

<b>Report to:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>1 November 2023</b>
<b>Title:</b>	<b>Future options for delivery of council housing services in Eastbourne</b>
<b>Report of:</b>	<b>Robert Cottrill, Chief Executive</b>
<b>Cabinet member:</b>	<b>Councillor Peter Diplock, Cabinet Member for Housing and Planning</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>To seek Cabinet's agreement to undertaking a consultation exercise with the tenants of Eastbourne Homes Limited (EHL) with regard to the future delivery of housing services.</b>
<b>Decision type:</b>	<b>Key Decision</b>
<b>Officer recommendation(s):</b>	<p><b>(1) To note and endorse the conclusions drawn by the project team following the high-level internal assessment process (set out at appendix 1).</b></p> <p><b>(2) To note that the options presented may offer a better opportunity to respond to revised national regulatory and legislative requirements.</b></p> <p><b>(3) To note that any decision around the future of housing management will require a thorough consultation and engagement exercise with all tenants and stakeholders before the Council is in a position to change the service delivery model.</b></p> <p><b>(4) To approve a consultation and engagement exercise with EHL tenants and leaseholders, in line with the proposals set out in the report.</b></p>
<b>Reasons for recommendations:</b>	<b>To enable a consultation exercise to be undertaken to inform future options for delivery of housing services.</b>
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## **1 Introduction**

- 1.1 This report sets out the conclusions drawn following a high-level assessment of alternative housing management models for the homes currently managed by Eastbourne Homes Limited (EHL).

- 1.2 The contents of this report links to the Council's Corporate Plan 2022-2026 Housing & Development theme; We will work alongside residents to deliver decent, safe and well managed housing, meeting the needs of residents by investing in our homes, creating communities that work, helping our tenants with their energy bills as we take steps to make council homes more environmentally sustainable, and responding to homelessness and housing needs through maximizing the provision of new affordable housing.

## **2 Background**

- 2.1 The current arrangements with EHL date back to 2005. Under these arrangements, the Council remains the owner of the housing stock and therefore the legal landlord but EHL are responsible for the management of the housing stock. This arrangement is currently governed by a 20-year management agreement, which runs from 2015-2035, with a break clause every 5 years. The next break clause is in 2025 when a review would usually take place. Due to the rapidly changing context within which housing services are operating, CMT convened a staff project team to undertake a high-level internal review to determine the most appropriate approach to delivering these services in future years.

- 2.2 A range of factors have driven and shaped the project team's considerations:

- Changes to the regulation of social housing and feedback from the Regulator of Social Housing (RSH), through the Council's engagement in Consumer Regulation Testing Pilot, which recommended that we consider whether current arrangements represent the optimal way to deliver for tenants.
- Increased focus on the performance of all local authorities as providers of social housing.
- Significant financial pressures facing the Housing Revenue Account (HRA) caused by rent reductions and cap, coupled with the cost of living crisis and the significant supply chain and cost pressures as a result of increased inflation.
- Vulnerability of EHL in light of the above financial pressures,
- The absence of clear policy drivers for local authorities to support the continued delivery of housing services via Arms Length Management Organisations (ALMOs), which has contributed to a significant number of local authorities now bringing delivery back in-house.

## **3 Rational for proposal**

### New Regulatory and Legislative Requirements

- 3.1 The RSH already has oversight of local authorities as housing providers through the operation of four consumer standards covering the quality of homes, neighbourhoods, tenancy and tenant engagement and empowerment. The current approach is being replaced by a new regulatory framework, including a return to pro-active inspections on a rolling, four-yearly basis through the Social Housing (Regulation) Act, which gained Royal Ascent in July 2023 and includes

a series of new consumer standards, currently subject to consultation for implementation from April 2024.

- 3.2 A national set of standards called Tenant Satisfaction Measures (TSMs) has already been introduced and local authorities are required to collect both tenant feedback and business intelligence in respect of these measures and report performance to the RSH from the Summer of 2024.
- 3.3 Concurrently, the Building Safety Act 2022 introduced a Building Safety Regulator, together with the introduction of significant additional obligations around the safety and condition of tall buildings and buildings that house vulnerable residents. The Housing Ombudsman also provides regular reports setting out themes identified in service failure (e.g. damp and mould).
- 3.4 These regulatory and legislative requirements sit with the Council and its executive and will require a more robust future governance to enable elected members and senior officers to gain assurance that all statutory duties and regulatory standards are being complied with.
- 3.5 Performance  
The changes in the regulatory framework set out above will increase focus on the Council's performance as a provider of social housing. For 2023-24, the following performance metrics have been agreed with the Board of EHL. These metrics cover all the RSHs TSMs along with a number of measures of operational significance in the delivery of effective housing management services.

