

## Information/Discussion Paper

### Overview and Scrutiny Committee

30 October 2023

### Call in – Cheltenham Borough Homes

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This note contains information to assist Members in dealing with this call-in request.

**1. Why has this come to scrutiny?**

**1.1** On 17 October 2023, Cabinet considered a report in relation to [Cheltenham Borough Homes](#) and unanimously agreed the following recommendations:

- i. the work and commitment of Cheltenham Borough Homes over the last twenty years is acknowledged by Cabinet;
- ii. the new regulatory framework for social landlords and the Council's Medium Term Financial Strategy is noted;
- iii. the options for the future delivery of the Council's Housing Services are noted, and the Chief Executive, Executive Director for Finance, Assets and Regeneration, the Corporate Director and Monitoring Officer, and the Housing Partnership Manager are authorised to undertake the required review to support the Leader in deciding to wind-up Cheltenham Borough Homes;
- iv. the creation of a consultation framework is commissioned in order to develop a Tenant Offer which will provide tenants and leaseholders with the opportunity to provide their view on the proposed change in management, state their priorities in shaping the future housing service provision, ensure their continued involvement, and complement the new consumer standards;
- v. the consultation framework is acknowledged and the recommended tenant offer is subject to review by the Council's Overview and Scrutiny Committee upon their request;
- vi. the Chief Executive is requested in consultation with the Leader and the Cabinet Member for Housing to develop a housing integration action plan;

- vii. the Housing Strategy and Partnerships Manager is appointed as the Council's Health and Safety lead, as detailed in Section 7 of this report. This will be subject to review following the winding up of Cheltenham Borough Homes.
- 1.2** In accordance with the Constitution, the decision is subject to the call-in provisions, which enable a Cabinet Decision to be called in if the Members wishing to exercise the call-in believe that the decision maker did not take the decision in accordance with one or more of the Principles of Decision Making as set out in [Article 13 of the Constitution](#).
- 1.3** A call-in request in relation to this decision was received by the Proper Officer within the call-in period and signed by Councillors Fifield, Flynn, Harman, Nelson and Seacome on 24 October 2023.
- 1.4** After due consideration of the call-in, the Proper Officer has accepted it as partially valid. Full details of the call-in and the response of the Proper Officer are set out in Section 2 below.
- 1.5** Under the rules of call-in, the request must be considered at a meeting of the Overview and Scrutiny committee within 10 working days. After consultation with the Chair of Overview and Scrutiny, the Leader and Cabinet Member it has been agreed that the call-in will be considered under urgent business at the ordinary meeting of Overview and Scrutiny scheduled for Monday 30 October.
- 1.6** Having considered the facts of the call-in and having received any representations from the Member(s) who submitted the request and the decision maker, Overview and Scrutiny Committee may:
- a. Support the decision without qualification or comment, in which case the decision can be implemented immediately; or**
  - b. Make adverse comments (with reference to the [Principles of Decision Making in Article 13](#)) regarding the process for reaching the decision but take no adverse view on the decision itself, in which case the decision can be implemented immediately and the O&S Committee comments will be set out in a report to be considered by the decision maker; or**
  - c. Propose modifications to the decision or an alternative to the decision to achieve the same effect, in which case implementation of the decision shall be delayed until the decision maker has received and considered a report from O&S Committee and decided how to proceed; or**
  - d. In exceptional circumstances (to be determined by O&S Committee and recorded in the minutes), refer the decision to Council for review or scrutiny.**

2. **Proper Officer Review and Decision on Validity of Call-In**

2.1 The call-in form as submitted has been reviewed by the Proper Officer and accepted as partially valid.

2.2 The following have been **accepted** and are the basis on which the call-in proceeds to the meeting on 30 October 2023 :

2.2.1 Principle (d) *The decision should be taken following due consultation and on the taking of professional advice from Officers*

- “Minimal notice to CBH staff.
- Lack of consultation with the CBH Board.
- If so many other local authorities ceased with their ALMOs several years ago (31 of the 70 had brought social housing back in-house by 2019), why has CBC waited until now? And why the sudden urgency?”

**Proper Officer Response:**

**The question of engagement and consultation with both the CBH Board and Staff is one that is a matter of judgement so call-in can explore this further. In addition, the question relating to the reduction in ALMOs and why the decision has been taken now is something that a call-in can examine but this would be more appropriately aligned with principle (g) aims and desired outcomes.**

2.2.2 Principle (g) *There shall be clarity of aims and desired outcomes*

“The comments made in the Cabinet meeting support parts of the report that talk about funding gaps and financial benefits, yet the benefits to those most affected by the decision, the tenants, are unclear. We may have misunderstood but we think the financial benefits come from shifting some kind of spending from the housing revenue account to the general fund account with cuts then having to be made in services already funded by the housing revenue account. Regulatory changes are cited as necessitating the change but recent legislation emphasises that the local authority has final responsibility for health and safety in its homes so we don’t see how this is relevant.”

**Proper Officer Response:**

**If Members state they are unclear on the articulation of potential benefits contained within the report this can be explored further as part of the call-in process.**

2.3 The following parts of the call-in are **not accepted** as valid:

2.3.1 Principle (a) *The decision must be lawful and in accordance with all statutory and regulatory requirements and the Constitution.*

“We believe CBC has breached the Regulator of Social Housing’s Consumer Standards, the tenant involvement and empowerment standard, by making the decision to change the way homes are managed without consulting with tenants. A Member of this group has requested that the Regulator investigate.”

**Proper Officer Response:**

**The recommendations are in line with the statutory and regulatory requirements and the constitution. External legal advice was sought on the recommendations specifically in the context of the legislative and regulatory environment and the legal implications were contained within the report.**

**The recommendations clearly request that officers undertake the required review to support the Leader in deciding to wind-up Cheltenham Borough Homes. It also recommends the creation of a consultation framework which will provide tenants and leaseholders with the opportunity to provide their view on the proposed change in management, state their priorities in shaping the future housing service provision, ensure their continued involvement and complement the new consumer standards.**

**Section 10.3 of the report further emphasises and underlines the recommendations because it states that for the option of winding up CBH as a company that consultation ‘would be required and recommended in accordance with the legal and regulatory framework.’**

**This clearly indicates that the report and its recommendations commit the council to consultation prior to the Leader taking the decision to wind up CBH as a company. In addition, the cabinet paper also includes a commitment to involving Scrutiny going forward and I understand that a task and finish group has been discussed with draft Terms of Reference being created. This adds further assurance on Members having oversight of any future consultation.**

**2.3.2 Principle (f) *There shall be a presumption in favour of openness***

“All discussion on the decision took place and the report published without informing those most affected, the tenants, or the bank bench councillors who represent those tenants; as well as members of the CBH Board and CBH staff.

The apparent speed with which the recommendation (decision) has been made – the Campbell Tickell report was only submitted at the end of September 2023.”

**Proper Officer Response:**

**This decision was taken in a full public meeting. In addition, the item was placed on the public Forward Plan (over 28 days’ notice), well in time for**

**the October meeting which aligns with the requirements of the constitution. While Members may judge the decision surrounding CBH is of greater significance than perhaps others going to Cabinet, the report on CBH met the same test as all other reports presented to Cabinet. This point on call-in could only be accepted had the CBH report been treated differently e.g. not been placed on the Forward Plan or published late.**

- 2.3.3** Principle (h) *Due consideration shall be given to all objections could apply because this has come out of the blue and no opportunity has been given for members or tenants to object.*

**Proper Officer Response:**

**This is not considered relevant or applicable; again, the council has committed to consultation.**

- 2.3.4** Principle (d) *The decision should be taken following due consultation, and on the taking of professional advice from Officers*

“The lack of communication with Members and the short notice given to Members (Member Seminar arranged for Friday afternoon October 6th) of the decision going to Cabinet on Tuesday 17th, thus already past the deadline for questions to be submitted to Cabinet (noon Friday 6th).”

- No consultation with tenants

**Proper Officer Response:**

**Please refer to the previous response with regard to tenant consultation, the report has committed to consultation prior to the decision to wind-up the company. There also is no requirement to brief all Members. As stated above, the report and Forward Plan were all published in accordance with the constitution. In addition, the constitution also sets the deadlines for questions for Cabinet and it is a matter for Council as to when question deadlines are set via the constitution which is agreed by Council.**

**3. Summary of evidence/information**

- 3.1** At the Call-in meeting the Members who have submitted the call-in will outline the reasons why they feel a call-in is appropriate.

- 3.2** The following witnesses have been invited to attend:

- Leader of the Council, Councillor Rowena Hay
- Cabinet Member Housing, Councillor Victoria Atherstone
- Chief Executive, Gareth Edmundson

- 3.3** The witnesses will be advised of the potential line of questioning in advance of the meeting. This is intended to provide the broad line of questioning to assist the witnesses in their preparation, but Members may wish to ask additional

questions at the meeting.

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**Appendices**

1. Cabinet report – 17 October 2023
2. Extract from the draft minutes of Cabinet (17 October 2023)

**Background Information**

[Overview and Scrutiny Rules](#) – Part 4D, CBC Constitution

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**Contact Officer**

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# Cheltenham Borough Council

## Cabinet 17 October 2023

### Cheltenham Borough Homes

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**Accountable members:**

Cllr Rowena Hay, Leader of the Council

Cllr Victoria Atherstone, Cabinet Member for Housing

**Accountable officers:**

Gareth Edmundson, Chief Executive

Paul Jones, Executive Director - Finance, Assets & Regeneration

Claire Hughes, Corporate Director & Monitoring Officer

**Ward(s) affected:**

All

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**Key Decision:** Yes

**Executive summary:**

For 20 years Cheltenham's housing stock has been managed by an Arm's Length Management Organisation (ALMO), Cheltenham Borough Homes (CBH). ALMOs were originally set up by many local authorities as this allowed for greater access to central government funding to meet the decent homes standard. The decent homes programme was an initiative launched by the last Labour government and set targets for bringing all public sector housing up to a set social housing decency standard by 2010. In 2016 government funding for bringing social homes up to the standard came to an end.

CBC has successfully worked in partnership with CBH for two decades and has delivered investment in existing stock, new housing, a financially resilient Housing Revenue Account (HRA) and most importantly, high tenant and leaseholder satisfaction. The partnership has had to evolve and change to respond to the challenges we face, not least the recent Covid-19 pandemic which demanded both CBC and CBH work together to protect and care for the communities we serve.

## Page 8

Cheltenham Borough Council's new corporate plan set out a big ambition to increase the supply of affordable homes, a comprehensive approach to the climate agenda and the ongoing need to modernise and continuously improve services for residents. For CBC to be in the best place for delivering our corporate agenda then we need to adapt and have greater scale, capacity and capability.

Cheltenham's most deprived communities have already been disproportionately impacted by the effects of Covid-19. Subsequently, they have endured the highest inflation for three decades, huge increases in energy costs, 14 consecutive interest rate rises by the Bank of England, and NHS waiting lists reaching 7.4 million in May 2023, delaying treatment for many and impacting wellbeing. Pressures on housing are also becoming more acute. It is estimated that 300-340k homes need to be built nationally each year to meet demand. Over the last decade the number of homes delivered each year has ranged from 125k - 243k – still well below the numbers needed. The housing crisis has only been exacerbated by the need to give much needed support to those fleeing the ravages of war and seeking asylum.

Against this backdrop, the delivery of Cheltenham Borough Council's corporate priorities is more important than ever, and a single organisation of larger scale will also be better placed to deliver our priorities, leverage opportunities and achieve greater social value. The Council has committed to deliver jobs and opportunities for all and tackle poverty through the Golden Valley development, enhancing Cheltenham's position as the Cyber Capital of the UK. We will also deliver hundreds of new and affordable homes to meet demand, we will drive to make Cheltenham carbon net zero and we will deliver our regeneration plans to enhance our thriving high street and provide much needed accommodation right in the heart of our town. In order to deliver these ambitions, we need to think differently about how we deliver crucial services for our residents. A stronger and more proactive regulatory regime has been enacted through the Social Housing (Regulation) Act (2023) and underpinning new Consumer Standards (currently being consulted upon). The Regulator of Social Housing (RSH) has extended its reach to implement all of its regulatory framework to stock owning local authorities and ALMO's.

The reality of 2023 is that the Council's HRA resources have reduced by £92m over the life of the business plan, due to cost inflation that will increase overall expenditure by £2.5m in 2023/24, and the impact of a 7% rent cap imposed by the Government for 2023/24, which will result in the HRA net operating surplus falling from over £1m to £35k in 2023/24 as reported to Cabinet on 19 September 2023.

The recent Local Government Association Peer Review further highlighted the need to ensure CBC was better placed to maximise opportunities for housing, as well as ensuring efficiency improvements were not missed to help make existing resources go further.

The national landscape for ALMOs has also changed hugely since 2003. In 2008, at its peak, there were 70 ALMOs managing over half of all UK council housing, consisting of more than a million properties. By 2023, this number had significantly reduced to around twenty as local authorities have taken services back in-house or Council housing stock has been transferred into a housing association via a stock transfer.

While we recognise and celebrate CBH's role in Cheltenham since 2003, with the changing



needs of our residents, new financial challenges and an updated regulatory framework, now is the time to review CBH's future to ensure that the Council can deliver a housing service which is in full alignment with the council's strategic priorities and ensures that CBC are in the strongest possible position to deliver for Cheltenham's communities.

**Recommendations: That Cabinet:**

- 1. acknowledges the work and commitment of Cheltenham Borough Homes over the last twenty years;**
- 2. notes the new regulatory framework for social landlords and the Council's Medium Term Financial Strategy;**
- 3. notes the options for the future delivery of the Councils Housing Services and authorises the Chief Executive, Executive Director for Finance, Assets and Regeneration, the Corporate Director and Monitoring Officer, and the Housing Partnership Manager to undertake the required review to support the Leader in deciding to wind-up Cheltenham Borough Homes;**
- 4. commissions the creation of a consultation framework in order to develop a Tenant Offer which will provide tenants and leaseholders with the opportunity to provide their view on the proposed change in management, state their priorities in shaping the future housing service provision, ensure their continued involvement, and complement the new consumer standards;**
- 5. acknowledges that the consultation framework and the recommended tenant offer is subject to review by the Council's Overview and Scrutiny Committee upon their request;**
- 6. requests that the Chief Executive in consultation with the Leader and the Cabinet Member for Housing develop a housing integration action plan;**
- 7. appoints the Housing Strategy and Partnerships Manager as the Council's Health and Safety lead, as detailed in Section 7 of this report. This will be subject to review following the winding up of Cheltenham Borough Homes.**

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**Implications**

**1.1 Financial, Property and Asset Implications**

As detailed in Section 5.

**Signed off by:** Gemma Bell, Director of Finance and Assets (Deputy Section 151 Officer),  
[gemma.bell@cheltenham.gov.uk](mailto:gemma.bell@cheltenham.gov.uk)

**1.2 Legal Implications**

CBH is a company limited by a guarantee from the Council.

Winding up is a procedure under which a company is dissolved, the assets are realised and distributed to creditors and any surplus is returned to its members.

The Council operates an 'executive arrangement' model of governance and as such the Council's role and decision-making as the owner of CBH is an executive function which is retained by the Leader under the Council's Constitution.

This report is not concerned with the merits of winding-up, the procedure to be followed or any due diligence of the company's assets and liabilities. Once the future of CBH has been determined the Leader (in a separate decision) will identify all the matters which need to be considered to ensure that all the implications for the Council are understood before deciding to dissolve CBH.

It is hoped that the strong working relationship between CBH and the Council will continue during the review stage so that a decision can be collectively agreed. The company Directors are responsible for the management of the company's business and will have to ensure that winding up the Company is in the best interests of the Company following the review. However if the Board do not recommend to the Council voluntary winding up, the Council does have a reserved power in the company's Articles to direct the Board to take a specified course of action if required.

If the decision is taken to voluntarily wind up CBH and dissolve the company, then under the agreement for housing management and other services between the Council and CBH the agreement would automatically terminate and the Council would be able to provide the services itself.

**Signed off by:** Anthony Collins Solicitors

### **1.3 Environmental and Climate Change Implications**

The decision to deliver housing and housing services via a single entity will have minimal direct impact on the environment and climate change, although removing duplication and the potential opportunity to co-locate staff may deliver a slightly positive impact on greenhouse gas emissions and energy use.

