

Information/Discussion Paper

Overview and Scrutiny 18 January 2021

Strategic Housing Review

1. Why has this report come to Overview and Scrutiny?

- 1.1. This report provides the Overview and Scrutiny Committee with the opportunity to review the final draft of the independent strategic housing review report which was completed in mid-December 2020. Cabinet are due to receive and consider the report on the 26 January, this allows Overview and Scrutiny to provide feedback and any recommendations for Cabinet to consider in advance of the January meeting.

2. Introduction & Context

- 2.1. Cheltenham Borough Homes (CBH) has operated as a successful Arm's Length Management Organisation (ALMO) since 2003 and has owned its own homes as a registered provider since 2011.
- 2.2. CBC and CBH have established a successful and lasting partnership which has resulted in CBH recently achieving a 90% satisfaction rating amongst customers. In the last year, CBH has also progressed a governance review and is implementing actions from that review.
- 2.3. Covid-19 has challenged Cheltenham in a way that has not been seen since the Second World War. The impact of the global pandemic has had a fundamental and lasting impact on Cheltenham Borough Council. In November, the Council unanimously agreed a Covid-19 recovery budget to respond to the funding challenges created by the pandemic which saw demand and costs increase while critical income streams - directly used to fund core services, reduce. Beyond safeguarding the Council's financial position, Covid-19 has had far reaching implications for how residents, businesses and customers interact with and access services from the Council and its partner organisations. Experiencing months of restrictions to control the spread of the virus has encouraged a more agile culture within the council and its partners. There has been a rapid and lasting shift to online and remote solutions while the extensive volunteer effort to support vulnerable residents has underlined the capacity, strength and cohesion within the community and third sector.
- 2.4. In addition, the UK's exit from the European Union and the evolution of UK's trading relationships will add further uncertainty and potentially present both challenges and opportunities to the local and national economy.
- 2.5. Despite the scale of these short, medium and long-term challenges, both CBC and CBH retain significant corporate ambitions. This includes the shared strategic aims of progressing the Golden Valley development to the West of Cheltenham to solidify Cheltenham's position as the Cyber capital of the UK and a £180m investment programme in homes within the Borough. Furthermore, both the Council and CBH have a shared endeavour to ensure that the benefits of future growth is inclusive, delivers benefits for everyone in Cheltenham and helps to raise opportunity and

reduce poverty for children.

- 2.6. The existing partnership between CBC and CBH has undoubtedly delivered success and it is widely recognised that CBH provides a high performing and well-regarded service. However, the unique challenges and opportunities presented in 2020, combined with the scale of the shared ambitions demonstrated that it was important to undertake an independent review of housing to ensure that the Council is best placed to achieve its corporate priorities going forward and meet the current and future needs of Cheltenham Borough.
- 2.7. While the response to Covid-19 had undoubtedly placed significant extra demands on both CBC and CBH, it was felt that a review could be completed without any detrimental impact to core service provision or affect capability to respond to any further or changing demands created by the global pandemic.

3. Independent Review & Partnership Approach

- 3.1. It was agreed from the outset that a review of the housing service would be jointly commissioned by CBC and CBH and that an external provider would be best placed to provide a genuinely independent viewpoint to add maximum value to both organisations.
- 3.2. In 2018 Campbell Tickell (CT) worked with CBH to provide a governance review of the organisation and provided a series of recommendations for CBH to review and implement. In addition, Campbell Tickell have previously undertaken work for CBC Overview and Scrutiny and for CBC partner organisations gaining extensive knowledge of Cheltenham and its governance. CT are also highly respected specialists within the housing sector.
- 3.3. Due to their existing knowledge of CBH gained from previous work, combined with their bespoke housing expertise, Campbell Tickell offered both the specialism and best value for money option to the CBC/CBH to fulfil the requirements of a meaningful review.

4. Scope

- 4.1. The scope of any strategic review is critical to inform the extent of the options to explore. When reviewing options for housing provision there are broadly three core options available to local authorities:
 1. In-house
 2. Arms-length management organisation (ALMO)
 3. Large scale voluntary transfer
- 4.2. From reviewing the Administration's priorities and CBC's corporate objectives – particularly those relating to the Golden Valley programme and commitment to delivering significant housing investment, it was concluded that the option of a stock transfer should be ruled as out of scope from that outset as it did not align with the strategic ambitions of the council.
- 4.3. Therefore the core scope for Campbell Tickell to review included two primary options to explore. However, to recognise the extent to which the existing ALMO partnership had performed well for the Council to date, it was concluded that a particular focus of the review should concentrate on identifying opportunities for how the relationship

could evolve, strengthen and deliver better outcomes for the borough's communities and better support achieving shared corporate priorities going forward.

