

Body: Cabinet

Date: March 19th, 2014

Subject: Housing Futures

Report Of: Senior Head of Community

Ward(s): All Wards

Purpose: To secure authority to progress development and consult on a preferred option for the ongoing delivery of the Council's housing and landlord role.

Decision Type: Key Decision

Recommendation: Cabinet is recommended to:

1. Note the development of a preferred option to retain Eastbourne Homes Ltd ("EHL") as housing management provider with closer integration with Council services
2. Delegate authority to the Senior Head of Community to discuss and agree with the Department of Communities and Local Government ("DCLG") the level and process of the consultation to be undertaken with tenants and leaseholders
3. Delegate authority to the Senior Head of Community to finalise the consultation document and consultation plan and to start the consultation process with tenants and leaseholders on the Council's preferred option

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1.0 Introduction

1.1 The Council is responsible for the homes of nearly one in ten of Eastbourne's households, made up of a mixed portfolio of 3,554 residential properties with a programme to add in 2014-2016 to that number a further 43 properties.

The Council's housing stock is currently managed under an agreement with an Arm's Length Management Organisation (ALMO), Eastbourne Homes Limited (EHL). The current management arrangement for Council-owned

homes with EHL has been in place since 2005 and is due to end in March 2015.

- 1.2 A review of the future of the Council's role as a social landlord was formally launched in May 2013 with a Housing Futures Board set up to oversee this important project. The Housing Futures Board is made up of Councillors, EHL Tenant Board Members, and the Tenant Chair of Scrutiny. The Council's Housing Services Team has supported the Housing Futures Board in this task.
- 1.3 This report updates Members on the progress to date in developing options for the landlord role, including a summary of the options considered. It sets out the detail of a preferred option and requests approval from Cabinet to take this option forward for consultation with tenants, leaseholders, relevant organisations and agencies and the wider community, with a view to making in July 2014 a formal recommendation for the future of the Council's housing and landlord role.

2.0 Housing Futures Background

- 2.1 A key factor in the decision to establish EHL was that the creation of an ALMO provided access to additional government funding to improve the condition of the Council's stock and to make sure it met the national Decent Homes Standard (DHS)¹. The government has since 2012, brought to an end all funding subsidy for council housing other than that which may be available for the provision of new homes. More than 98% of the Council's homes now meet the DHS and under current financing arrangements can be maintained to that standard between now and 2042.
- 2.2 As noted above, the Management Agreement that the Council has with EHL to manage Eastbourne's Council-owned housing stock is due to expire on March 31st, 2015. At present the Council pays EHL £6,714,000 per annum to manage and maintain the Council housing stock on behalf of the Council. In addition to this fee, capital funding is provided to EHL by the Council to carry out improvement works to housing stock.
- 2.3 The Council retains control over the strategic direction of its landlord role and determines such matters as tenancy and allocation policies and the provision of new homes. The overall management of the HRA is undertaken jointly by the Council's Housing and Financial Services Teams while general performance is monitored by the Housing Services Team.
- 2.4 As noted above, Cabinet previously approved the formation of a Housing Futures Board to examine options open to the Council as a landlord and consider how best the landlord role can:
- bring forward the Council's Corporate Strategy
 - help deliver the outcomes of the Council's housing and wider corporate strategies

¹The Decent Homes Standard was introduced in 2000. All social housing must at all times meet the current statutory minimum standard for housing, be in a reasonable state of repair, have reasonably modern facilities and services and provide a reasonable degree of thermal comfort.

- make the best of the opportunities created by the introduction of the Self Financing Housing Revenue Act
- contribute positively to the Sustainable Service Delivery Structure (Future Model) for the development and delivery of the Council's services
- encourage inward investment in Eastbourne's overall housing market.

2.5 To date, the Board has in taken account of:

- Value for Money (for tenants and the Council) which has included a financial viability assessment of the various options with supporting work provided by the Chartered Institute of Housing
- Service Risk – the need to ensure continuity of service and to maintain or improve the quality of the service provided
- Resident Engagement – the Board listened to residents' views on how to ensure that residents are able to have influence over the provision of future services. For example it took account of the opinions expressed at the EHL Resident's Conference in October 2013
- Strategic Influence/fit with the other services provided by the Council including the changing shape of Council services, the wider housing market and its role in supporting the wider economy

3.0 Options Appraisal for the future of council housing in Eastbourne

3.1 On behalf of the Housing Futures Board, the Council's Housing Services Team with support from the Chartered Institute of Housing and EHL have looked at a number of options for the ongoing delivery of the Council's housing and landlord role.

A brief summary of the options is listed below. The options report is attached as Appendix 2.