Looking forward, Cheltenham has a clear strategic vision for the future provision of housing and housing services, which the council will be better placed to achieve under the new delivery model. One of the objectives of adopting a single, integrated approach is to accelerate the delivery of new, high quality, affordable homes. As these developments are brought forward the impact on land use, greenhouse gas emissions and biodiversity will need to be carefully managed to deliver positive benefits. Another objective is to reinvest in and regenerate existing stock, which will reduce its carbon footprint.

In addition, by bringing housing management in-house the council will be better placed to respond to the likely introduction of a new Decent Homes Standard to tackle air quality issues such as the presence of damp and mould in homes, together with potentially higher expectations around the energy efficiency of homes.

The council recognises that living in a high quality, safe and affordable home is a key determinant of health and wellbeing. Ensuring both new and existing stock makes a contribution towards the council's net zero ambitions and is also future-proofed against climate change will deliver social benefits to tenants by providing a comfortable living environment and ensuring tenants' living costs are not unnecessarily high because of the quality of their homes. Ensuring the council's housing stock contributes to our net zero ambitions also benefits Cheltenham's wider community.

A climate impact assessment is attached at Appendix 2.

#### **1.4 Corporate Plan Priorities**

This report contributes to all of the Corporate Plan 2023-2027 Key Priorities:

- Enhance Cheltenham's reputation as the cyber capital of the UK
- Working with residents, communities and businesses to help make Cheltenham net zero by 2030
- Increasing the number of affordable homes through our £180m housing investment plan
- Ensuring residents, communities and businesses benefit from Cheltenham's future growth and prosperity
- Being a more modern, efficient and financially sustainable council

**Signed off by:** Ann Wolstencroft, Head of Performance, Projects & Risks,  
[ann.wolstencroft@cheltenham.gov.uk](mailto:ann.wolstencroft@cheltenham.gov.uk)

#### **1.5 Equality, Diversity and Inclusion Implications**

An equalities impact assessment has been completed and is attached at Appendix 3.

#### **1.6 Performance Management – Monitoring and Review**

Cheltenham Borough Homes have a full organisational performance management framework and performance is regularly reported to the Board, Customers and CBC as part of our management agreement. Performance will continue to be measured and reported to the appropriate committees and through the strengthened framework for tenants and leaseholders.

**Signed off by:** Ann Wolstencroft, Head of Performance, Projects & Risks,  
[ann.wolstencroft@cheltenham.gov.uk](mailto:ann.wolstencroft@cheltenham.gov.uk)

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## **2 Background**

2.1 An arms-length management organisation (ALMO) is a not-for-profit company that provides housing services on behalf of a local authority. An ALMO is set up by the authority to manage and improve all or part of its housing stock. Ownership of the housing stock itself normally stays with the local authority. ALMOs are owned by local authorities and operate under the terms of a management agreement between the authority and the

organisation. An ALMO is managed by a board of directors which includes tenants, local authority nominees, and independent members.

- 2.2 The creation of ALMOs as a form of social housing delivery and management enabled more government funding to secure and support decent home standards. This funding stream ended in 2016. As of July 2008, there were 70 ALMOs managing over half of all UK council housing, consisting of more than a million properties. By 2023, this number had significantly reduced to around twenty, as local authorities have taken services back in-house or stock has been transferred into a housing association.
- 2.3 This trend is continuing with more local authorities announcing their intention to bring tenant housing services back into the Council. Drivers for these announcements have been due to:
- End to Government funding for decent homes
  - Increased regulatory expectations on social landlords with further responsibilities from the social housing white paper
  - Reducing duplication of effort
  - Speeding up of decision making through streamlined governance arrangements
  - Better value for money to tenants and leaseholders
  - More integrated service delivery to support tenants, leaseholders and communities
- 2.4 The arrangement for managing the Cheltenham Borough Council (CBC) housing stock has been in place since 2003, with Cheltenham Borough Homes (CBH), an ALMO, with CBC as its sole shareholder, but retaining landlord responsibility for the stock and the safety of tenants. The management agreement was signed in 2015 and will expire in 2045, unless terminated through break clauses in 2025 or 2035.
- 2.5 The table below sets out the number of homes owned and managed:

<b>Cheltenham Owned Housing Stock (31/03/22)</b>			
<b>Homes by Tenure</b>	<b>CBC</b>	<b>CBH</b>	<b>Total</b>
General needs social rent	3,899	45	3,944
Housing for older people social rent	491	-	491
Affordable rent	133	50	183
Low-cost home ownership	35	14	49
Private rental sector	-	13	13
Leasehold	441	1	442
<b>Total homes</b>	<b>4,999</b>	<b>123</b>	<b>5,122</b>

- 2.6 The Council has an ambitious Corporate Plan that sets clear priorities to build on Cheltenham's place as the Cyber Capital of the UK, deliver more homes, make progress to net zero, enhance our borough and continue to maximise efficiencies. Housing is key to and connected to the delivery of many aspects of the Council's priorities. In this context,

the new regulatory framework, securing the long-term financial sustainability of the housing revenue account (HRA), increasing the pace of delivering of more affordable homes and the need to maintain or enhance support for our most deprived communities requires the Council to consider how best housing services are delivered in the future.

- 2.7 We must move beyond strength in partnership and create an integrated model so we can fully harness our skills and capacity, create a step-change in social value and maximise our ability to deliver for all our residents, businesses and customers. Through integration we can bring about a singular approach to tackling the challenges in our communities – from poverty to anti-social behaviour. We can better respond to the requirements of the new Social Housing Act and Consumer Standards. And we can be more efficient and find savings that will maintain the resilience of the HRA and allow us to invest.
- 2.8 Whilst our partnership with CBH has served us well to date, we must now be bold and embark on a new direction. The purpose of this report is to recommend how best housing services should be delivered in the future.

### **3 Drivers for change**

- 3.1 As a result of the new regulatory framework, financial pressures on the general fund and the housing revenue account, CBC commissioned Campbell Tickell to undertake a strategic review of its housing management arrangements, and to consider future options for management of its housing stock and related activities (see Appendix 4).
- 3.2 Like every Local Authority, CBC is faced with a stark operating reality, with ever increasing levels of demand and complexity of support need. It follows that the existing housing delivery model is no longer sustainable and CBC must evolve to meet demand in different ways, with a sustainable level of service, targeting resources that (re)enable and support those most in need. This is evidenced by the significant reduction in ALMOs over the last few years.
- 3.3 CBC's Corporate Plan 2023-2027 sets out an ambitious plan to increase the supply of affordable homes, enable regeneration of the town's most deprived areas, working to help make Cheltenham carbon neutral and to ensure the most efficient and effective use of resources.
- 3.4 The external operating environment has also significantly changed with significant inflationary pressures affecting tenants, leaseholders, communities and businesses as well as the new regulatory framework with more expectations on social landlords.
- 3.5 Housing is in a period of significant change from a legislative, policy and financial perspective. The major external influences include the legislative programme, rent capping and reductions in previous years, plus the fundamental shift in public sector resources and the indirect impact of funding cuts across the public sector and specifically on local government.
- 3.6 Provision of the Council's Landlord function for its circa 5000 homes is subject to regulation and inspection. As set out in Appendix 3 it is now critical to integrate the delivery

of council housing services into the Council to enable the service to be an effective component of CBC and the conduit for tenants for all council services.

- 3.7 The fundamental vision for the housing management service is to deliver a people orientated, customer focused, effective and consistent service, in the context of the 'tenant offer' which meets the tenants needs and aspirations based on the Regulator for Social Housing's (RSH) Regulatory Standards. This will include to strengthen and improve tenant scrutiny and the tenant voice in helping to improve and influence housing services.
- 3.8 The RSH has extended its reach to implement all of its regulatory framework to stock owning local authorities and ALMO's. It was therefore timely to consider whether the ALMO delivery model delivered through CBH is still the best placed model to respond to the challenges ahead.
- 3.9 The recent Local Government Association Corporate Peer Challenge further highlighted the need to ensure CBC was better placed to maximise opportunities for housing, as well as ensuring efficiency improvements were not missed to help make existing resources go further.

#### **4 Changing regulatory environment**

- 4.1 Since the 2020 Strategic Housing Review a stronger and more proactive regulatory regime has been enacted through the Social Housing (Regulation) Act (2023) and underpinning Consumer Standards (revised versions of which are currently being consulted upon) which empowers the RSH to:
  - Intervene with landlords who are performing poorly on consumer issues and guarantee timely action where the Regulator has concerns about the decency of a home.
  - Inspect landlords and arrange emergency repairs to ensure tenants are provided with good quality accommodation.
  - Provide tenants with greater transparency about landlord performance by introducing a new set of Tenant Satisfaction Measures (implemented in full from April 2024).
  - Add safety to the Regulator's objectives and require registered providers to appoint a health and safety lead.
  - Require the Housing Ombudsman and the Regulator to cooperate to provide better protection for tenants.
- 4.2 The Housing Ombudsman is also taking a highly proactive and interventionist approach, with a greater focus placed on sharing maladministration findings and publishing examples of best practice and lessons learned. Landlords are also expected to comply with the revised Complaints Handling Code, which sets out clear expectations for landlords on handling housing complaints, backed by a new power to issue a failure order where there is non-compliance. Landlords are expected to self-assess against the Code to ensure that their complaint handling process is accessible, consistent and enables the timely progression of complaints on behalf of tenants.
- 4.3 The Housing Ombudsman's approach has been particularly prominent regarding sector-wide issues concerning damp, mould and condensation. Issues of social housing quality are at the forefront of national policy, with the likely introduction of a new and revised

Decent Homes Standard which may also come with higher expectations around energy efficiency of homes.

- 4.4 The Fire Safety Act (2021) introduced regulation to protect residents through rolling fire risk assessments and remedial action programmes. The Building Safety Act (2022) also places significant duties on those who procure, plan, manage and undertake building work, with safety considered at every stage of a building's lifetime, ensuring that residents are safe and feel safe, with Regulatory powers to act against landlords who are found to be underperforming. It also limits recovery of charges from leaseholders.
- 4.5 The Domestic Abuse Act (2021) requires councils to assess the need for accommodation-based support for survivors of domestic abuse (DA) and their children. The Act also requires the granting of automatic priority housing need for survivors made homeless due to DA and an expectation that survivors be granted a new secure tenancy when fleeing abuse in the social housing sector. Such new duties have been introduced at a time of rising levels of DA, considerably increasing pressure on the supply of rented accommodation, and ongoing pressures to council finances.
- 4.6 Members must fully understand their role, their responsibilities and ultimate accountability for compliance, particularly within a complex operating or partnership working structure, in terms of:
- An awareness of regulatory and legal frameworks, and with the Council's own policies.
  - Capability to scrutinise, support and challenge, and to ask the right questions.
  - An understanding of the type and quality of assurance they should be receiving.
  - An ability to learn from reported data and trends.
- 4.7 Ultimately, Cabinet Members must be equipped and confident in answering two straightforward lines of questioning from the Regulator "How are you assured of that....", and "Can you demonstrate that it is happening on the ground"?
- 4.8 To ensure the answer to both questions is a well evidenced "yes", the Council needs to ensure that Cabinet Members have direct line of sight with what is happening on the ground, and that its assurance framework is robust. The fewer breakable linkages and moving parts within this framework the better.

## 5 Financial

- 5.1 The Council has faced unprecedented financial challenges over the last two years in providing the resources and support to manage the response to the Covid-19 pandemic and the rising costs and challenges faced by the 'cost of living' crisis. This is in addition to ten years of austerity and year on year cuts to the Council's funding from Central Government.
- 5.2 The projections detailed in the latest approved Medium Term Financial Strategy (February 2023) reflect a funding gap in the General Fund for the period 2023/24 to 2026/27 of £5.13m (i.e. the financial gap between what the Council needs to spend to maintain existing services and the funding available).
- 5.3 In 2020, Campbell Tickell found that the Housing Revenue Account (HRA) was in a strong position, with a projected balance of £1.5m (2021/22) and that the thirty-year HRA Business Plan modelled a level of projected HRA cashflows sufficient to meet the

## Page 16

investment needs of the existing stock as well as to support the delivery of a programme of more than 500 new homes over the life of the plan.

- 5.4 However, the HRA budget proposals agreed by Full Council in February 2023 paint a significantly worsening scenario. Excess cost inflation, increased interest payable, energy costs and additional compliance expenditure have added £1.8m to the HRA cost base compared to the 2022/23 budget prior to other year on year changes of £0.7m resulting in an overall expenditure increase of £2.5m. Whilst rental income increased in 2023/24 it has been capped at 7% (£1.4m increase) resulting in the forecast net operating surplus in the HRA falling from over £1m to £35,000 in 2023/24.
- 5.5 The long-term impact of this high inflation and capped rent is substantial on the 30-year outlook with capacity in the HRA reducing by an estimated £79m.
- 5.6 This reduced capacity in the HRA means that the scale and pace of investment in existing and new homes needs to be carefully managed to ensure that vital services to customers and communities are protected. To deliver growth and maintain long term financial viability additional sources of revenue need to be secured including building or acquiring new homes for rent, additional revenue and capital grant funding and through the Council exploring new opportunities for commercial income.
- 5.7 It can be evidenced above that the Council is significantly financially challenged across both its General Fund and HRA and that all parts of the wider organisation including its subsidiaries must contribute to the wider savings programme.
- 5.8 Creating one integrated management structure would enable the removal of an additional layer of management and associated costs which will be determined during the transition period.
- 5.9 The proposal to deliver housing management and maintenance services directly by the Council will facilitate the creation of a new operating model which will enable a focus on reducing duplication and best use of resources across the Council's asset base.
- 5.10 The results of the 2022 actuarial valuation of the Gloucestershire Local Government Pension Fund provided a healthy standing. The funding position as at 31 March 2022 as shown in the table below projects a combined fund that is 106% funded (95% funded as at 31 March 2019). The associated combined pension contributions in 2023/24 amount to £5.345m which represents a significant element of resources funded within both the General Fund and HRA.

<b>Employer funding position (£000)</b>	<b>CBC</b>	<b>CBH</b>	<b>Combined</b>
Past service liabilities	127,384	36,374	163,758
Asset share	128,848	44,217	173,065
Surplus/(deficit)	1,464	7,843	9,307
Funding level	101%	122%	106%

- 5.11 Market conditions for pension schemes have improved significantly since the most recent Local Government Pension Scheme (LGPS) actuarial valuations were carried out as at 31 March 2022. The value of liabilities assessed with reference to gilt yields has fallen



dramatically. This has led to material improvements in funding levels for funds and their employers, and indicates that funds could potentially:

- Consider their funding and investment objectives in light of significantly improved funding levels
- Actively review investment strategies, specifically considering whether de-risking opportunities should be taken advantage of
- Consider whether certified employer contributions should be reduced before 1 April 2026 to avoid overfunding
- Recognise the differing needs of their employer base and enable their participating employers to agree funding and investment arrangements that reduce current contribution rates and/or ongoing risk exposure

5.12 During the transition phase it is anticipated that the Council will engage an independent actuarial consultant in order to assess the implications set out above.

5.13 In conclusion, there is significant scope for considering the whole operating model, to streamline services and organisational design and maximise financial savings for both the General Fund and HRA. The proposal to deliver in house will enable the removal of an additional layer of management and associated costs, a reduction in duplication of processes and costs and allow a formal review of operational assets to be considered. It will also provide a single entity within the LGPS which will provide consequential financial savings.

5.14 Whilst the total savings that can be delivered will be assessed and evaluated during the transition period, it would not be unrealistic to achieve in excess of £2m across the multiple work-streams. These savings would be proportionately shared between the General Fund and HRA to ensure financial sustainability can be achieved.

