

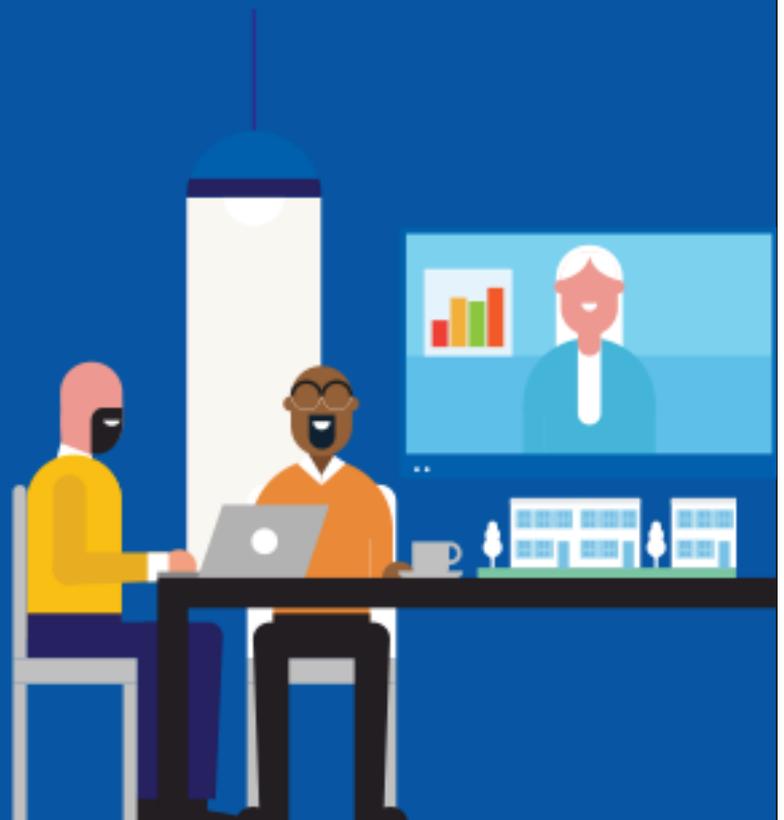
CAMPBELL
TICKELL



Strategic Housing Review

Draft Final Report

December 2020



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1. EXECUTIVE SUMMARY

Introduction

- 1.1 Cheltenham Borough Council (CBC) has commissioned a strategic review of its future housing management options from Campbell Tickell (CT), having regard to ability of the current management arrangement of its housing service, currently delivered by its Arms-length Management Organisation (ALMO), Cheltenham Borough Homes (CBH) to provide effective, resilient and value for money services for Cheltenham in the long term.
- 1.2 In common with every other local authority, CBC has experienced a significantly tougher operating environment over recent years, driven by austerity, the four-year rent freeze and the ongoing response to the Grenfell tragedy. However, complex these challenges may be, the impact of Covid is and will continue to be sustainability threatening, and has forced a full reset of operating environment priorities and assessment of operating models.
- 1.3 Cheltenham has also set an ambitious target to become carbon neutral by 2030 and is also seeking to provide 500 new affordable homes over the next five years. The level of investment required to realise these goals necessitates a holistic review of the HRA and the current housing delivery model. In addition, the regeneration of West Cheltenham will deliver approximately 3,700 new homes and present opportunities for communities and residents.
- 1.4 This review provides an external due diligence of the current service model and consider two options for the future management of the service:
 - **Option 1:** *Retain* the current devolved management arrangement delivered by CBH;
 - **Option 2:** *Return* the provision of housing management services to Council control.
- 1.5 A set of five criteria, focused on the need to achieve a balance between cost and quality of service delivery, sustainability, deliverability, and future potential, will be used to assess which option will best:
 - Sustain the quality of services provided and satisfaction with them;
 - Sustain both the Housing Revenue Account and General Fund, whilst maximising available resources;
 - Deliver within the legislative context and at an acceptable level of risk;
 - Deliver CBC strategic objectives:
 - Deliver the £180m affordable homes programme;
 - Be carbon neutral by 2030;
 - Deliver a community-based approach to tackling inequality and ensure all communities benefit from the improvements and investments made;
 - Make services more responsive and efficient, maximising shared use of assets and resources to unlock value and deliver efficiencies;
 - Deliver creative commercial income opportunities with service partners;
 - Deliver wider community outcomes.

