related more to timing of works and new homes, rather than absolute levels of activity.
- 3.2.41 There were significant barriers to pursuing any of the transfer options arising from the new transfer guidance, in addition to the significant challenges that would need to be faced in obtaining funding for a transfer organisation to be able to finance its commitments due to the reduction in funding availability from the market following the economic downturn from 2007/08 onwards.
- 3.2.42 There were also significant barriers to transfer due to the new rules from CLG relating to the need to provide an economic case based on costs and benefits to central government, the restriction of standard able to be delivered, and the high level of risk involved in considering transfer within the timescales required for completion, namely March 2015.

3.2.43 In addition to the above barriers, the new transfer guidance restricts the ability of councils to mitigate, through debt write off calculations, against the additional costs that would impact on general funds, thus reducing the appetite for transfer.

3.2.44 The assessment of the options carried by tenants and employees resulted in the Mutual Transfer model scoring highly, and ranked second overall, due to its ability to meet significant elements of the 46 criteria developed by Tenants and employees to compare and assess the different options.

3.2.45 The tenants viewed the transfer options favourably due to their ability to deliver an accelerated investment programme and more opportunities for increased tenant and employee empowerment. However, they did not support an option that minimised the local focus (option 5- Transfer as part of a subsidiary) of the housing service, or long-term council influence on it.

3.2.46 The above issues together with the restrictions detailed within the transfer guidance rendered the stock transfer options unachievable.

### **3.3 Choices (Options)**

3.3.1 The options criteria was developed and agreed by the Tenants' Panel and the Employee Focus Group, working both singly and in conjunction with each other. At the outset, there was a list of 176 criteria which was later condensed to a more succinct and measurable list of 46 criteria split across eight themes that each option would be scored against. The themes were agreed as:

- Accountability, Influence, Participation and Power (12 criteria)
- Tenants' Rights and Involvement (7 criteria)
- Employee Issues (4 criteria)
- Financial Implications including Rents (12 criteria)
- Quality of Homes (1 criterion)
- Impact on local Community and Economy (2 criteria)
- Legal framework and Equality (4 criteria)
- Implications for the Council (4 criteria)

3.3.2 The scoring system allowed each criterion to be awarded a score of between zero and three as follows:

- 0 fails to meet objective
- 1 partially meets the objective
- 2 largely meets the objective
- 3 fully meets the objective

3.3.3 The scoring was based on factual information; therefore where an answer to criteria involved a matter of fact, a score of zero or three was awarded as applicable. Where a judgement of opinion was required, criteria were able to be awarded either a one or two.

3.3.4 Finally, weighting was applied to establish and acknowledge the relative importance of each criteria, the scale of weighting was as follows:

- 1 the criteria was not essential
- 2 the criteria was desirable
- 3 the criteria was important
- 4 the criteria was essential

3.3.5 An initial list of ten possible options was drawn up for consideration. Following discussions within the EFG, TP and HOP regarding the nature and implications of each of the options, a decision was made by the HOP, with the agreement of the TP and EFG, to reduce the options to be considered by the review process, down to six and then down to five.

3.3.6 31 members from the Tenant Panel and 11 members from the Employee Focus Group took part in the formal scoring exercise of the following five options:

- Option 1 Retention with service review
- Option 2 Retention by creating an ALMO
- Option 3 Transfer to a stand-alone registered provider
- Option 4 Transfer to a mutual registered provider
- Option 5 Transfer to a separate registered provider within an existing group structure

3.3.7 The outcome of the scoring was as follows:

	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>	<b>Option 4</b>	<b>Option 5</b>
Tenants	10,294	13,159	12,491	12,779	11,173
Employees	3,116	3,905	3,582	3,681	3,202
<b>Total Score</b>	<b>13,410</b>	<b>17,064</b>	<b>16,073</b>	<b>16,460</b>	<b>14,375</b>
<b>Ranking</b>	<b>5th</b>	<b>1st</b>	<b>3rd</b>	<b>2nd</b>	<b>4th</b>

3.3.8 Both the Tenant Panel and Employee Focus Group ranked each option in exactly the same order. Below is a table of analysis on the rationale for the scoring of each option by each group using the 8 criteria themes :