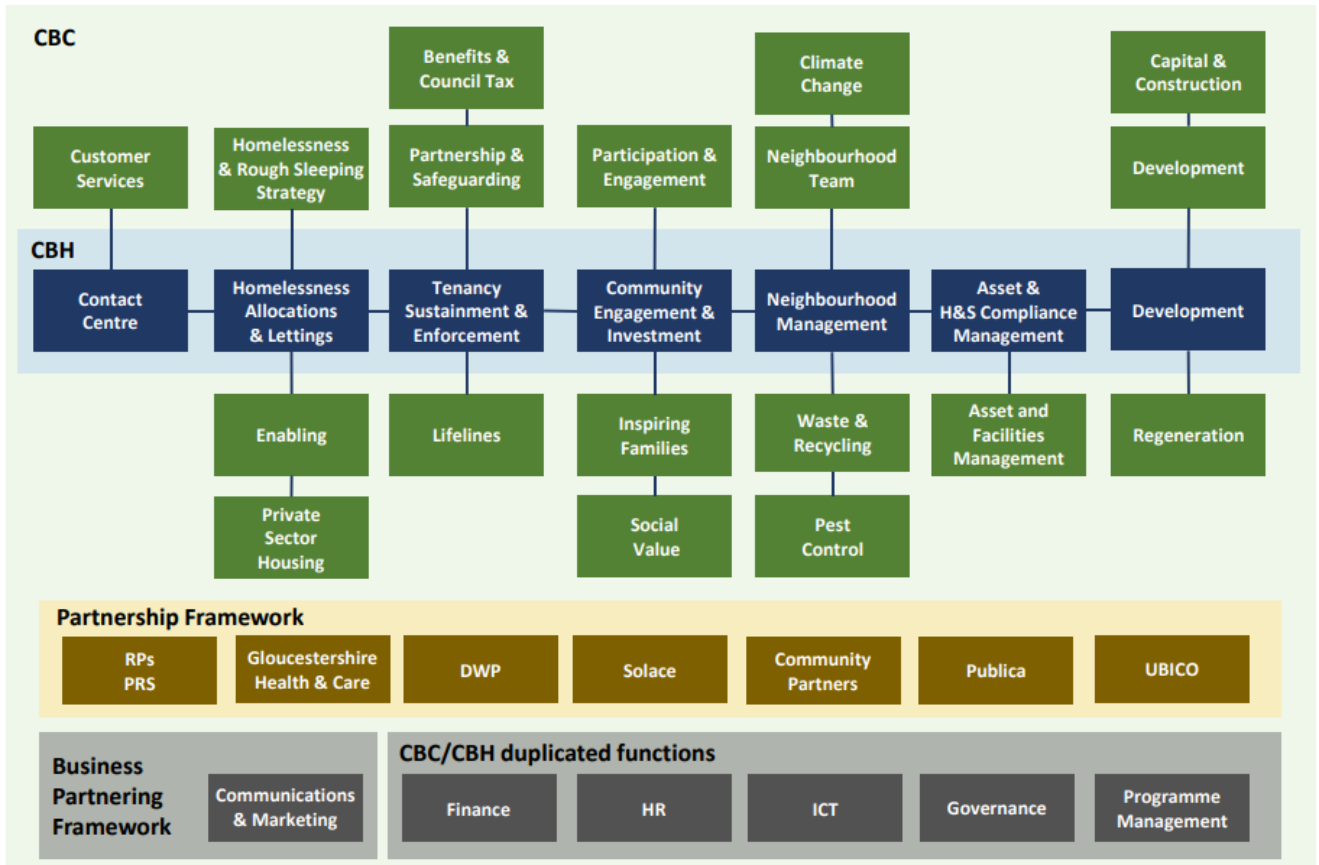
## 6 Future vision for housing

6.1 The Council has a clear strategic vision for the future provision of housing and housing services, that recognises that living in a high quality, safe, and affordable home is a key determinant of health, wellbeing, resilience, and prosperity outcomes for every Cheltenham resident and community, with *housing* a key enabler of:

- **Placing residents at the centre of decision making:** By using insight to support evidence-based decision making, enabling residents to take ownership of their communities and in helping prioritise sustainable investment into frontline services.
- **Delivering high quality new homes:** By delivering 450 new affordable homes, acquiring homes on the open market, and enabling development and regeneration opportunities.
- **Reinvesting in existing homes and neighbourhoods:** By reaching a net zero carbon target by 2030, reinvesting in existing homes and regenerating the existing stock footprint, and by investing in neighbourhoods to tackle ASB and improve community safety.
- **Ensuring shared prosperity:** By commissioning services to reduce homelessness, support pathways and community outreach to support the most vulnerable, and with a prevention-based approach to support whole-system outcomes.
- **Delivering value-for-money:** By maximising resources through cost control, operating

efficiencies and cross-cutting partnerships that support joint leadership roles, co-location of staff, resource-pooling and the joint commissioning of services.

- 6.2 The core CBH housing service is respected, has served Cheltenham well for twenty years, and achieved many outcomes. However, as a management arrangement, its ability to support the Council in what it wants to achieve next seems limited, in part due to the nature of the ALMO model.
- 6.3 Further efficiencies cannot be achieved within the existing delivery model, and the twin layers of governance inherent in the ALMO management model slow rapid decision making whilst also compromising the focused lines of sight needed to deliver regulatory compliance.
- 6.4 An integrated housing service within a Cheltenham-wide model can be the catalyst to creating a tenure-neutral approach to service delivery, with single access points and seamless customer journeys, and with a person-centred approach focused on supporting those most in need through early intervention and prevention. Neighbourhood-based services can engage with residents more effectively and respond to specific local needs, with services delivered through community partnerships so everyone in Cheltenham benefits from ongoing investment.
- 6.5 The diagram below sets out the wide-ranging opportunities of full integration to build increased scale, capacity, capability, resilience and specialisms:



- 6.6 In addition to this, the Council also see a need to strengthen the role of tenants and leaseholders in the way they can influence, scrutinise and support improvements in

housing service delivery. This report does not make recommendations on how that should be done as the Council will engage with the stakeholders to co-create a new framework for tenant and leaseholder involvement. Due to the importance of this, the Council will look to commission a relevant specialist organisation to support the development of this area of work.

## **7 CBC's Health and Safety Lead in respect of council-owned homes**

7.1 The Social Housing (Regulation) Act 2023 requires the Council to appoint a Health and Safety Lead who will be responsible for monitoring the council's compliance with the health and safety of our council-owned homes. This will include assessing the risks of any material failures in respect of the health and safety requirements and reporting on these risks to Cabinet. In the event of a material failure to comply with the health and safety requirements, the Health and Safety Lead will be responsible for reporting on this material failure to Cabinet (as well as to the Regulator of Social Housing). In addition, the Health and Safety Lead will be required to provide Cabinet with a remedial plan, setting out what steps will be taken to ensure that our homes are brought up to the necessary health and safety requirements, along with an estimated timeline for implementation.

## **8 How this will benefit tenants, leaseholders, future tenants and our communities**

- 8.1 If we proceed with the proposed change, it will have many benefits for tenants and leaseholders some of which are briefly summarised below:
- 8.2 Streamlined customer journey through one organisation rather than two for all Council services – housing, Council Tax, waste & recycling, benefits etc. This will further build upon the successful co-location of housing options in the Council offices.
- 8.3 Strengthened framework for tenants and leaseholders to be able to influence and be involved in shaping housing delivery as well as more robust opportunities for tenant and leaseholder scrutiny of housing services.
- 8.4 Greater operating scale will also lead to creation of centres of excellence for services such as anti-social behaviour, community investment and customer services.
- 8.5 The combination of the Council's capital project team and CBH's development team will create a team of greater capability and capacity to take forward the Council's £180million housing investment plan, which will ensure greater pace of delivery of new affordable homes.
- 8.6 The operating efficiencies will ensure better value for money for tenants rent and leaseholders service charges through reducing duplication of effort and integration of services.
- 8.7 While the changes and potential benefits will primarily be aimed at tenants and leaseholders, bringing two organisations together to harness the skills capabilities and capacity each organisation retains is expected to make a positive impact on all of Cheltenham's communities. Housing and the services and activities currently provided by

CBH are fundamentally connected to many of the Council's corporate priorities and full integration to one organisation will strengthen the Council's ability to deliver for all residents and businesses.

## 9 Options considered

- 9.1 Three options for the future delivery of Housing Services were considered:
- 9.2 **Option 1 – Do nothing:** This option was discarded, as there are too many external factors as well as several opportunities to create greater operating scale, efficiencies and value for money for tenants and leaseholders. The new regulatory operating environment will also see the Council far more accountable for housing services, which is not compatible with the arms length model of social housing delivery.
- 9.3 **Option 2 – Hybrid:** the 2020 Strengthening the Partnership Review achieved several benefits including improved strategic and operational alignment, a shared communications team and improved governance arrangements. However, this approach still has limitations in terms of duplication, accountability and value for money as well as neither organisation benefiting from operational and strategic economies of scale with regard to service delivery.
- 9.4 **Option 3 – Reintegrate housing services back to CBC:** this is the recommended option for the reasons set out in this report. An integrated housing service within a Cheltenham-wide model can be the catalyst to creating a tenure-neutral approach to service delivery, with single access points and seamless customer journeys, and with a person-centred approach focused on supporting those most in need through early intervention and prevention. The combination of CBC's and CBH's development teams will lead to increased capability and capacity to increase the pace of new affordable homes and wider regeneration. This will also ensure the Council is better placed to respond to the changing regulatory framework as well ensuring the long-term financial sustainability of the HRA.

## 10 Recommended Option

- 10.1 For all the reasons set out in this report, the recommended option is option 3, reintegration of housing services back to CBC. This can be achieved via two separate legal mechanisms, namely winding-up the company or via the termination of the management agreement.
- 10.2 Terminating the management agreement would require the Council to issue CBH with 12 months' notice and would require the agreement to end within the break clauses stipulated in the agreement, namely 31 March 2025 or 31 March 2035. In accordance with Section 105 of the Housing Act 1985 (for secure tenants) and Section 137 of Housing Act 1996 (for introductory tenants) together with the requirements of the RSH, it would also require the Council to consult tenants on the specifics of the delivery model as opposed to focussing on the tenant offer. Therefore, it is considered that this mechanism lacks the flexibility that the Council is looking for in terms of its transition arrangements and also does not deal with CBH continuing as a company, its business plan or assets.

10.3 The alternative option available to the Council as sole member of the company is to consider a recommendation from the Board or direct that CBH is voluntarily wound up. As the sole member, this is a decision that the Council, via the Leader, can take at any time as it is without prescribed notice provisions. This option is more flexible in terms of timescales, meaning that the Council can set the pace at which the transition takes place. This option also deals with the services and the future of the company altogether rather than just the management agreement which would leave the future of CBH as a separate decision. Consultation would still be required and recommended in accordance with legal and regulatory requirements as it is a change to the management practice. Therefore, this is the preferred method for enacting option 3 at the present time. However, due diligence to be undertaken as part of the review will need to be considered to ensure that all the implications for the Council are understood before deciding to dissolve CBH.

## 11 Tenant and Leaseholder Engagement

- 11.1 Section 105 of the Housing Act 1985 (for secure tenants) and Section 137 of the Housing Act 1996 (for introductory tenants) states that there is a legal duty to consult when tenants are likely to be substantially affected by a change in housing management arrangements. The council is required to consider any representations made during the consultation before making its decision. Any consultation on a different delivery model should therefore involve tenants and (as a matter of best practice) leaseholders.
- 11.2 Consultation with tenants about proposed changes in management of stock is also required by the RSH, currently under the Tenant Involvement and Empowerment Standard. This requires consultation in a timely, fair, and transparent manner.
- 11.3 Government *“Guidance for councils considering the future of their ALMO (arms length management organisations) housing management services”* indicates that councils will need to consider multiple important and competing factors. These include the wider financial, organisational and local political landscape within their councils, alongside the views of tenants.
- 11.4 The Guidance sets out that *“...it is expected that the consultation exercises undertaken by all councils considering the future of their ALMOs should be as comprehensive as that undertaken when transferring those functions to the ALMO originally.”*
- 11.5 Also set out in the Guidance is the Government’s current position that it believes the decision to take ALMO housing management functions back in-house should remain a local one. Whilst a Council is currently required to seek consent from the Secretary of State under section 27 of the Housing Act 1985 where it seeks to transfer all or part of its housing management functions to an ALMO, there is no requirement for a council to seek consent when taking ALMO housing management functions back in-house.
- 11.6 The Council appreciates the importance of engaging our tenants and leaseholders throughout this process and into the future and therefore CBC intends to develop an engagement framework which will provide residents with not only a genuine opportunity to be consulted on the proposed changes in management but also to state their priorities in

shaping the future service.

11.7 This framework will also look at ways in which the Council can ensure residents' continued involvement and seek to strengthen the way tenants and leaseholders can influence, scrutinise, and be involved to improve housing services for the longer term.

11.8 To maximise the input into the consultation process it is recommended that the Overview and Scrutiny Committee is afforded the opportunity to feed into the development of a new tenant and leaseholder involvement framework.

## **12 Key risks**

12.1 These are shown in Appendix 1.

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### **Report authors:**

Gareth Edmundson, Chief Executive

Paul Jones, Executive Director - Finance, Assets & Regeneration

### **Appendices:**

1. Risk Assessment
2. Climate Impact Assessment
3. Equality Impact Assessment
4. Campbell Tickell Opportunity Assessment

## Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
1.	If proper tenant engagement is not undertaken then CBH customers may reject the proposed tenant offer, leading to an increase in complaints and potential involvement from the housing ombudsman.	Martin Stacy	4	3	12	Reduce	Legal advisors in place.  Consultation with Tenant groups and organisations.  Consultation with appropriate CBH teams.	Martin Stacy	December 23
2.	If levels of customer service decline through the transfer, then residents may not receive essential services, this will risk involvement of the regulator and CBC will suffer reputational damage.	Gareth Edmundson	4	3	12	Reduce	Monitor tenant satisfaction levels.  Work with all service managers to ensure consistent services.  Monitor Q&A's and complaints.	Gareth Edmundson	Ongoing
3.	If there is not regular, open communication with all employees then we may see an increase in absence and turnover	Ann Wolstencroft	4	3	12	Reduce	Monitor employee Q&A's.  Monitor absence & turnover rates.	Ann Wolstencroft	Ongoing

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	rates.								
4.	If CBC do not take and follow appropriate legal advice then we may be open to legal challenge.	Claire Hughes	4	3	12	Reduce	Legal advisors in place.  Monitoring officer overseeing legal aspects	Claire Hughes	Ongoing
5.	If CBC do not understand and meet regulatory requirements we may receive negative regulatory judgement and intervention from the Regulator.	Martin Stacy	5	3	15	Reduce	Legal advisors in place.  Senior team undergoing regulatory training.  Work with CBH experts.	Gareth Edmundson	Ongoing
6.	If CBC do not maximise the financial opportunities of the transfer then savings targets within the MTFS will not be achieved which could impact the financial resilience of the council and could result in alternative options for savings being required –	Paul Jones	5	3	15	Reduce	Ongoing financial monitoring of budgets.	Paul Jones	Ongoing



Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	this could include reductions in services.								

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Appendix 2: Climate Impact Assessment



ENVIRONMENTAL	Scores	Action	Justification
GHGs	0	No action required.	The decision to deliver housing services via a single entity does not have a direct impact on greenhouse gas emissions. However, integrating housing and housing services back into the council will reduce duplication and offer the potential for co-locating staff, which may result in a slight reduction in emissions. The future vision for housing is to deliver high quality new homes at greater pace. The impact on greenhouse gas emissions of this accelerated development will need to be carefully managed. The future vision also covers reinvestment in existing homes, which should deliver carbon savings.
Air quality	0	No action required.	The issues around social housing quality, including the presence of damp and mould, are likely to lead to the introduction of a new and revised Decent Homes Standard which the council will need to respond to. The Standard may also set higher expectations around the energy efficiency of homes with a corresponding impact on greenhouse gas emissions.
Sustainable Transport	0	No action required.	0

Biodiversity	0	No action required.	The decision to deliver housing and housing services via a single entity does not have a direct impact on biodiversity. However, one of the aims of making this change is to increase the pace of delivery of more affordable homes. This will have an impact on biodiversity, but the scale of the impact, positive or negative, will depend on several factors including siting, design and implementation of developments.
Land use change	0	No action required.	The decision to deliver housing and housing services via a single entity does not have a direct impact on land use. However, one of the aims of making this change is to increase the pace of delivery of more affordable homes. This will have an impact on land use but the scale of the impact, positive or negative, will depend on several factors including siting, design and implementation of developments.
Soil and waterway health	0	No action required.	0
Climate Change Adaptation	0	No action required.	The decision to deliver housing services via a single entity does not have a direct impact on climate change adaptation. However the future vision for housing is to deliver high quality new homes and reinvest in existing homes, both of which will need to consider measures for adapting to climate change.
Energy Use	2	No action required	The decision to deliver housing services via a single entity offers the potential for co-locating staff, which may deliver a reduction in energy use.
Waste	0	No action required.	0
Sustainable Materials	0	No action required.	0

<b>SOCIAL</b>	<b>Scores</b>	<b>Action</b>	<b>Justification</b>
Food	1	No action required	0
Health	0	No action required.	The decision to deliver housing and housing services via a single entity does not have a direct impact on health and wellbeing. However, Cheltenham's strategic vision for housing and housing services recognises that living in a high quality, safe and affordable home is a key determinant of health and wellbeing and the council believes an integrated housing and housing services model will be able to respond more effectively for tenants.
Housing	0	No action required.	The decision to deliver housing and housing services via a single entity does not have a direct impact on housing. However one of the aims of making this change is to accelerate the delivery of more high quality, affordable homes. The future vision for housing also includes reinvestment in existing housing stock and neighbourhoods. In addition, the model offers opportunities for a person-centred approach focused on supporting those most in need through early intervention and prevention.
Education	1	No action required	0
Community	1	No action required	The decision to deliver housing and housing services via a single entity does not have a direct impact on the built community. However, one of the purposes is to better support delivery of the council's strategic vision for housing and housing services, which recognises housing as an enabler for reinvesting in neighbourhoods and enabling residents to take ownership of their communities.
Culture	1	No action required	0
Accessibility	1	No action required	0

# Equality impact assessments – for services, policies and projects

**Why undertake an equality impact assessment? ..... 1**

**Background ..... 1**

**Step 1: About the service, policy or project ..... 2**

**Step 2: What do you already know about your existing and potential customers? ..... 3**

**Step 3: Assessing community impact..... 4**

**Step 4: What are the differences?..... 5**

**Step 5: Taking things forward..... 5**

## Why undertake an equality impact assessment?

An equality impact assessment is an important part of our commitment to delivering better services for our communities. The form will help us find out what impact or consequences our functions, policies, procedures and projects have on our communities, as well as employees and potential employees

By undertaking an impact assessment, we are able to:

1. Take into account the needs, experiences and circumstances of those groups of people who use (or don't / can't use) our services.
2. Identify any inequalities people may experience.
3. Think about the other ways in which we can deliver our services which will not lead to inequalities.
4. Develop better policy-making, procedures and services.