**Measures to be reported against through tenant satisfaction survey:**

- TP01 Housing: Overall Satisfaction
- TP02 Percentage of tenants satisfied with repairs
- TP03 Satisfaction with time taken to complete most recent repair
- TP04 Tenant Satisfaction that their home is well maintained
- TP05 Tenant Satisfaction that their home is safe
- TP06 Satisfaction that the landlord listens to tenant views and acts upon them
- TP07 Satisfaction that the landlord keeps tenants informed about the things that matter to them
- TP08 Agreement that the landlord treats tenants fairly and with respect
- TP09 Satisfaction with the landlord's approach to handling complaints
- TP10 Satisfaction that the landlord keeps communal areas clean and well maintained
- TP11 Satisfaction that the landlord makes a positive contribution to neighbourhoods
- TP12 Satisfaction with the landlords approach to handling ASB

**Measures to be reported against through business intelligence/systems data:**

- CH01a Number of complaints relative to size (Landlord Services) Stage One

- CH01b Number of complaints relative to size (Landlord Services) Stage Two
- CH02a Complaints responded to within Complaint Handling Code timescales (Stage One)
- CH02b Complaints responded to within the Complaint Handling Code timescales (Stage 2)
- NM01a ASB Cases opened per 1000 Homes
- NM01b ASB cases that involve hate incidents per 1000 homes
- RP01 Homes that do not meet the Decent Homes Standard
- RP02a Repairs completed within target timescales (Non-Emergency)
- RP02b Repairs completed within target timescales (Emergency)
- BS01 Gas safety checks
- BS02 Fire safety checks (% FRA completed)
- BS03 Asbestos Safety Checks
- BS04 Water Safety Checks
- BS05 Lift Safety Checks
- BS06\_Percentage of homes with a valid Electrical Safety Checks
- HF07 Average time post assessment for completion of aids and adaptations YTD: Minor
- HF08 Average time post assessment for completion of aids and adaptations YTD: Major
- HF14 Rent arrears of current tenants (expressed as a % of rent debit)
- HF16 Average void relet time key to key (month & YTD)
- HF16a Average void time (without exceptions)

### 3.6 Financial Position of the HRA

The financial position of the HRA is challenging. Following four years of Government imposed rent reductions between 2016-17 and 2019-20, significant inflationary pressures were experienced in 2022/23, mainly related to repairs and maintenance/void reinstatements, utilities costs and staff pay awards.

- 3.7 As a result of these challenges, capital budgets are restricted to the point that only works to meet statutory health and safety regulations and Decent Homes are possible. Stock condition data identifies the need for £48Million investment over the next 5 years, with a 30 year forecast of £300Million, however funding for major works is currently set at just £5M per year over the next 3 years.
- 3.8 Tough decisions are already being made in respect of investment expenditure, however, given that rents will likely continue to be subject to a rent cap in future years, savings are required from all areas of expenditure to ensure the financial pressures faced by the HRA are mitigated as far as possible, and that resources are made available to improve the stock to minimise onward impact on revenue budgets (repairs costs).
- 3.9 The risks associated with these financial pressures, included contract and labour inflationary pressures impacting on repairs and maintenance budgets during 2022-23. EHL is a small organisation making it vulnerable to continued market volatility. Whilst the risks might not be fully mitigated through in-house delivery, closer cost control/management and less complex governance arrangements,

along with achieving a small cashable saving means EBC are better able to manage the risks through in-house delivery.

