

Cheltenham Borough Council Cabinet

Meeting date: Tuesday, 17 October 2023

Meeting time: 6.00 pm

Meeting venue: Council Chamber - Municipal Offices

Membership:

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

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SECTION 1 : PROCEDURAL MATTERS

1 Apologies

2 Declarations of interest

3 Minutes of the last meeting (Pages 5 - 14)

To approve the draft minutes of the meeting held on 19 September 2023. The minutes of the extraordinary meeting held on 28 September 2023 will be approved at the November meeting of Cabinet.

4 Public and Member Questions and Petitions

Questions must be received no later than 12 noon on the seventh working day before the date of the meeting

SECTION 2 :THE COUNCIL

There are no matters referred to the Cabinet by the Council on this occasion

SECTION 3 : OVERVIEW AND SCRUTINY COMMITTEE

There are no matters referred to the Cabinet by the Overview and Scrutiny Committee on this occasion

SECTION 4 : OTHER COMMITTEES

There are no matters referred to the Cabinet by other Committees on this occasion

SECTION 5 : REPORTS FROM CABINET MEMBERS AND/OR OFFICERS

5 Housing Regulations, Cheltenham Borough Homes Housing Review (Pages 15 - 74)

Report of the Leader, Councillor Rowena Hay, and Cabinet Member for Housing, Councillor Victoria Atherstone

6 Approval of Budget Strategy, Process and Timetable (Pages 75 - 88)

Report of Cabinet Member for Finance and Assets, Councillor Peter Jeffries

SECTION 6 : BRIEFING SESSION

- Leader and Cabinet Members

7 Briefing from Cabinet Members

SECTION 7 : DECISIONS OF CABINET MEMBERS

Member decisions taken since the last Cabinet meeting

SECTION 8 : ANY OTHER ITEM(S) THAT THE LEADER DETERMINES TO BE URGENT AND REQUIRES A DECISION

SECTION 9 : LOCAL GOVERNMENT ACT 1972 - EXEMPT BUSINESS

8 Exempt Minutes of Cabinet, 11 July 2023 (Pages 89 - 90)

To approve the exempt minutes of the Cabinet meeting held on 11 July 2023

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Cheltenham Borough Council

Cabinet

Minutes

Meeting date: 19 September 2023

Meeting time: 6.00 pm - 7.00 pm

In attendance:

Councillors:

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

Also in attendance:

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)

1 Apologies

There were none.

2 Declarations of interest

There were none.

3 Minutes of the last meeting

Minutes of the meetings held on 11 July and 25 July were approved as true records and signed accordingly.

4 Public and Member Questions and Petitions

No Member questions or petitions had been received.

Two public questions were received as follows, which together with the responses were taken as read:

1. Question from Nick Hardy to Cabinet Member for Climate Emergency, Councillor Alisha Lewis

I have submitted a suggestion that the council look at the potential for deep geothermal energy to provide heating to the new developments. The town overlies a hot aquifer at around 2500m which could provide heating and hot water to the entire developments at Elm park and Cyber Park – a source of energy that has been overlooked by both the council and developer (who have only included ASHP and GSHP system in their applications). The council's own "Climate Emergency Action Plan – Pathway to Net Zero" states that the council has a commitment to review the feasibility of alternative energy sources, new technologies and innovations.

Will the council look fully into this resource that could provide a continuous, fully renewable heating resource for houses, office, school, medical facilities etc for many years to come and district heating plants have been running for more than 100 years in many area around the world and overlooked in this country (with the exception of Southampton which has been using this technology since 1986).

Cabinet Member response

CBC recently took part in a study funded by the Government Department for Business, Energy and Industrial Strategy (BEIS) working with a consultant specialising in renewable heat networks and district heating, to investigate the potential for heating zones within Cheltenham. The data from this study was fed into the evidence base for the new Energy Security Bill and has directly impacted current Government policy. We have been awarded further funding to carry out a more detailed Stage 2 feasibility study of two areas of interest, in order to explore the potential to develop heat network zones at the Golden Valley Development site and in the Town Centre.

The initial feasibility study focused on the renewable technologies of air and ground source heat pumps and combined heat and power. The capital expenditure for the proposed Network 1 was estimated at £4.9m and for Network 2 at £31.5m, although costs could be significantly more in light of current building costs price inflation.

The International Renewable Energy Alliance (IREA), found that geothermal energy was the second most expensive renewable energy source to install, due to the need for deep well drilling, suggesting that the initial cost may be greater than that for the proposed networks.

District heating allows for a relatively quick transition to lower carbon technologies, because areas can be decarbonised without changing heating systems at the building level. It can also allow a combination of multiple technologies, again something often not practical at the building level. The carbon benefits associated with heat networks offer a potentially cheaper and quicker transition over deep drilling for geothermal energy, but this requires more detailed cost benefit and risk analysis.

The council therefore remains open-minded in relation to the potential for utilising geothermal energy sources and indeed, how the government may look to support such technology, including the potential for public or private sector investment, in relation the UK's overall energy supply strategy.

This question and response was taken as read; the questioner was not present to ask a supplementary question.

2. Question from Saskia Whitfield to Cabinet Member for Climate Emergency, Councillor Alisha Lewis

Most councils have Climate Emergency Committees based on international Net Zero policies. However, 5G is recognised as a massive energy consumer. It has been projected to “increase power consumption by 61 times from 2020 to 2030, due to its energy demands” as reported in 2020 by the ABI Research Data Center Forum. It is said too that a 5G mast consumes 3 times as much energy as a 4G mast – <https://ehtrust.org/report-5g-to-increaseenergy-consumption-by-61-times/>

Similarly, a report published by France's High Council on Climate warned that rolling out 5G technology could lead to a sharp increase in power consumption and greenhouse gas emissions. “The report, published in December 2020, found that 5G networks could be responsible for an extra 3 to 7 billion extra tonnes of CO² released into [the] atmosphere [in France].” https://www.hautconseilclimat.fr/wp-content/uploads/2020/12/hcc_rapports_5g-en.pdf

The whole Net Zero Climate Emergency agenda is based on the notion that human activity is already generating too much CO², which is heating up the earth. It is important to recognise that the resulting plan to implement Low Traffic Neighbourhoods, Active Travel and 15-minute cities all require the high-energy consuming infrastructure of the 5G network.

Please can the member for Climate advise how this is compatible with CBC's plans for Net Zero by 2030 and what steps are being undertaken to mitigate these effects on CO² emissions?