- 4.4. The option of bringing the service back in house was left in scope as an important means to provide a viable alternative comparator from which to test and measure the success of the existing partnership and identify areas for improvement.

5. Outline Brief

- 5.1. CBC/CBH worked jointly to develop and finalise an outline brief for CT. This included:

- Programme of joint meetings through July-September 2020
- Review of strategic documents and outcomes in CBC and CBH
- Information gathering, including relevant financial information and performance data
- Initial identification of potential areas of opportunity/exploration

- 5.2. The brief for Campbell Tickell included the following excerpt setting out broad areas to explore and review:

- **People & services** – identifying areas to strengthen skills, resilience, maximising efficiency and delivery of outcomes
- **Assets & regeneration** – e.g., opportunities to expedite and improve the delivery of key housing projects and schemes including bringing about a step change in affordable and regeneration delivery whilst also seeking to enter into the Private rented and private for sale market. Other areas of potential benefit should also be included if identified.
- A review of the ALMO as primary provider of housing management services to the Council. This review will include comparative/benchmarking analysis on the delivery of these services including performance, satisfaction and costs.
- A review of the level of service delivered as compared to requirements in the management agreement, HRA business plan, statutory responsibilities and good practice in the sector.
- A high level review of CBH's revised business plan and assessment of the 11 priorities therein and their alignment to CBC's corporate aims

- 5.3. Key areas that the review aimed to be measured against were suggested to CT as follows:

- Delivering efficient high quality housing services that are rated highly by customers and deliver value for money
- Adding value to existing housing customers
- Financial resilience and sustainability of both the General Fund and HRA
- Efficient and strategic use of management and staff, overhead costs and support services to benefit both the Council and the ALMO
- Ability to deliver wider strategic outcomes, particularly present in Cheltenham's Covid-19 Recovery Strategy, Corporate Plan and Place Vision

6. Independence & Engagement

- 6.1. Integral to the brief was the review would be maintaining independence, therefore, during the process of developing a report, CT provided joint briefings to both CBC and CBH to ensure that both organisations were not given preferential access or advance knowledge of findings.
- 6.2. In addition, it was identified that to complete a meaningful and rounded review that stakeholder engagement would be essential. Example of stakeholders included in engagement is as follows:
 - CBH/CBC employees
 - Councillors, including Leader, Cabinet Members and Group Leaders
 - CBH tenants and CBH Board Members

7. Campbell Tickell Report

- 7.1. Following background research, engagement and draft report writing in October and November 2020, Campbell Tickell completed a final draft report on the 17 December.

The full Campbell Tickell Report can be found in **Appendix 1**.

- 7.2. However, key excerpts taken directly from the CT report executive summary setting out key findings and conclusions from the report are as follows:

- 7.2.1. CBH is a focused housing management organisation with a committed team that is widely perceived by stakeholders as delivering effectively on the ground in an increasingly challenging operating environment. Tenants trust and value the services provided and CBH benchmarks highly against its peers with regards overall satisfaction with the service provided and also in terms of value for money for the rent they pay.
- 7.2.2. The condition of the stock managed by CBH is well understood and investment needs appropriately modelled and accommodated within the HRA Business Plan.
- 7.2.3. The impact of becoming carbon neutral by 2030 is yet to be fully modelled, financing agreed, or a delivery plan formulated. This is an opportunity that can be progressed.
- 7.2.4. CBH has delivered a range of regeneration and affordable homes schemes and has made spot purchases of homes to offset right-to-buy losses. However, CBH needs to expedite the delivery of the 500 affordable home in its pipeline. With the right skills investment CBH could be equipped to become the Council's developer of choice.
- 7.2.5. HRA cashflows are projected to be sufficient to meet the investment needs of the existing stock, as well as supporting the delivery of a programme to build more than 500 new homes. The HRA is projected to remain in balance over the 30 year plan.

Option 1: Retain CBH

- 7.2.6. We estimate the annual operational savings achievable through adopting this model to be worth £397k and with management savings worth £90k.