Tenant Panel Scoring	Employee Focus Group Scoring
<b>Ranked 1st - ALMO</b>	
Scored strongly on each of the 8 criteria groups and most especially on Tenants Rights, Employee Issues, Financial Implications, Legal Framework and Implications for the Council.	Scored very strongly across all 8 criteria groups and most especially on Tenants Rights & Involvement, Employee Issues, Financial Implications, Legal Framework & Equality and Implications for the Council.
<b>Ranked 2<sup>nd</sup> - Transfer to a Mutual</b>	
Did well across the board, particularly on Accountability, Participation & Power, Tenants Rights, Financial Implications and Employee Issues.	Did well across the board, particularly on Accountability, Influence, Participation & Power, Tenants Rights & Involvement, Employee Issues and Impact on Local Economy.
<b>Ranked 3<sup>rd</sup> - Transfer to a stand alone</b>	
Scored lower than a Mutual because of its scores on Accountability, Influence, Participation & Power.	Scored lower than a Mutual because of its scores on Accountability, Influence, Participation & Power.
<b>Ranked 4<sup>th</sup> Transfer to a group structure</b>	
Scored lower on Accountability, Influence, Participation & Power than other transfer options and scored lower than the ALMO on all other criteria (with the exception of Quality of Homes where all options scored equally).	Scored lower on Accountability, Influence, Participation & Power than the other transfer options and scored lower than the ALMO on all other criteria (with the exception of Quality of Homes where all options scored equally).
<b>Ranked 5<sup>th</sup> Retention with a service review</b>	
Scored highest or joint highest on 4 criteria but lowest overall because of very low scores on Accountability, Influence, Participation & Power, Employee Issues and the lowest score on Tenants Rights.	Scored highest or joint highest on 3 criteria, but lowest overall because of very low scores on Accountability, Influence, Participation & Power and Employee Issues.

3.3.9 It was clear from this process that the preferred option was the creation of an ALMO to manage the Council's housing services in relation to the provision of council housing.

### **3.4 Next Steps**

- 3.4.1 If the recommendation of this report, to create an ALMO, is accepted a number of issues will need to be considered and addressed when commencing the implementation of the option.
- 3.4.2 The Housing Options Review process has been characterised by excellent organisation, realistic timescales, good governance and thorough resource planning. The same aspects will be critically important in implementing the proposed option.
- 3.4.3 It is intended that the process of establishing the ALMO, if supported by Cabinet and Council as the preferred option, should be well thought out and should build upon the successes that this Review has created. Detailed planning will be required in a number of areas;
- Project Oversight
  - Project Governance and Advice
  - Development of the detailed proposals
  - Resources
  - Timescales including key stages
  - Tenant and Employee Involvement
  - Future reports to Cabinet
  - Communications
  - Delegations
  - Interim Management Arrangements
  - Involvement with the Homes and Communities Agency and the Government
  - Implications for the HRA and the General Fund

#### **Project Oversight**

- 3.4.4 The project oversight arrangements for the Housing Options Review were extremely effective and it is considered that this joint working format for engagement of key stakeholders should be replicated during the development phase of the ALMO.
- 3.4.5 It is therefore recommended:
- That the Housing Options Panel be retained in format but with a changed title – the ALMO Joint Panel;
  - That its role should be to:
    - keep under general review and monitor the progress of the implementation process;
    - to act as a sounding board for the development of ALMO based issues in conjunction with a Shadow Board for the ALMO, to be established as soon as possible;
    - to consider issues in relation to the establishment of the ALMO and related housing matters, which the Council will need to address prior to such matters going forward to the Cabinet for approval;

- That its membership should continue to be 5 tenants, 5 employees and 5 cross party Councillors but that each of the nominating groups (the TP, the EFG; and the Council) be afforded the opportunity to re-nominate so as to reflect the change in function of the Panel; and
- That members of this Panel should not also be members of the ALMO Shadow Board, as this would create an inherent conflict of interest.

### **Project Governance and Advice**

3.4.6 The governance arrangements for the project also worked effectively throughout the Review and it is considered that these should also be replicated.

3.4.7 It is therefore proposed:

- a) That the project should continue to be led by the Housing Options Programme Director as Programme Director (ALMO Implementation)
- b) That the supporting resources be determined by the Chief Executive in conjunction with the Cabinet Member for Housing
- c) That the Council should appoint an interim ALMO Managing Director to advise and work with the ALMO shadow board and also to be the lead person for the creation of the detailed arrangements for the ALMO to be able to function successfully.
- d) That the Programme Director be authorised to ensure that the necessary financial, legal, technical and tenants' advice is obtained in consultation with the Chief Executive and the Cabinet Member for Housing.

### **Development of the detailed proposals for the ALMO**

3.4.8 The Programme Director, in consultation with the Interim ALMO Managing Director will lead the development of the detailed aspects of this proposal and consult on these with the EFG and the NTP before the consideration by these by the ALMO Joint Panel.