Cabinet Member response

5G is absolutely indispensable for driving technological growth and innovation. It is a cornerstone of maintaining a strong technology sector in the UK, which is vital for Cheltenham's economic growth and the success of the Golden Valley Development.

While we acknowledge the environmental impacts, as many new technologies come with environmental costs, we are keen to encourage proactive steps to reconcile 5G rollout with the needs of the planet. A 5G rollout that relies on eco-friendly infrastructure and energy-efficient equipment can ensure we continue to thrive technologically, whilst minimizing the carbon footprint of this technology.

Supplementary question

As a concerned citizen of Cheltenham and having done some years' research into 5G, the response does not adequately address how 5G is compatible with Net Zero

ambitions. 5G is not just an upgrade of 4G but a completely different technology, and there is plenty of documentation in the public domain which shows that 5G originates and has been deployed as a battlefield weapon. This poses a serious and substantial risk to the people of Cheltenham. Can you advise how we, the public, will be safeguarded should the technology not be used for the stated purpose?

Cabinet Member response

Thank you for the question and for attending the meeting tonight. There are currently no known health risks to 5G. It is known that the signals used are incredibly weak, on a similar spectrum to a remote control; there is substantial evidence from a range of reputable medical institutions that support this position. The World Health Organisation has not recommended any changes to exposure limits for wireless networks, and 5G is well within that scope. There is no scientific evidence to establish that birds, bees and other wildlife are negatively impacted by 5G, which is, to repeat, on the same spectrum as a whole range of wireless services currently in use. As stated in my previous response, I am excited about the possibilities that 5G technology can offer, both in terms of the Golden Valley and the investments in technologies to actively support of endeavours to achieve Net Zero. The consensus of the medical establishment, including the World Health Organisation, is clear, and the council takes its evidence from reputable medical sources.

5 The Cheltenham Trust Contract

The Cabinet Member for Economic Development, Culture, Tourism and Wellbeing introduced his report, highlighting the transformation of the Cheltenham Trust from a traditional third sector organisation to a modern, business-focussed one, which has contributed to the savings of the authority whilst delivering important services at the heart of the town – the Pump Room, Pittville Park, the Town Hall and The Wilson are all drawing in more visitors, and the new sports strategy will work with the Trust and other partners on a new strategy for the underused Prince of Wales Stadium and Leisure@. The report starts the process to re-procure the services delivered successfully by the Cheltenham Trust for an additional period of time, noting that where other authorities would have sold off, privatised or discontinued these assets and services long ago, CBC has chosen a different route. He thanked Richard Gibson, Tracey Birkinshaw and all officers of the Trust for the continued good work they do for the town.

The Leader said this marks the start of an important journey, looking at who runs our leisure facilities in the future, adding that the Trust has done an amazing job so far.

RESOLVED THAT:

- i. the management agreement between the Council and The Cheltenham Trust is extended for up to 5 years from 1 October 2024 as per the provision within the management agreement;**
- ii. subject to approval of The Cheltenham Trust, a variation to the agreement that will introduce a rolling break clause that can be**

triggered by the Council at any point after year 1 of the extended term, subject to the council giving the Cheltenham Trust 12 months' notice, is agreed;

- iii. authority is delegated to the Chief Executive, in consultation with the Cabinet Member for Economic Development, Culture, Tourism and Wellbeing, to agree the length of the extended contract and any variation provisions;**
- iv. authority is delegated to the s.151 officer, in consultation with the Cabinet Member for Finance & Assets to agree the level of the management fee each year during the remaining term of the contract.**

6 Vacant Units and Town Centre Land Use Efficiency Action Plan

The Cabinet Member for Economic Development, Culture, Tourism and Well-being introduced his report, the second stage of a report brought to Cabinet in July, which aims to tackle the vacant units in the town resulting from changing consumer habits, problems with business rates, and high rents. It includes an action plan to encourage more residential use of town centre units, extra enforcement against landlords who allow their premises to fall into disrepair, and how to bring empty units into temporary use as community hubs and privately-owned shops. The planning team will take action to achieve these goals via local and national planning policy.

He thanked officers – Helen Mole, Tracey Birkinshaw, and Heath and his team at Cheltenham BID – for their work on this important report, which can lead to us riding the wave of the change that is overtaking towns and cities across the country in a sustainable and progressive way, and building a more prosperous future for Cheltenham by filling empty spaces with retail, commercial and leisure units and, most critically, new accommodation in sustainable locations.

Before inviting Members to comment, the Leader advised that the live streaming was not working properly and that a recording of the meeting would be posted on the CBC website as soon as possible.

Members thanked and congratulated the Cabinet Member and officers for the report and made the following comments:

- being within easy walking distance of amenities is the most sustainable way to live, particularly from a climate perspective, and anything that increases the supply of town centre housing is a real bonus;
- plans for the town centre are key to the council's regeneration aims;
- opportunities for new housing in the town centre has been the council's direction of travel for some years, but this is often challenging due to absentee landlord and investment companies. Additional housing adds to the vibrancy and footfall in the town centre, supports local businesses and leisure, and provides affordable housing for people without cars;
- the old model of towns with separate areas for housing and for work is now out of date, and planning has to catch up with that. Cheltenham Local Plan policies will shortly be up for review to facilitate the drive towards this kind of change of use and intensification in the town centre, which will not only protect the green

spaces preferred by developers but also make town centres more exciting and engaging places to live and work;

- different pieces of work have been done over the years and Cheltenham has a good record of building on brownfield sites where possible, as well as an above-average shop occupancy but this could change quickly. The comprehensive report and proposed work with stakeholders is welcome.

A Member asked if town centre properties could be transformed into homes for families as well as individuals. The Cabinet Member for Economic Development, Culture, Tourism and Well-being confirmed that this was information of the town of the future. He agreed that planning models are outdated, and said that the action plan included points to monitor vacant units, drive the agenda with planning policy, and use the council's significant powers to nudge things along at local level.

The Leader thanked the Cabinet Member for his report and tenacity in driving this forward, adding that the bottom line is that most empty town centre properties are owned by overseas landlords.

RESOLVED THAT:

- i. the council will work with stakeholders to deliver the actions identified in the action plan;**
- ii. a report on progress with delivery of the action plan will be presented to Cabinet in summer 2024.**

7 Budget Monitoring Report, April-June 2023

The Cabinet Member for Finance and Assets presented his report, which details the forecast outturn position against the 2023-24 budget approved by Council in February, as set out in the executive summary.