### 3.10 National Housing Crises

Emerging pressures around homelessness are causing significant concern. The cost-of-living crisis has significantly increased the number of people presenting to the Council as homeless in recent months, placing extra demands on the statutory response that the Council must make. These pressures are being driven by the impact of inflation and higher interest rates on the private rented sector, which are driving higher rents at a time when tenants are also experiencing rises to their general cost-of-living, resulting in higher rent arrears and more evictions. At the same time the supply of homes is being reduced as landlords choose to not re-let their homes due to less favourable market conditions. Higher levels of re-possession are now starting to become apparent amongst homeowners, further contributing to the level of demand being experienced nationally, and by other local authorities in East Sussex.

3.11 The low rate at which the Local Housing Allowance (LHA) is paid is causing particular problems for those lower income households in receipt of welfare benefits, placing an increasing proportion of private rented accommodation out of their reach. It is no coincidence that, those districts and boroughs in East Sussex where the gaps between LHA and rents charged are the highest, such as Eastbourne and Hastings, are those seeing the greatest homelessness pressures.

3.12 Bringing the statutory housing function fully together with the management of the Council's own stock has the potential to improve overall resilience of the Council's response to the housing crises through improved and more efficient decision-making and development of stronger strategic and operational resilience.

### 3.13 Policy Framework

The original rationale for the creation of ALMOs was the delivery of the Decent Homes Standard – a technical standard for social (council) housing introduced by government – and the promise of significant funding for ALMOs that achieved an inspection rating of 'good'. EHL was set up for this reason and achieved the necessary inspection rating that led to the award of significant funding to upgrade properties in the Borough to the Decent Homes Standard.

3.14 This route to funding no longer exists, and many local authorities have now taken their ALMOs back in-house. At its peak, there were 69 ALMOs managing over 55% of the total council housing stock in England, however, there now remain just over 20 ALMOs this number is decreasing year on year. Currently, the following local authorities are in the process of bringing their ALMO back in-house: Bury, Lewisham Newcastle and Tower Hamlets.

3.15 Previously, a consideration of future options for the management of council housing would have included:

- Potential repurposing of EHL to become a registered provider
- Establishment of a new provider
- Transfer of the housing stock to an existing provider.

It is worth noting that Government has not published a Housing Transfer Manual since 2014 (covering the period to 2016), signifying a lack of current support for this option and there is no obvious funding mechanism other than borrowing which could support stock transfer. Additionally, given that many existing providers are struggling to meet the costs of their existing compliance responsibilities it is likely that the Council would be required to offer payment with transfer to contribute towards investment costs.

3.16 These options have therefore been discounted for consideration.

3.17 Options identified

In view of the above, CMT were asked to agree the establishment of a Project Team to consider 3 options for the future management of council housing services.

3.18 The Project Team have undertaken a high-level assessment of the options, the results of which are set out in Appendix 1. The following criteria was used to assess each of the options:

**1. Could it improve outcomes for tenants?**

This is a priority for the Council, and the new regulatory standards make it clear that service outcomes for tenants is the priority across all aspects of the new regulatory framework.

**2. Could it improve quality of homes?**

Could it provide an opportunity to improve building safety and improve services? The new regulatory standard makes it clear that the Landlord is responsible for building safety. The Council has an ambition to ensure that all residents live in a decent and affordable home and expects its own homes to set the standard expected of other providers in the Borough.

**3. Does it contribute to Council priorities and values?**

This includes the stated aim to deliver decent, safe and well managed housing, meeting the needs of residents by investing in our homes, creating communities that work, helping our tenants with their energy bills as we take steps to make council homes more environmentally sustainable, and responding to homelessness and housing needs through maximizing the provision of new affordable housing.

**4. Does it deliver better value for money?**

The demands on the HRA are increasing. Therefore, it is important to provide as efficient service as possible to increase the resources available to improve the housing stock.

**5. Does it improve accountability to tenants and the Council?**

The new regulatory standards make it clear that tenants should be given a stronger voice in how their homes are managed and the Council's recent participation in the RSHs Consumer Regulation Testing Pilot

highlighted a need to consider whether the current model included a risk to democratic accountability.

## **4 Outcome**

- 4.1 The high-level assessment (Appendix 1) highlights in-house delivery as the option most likely to deliver the greatest benefit to both the Council and its tenants.
- 4.2 In keeping with government guidance, a full appraisal involving engagement with tenants and leaseholders and a test of opinion should be carried out before a decision is made by cabinet. Cabinet is recommended to approve a consultation and engagement exercise with EHL tenants and leaseholders, highlighting the key messages set out in this report and seeking their views and providing an opportunity to feedback any areas of consideration which they feel might have been missed through the high-level assessment.