Current service assessment

- 1.6 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.
- 1.7 CBH's relative strength lies in the holistic view it takes of tenancy and asset management, in sustaining tenancies, in providing support to vulnerable residents, and in repairing homes to a high standard. This holistic approach also underpins community partnerships built to support vulnerable residents in the communities in which CBH operates and through the delivery of housing options and homelessness prevention services on behalf of CBC. Neighbourhood-based services such as ASB are highly responsive, although there is a level of parallel working with CBC functions, where synergies could be realised. CBH also works with the Council through a range of partnerships to foster community development, however greater clarity of approach and a change of emphasis from delivery to commissioning could be better placed to enable communities to achieve greater resilience from within.
- 1.8 The condition of the stock managed by CBH is well understood and investment needs appropriately modelled and accommodated within the *HRA Business Plan*. Whilst homes meet the Decent Homes Standard, there is a relatively high level of non-traditional prefab stock in the portfolio. An active asset management approach has been adopted to ensure the stock meets ongoing needs and financial performance criteria. However, 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.
- 1.9 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 raise its game significantly to deliver the 500 affordable home in its pipeline. The skills needed to deliver more commercially focused elements of the affordable housing programme are not well developed in CBH, and furthermore, the delivery of the programme needs a single central point of executive management and oversight. With skills investment however, CBH could be equipped to become the Council's developer of choice.
- 1.10 Whilst the partnership between CBC and CBH is fundamentally strong, in formulating a sustainable Covid recovery strategy, alongside delivering ambitious corporate goals, stakeholders are rightly questioning whether the degree of uncoupling between CBC as the landlord and CBH its agent is now compromising the delivery of broader objectives.
- 1.11 CBH is a well-resourced operation relative to the size of stock it manages. The investment in systems already made can be used to transform the CBH operating model and align it more closely with CBC, through digitisation, refreshed operational and organisational design, co-delivery of neighbourhood based services, co-location with CBC and the adoption of a cost-effective shared services model. This also provides scope for CBH to develop a commercial offering aimed at Cheltenham's RPs and private landlords.

Facing the future

- 1.12 Covid has created a stark new operating reality for public services, and the increased level of demand that this has placed on services will be experienced for many years to come. To sustain housing-centred service models, demand must be dissipated through community based solutions that enable individuals to find solutions to problems for themselves, with slimline universal services acting as gatekeepers to high-cost needs-based services, and with location-based services targeted to address local needs. Against this backdrop, Cheltenham must examine its own operating model to ensure it is optimally configured to deliver a sustainable level of service, whilst targeting resource in the most cost efficient, productive and needs focused manner possible. Additionally, the *Charter for Social Housing Residents* raises the regulatory bar for Local Authorities with respect to the *Consumer Standard for Social Housing* and in listening to and responding to the aspirations of tenants.

HRA sustainability

- 1.13 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, whilst meeting the additional borrowing costs of delivering the current development programme. Whilst the approach to achieving a carbon neutral Cheltenham has yet to be defined in detail, on the basis of preliminary modelling undertaken as part of this review, and assuming the costs are in the region of those modelled, the HRA could potentially take on additional borrowing in order to fund the costs. However, this would be subject to meeting the debt reduction target of 50%. This could be delivered through identifying savings or via more support from Central Government.

The two delivery options

- 1.14 Based on the analysis above, in our opinion, both options, Option 1: Retain CBH and 2: Return the service to Council Control, are valid paths for Cheltenham to select, but each has strengths and weaknesses, opportunities and risks associated with it, that need careful consideration.