Members thanked the Cabinet Member and officers, and commented as follows:

- every finance report demonstrates how incredibly tough it is to balance the budget, with little support from central government, but in the face of many challenges, CBC is in great shape;
- as shown by councils faced with bankruptcy, it is incredibly difficult for local authorities to work for local communities as they should. CBC is not going down that route and can be proud of the work it continues to do;
- further problems are coming down the line, such as the continued cost of living crisis, landlords selling private homes, lack of affordable homes and an increase in homelessness, with the resulting financial burden pushing more councils to 114 notices. Our finance team is doing a great job.

The Cabinet Member for Finance and Assets thanked Members, and agreed that CBC has a very able finance team. He said this council was some steps ahead of the impending storm, with a commercial strategy, asset management strategy and

investment strategy which hold us in good stead, but it is difficult to know where the pressure will hit – we are still in the middle of the storm.

RESOLVED THAT:

- **the contents of the report are noted, including the key projected variances to the general fund and Housing Revenue Account (“HRA”) 2023/24 revenue and capital budgets approved by Council on 20 February 2023, and the actions to ensure overspends are reduced as far as possible by the end of the financial year.**

8 Disposal of surplus land - Idsall Drive

The Cabinet Member for Finance and Assets reminded Members that the Idsall Drive Car Park had been identified for disposal in the 2020 Covid Recovery Budget and that since then, in line with the council’s Asset Management Strategy, a considerable amount of work had been undertaken to address community interest and concerns, including a survey of usage to understand the impact the loss of the car park would have. This demonstrated negligible impact, with more than enough spaces available in the nearby High Street, as detailed in the appendices. He also said that the council engagement with the Parish council reached no conclusion, and that discussions about installing EV charging points in the car park also received a lukewarm approach. He concluded by reminding Members that capital receipts would be moved back into the town through the capital investment strategy.

Members made the following points:

- it is clear from the report that the car park is underutilised, having been observed over many days, and that there are 23 free parking spaces on Prestbury High Street, in close proximity to retail units;
- creating capital receipts from assets which are surplus to requirements makes good sense;
- a number of Prestbury residents are clearly very concerned about the loss of this car park, but the Covid Recovery Budget focussed on the different ways the council could keep itself solvent without drastically cutting services for residents;
- the council started its commercial investment portfolio journey in 2016, as a way to avoid cuts and to continue to deliver and expand its priorities, looking at all its assets and their usage, including Idsall Drive Car Park and one in Swindon Village. The council has offered to sell the car park to Prestbury Parish Council, and both the borough councillor and parish council have been fully engaged in conversations;
- the decision to sell was made some time ago, and the data and reasons presented with the report back up that decision. Whilst hearing and acknowledging residents’ concerns, it is important that the sale goes ahead, although the council remains open to conversations with the community or parish council should they want to buy it. If it is sold to an outside buyer, the parish council will benefit from the sale.

The Leader asked the Cabinet Member for Finance and Assets to go back to the parish council for further dialogue, as some of its members were not present at the talks in 2021. The Cabinet Member agreed, saying that the council is supportive of communities and will find a solution to the satisfaction of all parties if possible.

RESOLVED THAT:

- i. the site is declared surplus to requirements;**
- ii. authority is delegated to the Director for Finance & Assets, in consultation with the Deputy Leader and Cabinet Member for Finance & Assets, to dispose of the site on terms that represent best consideration and upon such other terms as are deemed appropriate;**
- iii. the Director for Finance & Assets is authorised, in consultation with Deputy Leader and Cabinet Member for Finance & Assets and the Director of One Legal, to prepare and conclude the necessary legal documentation to reflect the terms negotiated.**

9 Freehold/Head Leasehold Investment Disposal - Regent Arcade

The Cabinet Member for Finance and Assets made clear that the recommendation is to dispose of the council's investment in the Regent Arcade, the Regent Arcade itself, which it doesn't own. The council's involvement in regeneration of the town centre is crucial, and this investment has reached the point where it is underperforming, hence the decision to sell and dispose of the freehold interest. He said the report is self-explanatory.

A Member agreed that it is about investment and how it works for the council – this has been a good investment for CBC in the past but is becoming less and less so. It is therefore the right time to make this key decision.

RESOLVED THAT:

- i. authority is delegated to the Executive Director for Finance, Assets & Regeneration, in consultation with the Deputy Leader and Cabinet Member for Finance & Assets, to dispose of the freehold and head leasehold interests in Regent Arcade Shopping Centre for best consideration and upon such other terms as are deemed appropriate;**
- ii. the Executive Director for Finance, Assets & Regeneration is authorised, in consultation with Deputy Leader and Cabinet Member for Finance & Assets and the Director of One Legal, to prepare and conclude the necessary legal documentation to reflect the terms negotiated.**

10 Briefing from Cabinet Members

The Leader invited all Members to give any briefings. Four Members responded as follows:

The Cabinet Member for Climate Emergency highlighted an exciting scheme for the public, councillors and staff, to help them lower their carbon footprint through fun tips, trips and tasks via a series of emails.

The Cabinet Member for Safety and Communities told Members that on 06 October, a group of Cheltenham children will be presenting their view of what it is like to live in Cheltenham at the Literature Festival. Their work will also be published. Thanks to their teachers, Cheltenham Alliance for Race Equity, the Everyman, and to all partners and colleagues for working to produce something unique.

The Cabinet Member for Economic Development, Culture, Tourism and Well-being thanked all those involved in a recent visit to Cheltenham from Arts Council England. He said members of the Culture Board spoke with the regional director Phil Gibby about all the good work the Culture Board and its various organisations are doing. It was a positive day, demonstrating how much is going on in the town's cultural environment. The recent announcement of a spend of £1.9m on cultural organisations is something to be proud of – Arts Council England were clearly impressed by what they saw.

The Leader said she was lucky to be at the recent Tour of Britain event in Tewkesbury, and it was particularly good to see so many parents and children inspired to follow the route of the race at their own pace. She had also attended Radio Gloucestershire's Make A Difference awards, celebrating the contributions of local people and organisations including two nominations from Cheltenham. She met with some amazing people, and was reminded of the importance of voluntary organisations and all that they contribute.

10a Cabinet Member decisions since the last meeting

The Leader invited Members to share decisions they had made since the previous meeting, as follows:

24 July 2023: [To grant a sum of £10,000 to support the Planet Cheltenham](#)

The Cabinet Member for Climate Emergency was delighted to support this grant for a new community space for climate activism, which will together various groups and pay real dividends for the future of the town.