3.4.9 It should be noted that once the Shadow Board of the ALMO has been created it will be for that body to determine, in consultation with the Council as necessary, the way in which the ALMO will address their operational issues.

## **Resources**

3.4.10 At the outset of the Review a budget of £2 million was identified within the HRA. Upon the completion of this first phase there remains £1m.

3.4.11 It is therefore proposed that this sum be utilised as the budget for this pre-inception phase. Whilst this budget is considered sufficient, should there be additional needs to support the programme, then resources from funds identified for service improvement within the HRA will be used to augment this budget.

## **Timescales**

3.4.12 Undertaking such a major change within a large and complex service requires significant time and this must take account of the need to ensure that involvement of the key stakeholders is continued.

3.4.13 It is therefore proposed:

- That the date of inception of the new ALMO organisation should be 5 January 2015;
- That a project plan that incorporates this timescale is approved by and kept under review by the new ALMO Joint Panel.

## **Tenant and Employee Involvement**

3.4.14 Extensive, effective engagement and involvement processes have been at the centre of the process of Review and these are considered to be key to its success in delivering a single option recommendation, supported all three engagement groups. The establishment of the EFG and the TP has shown the considerable benefits of bringing together both customers and providers to develop policy through projects. The TP and EFG groups have stated that they would like to see their ability to contribute being maintained into the implementation phase.

3.4.15 It is therefore proposed:

- That the TP be enabled to continue under an expanded terms of reference to encompass all aspects of the landlord/tenant relationship and that its role is seen as being central to tenant involvement and participation in the future
- That the EFG should continue and play a central role in employee consultation on the issues that affect employees
- That a Leaseholders Liaison Group (LLG) be also set up to ensure that the issues which affect this stakeholder group are fully addressed

- That once the ALMO Shadow Board is in place it will examine these arrangements and through the ALMO Joint Panel, make proposals to the Council relating to involvement and engagement activities which will recognise the different roles the Council and the ALMO will have, following the inception date.

### **Future Reports to Cabinet**

3.4.16 A number of key reports will need to be developed and approved by the Council, in conjunction with the ALMO Shadow Board when created, in order for the ALMO option to be implemented. These are:

- Governance structures of and with the ALMO – including the agreement of the Memorandum and Articles for incorporation at Companies House and the composition and appointment/election/nomination of the ALMO Board of Management;
- The Management Agreement – this will set out the legal relationship between the Council and the ALMO and will include a scheme of delegation of functions from the Council to the ALMO;
- The first Annual Delivery Plan – this will cover what the Council's expectations of the ALMO are including performance delivery targets;
- The financial arrangements within the HRA;
- The proposed staffing arrangements including those under the TUPE; regulations – the staffing structures within the ALMO will be for its Board to determine;
- Accommodation and other land management issues;
- Contract management – this will deal with any live contracts already in existence and how they will be dealt with in the future.

### **Communications**

3.4.17 The Review process has included extensive activities to raise awareness of tenants, employees and other stakeholders regarding the implications of the review and progress made. The Conferences held in November 2013 highlighted that tenants wanted to know more about how an ALMO option would operate and how services would be divided between the Council and the ALMO in the future. It is therefore vital that the interest created is built upon and not lost.

3.4.18 It is therefore proposed:

- That key stakeholder groups are kept informed and encouraged to come forward to actively participate in the implementation of the option taken forward.



- The budget requirement to undertake a comprehensive communications and engagement programme will need to be identified and factored into the overall project cost requirements to ensure that sufficient budget provision is made.

### **Delegations**

3.4.19 In order to ensure that the project could proceed efficiently, timely decision making would be necessary. It is therefore proposed:

- That to ensure that momentum is maintained, a general delegation be given to the Chief Executive, in consultation with the Leader of the Council and the Cabinet Member for Housing, to take decisions which are directly related to the implementation of this proposal, subject to the consideration of the reports to Cabinet itemised above.

### **Future Management Arrangements of Other Housing Services**

3.4.20 If the option to create the ALMO is approved, the Council would need to ensure that operational management arrangements which seek to ensure that the services to tenant, leaseholders, housing applicants and other associated service users such as homeless persons are maintained and improved. The Chief Executive will bring forward proposals, in due course, to address this.

### **The Government and the HCA**

3.4.21 Until relatively recently, there was a requirement for councils to submit their housing options review outcomes to the regional government office. These offices no longer exist and the Homes and Communities Agency has, in the majority of areas inherited their housing functions.

3.4.22 The Council has had informal discussions on the Review with the HCA, particularly in relation to the possibility of the Council pursuing a housing transfer option. In order to advise the HCA of the outcome of the Review, it is proposed that a copy of this report should be provided, following the Council's decision.