## **5 Consultation and engagement**

### **5.1 With tenants and leaseholders**

Government guidance, states that any change in housing management services should be subject to a test of opinion. The guidance also states that any review of future options should be transparent, tenants should have the opportunity to be fully engaged in the process, be included in any project group leading the work and be allowed to scrutinise the Council's process. It is appropriate that Leaseholders also be consulted and for them to have the opportunity to give their views, but it should be noted that under the government guidance it is the tenant view that is paramount.

- 5.2 The new regulatory framework requires that a stronger voice be given to tenants. The review provides an opportunity to go further than the minimum required by using a range of methods to engage and develop a stronger voice for tenants and leaseholders. This could be developed into a longer-term approach to give further empowerment to residents.
- 5.3 It is proposed that consultation and engagement with tenants and leaseholders be carried out over the final quarter of 2023-24. If Cabinet agrees with the officer recommendation to consider bringing housing management back into the Council, the key messages contained within this report will form the basis of consultation and engagement. Tenants and Leaseholders will be asked for their views and to provide feedback in relation to any areas which they feel have not been considered by the high-level assessment.
- 5.4 The exercise would also seek tenants' views on their priorities for future investment, tenant engagement and how their homes and estates should be managed and shape the future of their management service. Subject to the decision of Cabinet, this can include a 'test of opinion' of whether they wish to see their home managed by the Council. This would enable Officers and Cabinet to reconsider the preferred option in light of tenant feedback i.e. should a strong view against bringing housing management back in-house be expressed.

5.5 The EBC engagement and consultation exercise will be developed with Residents Voice and EHL and seek to use the existing engagement structures as much as possible, this could include:

- Residents Voice fulfilling the role of a steering group of 'involved tenants' which will include those already involved (including members of the Virtual 300) and other residents who may want to become involved.
- A series of roadshows/pop-up events to promote the survey and obtain feedback.
- Attendance at existing events such as retirement housing forum and social events in retirement housing schemes.
- An online/telephone/paper survey
- Social media awareness-raising campaign
- Early data analysis to identify gaps in feedback from particular groups
- A targeted 'door knocking' exercise to ensure contact with seldom heard groups and under-represented tenants.

5.6 The Council must review and consider all responses to the consultation before making any decision on changes to the housing management arrangements.

5.7 With Government

Whilst Secretary of State approval is no longer required in respect of the contents of this report, the Department of Levelling Up, Housing and Communities will need to be informed.

5.8 With Staff

Whilst EHL employees TUPE transferred back into the Council in 2017, it will be vital to ensure that throughout any future process, and in addition to the comprehensive engagement exercise with tenants and leaseholders, staff are kept informed. An internal communications plan will be developed for this purpose.

5.9 With partners

Partners communications will be incorporated into the above communications plan.

## **6 Business case and alternative option(s) considered**

6.1 As detailed in the main body of the report.

## **7 Financial appraisal**

7.1 The outcome of the high-level assessment into the future delivery of housing services in the council highlights in-house delivery as the option most likely to deliver the greatest benefit to both the Council and its tenants. Transferring housing management from Eastbourne Homes Limited to Eastbourne Borough Council offers opportunities for efficiencies and cost avoidance. These could come from reducing the cost of governance and by integrating services and allowing further alignment with other housing services provided by Lewes and



Eastbourne Councils. Savings would initially be offset by one-off costs associated with the engagement of tenants and leaseholders and any additional professional fees required to successfully implement the transfer of housing services and will be captured as part of the ongoing review of the Council's Medium Term Financial Strategy.

## **8 Legal implications**

- 8.1 As set out elsewhere in this report, tenants will be consulted on the possible changes to the housing management arrangements in accordance with section 105 of the Housing Act 1985 and the outcome of the consultation will be reported to Cabinet in due course.

The legal implications are generally dealt with in the main body of the report.

*12460-LDC-KS 10<sup>th</sup> October 2023*

## **9 Risk management implications**

- 9.1 The main risks associated with these proposals are set out at section 3 of the report. Should the council not proceed with the engagement and consultation proposed within the report then the opportunity to achieve an early resolution to this issue would be missed, requiring current arrangements to continue until 2025 when the next scheduled review is due to take place.