31 July 2023: [To award a contract to Chiptech International for the supply of digital Lifeline and ancillary equipment](#)

The Cabinet Member for Customer and Regulatory Services thanked Judy Hibbert and her team for their work on this process and procurement. It is needed to ensure that Lifeline can continue to provide independence and freedom for vulnerable people after the analogue switch-off in 2025.

01 August 2023: [To commission artwork on the Honeybourne Line](#)

The Cabinet Member for Economic Development, Culture, Tourism and Wellbeing said this decision was needed due to new processes and a change in the organisation delivering the artwork.

21 August 2023: [Endorsement of the Cotswolds National Landscape Management Plan 2023-2025 as a material consideration in planning decisions including development plan formulation](#)

The Leader said this endorsement, requested by the Cotswold National Landscape Management, would take forward planning decisions.

23 August 2023: [To appoint an interim Managing Director and Accountable Manager for Gloucestershire Airport](#)

11 Local Government Act 1972 - Exempt Business

Resolved that:

- in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining agenda items as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in paragraph 3 Part (1) Schedule (12A) Local Government Act 1972, namely:

Paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information)

12 Exempt Minutes of Cabinet, 11 July 2023

Due to the refusal of members of the public to leave the public gallery, the Leader terminated the meeting. The exempt minutes will be considered at a future meeting.

Cheltenham Borough Council

Cabinet 17 October 2023

Cheltenham Borough Homes

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

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.

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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.**

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

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

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

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:

Cheltenham Owned Housing Stock (31/03/22)			
Homes by Tenure	CBC	CBH	Total
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
Total homes	4,999	123	5,122

- 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

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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.

Employer funding position (£000)	CBC	CBH	Combined
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.

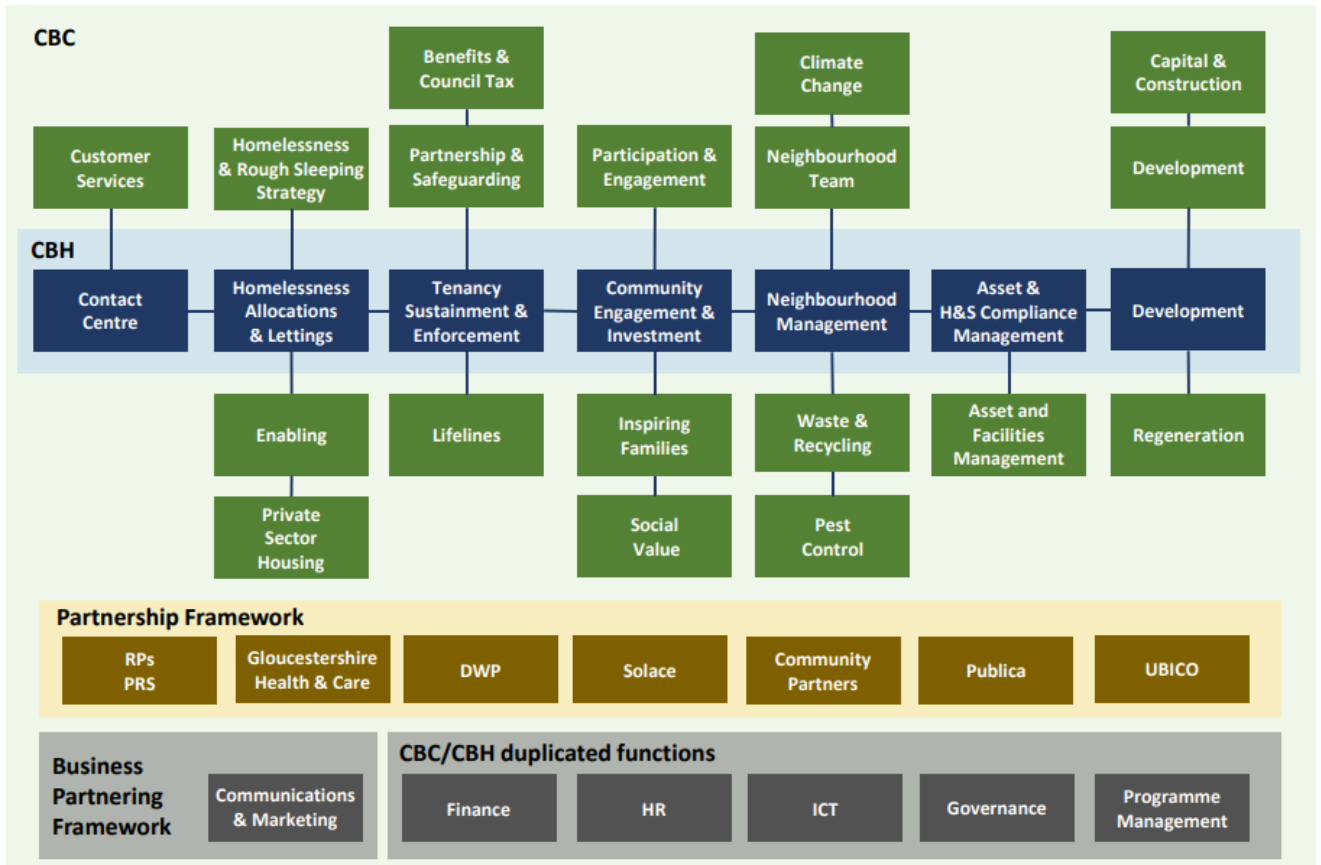
6 Future vision for housing

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.

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

SOCIAL	Scores	Action	Justification
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

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

Step 1: About the service, policy or project

<p>What is the aim of the service / policy / project and what outcomes is it contributing to</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>Who are the primary customers of the service / policy / project and how do they / will they benefit</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"> - A streamlined customer journey through one organisation rather than two for all CBC services – housing, Council Tax, waste & recycling, benefits etc. This will further build on the successful co-location of housing options in the council offices. - 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. - 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. - 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

	<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>
How and where is the service / policy / project implemented	<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"> - CBC's Chief Executive, in consultation with the Leader and the Cabinet Member for Housing, will develop an integration action plan. - 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. - This consultation framework and the recommended Tenant Offer will be subject to review by CBC's Overview and Scrutiny Committee, upon their request.
What potential barriers might already exist to achieving these outcomes	<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?