### **Implications for the HRA and the General Fund**

3.4.23 The HRA will continue to be the Council's statutory account for the housing landlord service; however, it will operate in a fundamentally different way to how it does currently. The Council will pay the ALMO a management fee per property. To ensure that this fee is robustly calculated, a thorough review of the HRA will be required.

3.4.24 This and other changes, relating to the Housing Service may have implications for the Council's General Fund as any costs currently incurred by the HRA for corporately provided services will require investigation and appropriate allocation. Implications for the HRA and General Fund, arising from TUPE transfer of employees will also need to be considered. It is therefore proposed that:

- The financial position of the HRA and General Fund should be reviewed with the overall aim of creating a clear and appropriate delineation of responsibilities and accountabilities with the proper alignment of resources.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 The proposed implementation of an ALMO to manage the Council's housing services in relation to the provision of council housing has implications for all policies relating to the provision of housing services to the public. All of these policies will be reviewed and, where necessary, changes will be proposed to those policies in line with the service delivery change. This review will form part of the overall programme for the implementation of the proposed option.

### **4.2 Resources and Risk**

4.2.1 The budget allocated for the Review was £2m. The Review process has incurred the total cost of approximately £1m over the 18 month review period. The remaining £1m will be available for the implementation of the chosen option. Initial forecasts show the additional costs relating to setting up an ALMO structure can be accommodated within this budget. The costs included work which the Council would have had to incur irrespective of the Review, due to the work being required for the effective management of the housing service. These costs were:

- £256k for the Stock Condition Survey
- £55k for the Tenant Survey
- £100k for the Legal work incurred for the Voluntary Registration of all HRA assets

4.2.2 The HRA Business Plan, developed through the Review process, included an additional allowance of over £2m to deliver service improvements for the day to day running of services. This allocation can also be used to accommodate additional set up costs for the ALMO, not met by the £1m project budget detailed in 4.2.1 above.

4.2.3 The corporate impact of setting up an ALMO is mitigated by the Housing Revenue Account remaining open. Assuming a stand still position regarding the delivery of services, where HRA services are transferred to the ALMO; the fees for providing those services will be transferred as well and the costs charged to the HRA. Where HRA services or associated overheads are retained by the corporate body, those costs can also be charged on to the HRA. If the ALMO option is chosen, the project will need to ensure that the ALMO and agreements around the ALMO structure, deal with such considerations as pensions costs and ensure that costs that remain are appropriately charged to the HRA.

- 4.2.4 Subject to due process, it is intended that TUPE transfer will apply to any employees involved in delivering services transferred into the ALMO. The budget related to such employees would need to be taken into account when agreeing the management fee to be paid to the ALMO by the Council. Pension implications for the Council, arising from the TUPE transfer will also need to be assessed.
- 4.2.5 If the Council were to change the methodology of service delivery, such as changing use of buildings, this could have a corporate impact. However, these changes would have to be assessed on their own merit and would not specifically be additional costs relating to an ALMO setup but to a decision to change service delivery methods.
- 4.2.6 There are additional costs relating to the Transfer Options including some significant corporate impacts; these are detailed in the report at **Appendix 1** to this report and the supporting documents.
- 4.2.7 A high level risk assessment of the preferred option is shown at **Appendix 2** to this report.
- 4.2.8 Any significant change in the delivery methodology of the Council's services will be subject to careful and detailed management to avoid or minimise adverse implications for the Council's General Fund.

### **4.3 Legal**

- 4.3.1 There are legal implications relating to any major change such as the one proposed. The Review has been undertaken to ensure that it fully complies with Government Guidance and legislation relating to Options Appraisals, and particularly those relating to requirements to consult with tenants on major changes proposed in the delivery of Housing services. The key documents relating to the requirements to consult and carry out Options Appraisals are:
- The Housing Act 1985, (Section 105)
  - ODPM Guidance 2003- Delivering Decent Homes Option Appraisal Guidance for Local Authorities
  - HCA Regulatory Framework for Social Housing 2012
- 4.3.2 The management of the implications and any risks arising from the proposed change will be managed through the implementation stage using specialist external advisors as and when appropriate.

### **4.4 Equality and Health**

- 4.4.1 A Community Impact Assessment has been carried out on the recommended option and for the approach taken by the Review process. The full assessment is attached at **Appendix 3**

## 4.5 Consultees (Internal and External)

4.5.1 Employees, tenants, and councillors have been extensively consulted and briefed throughout the entire process. Details of the governance structures and the comprehensive consultation programme are included in the report and associated appendices attached at Appendix 1.