Option 1: Retain CBH

- 1.15 CBH has operated effectively at relative arms-length within the terms of its management agreement since 2003, it has delivered Decent Homes, delivers high quality services valued by tenants and has developed highly valued community connections. However, within the new operating environment and with raised expectations of wider partnership delivery, it is appropriate for stakeholders to review at this point the overall value and sustainability of delivering housing services under the ALMO model.
- 1.16 For CBH to be considered as a fully credible delivery vehicle for the housing service moving forward, a realignment of its remit is required to dovetail with the strategic and operational priorities of the Council, combined with whole system transformation to create a more

integrated and cost-effective delivery model with CBC, sharing resources and with a joined-up approach to delivery, capable of realising wider outcomes for Cheltenham. It requires:

- A more closely and strategically aligned remit for CBH set-out within a refreshed Management Agreement and a Business Plan reflecting the Council's vision and values, strategic ambitions and housing strategy and cross-working objectives;
- A reinvigorated Partnership Framework with improved stakeholder engagement and communication, and an Intelligent Clienting Framework that will enable an effective partnership to flourish;
- 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 covering finance, information systems, HR, Comms, Asset Management and Development;
- A refreshed Service Offer to tenants, with increased levels of accountability, consideration of a Tenant Board, and universal Accommodation Pathway offer;
- An agreed Community Development and Investment Framework based on community asset mapping that will enable CBH to use its position within the local community to commission and support a whole system approach in Cheltenham;
- A more commercial approach that delivers income through provision of services beyond the Council, and potentially having its capacity bolstered to become the Council's development partner of choice;
- A *Partnership Offer* to be defined within three months, will set out agreed efficiency targets and transformation priorities, with a focus on quick wins and the programme to be delivered within 12 months, with savings accruing over a period of time.

1.17 We estimate the annual operational savings achievable through adopting this model to be worth £397k and with management savings worth £90k. The operational savings allow for the cessation of occupation of Cheltenham House. The cost of transition is estimated to be £175k and would be spread over the implementation period. 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.

1.18 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. The risk inherent in the ALMO model is the additional management cost and that the Council is dependent on the effectiveness and quality of the relationship to deliver the change necessary and to achieve key service objectives moving forward.

Option 2: Return the service to Council control

1.19 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 the close alignment of service delivery across Cheltenham;
- Enable direct coordination of community development and investment;
- Enable direct control of critical programmes such as affordable homes and carbon neutral;
- Eliminate a decision making and management layer;
- Eliminate the operating overhead of the ALMO operating model.

1.20 The service and partnership remodelling outlined for the Retain option is still a prerequisite of achieving the same level of outcomes, efficiencies and value-add from the Return case. Therefore, the first three bullet points above would remain the same for the return option. Due consideration must however be given to creating the optimum service model, maintaining momentum during a transition period and driving through the changes within the new model.

1.21 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.

1.22 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 it will 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, how service quality will be sustained, and the opportunities for more accessible engagement and scrutiny;
- An organisational design that will optimise the capacity and capability of the Council to deliver the new service model and inherent efficiency savings;
- A *Transition Plan* to be defined within three months, will set out agreed efficiency targets and transformation priorities, with a focus on quick wins and the programme to be delivered in 12-15 months, with savings accruing over a period of time.

1.23 The strength of returning the service to the Council is that it gives back direct control over the service at a time of considerable operating challenge and the background of uncertainty. The main risk with returning the service to Council control is the loss the momentum gained by CBH, and loss of focus, when it needs to achieve demonstrably needs to achieve more.