What existing information and data do you have about your existing / potential customers e.g. Statistics, customer feedback, performance information	<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>
What does it tell you about who uses your service / policy and those that don't?	<p>As set out above, we will commission a consultation framework to help inform the future Tenant Offer.</p>
What have you learnt about real barriers to your service from any	<p>N/A</p>

consultation with customers and any stakeholder groups?	
If not, who do you have plans to consult with about the service / policy / project?	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?

Are any groups affected in different ways to others as a result of the service / policy / project?	No, our aim is to deliver positive benefit for all.
Does your service / policy / project either directly or indirectly discriminate?	There is no discrimination arising either directly or indirectly as a result of CBC's proposal to wind-up CBH.
If yes, what can be done to improve this?	N/A
Are there any other ways in which the service / project can help support priority communities in Cheltenham?	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

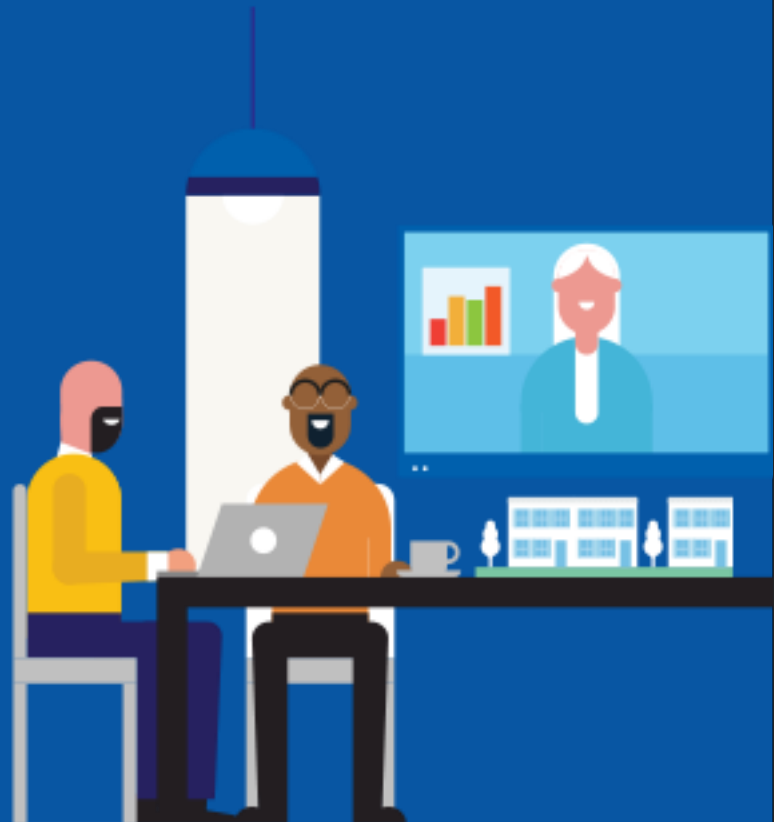
What are the key actions to be carried out and how will they be resourced and monitored?	As set out above under in step 1 – project implementation.
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Who will play a role in the decision-making process?	The Leader of the Council and CBC's Chief Executive,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

Strategic Housing Review

Final Report

September 2023



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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

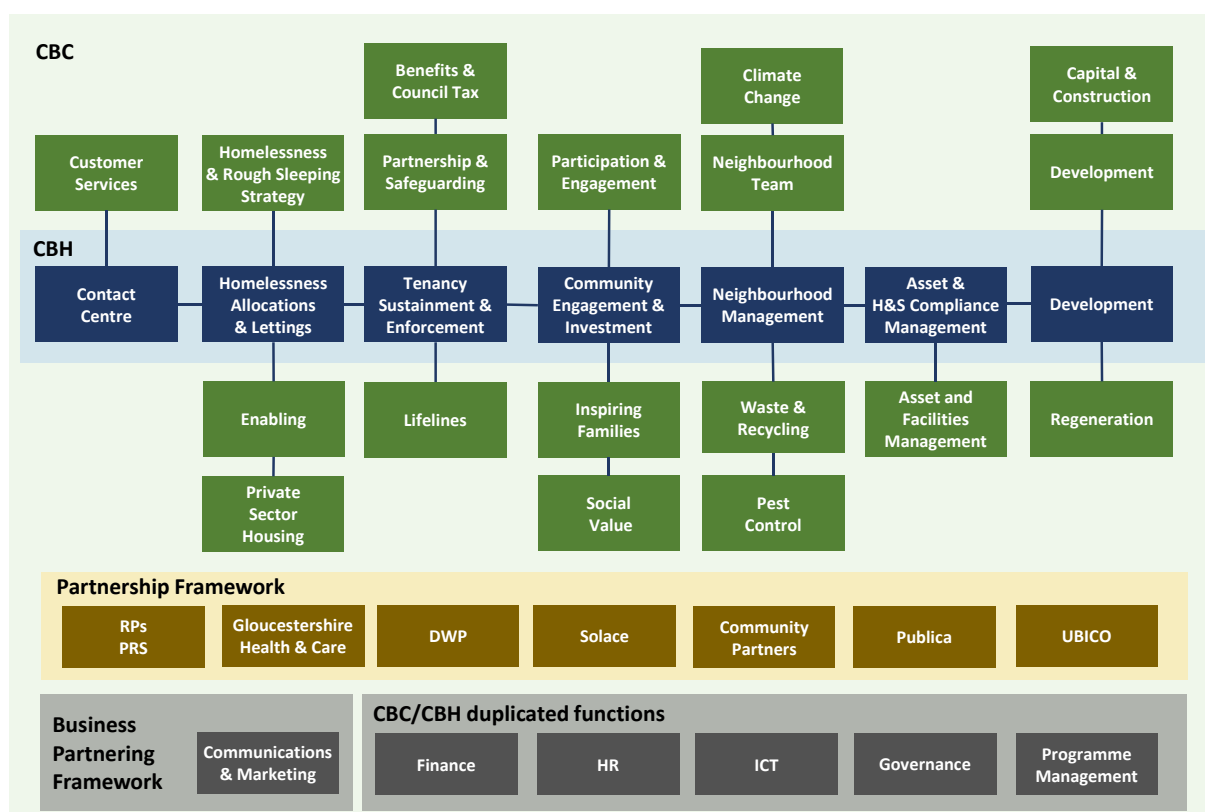
- 4.30 Cheltenham has ambitious plans for transforming the lives of residents, that depend on the rapid provision of new homes and the reinvestment in existing homes. It is also seeking to start meaningful conversations with local communities to rethink the way services are delivered so that they better 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.