## Background

<b>Name of service / policy / project and date</b>	<b>Reintegration of housing services back to Cheltenham Borough Council (CBC)</b>
<b>Lead officer</b>	<b>Martin Stacy, Housing Strategy &amp; Partnerships Manager</b>
<b>Other people involved in completing this form</b>	<b>Claire Hughes, Corporate Director and Monitoring Officer</b>

## Step 1: About the service, policy or project

<p><b>What is the aim of the service / policy / project and what outcomes is it contributing to</b></p>	<p>The council aims to reintegrate its housing services back within CBC.</p> <p>The external operating environment has become increasingly challenging in recent years. Last year alone, the long term impact of high inflation and a capped rent has meant that, over 30 years, the capacity within the Housing Revenue Account (HRA) has been reduced by approximately £79m.</p> <p>Reintegrating housing services back within CBC will provide opportunities to create efficiency savings, which in turn will help CBC to focus even more on maximising our opportunities to deliver on the priorities as set out in our ambitious Corporate Plan 2023-2027. This includes increasing the supply of affordable housing and working towards Cheltenham being carbon net zero by 2030.</p> <p>In addition, the new Social Housing (Regulation) Act 2023, now gives the Regulator of Social Housing more powers and opportunities for the scrutiny of our housing services. Crucially, it is CBC as the local housing authority, rather than CBH as our housing management organisation, that is accountable in the event that we fall short of the Regulator of Social Housing’s Consumer Standards. By bringing housing services back in-house, we will be ensuring that CBC is best placed to understand any potential issues that might arise during the delivery of our housing services, which in turn will enable us to respond to them accordingly.</p>
<p><b>Who are the primary customers of the service / policy / project and how do they / will they benefit</b></p>	<p>CBC tenants, leaseholders and the community at large will benefit from these changes.</p> <p>As we move through and beyond the transitional phase of winding-up CBH, we anticipate the following benefits to emerge:</p> <ul style="list-style-type: none"> <li>- A streamlined customer journey through one organisation rather than two for all CBC services – housing, Council Tax, waste &amp; recycling, benefits etc. This will further build on the successful co-location of housing options in the council offices.</li> <li>- A strengthened framework for tenants and leaseholders to influence and be involved in shaping housing delivery, as well as developing more robust opportunities for tenant and leaseholder scrutiny of housing services.</li> <li>- The potential combination of CBC’s capital project team and CBH’s development team could create a team of greater capability and capacity to take forward the £180million housing investment plan, which will ensure greater pace of delivery of new affordable homes.</li> <li>- The operating efficiencies will ensure better value for money for tenants’ rents and leaseholders’ service charges, through reducing duplication of effort and integration of services. Moreover, an integrated housing service within a Cheltenham-wide model can be the catalyst to creating a tenure-neutral approach to service delivery, with single access points and seamless customer journeys, and with a</li> </ul>

	<p>person-centred approach focused on supporting those most in need through early intervention and prevention.</p> <p>This integrated approach to service delivery will help ensure that CBC can fully harness our skills and capacity, create a step-change in social value and maximise our ability to deliver for all our residents, businesses and customers.</p>
<b>How and where is the service / policy / project implemented</b>	<p>The housing services will be brought back in-house, following the winding-up of CBH. Once this decision is taken, a transition plan and timeline for implementation will be developed. The report to Cabinet includes the following recommendations that will help provide a framework for implementation:</p> <ul style="list-style-type: none"> <li>- CBC's Chief Executive, in consultation with the Leader and the Cabinet Member for Housing, will develop an integration action plan.</li> <li>- We will commission a consultation framework to develop our Tenant Offer, which will provide tenants and leaseholders with the opportunity to help shape our future housing services.</li> <li>- This consultation framework and the recommended Tenant Offer will be subject to review by CBC's Overview and Scrutiny Committee, upon their request.</li> </ul>
<b>What potential barriers might already exist to achieving these outcomes</b>	<p>The proposal to bring the housing services back to CBC will have the effect of helping overcome some of the barriers and challenges that CBC is exposed to as a result of the external operating environment (i.e. financial and regulatory, as set out above). For this project to be a success CBC will focus on placing tenants and leaseholders at the heart of the future shaping of our housing services. The project to bringing the service back in-house will be carefully managed, taking account of the risks, as identified in the report to Cabinet.</p>

## Step 2: What do you already know about your existing and potential customers?

<b>What existing information and data do you have about your existing / potential customers e.g. Statistics, customer feedback, performance information</b>	<p>CBH regularly collects tenant insight data on CBC's behalf, measuring satisfaction levels across a range of services, such as repairs, value for money, etc. This data is used to inform activity on an ongoing basis and also provides insight to inform opportunities for future improvement, in combination with data and learning arising from complaints and other customer feedback.</p>
<b>What does it tell you about who uses your service / policy and those that don't?</b>	<p>As set out above, we will commission a consultation framework to help inform the future Tenant Offer.</p>
<b>What have you learnt about real barriers to your service from any</b>	<p>N/A</p>

<b>consultation with customers and any stakeholder groups?</b>	
<b>If not, who do you have plans to consult with about the service / policy / project?</b>	Yes, as above.

### **Step 3: Assessing community impact**

How does your service, policy or project impact on different groups in the community? Please outline what you are already doing to benefit this group, what you are doing that might disadvantage this group, what you could do differently to benefit the group.

**People from black and minority ethnic groups**

**People who are male or female**

**People who are transitioning from one gender to another**

**Older people / children and young people**

**People with disabilities and mental health challenges**

**People who have a particular religion or belief**

**People who are attracted to their own sex, the opposite sex or to both sexes.**

**People who are married or in a Civil Partnership**

**People who are pregnant or who are on maternity leave**

**Other groups or communities**



The development of a consultation framework to help inform a future Tenant Offer will help ensure that our approach to delivering housing services takes into account any potential impact on the different groups in our communities. As part of CBH's Single Equality Scheme, we know that of our tenants:

- 24% are over the age of 65, and 3% of our tenants are under the age of 24;
- 61% are female, 38% are male and 1% transgender;
- 34% have a disability;
- 68% consider themselves to be heterosexual, 0.5% gay, 0.5% bisexual, and 31% prefer not to say;
- 47% have no religious beliefs, 40% are Christian, 3% are Muslim, 6% prefer not to say, with the remaining 4% having 'other' beliefs;
- 94% are White, 2% Asian, 2% Mixed race, 1% Black, 1% Chinese.

#### Step 4: What are the differences?

<b>Are any groups affected in different ways to others as a result of the service / policy / project?</b>	No, our aim is to deliver positive benefit for all.
<b>Does your service / policy / project either directly or indirectly discriminate?</b>	There is no discrimination arising either directly or indirectly as a result of CBC's proposal to wind-up CBH.
<b>If yes, what can be done to improve this?</b>	N/A
<b>Are there any other ways in which the service / project can help support priority communities in Cheltenham?</b>	Our aim will be to bring a wide range of benefits to tenants, leaseholders and communities at large as a result of bringing our housing services back in-house.

#### Step 5: Taking things forward

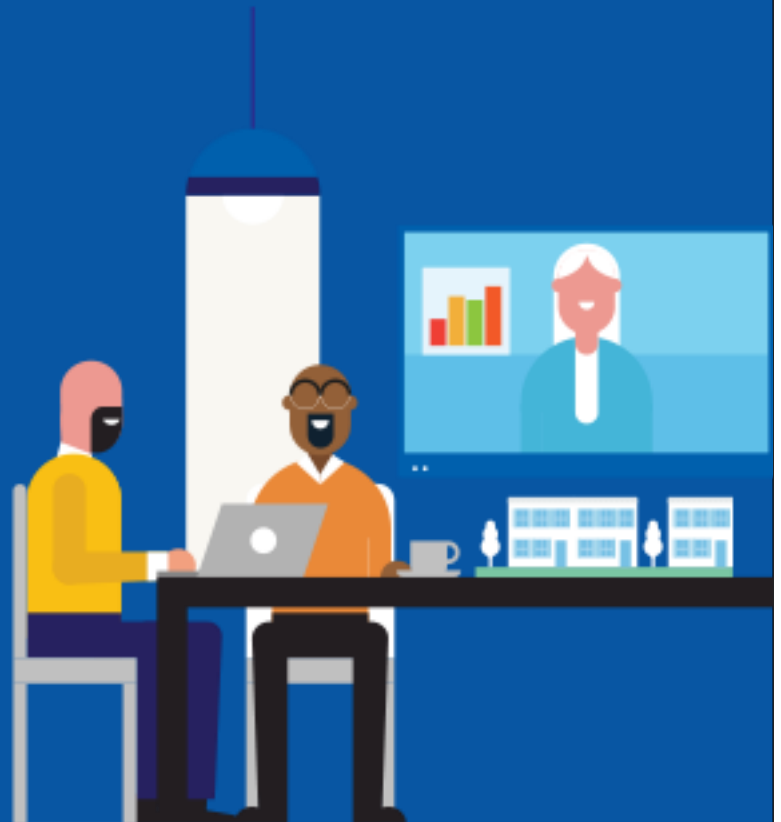
<b>What are the key actions to be carried out and how will they be resourced and monitored?</b>	As set out above under in step 1 – project implementation.
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<b>Who will play a role in the decision-making process?</b>	The Leader of the Council and CBC's Chief Executive, in consultation with the Cabinet Member for Housing.
<b>What are your / the project's learning and development needs?</b>	These will be identified once the project has been set up to bring the service in-house
<b>How will you capture these actions in your service / project planning?</b>	To be confirmed once the project is set up.

# Strategic Housing Review

Final Report

September 2023



# Contents

<b><u>1.</u></b>	<b><u>EXECUTIVE SUMMARY</u></b>	<b><u>2</u></b>
<b><u>2.</u></b>	<b><u>INTRODUCTION</u></b>	<b><u>7</u></b>
<b><u>3.</u></b>	<b><u>THE CHELTENHAM VISION FOR HOUSING</u></b>	<b><u>9</u></b>
<b><u>4.</u></b>	<b><u>DELIVERING HOUSING PRIORITIES</u></b>	<b><u>11</u></b>
<b><u>5.</u></b>	<b><u>A TARGET OPERATING MODEL FOR CHELTENHAM</u></b>	<b><u>16</u></b>
<b><u>6.</u></b>	<b><u>DELIVERING THE TARGET OPERATING MODEL</u></b>	<b><u>20</u></b>
<b><u>7.</u></b>	<b><u>CONCLUSIONS AND RECOMMENDATIONS</u></b>	<b><u>29</u></b>

## 1. EXECUTIVE SUMMARY

### *Purpose*

- 1.1 This review considers how the strategic objectives Cheltenham has set for providing and managing housing services might best be achieved within the financial constraints being imposed by the external operating environment and the enhanced level of scrutiny and oversight being imposed by a more rigorous regulatory environment, which places new levels of accountability for tenant safety directly with Cheltenham as their landlord.
- 1.2 Campbell Tickell (CT) has been commissioned to prepare this report, which is based on a review of Cheltenham strategies and plans, interviews with senior Cheltenham stakeholders, and referencing the Strategic Housing Review undertaken by CT in 2020 as a baseline.

### *Housing vision*

- 1.3 Cheltenham has a clear strategic vision for the provision of housing and housing-based services, which recognises that living in a high quality, safe, and affordable home is a key determinant of health, wellbeing and prosperity outcomes for every Cheltenham resident and community. The specific aims that flow from this vision are to:
- a) Get closer to residents by using insight to support evidenced-based decision making, enabling residents to take ownership of their communities, prioritise investment, and scrutinise service delivery.
  - b) Increase the delivery of affordable net-zero homes through a £180m Housing Investment Plan, acquiring homes on the open market, and enabling wider development and regeneration.
  - c) Reach a net-zero carbon target by 2030, reinvesting in homes, renewing, and remodelling the existing stock footprint, and investing in neighbourhoods to tackle ASB and improve community safety.
  - d) Ensure shared prosperity by commissioning services to reduce homelessness, create support pathways and community outreach for the most vulnerable, with a prevention-based approach that will deliver whole-system outcomes and efficiencies.
  - e) Deliver value-for-money and maximise available resources through, realising operating efficiencies, external income generation and working within cross-cutting partnerships.

### *Delivering housing priorities*

- 1.4 Cheltenham has ambitious plans for transforming the lives of every resident, which rely on the rapid provision of new homes and the reinvestment in existing homes, it is also seeking to start meaningful conversations with communities in rethinking the way services are delivered to match needs, and to create a sustainable environment for future generations.
- 1.5 Core housing services are delivered through Cheltenham Borough Homes (CBH) the Council's Arms-length Management Organisation (ALMO), it is a reliable managing agent, and the

perception of the CBH brand is strong, It is a solid and dependable core service around which to deliver wider Cheltenham objectives.

- 1.6 Stakeholders recognise that to be fully insight-led and informed by the needs of local communities, a 'new window' into cross-community engagement is required, with a tenure-neutral, 'get out there and listen' approach needed to engage across communities.
- 1.7 Responsibility for delivering the Home Investment Plan is currently split between Council and ALMO. However, given the scale of opportunity and the pace of delivery required, it would make sense for Cheltenham to deliver all forms of development, stock reinvestment and regeneration through a single process and delivery function, with the skills required pooled in an integrated function, with a single master plan to create a well-balanced portfolio of housing solutions that match need, and with a prioritised approach to delivery.
- 1.8 Cheltenham will require significant levels of resource to deliver its objective, however, the level of funds available within the Housing Revenue Account (HRA) has diminished significantly, as a result of cost inflation, and the impact of the 7% rent cap for 2023/24 imposed by the Government, reducing resources available by £92m over the 30-year HRA business plan. Equally, the Cheltenham General Fund (GF) is also under considerable pressure, with a £5.1m funding gap from 2023/24.
- 1.9 Whilst CBH is on track to complete a £487k savings programme in 2023/24, there is no realistic scope for making further efficiency gains within the current operating model. Further efficiencies will only be achieved through the wholesale service and process reengineering across CBC and CBH. Equally, an estimated annual saving of £600k could be made by removing the management overhead inherent in operating the ALMO model.
- 1.10 The Regulator of Social Housing (RSH) has significant new powers over local authority landlords, to proactively protect tenants and enforce strict time limits to address health and safety hazards, such as damp and mould. The Cheltenham leadership team is now accountable for assurance and must designate a health and safety lead for the Council. This emerging regulatory model demands clarity of assurance and relies on the accessibility and quality of the supporting evidence. Direct lines of sight will be needed between the Leader and frontline delivery, the additional layer of reporting and assurance inherent in the ALMO model is an additional and potentially breakable link in the assurance chain.
- 1.11 The external operating environment within which Cheltenham is seeking to deliver ambitious and time critical objectives is becoming much tougher, and tough decisions must be made, if objectives are not to be watered down or delayed, a critical concern of stakeholders. Whilst the ALMO model has served the Council well for 20 years, the external challenges now faced by Cheltenham require a pragmatic and rapid rethink of approach. What is clear is that to deliver the necessary level of ambition, service sustainability, and regulatory assurance required, an integrated, whole system, Team Cheltenham approach is now needed.