However, stakeholder priorities will determine the balance to be struck between the level of savings made, and how available resources are reinvested in growth, capacity building or sustaining service quality. The strength of this option is that it maintains continuity and avoids any possible loss of focus, whilst building on the service strengths and community connections promoted by CBH.

7.2.7. Opportunities within a future CBC/CBH partnership, underpinned by an updated Management Agreement and Business Plan include:

- A more closely and strategically aligned remit for CBH
- A reinvigorated Partnership Framework
- A Target Operating Model that maximises the potential of digital self-service and delivery processes, effective neighbourhood working, co-working and shared service opportunities with CBC
- A refreshed Service Offer to tenants,
- An agreed Community Development and Investment Framework based on community asset mapping and support a whole system approach in Cheltenham;
- A more commercial approach that delivers income through provision of services beyond the Council
- A Partnership Offer to be defined within three months, will set out agreed efficiency targets and transformation priorities

Option 2: Return the service to Council control

7.2.8. The rationale for returning the ALMO to Council control is that it would provide CBC with direct control of a critical service at a time when it is seeking to transform the way it delivers services, to invest substantially in both new and existing Council homes and to make best use of scarce resources. This option would:

- Enable direct control and coordination of services, critical programmes & priorities, community development and investment;
- Create management efficiencies and reduce ALMO operating overhead.

7.2.9. Bringing the service in-house would remove the majority of the ALMO management overhead and potentially save £331k p.a., plus overheads of £650k. The cost of transition is estimated to be £1,000k. These figures are inclusive of the potential savings identified under the Retain option, and also allow for the new senior management structure within CBC that would be required to ensure effective transition and ongoing management of the housing stock.

7.2.10. Tenants must be consulted, and the majority support the change through a Test of Opinion ballot. Staff buy-in is also essential in achieving a smooth transition and realising the anticipated outcomes. To be successful an in-house model would require:

- An Offer to tenants that is clear about the purpose of the change, a vision for the service and how it will benefit them and their communities,

- An organisational design that will optimise the capacity and capability of the Council to deliver the new service model
 - A Transition Plan to be defined within three months, will set out agreed efficiency targets and transformation priorities,
- 7.2.11. The main risk with returning the service to Council control is the loss of the momentum gained by CBH, and loss of focus, when it needs to achieve demonstrably needs to achieve more.
- 7.2.12. Cheltenham is facing an exceptional challenge in charting a course within an increasingly challenging and complex Covid-driven operating environment, with individuals and communities seeking opportunities to improve their life-chances, wellbeing and prosperity, and to secure a fair share of the investment being planned for West Cheltenham.
- 7.2.13. CBH has built a trusted role within communities through local focus and engagement. Stakeholders must therefore weigh-up the value of this independence against the economies of scale and a whole community approach delivered centrally through the Council.
- 7.2.14. Whilst the choice between the Retain and Return options lies fully with the stakeholders of Cheltenham, from our analysis of the evidence base, **we recommend that Cheltenham builds upon the ALMO partnership and retains CBH**, on the basis that:
- CBH is a strong partner, delivers high quality services and is an island of stability within an uncertain and increasingly challenging operating environment;
 - Working relationships are fundamentally strong
 - The likelihood of achieving the ambitious goals set for Cheltenham will be far greater if built upon the strengths of the current partnership
- 7.2.15. Ultimately, the Council is accountable to the people of Cheltenham and in considering the future of CBH, specifically its tenants. We recommend that in proceeding with this review, the opportunity is taken to engage fully and effectively with as many tenants and local stakeholders as possible, seeking to draw people into a debate about the nature of the services delivered and their priorities for the future.

8. Next Steps

- 8.1. The Campbell Tickell report will be presented to Cabinet on the 26th January and include
- recommendations based on the findings of the CT report
 - outline governance to manage and implement any transformation
 - potential work-streams and priority areas for implementation
 - proposed mechanisms for monitoring progress to achieving project milestones and success of measures introduced
 - Reporting and monitoring of transformation and implementation. The existing structure of the Management Agreement and HRA business plan will continue to

provide a robust framework to measure delivery of priorities and milestones within the ALMO model.

- subsequent reports to be presented for agreement to Cabinet where appropriate

8.2. In advance of Cabinet receiving the CT report, Members of the Overview and Scrutiny Committee have the opportunity to review and provide feedback on the report as well as make any suggestions or recommendations for Cabinet to consider prior to their meeting on the 26th of January.

Gareth Edmundson

Chief Executive