3.2 ***Option 1 – Retain current arrangements with EHL***

Option 2 – Expansion of EHL to deliver more services for the Council and other enterprises, both housing and non-housing

Option 3 – Return to Council and full Integration with Future Model

Option 4 - Large Scale Voluntary Transfer (LSVT)²

Option 5 –Transfer to Mutually Owned Co-operative³

Option 8 – Tenants exercise their Right to Transfer⁴

² A Large Scale Voluntary Transfer means that the ownership of the Council's homes will transfer to another landlord, most commonly a housing association. The transfer can be to an existing association or to a new one, set up especially to be the new landlord. This can usually only take place if a majority of tenants vote for such a transfer.

³ A Mutually owned Co-operative would involve the transfer of the ownership of the housing stock from the Council to a new organisation, ownership of which would be vested in the tenants and in some models also employees. It is not dissimilar in concept to building societies which are owned by their members.

⁴ In July 2013, the Government announced proposals to give Council tenants the right to request a transfer of their homes to another landlord.

Option 6 – Shared Service Delivery with other Social Landlords

Option 7 - Out-source/externalise housing management

Option 9 – Tenants exercise their Right to Manage⁵

Option 10 - Retain EHL with responsibility for housing management but with greater integration with the Council's core services and support structures

3.3 Having explored the above options, the Housing Futures Board concluded that Option 10 would offer the best mix of efficiencies, resilience, customer benefits and governance. Option 10 is a hybrid of Options 1, 2 and 3 and emerged during the assessment of all the options as a way of combining the benefits of those options taking into consideration such factors as financial impacts of stock disposal and the risks around externalisation of services. EHL support the development of this preferred option.

3.4.1 **Option Ten - Retain EHL with responsibility for housing management but with greater integration with the Council's core services and support structures**

- Co-location of team members from both EHL and the Council at the Council's offices at 1, Grove Road. This will reduce office costs.
- The introduction of shared new technology and working practices where appropriate. This will reduce costs and deliver more integrated customer-friendly services.
- Sharing some senior level professionals/managers to reduce costs.
- Integrating 'back office' services including IT, Human Resources, Legal Services and Financial Management and Administration across EHL and the Council. This would save costs and by reducing the links in the chain for managing such things as the HRA encourage quicker, more effective working and reduce the risk of errors occurring during information transfers.
- Having a single Customer Contact Centre at the Grove Road office. This would improve the accessibility to the Council by offering a single point of contact for all services and again reduce costs.
- Maximising opportunities through wider asset and property management. Working together is likely to reduce the cost of contract supervision and allow better buying of services like repairs and maintenance.

3.5 An assessment of Option Ten is shown below.

- 3.5.1
- Potential to generate savings (up to £1.5m) to the Council split between the GF and the HRA (subject to final decisions on level of integration/sharing).
 - Retains EHL and tenant focused governance.
 - Offers the potential for value for money for EHL and EBC by reducing

⁵ In July 2013, the Government announced proposals to streamline the ability of tenants to take over the management of their homes.

overheads.

- Creates opportunities to improve customer services.
- Retains a vehicle for securing investment and work from non-Council owned businesses.
- Bigger operational scale creates greater resilience and opportunities for more effective procurement of property related services by combining the purchasing power of the GF and the HRA.

3.6 The initial business case for the Council's Future Model change programme was considered at the July 2013 Cabinet. This work, carried out by Ignite, highlighted that the degree of cross over between EBC and EHL customer bases was very high around high-need, high vulnerability groups. The analysis showed that whilst it was possible to align the customer service offerings and retain separate organisations, there would be a greater cost and significant reduction in overall savings when compared to one service delivery organisation.

3.7 The analysis considered the costs/benefits arising from integration in to one service organisation as against having two separate organisations. As a result of discussions at the Housing Futures Board and with resident representatives, the current preferred option looks to maintain two separate organisations, however, seeks to realise the key customer and savings benefits identified in the initial business case.

3.8 Ignite have considered the impact of the development of Option 10 and consider that the business case remains valid as the proposal incorporates the adoption of the same technology, working practices, back office and asset/ procurement alignment. However, it should be noted that there will be some additional costs associated with maintaining the two organisations in the way suggested. The reduction in cost is subject to the outcome of current work to review processes/roles and to final decisions on the level of integration/sharing but is not expected to significantly reduce the overall savings estimate. Work to validate the business case and finalise arrangements is being conducted and will be reported to Cabinet in July 2014.

4.0 Consultation

4.1 There is no single set process for a local authority to undertake a review of its role as a social landlord.

4.2 A draft Consultation Plan has been drawn up by the Housing Services team and EHL officers with input from resident representatives. This plan will be further developed following discussion with the Department of Communities and Local Government and form the core consultation activity over the next three months.