## **10 Equality analysis**

- 10.1 A full equality analysis is required for this piece of work. This will be undertaken as part of the engagement and consultation activities outlined in this report. The importance of giving all tenants and leaseholders a full and equal opportunity to participate and engage in the consultation process is fully recognised.

## **11 Environmental sustainability implications**

- 11.1 This report contains no direct sustainability implications. Whatever the outcome of the review, the council will continue to prioritise its commitment to carbon reduction and environmental sustainability wherever possible. Opportunities to increase the sustainability of the housing stock will continue, alongside investigating suitable funding options.

## **12 Appendices**

- Appendix 1: High-level assessment of options

## **13 Background papers**

None

## Appendix 1: High-level assessment of options

Option	Pros	Cons	Recommendation
No change (Retain EHL)	<ul style="list-style-type: none"> <li>• Continuity in a time of challenges</li> <li>• Brand recognition and perceived quality of that brand and outcomes for tenants</li> <li>• Good lines of accountability for staff to Board and committees-transparent and structured</li> <li>• Avoids disruption</li> </ul>	<ul style="list-style-type: none"> <li>• Confusion of regulatory accountability – some change is needed to clienting arrangements.</li> <li>• The Council already carries this risk through complex governance arrangements and the RSH recommended reviewing whether these arrangements are the best way to deliver outcomes for residents.</li> <li>• Additional resources/focus will be needed at EBC to respond to the new legislative and regulatory environment.</li> <li>• Operational and financial efficiencies are not achieved.</li> <li>• Continued activity for staff around the work to bring budgets, systems and lines of accountability together.</li> <li>• Continued fracture of Housing services and alignment of issues i.e. statutory housing functions fall outside board remit.</li> <li>• EHL holding a financial risk that it is too small/vulnerable to sustain.</li> <li>• EBC/EHL separated lines of accountability limiting transparency for staff and tenants.</li> </ul>	Keep under review for full appraisal through tenant consultation.
Change or refine roles and responsibilities (e.g. return repairs and maintenance services to in-house management)	<ul style="list-style-type: none"> <li>• Puts key aspect of risk in the place most able to manage/mitigate it</li> <li>• Still gives the Board some oversight in housing management.</li> </ul>	<ul style="list-style-type: none"> <li>• Further confusion of governance, systems and accountability.</li> <li>• Fractured lines of accountability - members/board would only get half the story.</li> </ul>	Recommend discounting this option.

Option	Pros	Cons	Recommendation
		<ul style="list-style-type: none"> <li>• Confusion for tenants - difficult to see how outcomes would be improved.</li> <li>• Would not necessarily deliver VFM.</li> <li>• Board role would be limited - areas of challenge in housing as set out above would sit outside their remit, leaving little else of consequence.</li> <li>• Quality of homes would sit outside Board remit creating potential for regulatory oversight to be diminished.</li> </ul>	
<p>Bring responsibility for all aspects of housing management back in-house</p>	<ul style="list-style-type: none"> <li>• Potential to streamline, align and strengthen governance and accountability inline with changing legislative and regulatory environment. This could include retention of current expertise in an 'Advisory Board' capacity.</li> <li>• Operational and financial efficiencies/VFM gains.</li> <li>• Improve EBC engagement with residents.</li> <li>• Achieve closer strategic and operational alignment.</li> <li>• Least disruptive option to services and residents as no staff transfer is required.</li> <li>• Most cost of change (staff and ways of working transfer) has already been absorbed in 2017.</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of much respected EHL brand</li> <li>• Further change for tenants and staff during time of challenges</li> <li>• Risk of reduced tenant influence through loss of Board members.*</li> <li>• Risk of loss of specialist expertise (Board).*</li> </ul> <p>*Can be mitigated through the establishment of an 'Advisory Board'</p>	<p>Keep under review for full appraisal through tenant consultation.</p>

Option	Pros	Cons	Recommendation
	<ul style="list-style-type: none"><li data-bbox="555 199 1077 304">• Efficiency gains from reduction in servicing EHL can be used to enhance service delivery.</li></ul>		