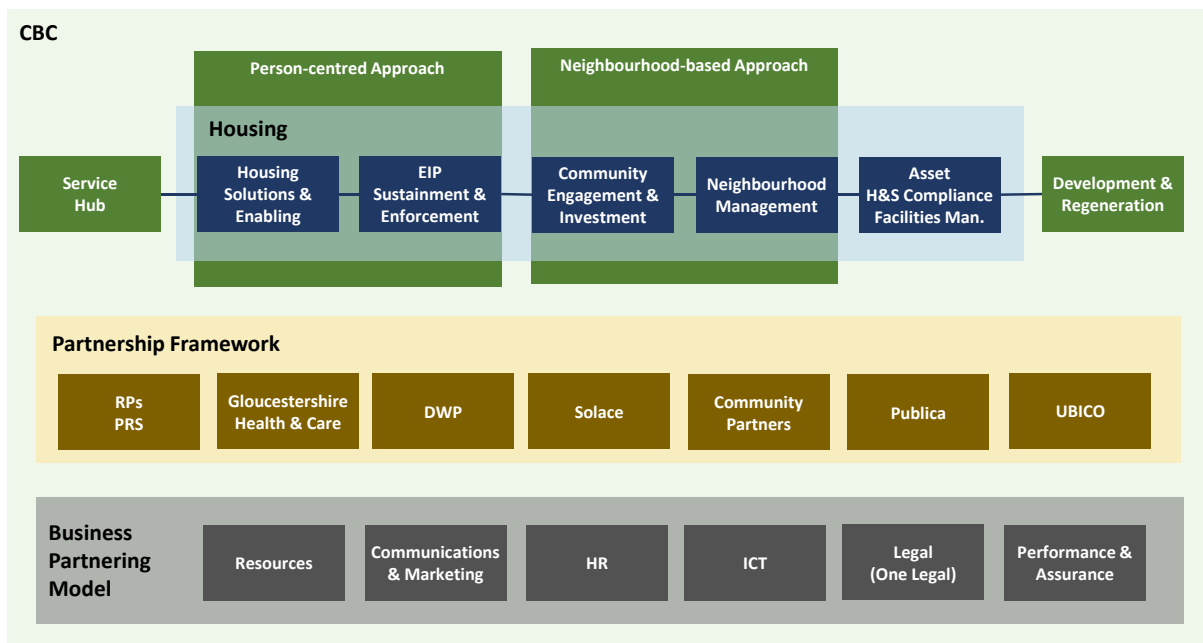
5.3 When represented in this way, current service duplications and overlaps, areas for realising synergies and driving efficiencies become obvious:

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

Cheltenham Owned Housing Stock (31/03/22)			
Homes by Tenure	CBC	CBH	Total
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
Total homes	4,999	123	5,122

- 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

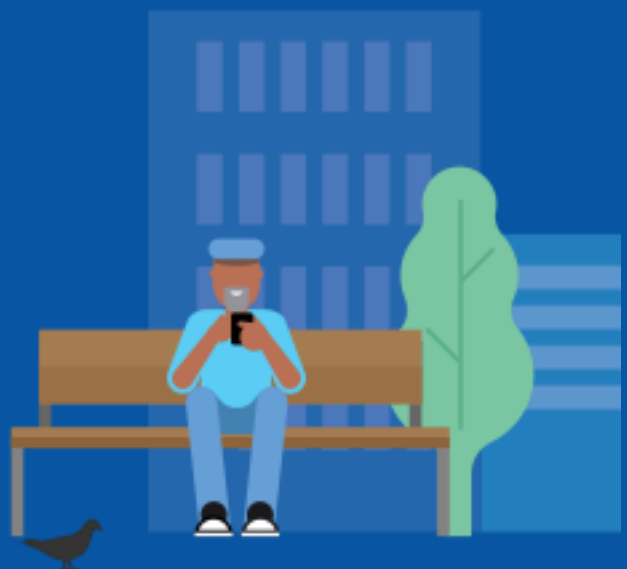
- 7.8 A bold and immediate response is required to deliver the strategic objectives of Cheltenham, whilst remaining sustainable and compliant. CT recommends that Cheltenham considers the following set of phased actions to deliver the change needed in a structured and de-risked way:
1. Confirm and agree 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 17 October 2023

Budget Strategy, Process & Timetable 2024-25

Accountable member:

Cllr Peter Jeffries, Cabinet Member for Finance and Assets

Accountable officer:

Gemma Bell, Director of Finance and Assets (Deputy Section 152 Officer)

Ward(s) affected:

All

Key Decision: No

Executive summary:

The purpose of this report is to propose a broad strategy and outline a process for setting the budget and council tax for 2024-25. It outlines a number of principles that need to be established at this stage to enable budget preparation to commence.

Recommendations: That Cabinet:

- 1. approves the budget setting timetable at Appendix 2 and outlined in section 5 of this report.**
- 2. approves the outline budget strategy outlined in section 6**
- 3. notes the £475k overspend reported to Cabinet in September 2023 and large amount of work which will be required to close this gap and deliver the required savings and efficiencies in 2023/24.**
- 4. notes the intention for this Council to remain in the Gloucestershire Business Rates Pool in 2024-25 as outlined in section 7**

5. requests that the Section 151 Officer, Deputy Section 151 Officer and the Cabinet Member for Finance and Asses consider suggestions from the Budget Scrutiny Working Group in preparing the interim budget proposals for 2024-25

1. Implications

1.1 Financial, Property and Asset implications

This report sets out the budgetary process for 2023-24 and the general financial parameters under which the budget will be prepared.

There are no property/asset implications arising from the content of the report or recommendations.

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

1.2 Legal implications

None specifically arising from the report recommendations. The budget setting process is governed by the Budget and Policy Framework Rules (contained in the Council Constitution) and the process recommended in this report is designed to meet the requirements of those Rules.

Signed off by: One Legal, legalservices@onelegal.co.uk

1.3 Environmental and climate change implications

The annual budget aims to deliver the outcomes defined by the Council's corporate business plan, including the priority to be carbon neutral by 2030, and resourcing should be aligned to the delivery of corporate plan priorities.