***Defining a target operating model for housing***

- 1.12 Removing the overlaps and duplications of the current operating model will enable a tenure-neutral approach to unlock service synergies and drive efficiencies, with housing a core enabler within a Cheltenham-wide model that will improve a range of outcomes, through:
- a) Integrated service access supporting seamless customer journeys, with a person-centred approach focused on those most in need, through early intervention and prevention.
  - b) Neighbourhood-based services that respond to specific local needs, delivered through community partnerships, that ensure every community benefits from investment.
  - c) Centres of expertise created by aligning services that will unlock economies of scale efficiencies, and income generation activities.
  - d) An integrated approach to development, reinvestment and regeneration that will both scale-up and speed up the delivery of affordable, net-zero and decent homes.
  - e) Community-based partnerships that add mutual value across each partnership link.
  - f) Business partner functions aligned with frontline services to optimise resource planning and management, and communications, and support digital shift.

***Recommended approach***

- 1.13 A bold and immediate response is required to deliver the strategic objectives of Cheltenham, whilst remaining sustainable and compliant. CT recommends that Cheltenham considers the following set of phased actions to deliver the change needed in a structured and de-risked way:
1. Confirm and agree the objective of creating an integrated housing model operating within a whole-system approach, achieved by closing the ALMO and returning service to the council, but retaining the CBH brand as a focus for housing management and neighbourhood-based services, with Vivid Living, structured into a stand-alone vehicle for managing market rent homes outside the Council and the HRA.
  2. Create a positive narrative for change, based on the speed and scale of response needed to meet externally driven challenges and pressures, and set-out the proposed service model and transition plan for Cabinet approval.
  3. If approved, serve a termination notice on CBH (or a notice of intent), and communicate the change to staff and stakeholders, with ongoing engagement and co-production opportunities quickly put in place to reassure staff and build trust in the proposed model.
  4. Negotiate with the CBH Board and leadership team to enable a seamless leadership transition, with the CBC Executive team providing oversight and an interim CEO engaged to oversee the transition process.
  5. Designate the CBH Executive Director of Property and Community as the health and safety lead for Cheltenham, and ensure they are supported by specialist leads.

6. Work closely with the CBH Board to ensure a smooth transition of governance and consider substituting a Council nominated Board member with a senior member of CBC staff to provide a greater level of control and oversight.
7. Commence a rolling process of functional alignment, starting with non-core functions such as development, cross-cutting services such as ASB, and business services such as finance and HR, to realise efficiencies within 2024/25 budgets, ensuring management of change support is in place for staff.
8. Design a robust governance structure, with performance and assurance reporting to Overview and Scrutiny Committee, a Strategic Housing Board providing a single point of focus for housing across Cheltenham, fed by a tenant improvement panel and an enhanced partnership board with registered providers and private landlords.
9. Develop an offer for tenants that provides a genuine opportunity to listen to their priorities and aspirations in shaping services and communities, and work with them to ensure engagement structures provide innovative ways to empower tenants and communities in 'owning' their neighbourhoods, to support robust scrutiny, and to evidence the impact of feedback on service learning and improvement.
10. Develop a universal offer for CBH and CBC staff to support convergence of terms and conditions, and transition to flexible ways of working within a cross-partnership model.
11. Foster a Team Cheltenham culture that will inspire everyone in the delivery of strategic objectives, and in delivering high performing, customer focused services.
12. Develop a detailed and resourced transition plan, with an appropriate governance structure, overseen by an interim executive programme director.

### **Conclusions**

- 1.14 Cheltenham has a clear vision and set of objectives for what it wants to achieve through accelerated housing provision and the closer alignment of services, in ensuring every resident has access to the security of a good quality and affordable home, lives within a well-cared for and safe neighbourhood, and can feel part of an empowered community.
- 1.15 Whilst Cheltenham is facing an increasingly hostile operating environment, which has created financial imperatives within both the HRA and General Fund, stakeholders are clear that financial constraints must not be allowed to compromise key commitments such as delivering affordable homes, reinvestment in existing homes or in reaching net-zero.
- 1.16 A significantly strengthened regulatory environment, with accountability for compliance placed directly with the leadership of Cheltenham. Stakeholders recognise that a positive response is required through closer control and assurance.
- 1.17 The core housing service is strong and the CBH brand is well respected, it has served Cheltenham very well for twenty years, and its achievements must be recognised in delivering Decent homes investment and significant outcomes for tenants. However, the world is changing rapidly, and an integrated, whole-system approach is needed to realise the immediate ambitions of Cheltenham.



- 1.18 An integrated approach to development, reinvestment and regeneration will enable joined-up master planning and scaled delivery at pace. Integrated service delivery will simplify service access, enable seamless customer journeys, with tenure neutral service supporting a person-centred approach. Integrated service functions will remove duplication and enable the creation of centres of expertise, facilitating wider partnership working, and income generation opportunities. Integrated resource management will align financial planning and unlock efficiencies. Integrated performance and governance frameworks will underpin increased customer satisfaction and ensure compliance. The overall approach will build greater resilience into the housing model and into Cheltenham communities.
- 1.19 Stakeholders are clear that the transition to the target operating model must start now, in building the additional capacity and capability needed quickly, and by inspiring residents and staff with the Team Cheltenham approach, backed by a genuine commitment to co-production of the target service model.
- 1.20 Re-seating housing within a whole-system, approach is a pragmatic and progressive response to challenging circumstances, enabling the course and speed already set to be maintained, it represents a point of shared embarkation, not of return.

## 2. INTRODUCTION

### *Purpose*

- 2.1 The purpose of this review is to provide Cheltenham stakeholders with an independent and objective analysis on which to base an informed and considered decision regarding how the strategic objectives Cheltenham has set for providing and managing housing services might best be achieved within the financial constraints being imposed by the external operating environment and the enhanced level of scrutiny and oversight being imposed by a more rigorous regulatory environment, which places new levels of accountability for tenant safety directly with Cheltenham as their landlord.
- 2.2 The arrangement for managing the Cheltenham Borough Council (CBC) housing stock has been in place since 2003, with Cheltenham Borough Homes (CBH), an arms-length management organisation (ALMO), providing services to tenants, with CBC as its sole shareholder, but retaining landlord responsibility for the stock and the safety of tenants. The current management agreement between CBC and CBH was signed in 2015 and will expire in 2045, unless terminated through potential break clauses in 2025 or 2035.
- 2.3 The first ALMOs were created in 2002, as a way of achieving social housing investment (Decent Homes funding) without transferring ownership of stock, whilst ensuring higher quality management, more effective investment, and greater involvement of tenants. Over 70 ALMOs were created, mostly as 'single purpose' vehicles to release Decent Homes funding, and by 2013, there were 47 in operation, managing 650,000 homes. Over the last decade however, councils have continued to review and rethink their strategic housing options, leading to a further 25 being dissolved, with Bury and Newcastle in the process of doing so, leaving well under 250,000 homes now under this form of management. A small number of councils including Doncaster, Wolverhampton and Shropshire have reviewed and retained, or extended the life of their ALMO.
- 2.4 Campbell Tickell (CT) has been commissioned to prepare this report, which is based on a review of Cheltenham strategies and plans, interviews with senior Cheltenham stakeholders, and referencing the Strategic Housing Review undertaken by CT in 2020 as a baseline. It will:
- a) Provide assistance in developing a strategic vision for housing.
  - b) Provide a detailed evaluation of the short-term option of a fully integrated shared management team across CBC and CBH, including how this might best be implemented.
  - c) Consider options for bringing the ALMO fully in-house and not retain the legal entity and bringing the ALMO fully in-house but retain the legal entity for specific housing purposes (such as the delivery of private rental accommodation).

### *Approach*

- 2.5 CT has based its analysis on the Cheltenham Corporate Plan (2023/27) and the Cheltenham HRA Business Plan (2023/28) to build a picture of the CBC operating environment, its aspirations, and strategic objectives for housing.

- 2.6 Senior Cheltenham stakeholders have been interviewed regarding their aspirations for housing within the wider objectives of Cheltenham. The Strategic housing Review undertaken by CT in 2020 has been referenced as a baseline.
- 2.7 Tenants have not been consulted as part of this review. However, CBC recognises the views and aspirations of tenants must be paramount in determining the nature of the services they receive, and in moving forward with this review, they must be provided with opportunity to articulate their priorities for the future.
- 2.8 Similarly, the strategic nature of the review has precluded the input of service managers and frontline staff, who are equally recognised as critical to the ongoing delivery of high quality and efficient housing services.

### 3. THE CHELTENHAM VISION FOR HOUSING

3.1 Woven into the Cheltenham Corporate Plan, the HRA Business Plan and into strategic direction setters such as the Scrutiny Task Group on Tackling Multiple Deprivation (2023), there is a clear vision for the provision of housing and housing services, that recognises that living in a high quality, safe, and affordable home is a key determinant of the health, wellbeing and prosperity outcomes for every Cheltenham resident and community.

3.2 The strategic commitments to which housing is a key enabler are:

#### ***Placing residents at the centre of decision making***

3.3 Cheltenham is committed to listening to its residents and communities, to:

- a) Build insight to support evidenced-based decision making, and in building a granular picture of relative neighbourhood deprivation and need to ensure resources are targeted as effectively as possible, particularly in enhanced youth provision.
- b) Enable residents to take ownership of their communities, to set priorities, and create sustainable neighbourhoods.
- c) Ensure frontline services have appropriate investment to support easily accessible and responsive delivery, by enabling residents to contact the council 24/7 and by ensure their enquiries are resolved wherever possible at the first point of contact.

#### ***Delivering high quality new homes***

3.4 Cheltenham is committed to increasing the delivery of affordable net-zero homes over the next 5 years through the £180m Housing Investment Plan, to:

- a) Deliver 450 new affordable homes, which could increase the CBC stock by 20% and present additional private rental opportunities through wider partnership working.
- b) Acquire homes on the open market and to secure 'additionality' from s.106 schemes by working with private developers to acquire additional affordable homes.
- c) Enable development and regeneration opportunities to support town centre living.

#### ***Reinvesting in existing homes and neighbourhoods***

3.5 Cheltenham is committed to reaching a net zero carbon target by 2030, by reinvesting in its own stock and neighbourhoods, and by driving-up housing and energy efficiency standards:

- a) Invest £10m in safe and energy-efficient homes over each of the next three years, ensuring homes meet the Decent Homes standard, and that all homes reach the EPC C by standard by 2030. By reviewing the Cheltenham void standard and enhancing repairs and maintenance services to increase customer satisfaction and process efficiency.
- b) Build trust and resolving anti-social behaviour and crime issues through collaborative and proactive working across neighbourhoods, with communities and the Police.
- c) Maximise opportunities for regeneration and redevelopment across Cheltenham and in creating green spaces and infrastructure to support active, healthy lifestyles.

***Ensuring shared prosperity***

- 3.6 Cheltenham recognises that housing must play a central role in ensuring that residents and communities benefit from future growth and prosperity, by:
- a) Commissioning services to reduce homelessness and strengthen safeguarding and support pathways for the most vulnerable, through initiatives such as Adverse Childhood Experiences, Housing First and health related opportunities.
  - b) Developing community outreach capability that supports residents to access community resources, such as financial inclusion partnerships, volunteering, and peer support.
  - c) Fostering strong and socially sustainable communities that enables residents to access employment and training opportunities, to maximise income through food and fuel poverty alleviation schemes, and to support personal financial wellbeing.
  - d) Developing a prevention-based approach to tackle the wider determinants of physical and mental health and in reducing social isolation, through strategic partnering with Gloucestershire person-centred services, in developing housing-centred services that deliver upstream interventions that reduce demand on critical downstream services.

***Delivering value-for-money***

- 3.7 Cheltenham is seeking to modern, efficient, and commercially focused, exploiting opportunities by being risk aware rather than averse:
- a) Maximise available resources through cost control, operating efficiencies and income generating opportunities.
  - b) Ensure resources are deployed to focus directly on the schemes which are of financial importance to the council and that deliver savings within the timescales required.
  - c) Build partnerships that enable data-sharing, joint leadership roles, co-location of staff, resource-pooling, and the joint commissioning of services.

***Summary assessment***

- 3.8 In summary, Cheltenham is working to a broad strategic vision that will place housing at the centre of a Cheltenham-wide service model. The plan is ambitious, time critical and will require new thinking to deliver it:
- a) A tenure-neutral approach in engaging with each community, enabling it to shape its own future and achieve equal impact of future investment.
  - b) Rethinking service delivery within broad community-embedded partnerships that break down existing delivery silos within the Council and across current partnership models.
  - c) A sustainable operating model that is alert to opportunity but is commercially astute.
  - d) Focused leadership, centralised planning, and coordination, with the right capacity and skills in place to deliver objectives at scale and pace.

## 4. DELIVERING HOUSING PRIORITIES

- 4.1 Cheltenham has a clear vision and ambitious objectives for housing provision and services. However, the operating environment within which these must be delivered is an increasingly tough one, and equally, the regulatory environment to which Cheltenham must provide assurance of compliance has been significantly strengthened, it is critical therefore that Cheltenham has the right operating model in place to meet both opportunity and challenge in equal measure.

### ***A strong core service***

- 4.2 Whilst not examined directly as part of this review, core housing service performance is strong, and stakeholders recognise that frontline managers and staff provide a high-quality service to tenants, responding effectively in difficult circumstances, and in adopting flexible working arrangements during and post-Covid. It is a solid and dependable core around which to deliver wider Cheltenham objectives.

### ***Getting closer to residents***

- 4.3 Stakeholders recognise that to be fully insight-led and informed by the needs of local communities, to ensure everyone benefits equally from investment, and to tackle deep-seated issues such as multi-generational deprivation, a 'new window' into cross-community engagement is required.
- 4.4 A tenure-neutral, 'get out there and listen' approach is needed to understand specific community needs and circumstances, through regular walkabouts, place-shaping initiatives, and by creating neighbourhood plans, that enable residents to help shape service and investment priorities. This approach will not only improve the quality of life for residents it will promote sustainable practices that benefit the whole community and the environment.

### ***Investing in new and existing homes***

- 4.5 The Housing Investment Plan is a keystone deliverable for Cheltenham, and the Golden Valley schemes will help make Cheltenham financially sustainable, scale and pace of delivery is therefore critical. Cheltenham must however unlock the potential value of its stock portfolio through modernisation, remodelling and reinvestment, to improve quality, safety, and thermal efficiency, raising levels of tenant satisfaction with their homes.
- 4.6 Responsibility for delivering the programme is currently split between the Council and ALMO, with the development team within CBC scaling-up to deliver new homes at pace, and a team within CBH tasked with delivering a pipeline of 500 new homes including market rental units. There are also significant opportunities to remodel HRA assets such as garage sites, and to deliver wider neighbourhood regeneration schemes, in addition to maintaining Cheltenham stock at the Decent Homes Standard, and in making it carbon neutral.
- 4.7 Given the scale of opportunity and the pace of delivery needed, it would make sense for Cheltenham to deliver all forms of development, stock reinvestment and regeneration through an integrated delivery process and function, with pooled skills and resources, a

single master plan able to create a well-balanced portfolio of housing solutions to match need, and with a coordinated approach to scheme assembly and delivery.

### ***Maximising resources***

- 4.8 Cheltenham will require significant levels of resource within its Housing Revenue Account (HRA) to deliver the commitments set out above. However, the funding available has diminished significantly, over the last two years, as a result of cost inflation and the 7% rent cap for 2023/24 imposed by the Government. This has reduced the net operating surplus from over £1m to £70k in 2023/24 and the level of HRA resources available over the life the 30-year HRA business plan by £92m.
- 4.9 Stakeholders agree that it is critical not to ‘water down’ the commitments made to delivering new homes and in responding to climate change, and that sustainable solutions must be found to deliver objectives in spite of the pressures of a financially constrained operating environment.
- 4.10 Whilst CBH is on track to deliver a programme of savings worth £487k by the end of 2023/24, there is no realistic scope for making further efficiency gains within the current operating model. Further necessary gains will only be achieved through:
- a) Greater economies of scale created by wholesale service and process reengineering across CBC and CBH.
  - b) Implementing a full business partnering model evolving from the shared services model.
  - c) Saving an estimated £600k p.a. in management costs (2020 figure) inherent in operating the Cheltenham ALMO.
- 4.11 The Cheltenham General Fund (GF) has been under considerable pressure for over a decade, with £9.6m savings made by 2021. The current Medium Term Financial Strategy (to 2026/27) projects a £5.1m funding gap from 2023/24 (an increase of £1.58 over 2022/23).
- 4.12 Whilst HRA balances are only for HRA use, they are not necessarily solely for the benefit of existing tenants and leaseholders, and it may be desirable to use balances to help fund new affordable housing for the benefit of future tenants. Additionally, there may be instances where expenditure within the HRA on areas such as anti-social behaviour would provide benefits to the wider community rather than just existing tenants and leaseholders. Both of these examples would still be in line with the concept of the ring-fenced HRA.
- 4.13 Effective and compliant balancing of GF and HRA resources is a key resource management tool, and Stroud District Council, which also retains a HRA, but is smaller, has been able to support £1.4m of legitimate additional recharges into the GF over and above those realised by Cheltenham. Reassuming control over HRA business planning would enable CBC to control the big picture and better manage the flow of resource.
- 4.14 Equally, alignment of priorities, processes and systems would ensure a planned GF investment of £300k (from 2024) in realigning resources with corporate priorities and an additional £150k (from 2025) in realising digital shift, are leveraged more effectively.

