

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Director for People
to

Cabinet

5 November 2013

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Report on the Future Management of the Council's Housing Stock and ALMO Task & Finish Group
Executive Councillor: Lesley Salter
A Part 1 - Agenda item

1. Purpose of Report

- 1.1 To present the final report of the Future Management of the Council's Housing Stock and ALMO Task & Finish Group.

2. Recommendations

- 2.1 That Cabinet approves the report and recommendations of the Future Management of the Council's Housing Stock and ALMO Task & Finish Group.
- 2.2 To note that approval of any recommendations with budget implications will require consideration as part of the Council's budget making processes prior to implementation.

3. Background

- 3.1 The former Community Services & Culture Scrutiny Committee, on 17 October 2012, resolved that the Council should establish a Member task group to consider the future management of the Council's housing stock and ALMO (Arms Length Management Organisation). This followed consideration by the meeting of a review of the management of the housing stock, currently managed by South Essex Homes (SEH), undertaken in 2012. The review had been undertaken in the light of the ending of Decent Homes funding, significant changes to national policy (notably the self-financing of the Housing Revenue Account) and the expiry of the management agreement between the Council and SEH in March 2016.
- 3.2 The Group first met on 25 February 2013 to agreed its terms of reference and agreed a work programme at its second meeting on 2 April. The key objectives of the Group were to provide evidence based options in relation to:
- Options on the future management of the Council's housing stock;
 - How joint working/combined services with South Essex Homes could be progressed;

- How greater efficiencies and external income can be generated;
- The future board composition and structure;
- Future monitoring of the ALMO and
- Appropriate consultation of tenants;

3.3 The Group met on eight occasions and took evidence from a range of sources and witnesses. The key elements of this were:

- Witness sessions to consider different models of housing management, including retention of the ALMO, bringing the ALMO in house and potential outsourcing of the service to a housing management company.
- Consideration of evidence presented in relation to: SEH service performance against suitable comparator organisations; the financial position of SEH and options for driving efficiencies, including sharing services.
- Consideration of the outcome of consultation with tenants and leaseholders, tenants and residents associations and street and block voice groups.

3.4 The report of the Task and Finish Group is attached at **Appendix A**.

4. The key findings of the review were:

- While performance in relation to the management of the Council's housing stock has improved significantly since the ALMO's inception there is room for further improvement;
- There are potential efficiencies to be realised, particularly where shared service provision is possible/desirable;
- SEH should be supported in moves to become more entrepreneurial and generating income, while minimising risks to service provision;
- Moves to streamline governance arrangements of the ALMO should be supported;
- Moves to strengthen client arrangements, including greater Member oversight are supported;
- There will be a need to undertake extensive consultation on any future changes to management of housing stock.
- That having reviewed the options in relation to future housing management arrangements and given the potential for SEH to secure further savings, efficiencies and generate income, the review has, on balance, concluded that Council should continue with the ALMO model at least until March 2016.

4. Recommendations

4.1 The specific recommendations of the Group are:

1	That the Council allows the management agreement with SEH to run until March 2016, subject to SEH meeting requirements in relation to performance savings, efficiencies and income generation.
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2	In considering the options for the future management, post 2016, of its housing stock, the Council should not exclude consideration of other forms of housing management. This should be done in the light of the Council's requirements at the time and the performance of SEH.
3	That SEH is supported and encouraged in their moves to pursue a more commercial approach, with an expectation that their business plans are reviewed regularly, with a view to significantly increasing levels of income earned.
4	That the Council and SEH continue to work actively to progress further moves to share services, and reduce areas of duplication. This should include co-location of SEH staff at the Civic Centre, while maintaining suitable access for SEH tenants and tenant representatives. Moves to share services should take into account moves by SEH and the Council to develop their commercial capacity and generate income from external sources.
5	That the assumptions built into the medium term financial strategy to reduce the management fee by £500,000 by 2016/17 are endorsed. However, further work should be undertaken to identify savings beyond this level and that this work should be built into the rent setting process.
6	That the work of the Task and Finish Group is consolidated into the Housing Working Party with a remit to meet regularly to review progress on the review's recommendations. This will include reviewing progress on the levels of savings/efficiencies to be achieved and performance of SEH. The terms of reference of the Housing Working Party should, therefore, be amended accordingly (Part 3, Schedule 2 of the Constitution).
7	That the SEH Board looks to further streamline its governance arrangements and related costs.
8	That the SEH Board is streamlined to comprise: four councillor nominees, three independent members and three resident representatives
9	That the designated Chair of the Board is chosen from the independent representatives.
10	That recent moves to strengthen client monitoring arrangements of SEH are supported with an expectation that client officers attend SEH Board meetings and its sub-committees.
11	That any significant change in the management arrangements for the Council's housing stock are subject to extensive consultation with tenants and leaseholders and other appropriate stakeholders. Any consultation should ensure that all tenants and leaseholders are informed about proposals and that they have the ability to comment on them. This should, therefore, consist of a range of methods, including a combination of using paper, telephone and on-line feedback, alongside a high profile communications campaign to ensure tenants and leaseholders are aware of the proposals.