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

1.4 Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Enhancing Cheltenham's reputation as the cyber capital of the UK
- Working with residents, communities and businesses to help make Cheltenham #netzero 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
-

2 Background

- 2.1 The responsibility for preparing the budget in line with the Council's policy framework, taking proper account of technical and professional advice and presenting proposals to Council for approval, lies with the Cabinet.
- 2.2 It is customary for the Cabinet Member for Finance and Assets, at this time of year, to present a report on the budget process. Accordingly, this report aims to outline a process designed to arrive at an acceptable budget.
- 2.3 The budget and policy framework requires that the Council publish a timetable setting out the key dates in the budget setting process. A draft budget timetable, attached for approval at Appendix 2, sets out the sequence of events leading up to the setting of the budget and council tax level for 2024-25. The timetable allows sufficient time to consider alternative budget proposals or amendments put forward to the budget proposed by the Cabinet.

3 The Budget Setting Timetable and Process

- 3.1 The proposed key stages in the process for setting the budget for 2024-25 are summarised in the timetable at Appendix 2 and are detailed below. The timing of events may change as the process develops.

Budget Preparation

- 3.2 Between October and December 2023, the Cabinet Member for Finance and Assets and officers will work with the Cabinet towards the creation of 'interim budget' proposals which will make the following assumptions:
- The projection will be for a standstill budget, prepared under a general philosophy of no growth in levels of service.
 - Budgeted for employee pay inflation and an increase in member's allowances for 2024-25 which will include contingency for any pay award.
 - An inflationary increase of the relevant costs in the base budget.
 - The impact of prevailing interest rates on the investment portfolio will be assessed in preparing the budget. The Treasury Management Panel will consider the position in respect of treasury management activity during the budget setting cycle.
 - An assessment of the charges to be made to Cheltenham Borough Homes and the Housing Revenue Account will be incorporated in the budget proposals, including assessing the impact on the General Fund of the change in activity for 2023-24 and beyond.
 - A council tax increase of 3% will be used for modelling purposes

Publication of Initial Budget Proposals

3.3 The Cabinet will present its initial budget proposals and publish them for consultation in line with the advertised plan. The initial budget proposals will include all general fund revenue, capital and housing revenue account estimates to meet a balanced budget, together with assumptions made on future council tax and rent levels.

3.4 The Budget Scrutiny Working Group will also support the budget process during this consultation period by considering options for addressing any funding gap. The consultation process is outlined in more detail in Section 10. This also provides an opportunity for alternative budget proposals to be submitted to the Director of Finance & Assets assessment.

Final Budget Proposals and Council Approval

3.5 At the end of the consultation period, the Cabinet will draw up firm budget proposals having regard to the responses received. In drawing together its budget proposals to Council the report will reflect the comments made by consultees and the Cabinet's response. The firm budget proposals will be presented to Council at the budget setting meeting for decision in February 2024.

Housing Revenue Accounts

3.6 Draft proposals for the Housing Revenue Account will also form part of the same process for considering the General Fund revenue and capital budgets.

4 Cabinet Budget Strategy

4.1 The 2023-24 budget monitoring report presented in September 2023 reported a forecast net overspend against the budget of £475k for the current financial year. The variances will continue to be monitored through the year, in particular the assumptions underpinning the wider economic pressures which make up the largest part of the forecast overspend for borrowing costs.

4.2 Our current financial position demonstrates that even with the financial planning decisions taken by Officers and Members over recent years, we are still facing significant uncertainty and volatility in managing the resources available to the Council to deliver services to our residents and communities.

4.3 The proposal to fund the projected overspend using balances and reserves will provide the council with a short term solution. However, with pressures such as interest rates and high levels of inflation this is not a sustainable funding mechanism.

4.4 Balances and reserves have reached their lowest levels in years. In particular, after using £2.6m of general balances to support the budget in 2022/23 we cannot continue to rely on finite resources to meet the budget gap. To continue providing high-quality services to residents, decisions need to be taken about savings and efficiencies in order to replenish the resources used since 2020/21.

4.5 The 2024/25 budget proposal and Medium Term Financial Strategy need to set out how the council will balance these long and short term pressures, ensure levels of reserves are

maintained appropriately whilst also continuing to focus resources on our key priorities. This is a huge challenge and Officers and Members will need to continue to be proactive in reviewing efficiencies and prioritising resources to bridge the budget gap.

4.6 In 2023/24 a four-year savings strategy was approved which was weighted towards delivering £1.3m of base budget savings in year one. This is an incredibly ambitious target, particularly in the current economic environment and officers and Members have been working together to review options for re-aligning our resources.

4.7 A specific focus of this strategy has been reviewing discretionary spend across all service areas against the Corporate Plan to determine whether services can be delivered differently and ensure the Council are able to achieve our key priorities.

4.8 Some proposals have already been implemented and key decisions taken where applicable in line with the constitution. Further proposals are being developed in consultation with the Cabinet to build a four-year plan to balance the budget gap. The four-year proposal will be available as part of the draft budget for consultation in December 2023.

5 Business Rates Retention – Pooling Arrangements

5.1 In October 2012, Council approved the principal of Cheltenham joining the Gloucestershire Business Rates Pool, subject to a thorough assessment of risks and rewards and agreement of satisfactory governance arrangements.

5.2 Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.

5.3 The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership.

5.4 The anticipated level of business rates due to this Council in 2023-24 indicates growth based on the previous year and is still forecast to be above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in Cheltenham still being liable to a 'levy'.

5.5 Taking the above into account, it is the opinion of the Deputy Section 151 Officer that this Council will benefit from remaining in the pool in 2024-25 as it will result in a reduction in the levy payment due to Government, which will be distributed in accordance with the governance arrangements.

6 Reasons for recommendations

6.1 The council is required to agree a budget process and timetable as part of the Financial Regulations set out in the council's constitution.

7 Alternative options considered

7.1 It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Director of Finance & Assets (preferably channelled

through one Group representative) to ensure that the purpose, output and source of funding of any proposed change is identified.

7.2 Given the financial pressures and the potentially very difficult decisions which will have to be made, it is very important that there is time for members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

8 Consultation and feedback

8.1 The formal budget consultation period will be no less than four weeks and will take place during 20 December 2023 to 26 January 2024. The Cabinet will seek to ensure that the opportunity to have input into the budget consultation process is publicised to the widest possible audience. During the consultation period all interested parties will be welcome to provide feedback on the initial budget proposals. Groups, businesses, tenants, residents, staff and trade unions will be encouraged to comment on the draft budget proposals at this time. They will be asked to identify, as far as possible, how alternative proposals complement the Council's Corporate Plan, how they will be financed, and how they will help the Council to achieve best value. Presentations will be made to key business groups as part of the consultation process.