- 4.15 The CBH pension fund (LGPS) is currently 122% overfunded and CBC fund 101% overfunded. Merger of these funds would also therefore deliver savings.
- 4.16 Cheltenham delivers a number of its resident facing and business support services through a network of partnerships created with neighbouring authorities. Publica, providing benefits and council tax, environmental health and licensing, waste, and recycling services to West Oxfordshire, Cotswold, and Forest of Dean District Councils. Ubico, delivering a range of environmental services to Cotswold, Forest of Dean, Stroud, Tewkesbury, West Oxfordshire, and Gloucestershire County Council. One Legal, providing specialist legal advice to Gloucester City Council, Stroud District Council and Tewkesbury Borough Council. The scope and performance of these operating arrangements is continually being challenged to ensure they are delivering best value for Cheltenham, and as a result of such a review, HR functions are being brought back in house. There is considerable scope however for evaluating how housing services can be better integrated within this model, to achieve economies of scale, along with the seamless provision of services (neighbourhood management for example).
- 4.17 The Stronger Working Partnership Programme, initiated in response to the 2020 Strategic Review has resulted in the creation of a shared Communication and Marketing function. However, there remains a considerable level of duplication and overlap across both frontline (ASB) and business support services (Finance, HR, ICT), with opportunities to rationalise and optimise a range of delivery and business support processes.

#### ***Evidencing Regulatory assurance***

- 4.18 The regulatory environment for social housing landlords has been significantly reinforced, in particular through the enactment of the Social Housing (Regulation) Act (2023), which has empowered the Regulator of Social Housing (RSH) to, for the first time in respect of local authorities, proactively protect tenants through:
- a) Use of enforcement powers in relation to the consumer standards without the need for it to be satisfied that there is a potential risk of significant detriment to tenants.
  - b) Enforcement of strict time limits to address any health and safety hazards reported by tenants, such as damp and mould, and to rehouse tenants where appropriate.
  - c) Intervention where landlords are performing poorly and to guarantee timely action where the regulator has concerns about the decency of a home.
  - d) Performance Improvement Plans to rectify breaches of the standards, with compensation for tenants, and unlimited fines for landlords non-compliant landlords.
  - e) Transparency of landlord performance measured by Tenant Satisfaction Measures (fully implemented from April 2024).
- 4.19 The Act also requires a local authority to designate a health and safety lead, which in the case of Cheltenham, operating under an executive arrangement with a leader and cabinet, can be: (i) the executive leader, (ii) another member of the executive, or (iii) an employee of the authority. The function of the health and safety lead is to monitor compliance with health and safety requirements, assess risks of failure, and to notify the responsible body of



the provider (the executive) of risks of material failure, to report material failures, and to advise on how these will be addressed to restore compliance.

- 4.20 The Housing Ombudsman is also taking a highly proactive and interventionist approach, with a greater focus placed on sharing maladministration findings and publishing examples of best practice and lessons learned. Landlords are also expected to comply with the revised Complaints Handling Code, which sets out clear expectations with regard to handling housing complaints, with failure orders issued for non-compliance. Landlords are expected to self-assess against the Code to ensure that their complaint handling process is accessible, consistent and enables the timely progression of complaints on behalf of tenants. The Ombudsman's approach has been particularly prominent regarding sector-wide issues concerning damp and mould.
- 4.21 Issues of social housing quality are at the forefront of national policy, with the likely introduction of a new and revised Decent Homes Standard which may also come with higher expectations around energy efficiency of homes.
- 4.22 The Fire Safety Act (2021) introduced regulation to protect residents through rolling fire risk assessments and remedial action programmes. The Building Safety Act (2022) also places significant duties on those who procure, plan, manage and undertake building work, with safety considered at every stage of a building's lifetime, ensuring that residents are safe and feel safe, with Regulatory powers to act against landlords who are found to be underperforming.
- 4.23 The Domestic Abuse Act (2021) requires councils to assess the need for accommodation-based support for survivors of domestic abuse (DA) and their children. The Act also requires the granting of automatic priority housing need for survivors made homeless due to DA and an expectation that survivors be granted a new secure tenancy when fleeing abuse in the social housing sector. Such new duties have been introduced at a time of rising levels of DA, considerably increasing pressure on the supply of rented accommodation, and ongoing pressures to council finances.
- 4.24 This emerging regulatory model requires absolute clarity of assurance and relies on the accessibility and quality of the supporting evidence base. Direct lines of sight will be needed between the Leader and frontline delivery, the additional layer of reporting and assurance inherent in the ALMO model is an additional and potentially breakable link in the assurance chain.
- 4.25 From conversations with stakeholders, it is not fully clear whether there is a full understanding of the roles and responsibilities and ultimate accountability for compliance, in respect of:
- a) An awareness of regulatory and legal frameworks, and with Cheltenham's own policies.
  - b) Capability to scrutinise, support and challenge, and to ask the right questions.
  - c) An understanding of the type and quality of assurance that should be received.
  - d) An ability to learn from reported data and trends.

- 4.26 Ultimately, Cheltenham must be equipped and confident in answering two straightforward lines of question posed by the Regulator “How are you assured of that...”, and “Can you demonstrate that it is happening on the ground”?
- 4.27 To ensure the answer to both questions is a well evidenced “yes”, Cheltenham needs to ensure that the Leader has direct line of sight with what is happening on the ground, and that its assurance framework is robust. The fewer breakable linkages and moving parts within this framework the better.
- 4.28 In building a comprehensive assurance framework, a ‘Three Lines of Defence’ model is a useful tool for members to evaluate the ways in which they receive assurance across the full range of compliance strands:
- 1st Line (operational):** Gained from information gathered from operational staff and frontline managers, business systems, internal controls, and performance reporting.
- 2nd Line (internal assurance):** Gained from internal oversight functions, quality oversight, specialist staff, executive and governance oversight, and analysis of tenant complaints.
- 3rd Line (external assurance):** Gained from internal audit, independent oversight reports by external advisors, benchmarking, through external auditors and specialist audits.
- 4.29 Members must ‘own’ an embedded compliance culture, understand it, and work with senior leaders to create a culture based on a willingness to listen to, and act upon, the voices of tenants and front-line staff, as a vital line of defence.

### ***Summary assessment***

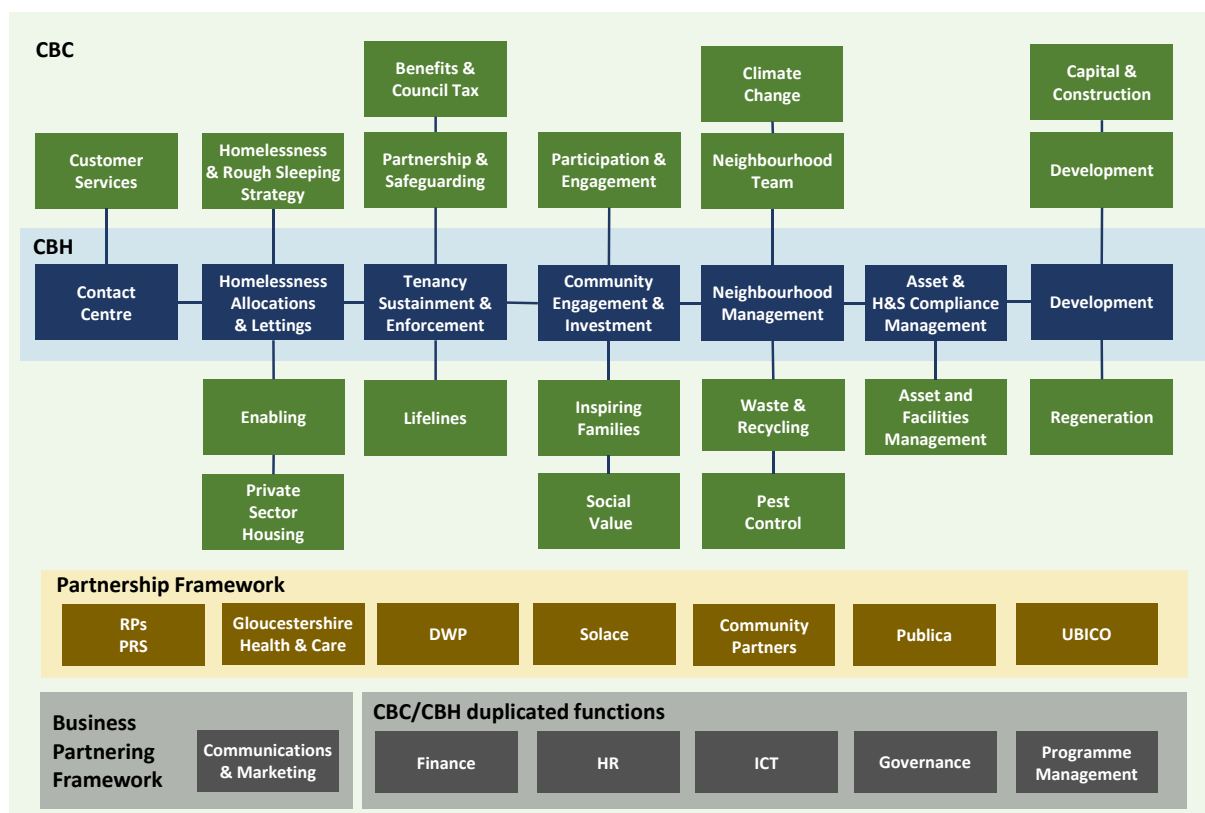
- 4.30 Cheltenham has ambitious plans for transforming the lives of residents, that depend on the rapid provision of new homes and the reinvestment in existing homes. It is also seeking to start meaningful conversations with local communities to rethink the way services are delivered so that they better respond to needs, and to make Cheltenham a sustainable environment for future generations.
- 4.31 The operating environment within which these ambitions must be delivered is becoming tougher, and tough decisions must be made, if objectives are not to be watered down. There is however significant scope for functional realignment, pooling resources, realising cross-cutting efficiencies, achieving economies of scale, and further developing the partnership model that Cheltenham successfully operates. However this potential remains largely locked away within the individual components of the current service model.
- 4.32 Whilst the core housing service is delivering well and the perception of CBH brand is strong, the increased level of regulatory scrutiny highlights the need for short, highly visible lines of sight, with clear responsibilities and accountabilities for assurance, which a two-tiered governance structure will struggle to support.
- 4.33 What is clear is that to deliver the necessary level of ambition, sustainability, and regulatory assurance required, a new approach is needed, a whole system approach - Team Cheltenham. The next section considers what this target operating model could look like.

## 5. A TARGET OPERATING MODEL FOR CHELTENHAM

5.1 This section highlights the functional duplication and overlap within the current operating model and describes how a fully integrated and streamlined operating model could be created and the benefits it could deliver.

### *As-is operating model*

5.2 The context diagram below superimposes the housing functions (shaded blue) delivered by CBH within the overall service architecture (shared green) delivered by CBC, to create a composite view of functions as a value-chain (customer access, person-based services, neighbourhood, and asset-based service), rather than reflecting their position within current organisational structures.



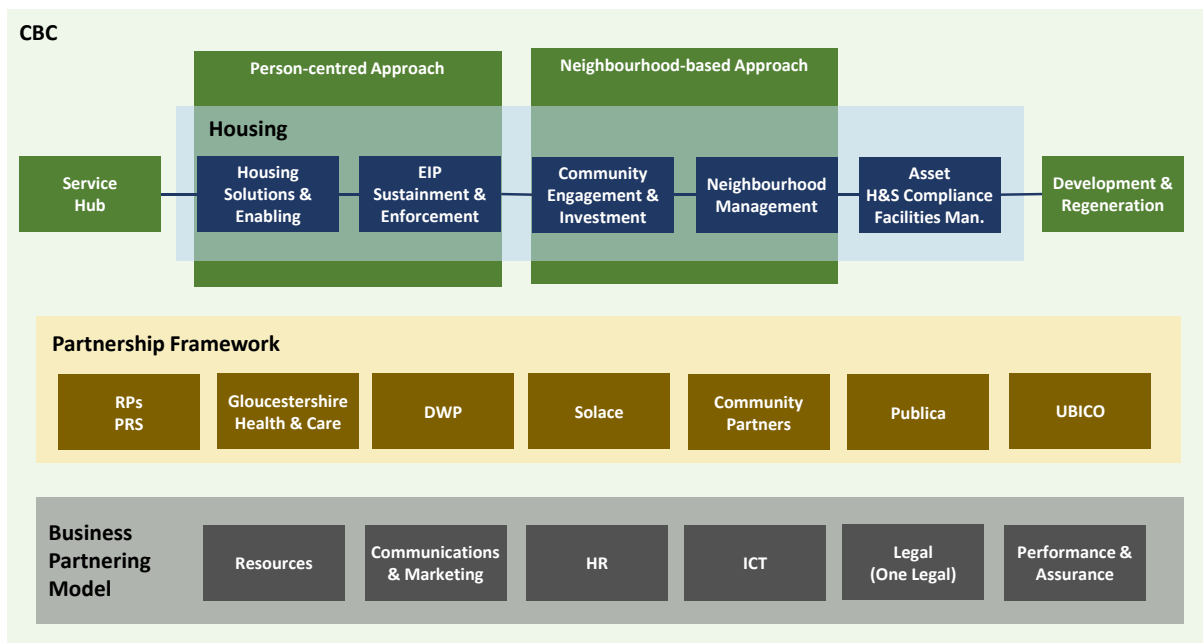
5.3 When represented in this way, current service duplications and overlaps, areas for realising synergies and driving efficiencies become obvious:

- a) Duplicate service access pathways limit the delivery of seamless customer services and creating a single view of interactions and transactions.
- b) Responsibility for the strategic oversight and on the ground delivery of critical services such as housing options is split between CBC and CBH.
- c) Person-centred services operate largely in isolation and are tenure centric.
- d) Engagement with communities and the management of neighbourhoods is delivered through a number of functions, without a clear point of ownership or focus.
- e) Asset investment, management and development functions are duplicated or overlap.

- f) Communications and marketing is the only shared business service, all others including finance HR, ICT and governance are duplicated.

**Target operating model**

5.4 The context diagram below illustrates how an integrated service model could unlock a broader service transformation by consolidating service access, building tenure-neutral service provision around the needs of a person or household, delivering a coordinated approach to community engagement and neighbourhood management, with an integrated approach to asset management, development, and regeneration.



5.5 The key components of the proposed operating model (which does not imply any specific organisational design) are:

**Single front door to services**

5.6 The creation of a single ‘front-door’ to services, which combined with the impact of the planned investment in digital solutions will enable Cheltenham to:

- a) Develop a tenure-neutral *Service Hub* as a single point of access for all services, that will optimise the range of enquiries resolved at first point of contact, resulting in a reduced cost-to-serve.
- b) Drive digital shift and self-service capability for the majority of residents and interactions, reducing demand, and in doing so enabling frontline staff to focus on supporting the digitally excluded and more vulnerable through face-to-face interaction.
- c) Create a single view of the ‘customer’ and enable data sharing across delivery partnerships.

**Person-centred approach**

5.7 Bringing together person-focused services will unlock considerable benefits for residents and the Council, by ensuring:

- a) Households approaching the housing service as potentially homelessness are supported more effectively, particularly where priority need relates to dependent children, fleeing domestic violence, or age-related vulnerability.
- b) Best use is made of available emergency and temporary accommodation, and that a supply of appropriately sourced move-on housing is available.
- c) Tenants (of all landlords) are supported in establishing and sustaining their tenancies, by creating by providing effective wraparound support, by creating for example a single view of debt.
- d) Effective early intervention and prevention activities centred around housing that coordinate support (health, care, DWP) in enabling households to avoid housing crisis, and wherever possible to remain in their own homes.