## 4.6 How the Proposals deliver Priority Outcomes

4.6.1 The implementation of the preferred option will help deliver against the following Corporate Plan priorities and outcomes;

- **Priority 2- Invest in Safer Cleaner Neighbourhoods:** The Review has identified additional funding to improve day to day service delivery for housing services, which also includes the implementation of a new local investment standard, the Northampton Standard. This standard includes plans for significant investment in improvements to estates and neighbourhoods, including additional security measures.
- **Priority 4- Making every £ go further:** An asset analysis has been carried out identifying properties where investment requirements exceed rental income. This information will be used to create a new Asset Management Strategy which will ensure that value for money considerations will be at the forefront of future investment decisions.
- **Priority 5- Better Homes for the Future:** The focus and mission statement for the Review has been to improve homes, neighbourhoods and services for council tenants. The development of the new Northampton Standard includes new standards for improvements to homes and improved service standards. The Review has incorporated the commitment within this priority to ensure that any future changes have been informed by the views of local people. There has been extensive engagement and involvement of tenants, employees and Councillors and they have fundamentally shaped the Review and been directly and principally involved in reaching the decision to recommend the ALMO option.
- **Priority 6- Creating Empowered Communities:** One of the key reasons why the recommended option to create an ALMO was reached, was due to its ability to provide increased opportunities for involvement and decision making for both tenants and employees.
- **Priority 8- Responding to your needs:** The Review has involved collecting and assessing evidence from a number of sources. The Tenant Survey was a key piece of evidence, as it identified tenants' priorities for improvements. This information directly influenced the development of the new Northampton Standard, ensuring that issues relating to the quality of homes and estates were addressed. Tenant Conferences also provided the Review with essential feedback from tenants. This feedback was considered as part of the decision making process by the Tenants' Panel, Employee Focus Group and the Housing Options Panel prior to making their recommendation.

## 4.7 Other Implications

- 4.7.1 Other implications may arise in relation to the implementation of the proposed option and these will be managed through the programme governance structures as appropriate

## 5. Background Papers

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- 5.1 The documents below were used in the preparation of this report and its appendices. Copies of the documents are either attached to this report as shown below, or are available for viewing on the Council's website at; <http://www.northampton.gov.uk/housing-options-key-documents>  
Documents are also available on CD upon request.

Document Reference and Title	Attached or Web- Linked
<b>Appendix 1 to this Report- Housing Stock Options Appraisal Report</b>	Attached
<b>Housing Stock Options Appraisal Report Appendices</b>	
Appendix 1 - DCLG Final Guidance	Web-link
Appendix 2 - Risk Assessment	Attached
Appendix 3 - Community Impact Assessment	Attached
Appendix 4 - Financial Assessment Alternative Options	Web link
Appendix 5 - Treasury Management Report	Web link

<b>Other Documents</b>	
Key Doc 1 - TP Final Report	Attached
Key Doc 2 - EFG Final Report	Attached
Key Doc 3 - ITA Final Report	Attached
Key Doc 4 - HOP Final Report	Attached
Key Doc 5 - TP TOR	Web- link
Key Doc 6 – EFG TOR	Web- link
Key Doc 7 – HOP TOR	Web- link
Key Doc 8 – Programme Team TOR	Web- link
Key Doc 9 – Programme Board TOR	Web- link
Key Doc 10 – Member Board TOR	Web- link
Key Doc 11 – HRA Baseline Position	Web- link
Key Doc 12 – Re-Profiled Northampton Standard Expenditure	Web- link
Key Doc 13 – Communication & Consultation Strategy	Web- link
Key Doc 14 – Stock Condition Survey	Web- link
Key Doc 15 – Initial Options Criteria	Web- link
Key Doc 16 – Scoring Framework	Web- link
Key Doc 17 – TP Weighting	Web- link
Key Doc 18 – EFG Weighting	Web- link
Key Doc 19 – Options Comparison Document	Web- link
Key Doc 20 – Individual Scoring Sheet	Web- link
Key Doc 21 – Nov 13 Conference Feedback	Web- link
Key Doc 22 – Financial Analysis Presentation	Web- link
Key Doc 23 – Consultation on the Housing Transfer Manual	Web- link
Key Doc 24 – Draft Northampton Standard	Web- link
Background Doc 1 - Tenant Survey	Web- link
Background Doc 2 - Asset Evaluation	Web- link
Background Doc 3 - Corporate Plan 2012-2015	Web- link
Background Doc 4 - The Housing Act 1985, (Section 105)	Web- link

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