

Cheltenham Borough Council

Social and Community Overview and Scrutiny Committee

Principles for the Establishment of Cheltenham Borough Homes

Report of the Deputy (Neighbourhood & Community)

1. Summary

- 1.1 To establish Cheltenham Borough Homes as the Council's ALMO, the Council will have to make an application to the office of the Deputy Prime Minister under Section 27 of the 1985 Housing Act. This application must include detailed responses to a Government questionnaire, a Management Agreement between the Council and Cheltenham Borough Homes, the Delivery Plan for Cheltenham Borough Homes and its Constitution. To meet the Government's timescales, these documents must be submitted to the ODPM after approval by Cabinet on the 26th November, and full Council on the 9th December.
- 1.2 The Shadow Board of Cheltenham Borough Homes will be fully involved in preparing the approach and content of the draft documents and tenants will be consulted through the Housing Forum. All of the documentation is based on Government templates. Before developing the detailed content of the documents it is necessary for other stakeholders to be consulted. This report and the draft documents in the appendices outline the principles for the relationship between the Council and Cheltenham Borough Homes, and the objectives for service delivery. It will be supplemented by a presentation from Ernst & Young at the committee meeting.
- 1.3 **I therefore recommend that Overview and Scrutiny Committee:**
 - 1.3.1 **Consider the aims and objectives presented as a means of delivering the Council's landlord role.**
 - 1.3.2 **Consider the relationship to be set out between the Council and its ALMO, as highlighted by the Management Agreement and Delivery Plan sections. (Comments can be incorporated into the work of the project teams developing the documentation).**
 - 1.3.3 **Consider future working arrangements with the ALMO and its Board.**

2. Information

- 2.1 This report builds on previous reports to Cabinet and to Overview and Scrutiny Committee and includes appendices of draft documents which cover the following Government requirements.

2.1.1 Management Agreement: The overarching contract between the Council and its ALMO (Cheltenham Borough Homes). The agreement sets out the mutual aims and objectives, the outcomes sought and monitoring and working relations. Government guidance is clear that this is not a prescriptive CCT type contract, but sets out the partnership between the Council and Cheltenham Borough Homes and respective roles. Some issues from Appendix A are:

- the Council can vary some areas of the standard documentation, and the full document will also be reviewed in depth by the Shadow Board with Ernst and Young but there is relatively little discretion on the standard documents;
- the contents listed in Appendix A effectively form the 'Heads of Terms'.

2.1.2 Constitution: A legal statement on the company form of Cheltenham Borough Homes and its objectives are set out in the Memorandum. The Articles set out working arrangements. The approach taken has been to mirror the Council's culture for Governance issues in a Company context. As part of developing the constitution the Shadow Board has considered potential committee structures.

- the constitution has been considered by the Shadow Board on the 5th and 28th August and is in draft form. It will require legal input before being finalised and further consultation with the Shadow Board;
- Appendix B shows the Board and committee structure agreed by the Shadow Board, which allows co-opted trade union and leaseholder representatives to sit on sub-committees.

2.1.3 Delivery Plan: In effect the Business and performance plan for Cheltenham Borough Homes, covering year one in detail and years 2-4 in outline. It transfers the Management Agreement and Constitution into a working document for service delivery. Issues in Appendix C are:

- the component parts of the plan are linked together - the financial plan sets out the resources available for the investment plans as an example;
- a separate report to Cabinet covers the capital investment plan at this stage to allow greater consideration of the principles;
- performance and service delivery plans will build on existing service improvements, including the Best Value Review and set out service standards for each activity provided by Cheltenham Borough Homes

2.1.4 Section 27 Application and Questionnaire: Uses information from the above three documents, the ALMO bid (Feb 2002) and updated HRA Business Plan to answer Government requirements. Appendix D forms a checklist therefore for all the issues to be contained in the main documents.

2.2 An important part of establishing Cheltenham Borough Homes as an ALMO is the personnel implications of transfer of housing staff to the new company. It is anticipated that approximately 130 Council staff will be subject to TUPE transfer. Due to resource constraints in the Human Resources section it has been necessary to bring in external consultants to advise and assist in the proposed transfer.

Appendix E outlines the issues and timescales to be considered, key points of which are:

- the split of functions between Cheltenham Borough Homes and the Council is effectively made by implementation of the corporate restructure on the 9th September, and forms the basis for negotiation and consultation;
- it is necessary to protect staff employment rights, including pensions and terms and conditions.

2.3 All of these documents are proposed when completed in detail to be brought together in one report to Cabinet in November, prior to full Council in December. The Section 27 application to delegate Council Housing Management functions to Cheltenham Borough Homes can only be made by full Council and must be accompanied by a minute of the resolution.

2.4 The Shadow Board on 5th August selected the name Cheltenham Borough Homes. This has been registered to allow use of the name on the communication information involved in the ALMO consultation and set up. However, the ALMO cannot trade or manage the Council's homes until the Secretary of State has given his approval.

3. Implications

3.1 **Financial** Approval of the application by the Secretary of State, and meeting the Governments criteria, will lead to £13.5m in 2003-2005 in extra capital borrowing permissions, with linked subsidy to the HRA. The Government is "minded to" release a further £12.5m in 2005-2007 along the same lines.

Project costs have been budgeted for in this year's HRA, as reported to Cabinet in July. Set up costs will need to be considered in this autumn's budget round, part of which can be capitalised.

3.2 **Legal** Section 27 of the Housing Act 1985 requires the Secretary of State to consider requests from housing authorities wishing to delegate the management of council homes or land to another body.

From the date of this report the council's legal services division are acting for the Council's interest; external solicitors will be appointed to advise the Shadow Board of Cheltenham Borough Homes.

3.3 **Personnel** Approximately 130 employees will be subject to transfer. Appendix E outlines the personnel implications.

3.4 **Equal opportunities, social justice and anti-poverty** The improvement to decency standard of 3,900 council homes will significantly contribute to quality of life and sustainability in our communities.

3.5 **Environmental** Improving homes will include limited environmental improvements, and also use of sustainable materials and reduced heating costs for tenants.

3.6 Wards	All containing council homes.
3.7 Options	As outlined in Cabinet report 6 th November 2001 on Beha Williams Norman Ltd's option appraisal.
Background papers	<p>Cabinet Reports:</p> <ul style="list-style-type: none"> 17th September 2002 24th July 2002 (Project Initiation Document for the ALMO) : 5th February 2002 (Principles for the ALMO bid) : 4th December 2001 (Preparation for an ALMO) : 6th November 2001 (Feedback from Options Working Group) <p>Other</p> <ul style="list-style-type: none"> : 9th September 2002 Overview and Scrutiny Committee (Best Value Review and Communications) 24th June 2002 (Progress on the ALMO) Housing Investment Conferences 14th June 2002, 26th October 2001 and 15th June 2001 : Cheltenham Borough Council housing options appraisal (Beha Williams Norman Ltd) and minutes of Housing Options Working Group (Aug-October 2001) : Cheltenham Borough Council HRA Business Plan 2001 and 2002 : DTLR Guidance on Arms Length Management of Local Authority Housing, April 2001
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