### **Neighbourhood-based approach**

- 5.8 An integrated service model will support the creation of local service and community investment plans, in partnership with communities and community partners, through:
- a) A refreshed approach to community engagement, based on a strengthened cross-community tenant voice, ensuring in particular that every community benefits equally from investment and renewal opportunities.
  - b) Wider collaboration and engagement with stakeholders (Schools, Police, NHS, RPs, and private landlords for example) to develop neighbourhood specific solutions, built around the lived experience of residents and on-the-ground knowledge of staff.
  - c) Tenure neutral and inclusive services (health and wellbeing interventions for example) that connect communities, optimise service delivery responsibilities, and enable communities to prioritise and scrutinise what happens within their neighbourhood.
  - d) Integrated delivery models for the care and maintenance of neighbourhoods, in tackling ASB and improving community safety.
  - e) A joined-up approach to community investment with the Council acting primarily as a catalyst and commissioner, rather than always being the provider.
  - f) Wider engagement and coordinated support for young people, through linked housing options and training and employment opportunities, which will help enable young people to stay in Cheltenham and also break the cycle of multi-generational exclusion.

### ***Asset & Health, and Safety Compliance Management***

- 5.9 Combining technical delivery functions and creating centres of expertise will unlock savings and allow the development of a more commercial driven approach:
- a) Review and rationalise maintenance services currently provided by outsource partners with a view to delivering them through internal teams.
  - b) Deliver repairs and maintenance, and facilities management service across the Cheltenham estate, including the Cheltenham Trust portfolio.

- c) Offer services to registered providers and private landlords within Cheltenham.
- d) Optimise operating costs through shared procurements (through a fleet leasing arrangement with Ubico for example).

#### ***Development, Reinvestment and Regeneration***

- 5.10 Creating a single development and regeneration function will enable Cheltenham to deliver its affordable housing programme and HRA business plan commitments in a seamless and more efficient manner:
- a) Create a prioritised delivery pipeline of homes and specialist accommodation (TA for example) based on an accurate view of requirements and available assets.
  - b) Pool experience to develop a more agile approach to acquiring and assembling sites, and in making best use of the Cheltenham estate, enabling delivery at scale and pace.
  - c) Deliver large capital programmes to meet *Decent Homes* and *Net Zero* commitments and to unlock regeneration opportunities such as the repurposing of garage sites.
  - d) Deliver wider town-centre regeneration opportunities.
  - e) Take-on work for neighbouring authorities who lack the capacity or skills to deliver programmes for themselves (for Cotswold District Council for example).

#### ***Partnership working***

- 5.11 Partnership delivery will become the primary way of working within the target operating model, with housing service embedded within a community partnership framework, and with other statutory partners and core County functions.

#### ***Business partnering***

- 5.12 The value-add envisaged by the shared service model proposed in 2020 can be fully realised by implementing a comprehensive business partnering model, aligned to support frontline service delivery in optimising resource management, communications, and to support digital shift, with the flexibility to explore alternative beneficial partnering and sourcing arrangements.

## 6. DELIVERING THE TARGET OPERATING MODEL

### *Guiding principles*

- 6.1 A set of guiding principles has emerged through stakeholder engagement to underpin and help shape the delivery of the proposed operating model:
- a) Build a compelling new vision for housing, within a Cheltenham-wide approach, whilst celebrating the role and achievements of CBH in delivering a strong and efficient service.
  - b) Ensure continuity of service delivery, in maintaining high levels of customer service, and operational performance focus.
  - c) Ensure tenants and staff are fully informed and able to engage in the transition and can buy into the new model through co-production of the way it operates.
  - d) Evolve a flexible and resilient delivery structure, based on core activities, but which also brings together functions doing 'similar things', to up the pace of outcomes delivered.
  - e) Ensure transition to the target model is seamless, within a well-structured and phased programme, that protects roles wherever possible, with careful management of change.
  - f) Develop a *Team Cheltenham* approach and culture, with the CBH brand embedded within the Cheltenham service family, powered, and assured by CBC leadership.
  - g) Deliver quick wins that build trust and demonstrate the full impact of the new model.

### *Potential operating structure*

- 6.2 The table below sets out the ownership and tenure structures of the Cheltenham stock.

<b>Cheltenham Owned Housing Stock (31/03/22)</b>			
<b>Homes by Tenure</b>	<b>CBC</b>	<b>CBH</b>	<b>Total</b>
General needs social rent	3,899	45	3,944
Housing for older people social rent	491	-	491
Affordable rent	133	50	183
Low-cost home ownership	35	14	49
Private rental sector	-	13	13
Leasehold	441	1	442
<b>Total homes</b>	<b>4,999</b>	<b>123</b>	<b>5,122</b>

- 6.3 In determining whether a stand-alone operating vehicle is needed for stock of a particular tenure, the question to answer is whether there is a profit motive in holding the property, i.e. is Cheltenham seeking to generate a return from the operation of the rented property to help subsidise other services rather than use any proceeds to re-invest in the delivery of more affordable housing.
- 6.4 If Cheltenham wishes to own and operate market-rented properties (Private Rent Sector/Build to Rent properties), then this would be perceived as being with a profit motive and should therefore be operated by a third-party company separate from the Council. This

could be a local authority company wholly owned by the Council, but it would be separate from the Council's day-to-day business.

- 6.5 Within the HRA, Cheltenham can hold property let on a social rent (formula rent), affordable rent (up to 80% of market rent) and other intermediate housing products such as shared ownership, but the properties must be provided under Part II of the Housing Act 1985.
- 6.6 Cheltenham can own and operate housing outside of the HRA within the General Fund, but it must be held for purposes other than being let under Part II of the Housing Act 1985. Theoretically the Council could hold sub-market housing such as discounted market rent outside of the HRA but would need to guard against there being any implied intent to circumvent RTB by holding it outside the HRA. Legal advice should be sought to determine whether any special rental terms (obviously not secure tenures) would need to apply.
- 6.7 Holding any such property outside of the Council (e.g. within a Council-owned company), perhaps alongside market rented units with all of the units being subject to the same management arrangements might prove to be a 'cleaner' approach and would help to provide the necessary distinction between the delivery of low-cost rented council housing (within the HRA) and the market-facing products.

#### ***Timing considerations***

- 6.8 The delivery, financial and regulatory imperatives outlined above necessitate that prompt and decisive action is taken to stay on course, deliver a sustainable cost base, and to be fully prepared for and compliant with the new regulatory model from April 2024. The rationale for acting now is that:
- a) Immediate action is needed to inject the increased level of pace and scale needed to deliver cross-cutting strategic objectives over the next five years, these objectives cannot wait a year to initiate with potentially a further year of transitional change to follow.
  - b) Sharper regulatory focus from April 2024, makes Cheltenham fully accountable for what is happening on the ground and establishing clear lines of sight backed by trusted assurance is now an absolute necessity.
  - c) Financial imperatives within the General Fund and HRA must be addressed from the 2024/25 budget cycle onwards. A review and realignment of permitted cross-charging to support must also be completed and implemented.
  - d) The partnership principles that underpin the management agreement with CBH are based on a 'no surprises' commitment and keeping the decision secret for any period of time would not be fair to the Board, leadership team or frontline staff.
- 6.9 It is recommended that the process to deliver the target operating model is initiated as soon as possible, with the break clause in the management agreement triggered by the end of October 2023, underpinned by a clear vision, supporting narrative for making the change now, and a commitment to co-production of the target operating model.
- 6.10 There are clearly risks associated with acting now, including loss of service performance, loss of key staff, and a lack of buy-in from tenants and stakeholders. These however can be



mitigated through careful communication of the imperative driving the change, the rationale for making the change now, the vision for integrated services and the plan for transition.

- 6.11 Once triggered, a carefully orchestrated set of engagement and communication activities, structural alignment, transition, and wider transformation activities (which may be completed over a longer timeframe) will deliver a smooth closure of the ALMO at any time prior to or at the natural break clause in the Management Agreement in April 2025.

***Phasing: Leadership and governance alignment***

- 6.12 Stakeholders are clear that they are seeking full ownership and lock-step alignment of the housing service as quickly as possible and are keen to see the leadership in place to achieve this from the outset.
- 6.13 A transitional leadership structure should be implemented as part of a pragmatic programme of change during the autumn, with shared leadership focused on implementing the integrated service model, whilst providing the necessary level of operational grip and in protecting services, with:
- a) Termination agreements made with the CBH Chief Executive and Executive Director of Finance and Resources.
  - b) Clear oversight provided by the CBC executive to support tenant engagement and to provide staff with assurance of the change process and the future vision for the service.
  - c) An interim Chief Executive recruited to oversee the transition process and ensure service continuity.
  - d) The CBH Executive Director of Property and Community overseeing operational delivery and designated the health and safety lead for Cheltenham, with the necessary specialist support in place covering each line of landlord health and safety compliance, with named roles covering safety compliance, building and fire risk compliance.
  - e) An interim Executive Programme Director role should be recruited to support the transition process, frame the service transformation, and support the enhancement of the regulatory assurance framework.

***Phasing: Service alignment***

- 6.14 With a leadership, governance and programme oversight model in place, a process of service-by-service alignment can be started (and completed) within the current financial year:
- a) The CBH Development function is not a landlord service function as such, and roles should be mapped and merged where appropriate into the CBC Development team to create the single development and regeneration function envisaged.
  - b) The alignment of CBH operational delivery with CBC's strategic homelessness and rough sleeping functions.

- c) Business partner functions (Finance, HR, Communications, ICT) can be created by integrating CBH functions into the corresponding CBC functions, with the HR service built around the CBH Head of HR role, as it is insourced from Publica.
- 6.15 To facilitate this arrangement CBH staff could be seconded back into CBC as an interim arrangement prior to formal TUPE arrangements being activated as the ALMO is closed.
- 6.16 This approach will enable CBC to take direct control of key enabling functions at the earliest opportunity, to immediately realign a range of core services, and to set 2024/25 budgets with resource allocations based on the target model.

***Phasing: Service Evolution***

- 6.17 The broader Cheltenham- wide approach envisaged for the target operating model for will naturally take longer to plan and implement. However, the vacant post of Executive Director, Place and Communities provides an opportunity for CBC to accelerate a wider restructure, with housing embedded as a key enabling service, delivered through:
- a) A strengthened 'Housing Director' role supported by high level specialist roles covering the key service strands of homelessness, tenancy, compliance, and asset management, with additional management and specialist skills transferred in as part of the wider realignment.
  - b) A whole system approach, with everyone doing something different together, based around a Team Cheltenham partnership model.
  - c) A single front door to services through an integrated service hub, and face-to-face services, in conjunction with service partners such as DWP, and community networks.
  - d) A tenure neutral CBH brand, with:
    - Housing services focused on early intervention, prevention, and sustainment.
    - Neighbourhood based services focused on management of place, ASB and community safety, delivered through partnership.
    - An inclusive and commissioning-based approach to community investment and development.
    - Property management services that can be leveraged by the GF functions.
    - Commercially focused services in areas such as tenancy management, FM, building maintenance, that deliver income for reinvestment in core services.
  - e) A shared set of business processes, integrated systems platforms, and shared data, supporting digital shift and self-service.
  - f) An enabling focus for delivering an appropriate level of supply and ensuring high management standards across Cheltenham, in partnership with Registered Providers and private landlords.
- 6.18 Cheltenham should be able to complete this service restructure within the 2024/25 financial year, which dovetail with the digital transformation investment scheduled for 2025-27.

***Governance and oversight***

- 6.19 Careful consideration must be given to a new governance structure that maximises the visibility, depth, and diversity of tenant engagement at a meaningful level, in setting direction, agreeing operational priorities and in the scrutiny and accountability for service delivery.
- 6.20 To deliver this level of engagement and oversight, stakeholders favour the creation of an enhanced governance structure with:
- a) Performance and compliance oversight through the Overview and Scrutiny Committee.
  - b) A Strategic Housing Board, as a housing focused body, embedded within the Council's constitution, with a level of independent expertise retained and with strong resident representation, reporting through Overview and Scrutiny to Cabinet.
  - c) A Tenant Improvement Panel as a sounding board in bringing cross-tenure voices closer to decision makers, to support the development of policy, and scrutinise performance, and build tenant capacity. The Panel should be part of the formal housing governance structure and be chaired by the Cabinet Member for Housing, with the Housing Director also present. A representative of the Panel would sit on the Strategic Housing Board.
  - d) At a later date (once the governance model has been embedded), the current Housing Board should evolve beyond being an RP forum as a partnership board, to promote development opportunities and the creation of a Cheltenham-wide approach.
- 6.21 The support and cooperation of CBH Board will be critical in helping achieve a smooth transition, and in continuing to fulfil their company and statutory duties until transfer is completed. To support the transition and ongoing alignment process, CBC should consider substituting one of the two council appointed councillors on the CBH Board for a senior officer.

***Offer to Tenants***

- 6.22 The decision to bring back the service must be linked to a clear and coherent *offer* to tenants. The current service model has been in place for two decades, and the CBH way of working is well established, with strong community ties.
- 6.23 Tenants will want to know how they will be impacted, how their voice will be heard in future, how the service will operate and whether any material changes will be made to terms and conditions of tenancy. CBC must be prepared to engage extensively and effectively with tenants. An *Offer to Tenants* must therefore address:
- a) The reason for creating CBH, the benefits it has delivered, the rationale for the change and its timing.
  - b) The advantages of returning the service to the Council for tenants and the quality and cost effectiveness gains that will be delivered to them.
  - c) Any changes to service structures or access pathways.

**Tenant Consultation**

- 6.24 Under section 105 of the Housing Act 1985, Cheltenham is required to consult where:
- a) It is a matter relating to the housing management of properties let by the Council on secure tenancies. Such a matter would include the management, maintenance and provision of services or amenities. The proposals regarding this matter constitute:
    - A new programme of maintenance, improvement, or demolition; or
    - A change in the practice or policy of the local authority.
  - b) The proposed change is likely to affect either all or a distinct group of secure tenants.
- 6.25 Regardless of whether CBH is retained as a subsidiary delivery vehicle or whether the CBH operational brand is retained, tenants must be kept informed and consulted fully through a form of test of opinion, with a survey, webinars, and face to face workshops, to gauge tenant support and understand their expectations, with feedback used to demonstrably structure the new service model.

**Staff consultation**

- 6.26 Open and timely staff messaging is key to delivering a smooth and successful transition and must be led by the Cheltenham leadership Team. Staff need to be empowered through a “we trust you” message and allowed to own and use their field knowledge and expertise to support the co-production of the detailed design of the new operating model.
- 6.27 A refreshed *Team Cheltenham* culture will give every member of staff a new point of reference, and by defining new job families, with more generic role profiles, harmonisation of terms and conditions will be achieved over time.
- 6.28 Jobs are potentially at risk through this transition, and Cheltenham must establish a robust processes for consultation with staff and unions. Early and continuing communications is critical in the avoidance of unnecessary uncertainty and key to minimising disruption.
- 6.29 There is a risk of staff leaving whilst there is uncertainty around future service provision, and it should be noted that this has been a significant challenge elsewhere. Strong directional leadership and the effective communication of an inspiring vision will be key to mitigating this risk.

**Transition planning**

- 6.30 A detailed set of transition planning and management documents must be developed quickly, to articulate the vision, to structure the change and ensure it delivers its anticipated outcomes:
- a) A *Vision* statement and target operating model *Blueprint* to fully articulate the vision, objectives, and anticipated outcomes of the change.
  - b) A *Transformation and Benefits Realisation Plan* to ensure the change is delivered and that benefits are fully realised.
  - c) A project *Governance Framework* to represent the interests of all stakeholders, with mechanisms in-place to involve tenants from the outset in reshaping the service.

- d) A *Tenant Offer* prepared in advance of the Test of Opinion.
- e) A *Change Management Plan* to guide CBH and CBC staff through the change.

### ***Legal considerations***

- 6.31 The HRA is a highly regulated entity, and CBH is a fully constituted legal entity (operating as an ALMO and as a Registered Provider), and consequently there are a number of considerations in completing this business appraisal, whichever option is adopted. Whilst we have highlighted the main legal considerations, this report does not constitute legal advice, and therefore legal advice would have to be sought, in particular before any decision to proceed with winding up CBH.
- 6.32 Below are listed the primary legal considerations in winding up CBH. This does not constitute legal advice and further due diligence would be required to establish the full scope of legal considerations.