5. Other Options

5.1 The options are set out in the report of the report of the Task & Finish Group.

6. Corporate Implications

6.1 Contribution to Council's Vision and Critical Priorities

Becoming an excellent and high performing organisation.

6.2 Financial Implications

The annual Management Fee to SEH has reduced from £10.402m in 2006/07 to £9.455mm budgeted for 2013/14 (£9.380m after the 2013/14 efficiency target).

The ending of Decent Homes funding will have a significant impact on the size of the HRA capital schemes - reducing significantly from £17.305m in 2010/11 to a budgeted £8.131m in 2013/14, and remaining at that level for 2014/15 (£8.241m), 2015/16 (£7.261m) and 2016/17 (£8m).

In addition to efficiencies built into the HRA budget for 2013/14, the HRA medium term financial strategy has, for the purpose of forward planning, assumed the delivery of further savings over the period 2014/15 to 2016/17, through unilateral action by SEH and through sharing services.

The 2013/14 HRA budget is premised on a reduction of the management fee of £273,000 and a shared services saving of £75,000. Action is already underway to secure these savings. Going forward SEH have committed to a reduction in the management fee for 2014/15 of £250,000 through their own actions. Further shared services savings for the HRA of £250,000 over the years 2014/15 to 2016/17 are also assumed. Therefore, from a starting point of a management fee of £9,380,000 in 2013/14, the HRA MTFs assumes the fee will drop by a total of £500,000 to £8,880,000 (before inflation) by 2016/17.

The Council's General Fund also benefits from efficiencies delivered through shared service provision, with an expectation of a broadly similar level of financial savings (£250,000) over the same period. The General Fund will also benefit from the rental derived from SEH relocating into the Civic Centre.

As the final report indicates, the evidence from external providers shows that savings in the order of 20-30% have been achieved on a private sector housing management company taking over the management of local authority housing stock. A 20% reduction in the current management fee of £9.380m would equate to saving of £1,876,000 and, therefore, significantly more than the current savings assumptions included in the HRA MTFs. The Group, believes more work should be undertaken to seek to achieve further savings beyond those included in the MTFs and that this work should be built into the annual rent setting process.

Progress has been made on reviewing the sharing of SEH services with the Council to produce revenue savings for both the Council and SEH. The areas which have been reviewed and are all at different stages of progress and are: Finance services; human resources; legal services; housing services (Council's

Community Housing Option and Housing Needs and SEH Tenancy services and Supported Housing Services); service improvement (teams dealing with performance, service base ICT and financial administration, and service user consultation, and other support services) and property services. An additional area of joint working has been the agreement for SEH utilise accommodation in the Civic Centre and for this to happen in 2014.

In respect of the need for SEH to become more commercial in its nature an initial Business Plan has been produced by SEH. There is on-going review of this Business Plan between SEH and the Council to ensure it is robust and sustainable to support the potential for an additional regular income stream for the Housing Revenue Account.

6.3 Legal Implications:

Given the recommendation that the Council retains the ALMO up to March 2016, there are no specific implications in implementing the review's recommendations.

6.4 People Implications: .

In the areas where shared services are being progressed, there may be TUPE implications, but these will be explored further and considered on a case by case basis.

6.5 Property Implications – none specific

6.6 Consultation

Extensive consultation was undertaken with tenants, leaseholders, tenants and residents associations, street and block voice groups, as described in report.

6.7 Equalities and Diversity Implications - none specific

6.8 Risk Assessment – none.

6.9 Value for Money

One of the key aims of the review is to identify areas of efficiency in the management of the housing stock that can be actively explored further.

6.10 Community Safety Implications – none specific

6.11 Environmental Impact - none specific

7. Background Papers –

- Evidence as described in the report

8. Appendices

Appendix A – Report of the Future Management of the Council's Housing Stock and ALMO Task & Finish Group