8.2 The Budget Scrutiny Working Group and Overview and Scrutiny Committee will be invited to review the interim budget proposals in the meetings scheduled for 11 January 2024 and feed any comments back to the Cabinet.

8.3 Whilst the Cabinet will be as flexible as possible, it is unlikely that any comments received after the consultation period can be properly assessed to consider their full implications and to be built into the budget. Accordingly, if alternative budget proposals are to come forward, this should happen as early as possible.

8.4 All comments relating to the initial budget proposals should be returned to the Director of Finance & Assets by the end of the consultation period for consideration by the Cabinet in preparing their final budget proposals. Consultation questionnaires will be available in key locations and for completion on line via the Council's website. Comments can be e-mailed to moneymatters@cheltenham.gov.uk.

9 Key risks

9.1 The key risks are set out in Appendix 1.

Report author:

Jon Whitlock, Chief Accountant, jon.whitlock@cheltenham.gov.uk

Appendices:

1. Risk Assessment
2. Budget Setting Timetable

Background information:

Budget Monitoring Report 2023-24 – Position at 30 June 2023

Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
347	If energy costs keep rising / fluctuating as per the current market then it impacts on our ability to accurately budget/forecast expenditure and may impact on our the investments we can make in projects / programs whilst still being able to achieve our MTFS	Gemma Bell, Director of Finance and Assets	4	4	16	Reduce	This policy and the associated action plans.	Gemma Bell, Director of Finance and Assets	Ongoing
	If the Council is unable to come up with long term solutions which close the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision.	Cabinet	5	3	15	Reduce	The budget strategy projection includes 'targets' for work streams to close the funding gap which aligns with the council's corporate priorities.	ED Finance and Assets	Ongoing

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	If the Budget Strategy (Support) Reserve is not suitably resourced insufficient reserves will be available to cover anticipated future deficits resulting in the use of General Balances which will consequently fall below the minimum required level as recommended by the Section 151 Officer in the council's Medium Term Financial Strategy	ED Finance and Assets	5	4	20	Reduce	The MTFS is clear about the need to enhance reserves and identifies a required reserves strategy for managing this issue. In preparing the budget for 2020/21 and in ongoing budget monitoring, consideration will continue to be given to the use of fortuitous windfalls and potential future under spends with a view to strengthening reserves whenever possible.	ED Finance and Assets	Ongoing
	If income streams from the introduction of the business rates retention scheme in April 2013 are impacted by the loss of major business	ED Finance and Assets	5	4	20	Accept & Monitor	The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates	ED Finance and Assets	Ongoing

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	and the constrained ability to grow the business rates in the town then the MTFS budget gap may increase.						<p>revenues retained by the Council.</p> <p>The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool / pilot.</p> <p>Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.</p>		
	If the robustness of the income proposals is not sound then there is a risk that the income identified within the budget will not materialise during the course of the year.	ED Finance and Assets	4	4	16	Reduce	Robust forecasting is applied in preparing budget targets taking into account previous income targets, collection rates and prevailing economic conditions. Professional	ED Finance and Assets	Ongoing

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
							judgement is used in the setting / delivery of income targets. Greater focus on cost control and income generation will be prioritised to mitigate the risk of income fluctuations.		
	If the assumptions around government support, business rates income, impact of changes to council tax discounts prove to be incorrect, then there is likely to be increased volatility around future funding streams.	ED Finance and Assets	5	3	15	Reduce	Work with Publica and countywide CFO's to monitor changes to local government financing regime including responding to government consultation on changes Business Rates and the Fair Funding review. The assumptions regarding government support have been mitigated to a certain extent by the acceptance of a multi-year settlement agreement.	ED Finance and Assets	Ongoing

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	If government support to compensate this Council for the impact of COVID-19 is insufficient, greater reliance will be placed on the use of reserves, service reduction and asset sales.	ED Finance and Assets	5	3	15	Reduce	<p>The Council will continue to lobby for additional resource, as promised by Central Government from the outset of the pandemic.</p> <p>Work programmes are underway to review service provision, capital programmes and rationalisation of assets.</p>	ED Finance and Assets	Ongoing

Appendix 2: Budget Setting Timetable

Date	Action
October and November 2023	Leadership Team work with the Cabinet Member for Finance & Assets to identify options for efficiencies and additional income.
13 October 2023	Deadline to submit taxbase calculation.
17 October 2023	Cabinet approve the budget strategy - guidelines, timetable and estimated funding gap for 2024/25 and the Cabinet's approach to the budget / MTFS
22 November 2023	Government Autumn Statement announcement.
13 November 2023	Treasury Management Panel to consider budget estimates for treasury management budget assumptions.
5 December 2023	Deadline for preparation of the draft budget, including proposals for savings / income and growth to be identified for the council and its partner organisations.
5 December 2023	Calculate taxbase figure for Section 151 Officer. Sign off under delegated powers and production of briefing note for Lead Member after council decision on 11 December re council tax support scheme
11 December 2023	Council approves council tax support scheme.
11 December 2023	S151 Officer to sign off the Council tax base
19 December 2023	Cabinet present interim budget proposals for consultation incorporating partner organisations budgets including proposals for growth, savings and levels of fees and charges.
20 December 2023 to 26 January 2024	Cabinet consult on interim budget proposals including the public and the business community
Throughout January 2023	Trade Union meetings on draft budget proposals.
	Budget Working group - review consultation and make recs to O&S committee on budget
	O&S Committee consider recommendations from budget working group and forward to Cabinet/Council
	Treasury Management Panel – consider final recommendations to Cabinet in respect of treasury management activity
26 January 2023	Deadline for submission of alternative budget proposals to Financial Services for validation.
26 January 2023	Deadline for preparation of final council budget incorporating final proposals for savings / income and growth from partner organisations.
30 January 2024	Deadline for Cabinet/Council papers on final budget proposal and consultation exercise
31 January 2023	Approve final NNDR1 estimate and advise County Council and DLUHC
6 February 2024	Police & Crime Panel notify level of precept
13 February 2024	Cabinet present final budget proposals including response to consultation exercise
21 February 2024	County Council due to approve budget and set Council Tax level
23 February 2024	Council meet to approve Cheltenham Borough Council budget - approve proposed Cabinet or alternative budget (approved in principal) and the Council tax resolution (includes GCC and police tax)
24 February 2024 – 28 February 2024	Council tax bill processing
29 February 2024 – 6 March 2024	Council tax bills printed/packed
By 15 March 2024	Collection Fund Bills to be issued (14 days notice required before first payment - some payments due on 1st April)

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