### **Winding up CBH**

- 6.33 It is likely, in our view, that the Council would wish to follow the voluntary dissolution route, but it will be important to establish as early as possible with the Council how it proposes to proceed so that the board directors can be advised of their obligations under the chosen process. It may also be the case that the Council would look to the board for its attitude towards any winding up as that may have a bearing on the approach the Council chooses.

### **Managing Board members' liability**

- 6.34 A key issue for all Board members will be the extent of any continuing liability as company directors. If CBH is dissolved, board members' liability would cease when the board member ceases to be a company director. That is not to say that past actions which could 'found' a claim against a board member could not in theory arise but, provided board members have acted in good faith and have not engaged in dishonest, fraudulent, or illegal activities, then personal liability should not arise. It will be important therefore for CBH to receive confirmation from the Council that it will continue to honour the payment of the Management Fee and to meet all liabilities of CBH incurred up to the point of winding up. This will also need to be supported by a 'going concern' letter.

### **Agreeing the process for ending the Management Agreement**

- 6.35 The Council will need to decide how to end the Management Agreement. Much will depend on timing for example - will timing work with a natural "break" in the Management Agreement, or whether the Council simply decide to disregard the terms of the Management Agreement and terminate regardless.
- 6.36 Once a formal decision by the Council has been made, the board will no doubt wish to ensure that there is a measured and carefully planned reintegration of CBH's services within the Council. However long that period may be, business will need to continue as usual to allow the board to fulfil that objective. This means that resources need to be assured to CBH, which could be affected by the board members receiving confirmation from the Council that it will continue to pay the Management Fee on the agreed basis.

**Works or services provided to third parties**

- 6.37 If CBH has entered into contracts with other organisations (apart from the Council) for the provision of services or works, then consideration will need to be given to bringing those arrangements to an end or effecting an assignment or novation to the Council.

**Dealing with contracts**

- 6.38 The Council will need to establish whether there are any of CBH's contracts that have been let in CBH's own name (as opposed merely administering them on behalf of the Council). This is likely to be a time-consuming exercise and the Council will need to confirm that it will continue to provide the required funds to enable CBH to meet its liabilities under those contracts until it is wound up. The Council will need to also confirm that in the event of the contracts being required or able to be assigned/novated to the Council, that there is no prohibition on such arrangements in the contracts themselves and that the Council will take such an assignment/novation.

**Dealing with assets**

- 6.39 An inventory of at least CBH's key assets should be prepared in order to document their repatriation back to the Council.

**Terminating membership of organisations/bodies**

- 6.40 CBH will need to consider any steps which are required to be taken to resign membership of external organisations such as the National Federation of ALMOs. There may be exit periods to be observed and fees that are payable to these or other external bodies to which CBH may have subscribed.

**Terminating/assigning leases/licences**

- 6.41 Consideration will need to be given to the terms of any lease or licence CBH may have entered into in its own name for any accommodation which it occupies or sub-lets. In particular, where there are prohibitions on assignment or costs associated with break clauses that CBH will need to be protected from.

**Assessing the application of TUPE**

- 6.42 Bringing the services currently performed by CBH in-house will trigger the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended) (TUPE), under which all employees who are "wholly or substantially employed" in the undertaking will have their employment transferred to the Council. It is anticipated, therefore, that the majority of CBH staff will transfer under TUPE, as all of the services currently performed by CBH will continue to be performed by the Council. The board will need comfort that the Council will both honour TUPE and be responsible for the costs associated with any redundancies arising as a result of the winding up of CBH.

**Consulting staff**

- 6.43 TUPE imposes obligations upon CBH and the Council to provide certain information and to consult in respect of employees affected by the transfer. CBH's obligation is principally to provide information about what is happening; the obligation to consult only arises if CBH

itself proposes changes which will affect the staff, which is unlikely to be the case. The Council's obligation as the recipient employer is to provide CBH with sufficient information to enable CBH to inform the staff about steps or measures which the Council is proposing to take after transfer. CBH, however, has no obligation itself to consult about these matters.

#### **Confirming the pensions position**

- 6.44 A percentage of CBH staff will have transferred to CBH from the Council in accordance with TUPE and now they have the right to return on the same basis. These employees will have continued to be members of the Local Government Pension Scheme (LGPS), benefiting from CBH's Scheduled Body Status under the Local Government Pension Scheme Regulations 2013, and this will apply on their return as well.

#### **Putting in place a Termination Agreement**

- 6.45 When considering the termination process and give contractual certainty to both the Council and CBH (and in particular its Directors) to put in place a so-called Termination Agreement. The contents of the Termination Agreement are for negotiation but are designed to achieve a smooth 'return' of the service to the Council whilst maintaining high-quality housing services for tenants.

## 7. CONCLUSIONS AND RECOMMENDATIONS

### *Conclusions*

- 7.1 Cheltenham has a clear vision and set of objectives for what it wants to achieve through accelerated housing provision and the closer alignment of services, in ensuring every resident has access to the security of a good quality and affordable home, lives within a well-cared for and safe neighbourhood, and can feel part of an empowered community.
- 7.2 Whilst Cheltenham is facing an increasingly hostile operating environment, which has created financial imperatives within both the HRA and General Fund, stakeholders are clear that financial constraints must not be allowed to compromise key commitments such as delivering affordable homes, reinvestment in existing homes or in reaching net-zero.
- 7.3 A significantly strengthened regulatory environment, with accountability for compliance placed directly with the leadership of Cheltenham. Stakeholders recognise that a positive response is required through closer control and assurance.
- 7.4 The core housing service is strong and the CBH brand is well respected, it has served Cheltenham very well for twenty years, and its achievements must be recognised in delivering Decent homes investment and significant outcomes for tenants. However, the world is changing rapidly, and an integrated, whole-system approach is needed to realise the immediate ambitions of Cheltenham.
- 7.5 An integrated approach to development, reinvestment and regeneration will enable joined-up master planning and scaled delivery at pace. Integrated service delivery will simplify service access, enable seamless customer journeys, with tenure neutral service supporting a person-centred approach. Integrated service functions will remove duplication and enable the creation of centres of expertise, facilitating wider partnership working, and income generation opportunities. Integrated resource management will align financial planning and unlock efficiencies. Integrated performance and governance frameworks will underpin increased customer satisfaction and ensure compliance. The overall approach will build greater resilience into the housing model and into Cheltenham communities.
- 7.6 Stakeholders are clear that the transition to the target operating model must start now, in building the additional capacity and capability needed quickly, and by inspiring residents and staff with the Team Cheltenham approach, backed by a genuine commitment to co-production of the target service model.
- 7.7 Re-seating housing within a whole-system, approach is a pragmatic and progressive response to challenging circumstances, enabling the course and speed already set to be maintained, it represents a point of shared embarkation, not of return.

### *Recommended approach*

- 7.8 A bold and immediate response is required to deliver the strategic objectives of Cheltenham, whilst remaining sustainable and compliant. CT recommends that Cheltenham considers the following set of phased actions to deliver the change needed in a structured and de-risked way:
1. Confirm and agree the objective of creating an integrated housing model operating within a whole-system approach, achieved by closing the ALMO and returning service to



- the council, but retaining the CBH brand as a focus for housing management and neighbourhood-based services, with Vivid Living, structured into a stand-alone vehicle for managing market rent homes outside the Council and the HRA.
2. Create a positive narrative for change, based on the speed and scale of response needed to meet externally driven challenges and pressures, and set-out the proposed service model and transition plan for Cabinet approval.
  3. If approved, serve a termination notice on CBH (or a notice of intent), and communicate the change to staff and stakeholders, with ongoing engagement and co-production opportunities quickly put in place to reassure staff and build trust in the proposed model.
  4. Negotiate with the CBH Board and leadership team to enable a seamless leadership transition, with the CBC Executive team providing oversight and an interim CEO engaged to oversee the transition process.
  5. Designate the CBH Executive Director of Property and Community as the health and safety lead for Cheltenham, and ensure they are supported by specialist leads.
  6. Work closely with the CBH Board to ensure a smooth transition of governance and consider substituting a Council nominated Board member with a senior member of CBC staff to provide a greater level of control and oversight.
  7. Commence a rolling process of functional alignment, starting with non-core functions such as development, cross-cutting services such as ASB, and business services such as finance and HR, to realise efficiencies within 2024/25 budgets, ensuring management of change support is in place for staff.
  8. Design a robust governance structure, with performance and assurance reporting to Overview and Scrutiny Committee, a Strategic Housing Board providing a single point of focus for housing across Cheltenham, fed by a tenant improvement panel and an enhanced partnership board with registered providers and private landlords.
  9. Develop an offer for tenants that provides a genuine opportunity to listen to their priorities and aspirations in shaping services and communities, and work with them to ensure engagement structures provide innovative ways to empower tenants and communities in 'owning' their neighbourhoods, to support robust scrutiny, and to evidence the impact of feedback on service learning and improvement.
  10. Develop a universal offer for CBH and CBC staff to support convergence of terms and conditions, and transition to flexible ways of working within a cross-partnership model.
  11. Foster a Team Cheltenham culture that will inspire everyone in the delivery of strategic objectives, and in delivering high performing, customer focused services.
  12. Develop a detailed and resourced transition plan, with an appropriate governance structure, overseen by an interim executive programme director.

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# Cheltenham Borough Council

## Cabinet

### Excerpt of DRAFT Minutes

**Meeting date:** 17 October 2023

**Meeting time:** 6.00 pm - 6.40 pm

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**In attendance:**

**Councillors:**

Rowena Hay, Peter Jeffries, Victoria Atherstone, Flo Clucas, Mike Collins, Iain Dobie, Martin Horwood and Max Wilkinson

**Also in attendance:**

Claire Hughes (Corporate Director and Monitoring Officer), Gareth Edmundson (Chief Executive), Paul Jones (Executive Director of Finance, Assets and Regeneration) and Gemma Bell (Director of Finance and Assets and Deputy S151 Officer)

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#### **5 Housing Regulations, Cheltenham Borough Homes Housing Review**

The Leader introduced her report with the following statement:

*'I became a councillor over two decades ago because I wanted to make changes to improve things for all our residents. Following the ravages of the pandemic and more latterly a cost of living crisis that has forced families to make unimaginable choices, I am more committed than ever to taking the right decisions to continue supporting our communities even when those decisions result in change. But change is something we must embrace in order to keep delivering our priorities. Back in 2003, it was the right thing to do to establish our ALMO (Arms' Length Management Organisation). Indeed, I was part of this council, when the then Labour government were offering financial incentives which we took advantage of to bring our homes up to the decent homes standard. This funding stopped in 2016 but for twenty years, CBH has worked with CBC to deliver investment in existing stock, new housing, a financially resilient Housing Revenue Account, high tenant and leaseholder satisfaction, all of which we are rightly proud of and give our very sincere thanks to CBH for all they have done.'*

*The reasons we need to look to wind up CBH as a company and bring the housing function back into the heart of CBC as one team are several this government is increasing the accountability on Local Authorities via legislation which we have to respond to in both the private and public sector housing that this council will be responsible for.*

*CBC has a medium term funding gap of £4m and we must look and re-look at every area of efficiency to protect services and support our communities. The strengthening partnership work that was undertaken over the last two years has been successful. However, since then we have seen a significant rise in interest rates now at an all-time 40-year high, a cost of living crisis, huge rises in materials for house building and massive energy cost hikes.*

*The significant reduction on ALMOs across the country (for a variety of reasons) also shows that it is those authorities who are retaining ALMOs who are increasingly the outliers, however a key priority for us has been and will remain is the tenants' voice which we must strengthen and grow.*

*Ultimately, as Leader of the Council and Shareholder, along with my Cabinet colleagues, we have to try and act on behalf of all of our residents and businesses. The financial pressures this council faces has, for the first time, forced Cabinet to look at stopping or reducing services. CBH customers are some of the most in need and vulnerable in our borough and they are more dependent on housing and council services than anyone else. Our residents in wards like mine have also suffered more than any other group. In this context, with this decision, I and my Cabinet have chosen to try and protect services, maintain customer satisfaction, and supercharge housing delivery by bringing CBC and CBH together so that we can continue to support our communities in spite of the challenges we face. On a personal note, I could not justify an argument on the doorstep about cutting back council services from leisure to street cleansing to try and retain an ALMO when we must try and maximise every possible efficiency from joining services first.*

*Yesterday, at Full Council, I mentioned that in 2016 we took the bold decision to introduce a commercial strategy; that decision and our journey has stood the test of time and, unlike many other councils, we are financially in a much better place than many. My mantra has been to be risk aware and not risk averse.'*

The Cabinet Member for Housing reiterated that the priority is to provide an excellent services and strengthening the voice of tenants, who will continue to be our focus during the transition. She said the proposed new tenant offer will make sure they influence housing services now and in the future, and is delighted with the commitment to commission an independent tenant organisation to engage and consult with tenants and leaseholder. She is confident that this bold approach will provide better services for tenants and Cheltenham's wider communities.

She offered huge and warm thanks to CBH for the fantastic services they have provided for residents for the past 20 years, having first-hand experience of the caring and dedicated teams. She looked forward to working with and supporting CBH and CBC colleagues through and beyond the transitional stage, focussing on the new integrated offer for tenants. She said services, like anti-social behaviour, do not discriminate between homes, whether council- or privately owned, and joining as one team with greater capacity and skills there are many areas we can look to enhance the experiences of tenants, leaseholders and our wider communities.

She finished by saying we must that the growing regulatory environment places greater accountability and responsibility on councils, and as Cabinet Member for Housing, she remains committed to the safety of all tenants.

A Member said that since joining the Cabinet, it has been a pleasure to be closely involved with CBH, which works so diligently on behalf of residents. Looking at the report, the financial assessment is compelling: like the rest of the country, Cheltenham has faced a decade of austerity and many financial challenges, including the pandemic and cost of living crisis. With this proposal, we are evolving to meet those challenges. The key factor is to protect council services, and although it is tough to make structural changes, it is the right thing to do – we have to put residents and tenants at the centre of everything we do.

He said that while revenue and our day-to-day services remain our prime focus, he is looking forward to the future, and feels that CBC's approach to regeneration and housing delivery will pay dividends. He welcomed this exciting opportunity.

A Member added his thanks to CBH management and officers, saying that having previously worked in the sector, he is aware that CBH are the best social, caring and proactive landlords, and was reassured by the Leader's and Cabinet Member for Housing's comments that an outstanding level of service will remain at the heart of our future commitment to residents. He said that the financial environment in which councils now find themselves, with government incentives no longer applying, means that the era of ALMOs is drawing to a close across the country; we must be mindful of that and take a balanced opinion on the management of the council's finances. With the commitment to continue to the level of service in an uninterrupted way, this is the right decision and one which he is extremely happy to support.

In summing up, the Leader reiterated her sincere thanks to all CBH staff, and in particular the senior management team led by Steve Slater as CEO and all the board. She said change is difficult and challenging, but together we are stronger, and jobs won't change for the majority of staff. Together, CBC and CBH can make the transition as smooth as possible, ensuring that tenants stay at the core of service delivery to maintain the very high levels of satisfaction that CBH has always attained. This decision is very much in the spirit of 'Team Cheltenham'.

**RESOLVED THAT:**

- 1. the work and commitment of Cheltenham Borough Homes over the last twenty years is acknowledged by Cabinet;**
- 2. the new regulatory framework for social landlords and the Council's Medium Term Financial Strategy is noted;**
- 3. the options for the future delivery of the Council's Housing Services are noted, and the Chief Executive, Executive Director for Finance, Assets and Regeneration, the Corporate Director and Monitoring Officer, and the Housing Partnership Manager are authorised to undertake the required review to support the Leader in deciding to wind-up Cheltenham Borough Homes;**
- 4. the creation of a consultation framework is commissioned in order to develop a Tenant Offer which will provide tenants and leaseholders with the opportunity to provide their view on the proposed change in management, state their priorities in shaping the future housing service provision, ensure their continued involvement, and complement the new consumer standards;**
- 5. the consultation framework is acknowledged and the recommended tenant offer is subject to review by the Council's Overview and Scrutiny Committee upon their request;**
- 6. the Chief Executive is requested in consultation with the Leader and the Cabinet Member for Housing to develop a housing integration action plan;**
- 7. the Housing Strategy and Partnerships Manager is appointed as the Council's Health and Safety lead, as detailed in Section 7 of this report. This will be subject to review following the winding up of Cheltenham Borough Homes.**