5.0 Legal implications

5.1 A local authority is able to delegate the authority's housing management function to a third party but must obtain the consent of the Secretary of State by virtue of Section 27 of the Housing Act 1985. If the Council were to extend the existing Management Agreement with EHL without making any

changes at all for a period of up to five years, they are not required to seek consent as there is a general consent in place for such extensions. There is also no requirement to obtain consent if the Council chose to bring the management function back in-house to the Council.

5.2 The preferred option will require a replacement Management Agreement and will therefore require an application to be made to obtain the consent of the Secretary of State.

5.3 As part of the application the Council will be required to give a summary of the consultation that has taken place with tenants and to show evidence of the support for the Council's proposals (see further below). If DCLG are not satisfied with the level of consultation undertaken it is likely they would refuse consent. The Council are approaching DCLG to discuss and agree with them the level of consultation and process required in order to ensure that consent is secured as quickly as possible.

6.0 Consultation

6.1 Section 105 of the Housing Act 1985 requires the Council to consult the tenants on any matters of housing management that substantially affect them under. The changes being proposed are sufficient that consultation under Section 105 is required.

6.2 The Council has discretion as to the form of consultation it undertakes. For the reasons set out above, the Council are discussing the consultation with DCLG to ascertain precisely the level and process of tenant consultation they expect. In particular we will be discussing the length of the consultation period and Cabinet should note that that the longest consultation period which may be required would be 12 weeks but less may be appropriate.

6.3 Subject to the outcome of discussions with DCLG, the Council aim to start the consultation as soon as possible.

7.0 Next Steps

7.1 The Housing Services Team will work with colleagues from EHL and the Ignite team to deliver the consultation plan once it had been agreed with DCLG and further develop Option 10. This will include the both landlord and non landlord housing obligations, responsibilities and contributions towards the Council's wider corporate outcomes. The aim is to have completed this work, incorporating resident feedback, for Cabinet in July 2014. Cabinet will then be in a position to consider the future of the housing and landlord role in the context of the Council's wider FM change programme.

8.0 Resource Implications

8.1 Progressing the Housing Futures Review will continue to require research, management and consultation. The technical capability for this work is available within the existing Housing Services Team. Financial resources of £20,000 were made available in 2013-2014 to support this work, of which £14,000 remains unspent.

9.0 Equality and Fairness

9.1 An Equality and Fairness Analysis will be completed prior to any decision being taken on the ongoing delivery of the Council's housing and landlord role.

10.0 Other Implications – Environmental, Human Rights, Community Safety

10.1 The completion of the Housing Futures Review will give the Council greater scope to deliver its wider role of community well being. Better homes and high quality housing management help to reduce crime, improve the environment and contribute towards human rights by helping people secure a safe and secure home.

11.0 Youth and Anti-Poverty

11.1 Housing problems faced by young people, including those who want to rent accommodation or buy a home, are becoming increasingly clear to the Council. Maintaining a strong housing and landlord role will help the Council to improve the housing options and choices available to young people.

12.0 Recommendations

12.1 Cabinet is recommended to:

- Approve further development of the preferred option to retain Eastbourne Homes Ltd as housing management provider with closer integration with Council services
- Delegate authority to the Senior Head of Community to consult on option 10 with tenants and leaseholders

Lead officer name: Andy Thompson

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Background Papers:





None

Appendix 1: Outcomes Extract from the Terms of Reference for the Housing Futures Review





Material Considerations

In undertaking and completing the Housing Futures Review, the Housing Futures Project Board and Housing Futures Project Group will take account of the following themes, which should be considered as material considerations:




Community Interests

-  Landlord service and performance past, present and potential, including quality of delivery and customer satisfaction
-  Safeguarding and enhancing the social and economic interests of both today's and tomorrow's tenants
-  Safeguarding the ability of tenants to be actively engaged in the management of their homes
-  Local accountability


Corporate Priorities for the Council

-  Take account of and support the outcomes and ethos set down in the Eastbourne Corporate Strategy, At Home in Eastbourne and the Core Strategy (Planning)
-  Consider all current and future governance and scrutiny arrangements
-  Consider how to mitigate and reduce risks to the Council
-  Take account of stakeholder perceptions and confidence




Value for Money

-  Delivery of efficiencies including relationship where appropriate with the Council's Future Model service delivery framework
-  The impact on the General Fund
-  The impact on the Housing Revenue Account

Provision of affordable and secure homes

-  Enhancing and securing capacity for future investment in existing stock and in new/additional affordable, secure homes

Economic Development

-  Capability, capacity and relevance for delivery of non-social housing projects, including contribution to wider economic development
-  Enhancing and securing capacity for additional future investment in the wider Eastbourne economy
-  Local income generation, service and goods sourcing and employment retention