Considering the options

- 1.24 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. Covid will disproportionality impact the communities supported by CBH on many levels, and it is critical that all services remain fully focused on supporting and empowering them.
- 1.25 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. CBC has shown vision and placed trust in CBH, which has enabled it to flourish over many years, however the sharper focus of stakeholders necessitates a more comprehensive, cost effective and more closely aligned *ask* of the housing service, if Cheltenham is to recover strongly and flourish.
- 1.26 The Cheltenham HRA is fundamentally strong and can support the majority of the investment needs being asked of it. Therefore, this is no imperative to make deep operational savings at this point to release funds for investment in new supply. There are, however, potential choices open to stakeholders regarding how resources are utilised, optimised, and directed to meet broader objectives within and aligned with the remit of the HRA. A savings and transition cost summary is presented below, and in both scenarios the operational savings assume the cessation of the occupation of Cheltenham House:

Potential Savings and Transition Costs Summary				
(£000k)	Operational Saving	Management Saving	30-Year Saving	Transition Cost
Retain the ALMO	397	90	13,636	175
Return service to Council control	650	331	27,468	1,000

Recommendations

- 1.27 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, and any differences reflect a healthy natural tension rather than a relationship at breaking point;
 - The likelihood of achieving the ambitious goals set for Cheltenham will be far greater if built upon the strengths of the current partnership, rather than spending the next 12-18 months making the case for and creating a new management model that would risk loss of continuity and be pressed to perform at the same level.

- 1.28 However, to deliver fully for Cheltenham, a realignment of the relationship is required: to unlock synergies by operating collaboratively; to optimise the deployment of *whole-system* resources; and to achieve wider outcomes through community-based partnerships:
- Renew the partnership arrangement within a *Partnership Offer*, with an aligned framework of governance, clienting and communications, lock-step planning and decision making, and mechanisms for stakeholders to jointly plan, direct, oversee and realise the delivery of a shared set of goals for Cheltenham;
 - Develop a *Best in Class* approach to partnership delivery, through co-working operations, co-location and shared-service partnering to provide transformative insight and a step change in strategic capability;
 - Develop a commissioning-based approach to community development and investment, engaging with a broader partnership base to maximise the use of resources, reduce duplication, and to make a deeper impact across communities;
 - Deliver within a lean, digital operating model that will both yield efficiencies and open-up income generating opportunities, without compromising the quality of service delivery to tenants;
 - Invest in the partnership with CBH as a strategic delivery partner of the affordable homes programme and in meeting the carbon neutral target, within a centralised framework of governance and oversight, and in partnership with external delivery specialists.
- 1.29 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.

2. INTRODUCTION

- 2.1 Cheltenham Borough Council (CBC) has commissioned a strategic review of its future housing management options from Campbell Tickell (CT), having regard to ability of the current management arrangement of its housing service to provide effective, resilient and value for money housing management and delivery for Cheltenham in the long term.
- 2.2 In common with every other local authority, CBC has experienced a significantly tougher operating environment over recent years, driven by austerity, the four-year rent freeze and the ongoing response to the Grenfell tragedy, driving a significant refocus on compliance and ensuring the voices of tenants are centre stage. However, complex these challenges may be, the impact of Covid has been and will continue to be sustainability threatening, and has forced a full reset of operating environment priorities and working models for everyone delivering public services.
- 2.3 Cheltenham has also set an ambitious target to become carbon neutral by 2030 and is also seeking to provide 500 new affordable homes over the next five years. The level of investment required to realise these goals necessitates a holistic review of the HRA and the current housing delivery model. In addition, the regeneration of West Cheltenham will deliver approximately 3,700 new homes and present new opportunities for its communities.
- 2.4 The current arrangement for managing the Council's housing stock of 5,043 homes 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 and with retained landlord responsibility for the stock.
- 2.5 The extent of the investment needs outlined above and the need to expedite the delivery of affordable homes delivery in the wake of Covid, necessitates a review of the cost effectiveness and future suitability of the current delivery vehicle, at the outset of this review no specific operational or oversight concerns were expressed relating to the current model.
- 2.6 This review provides an external due diligence of the current service model and consider two options for the future management of the service:
- **Option 1:** *Retain* the current devolved management arrangement delivered by CBH;
 - **Option 2:** *Return* the provision of housing management services to Council control.
- 2.7 A set of five criteria, focused on the need to achieve a balance between cost and quality of service delivery, sustainability, deliverability, and future potential, will be used to assess which option will best:
- Sustain the quality of services provided and satisfaction with them;
 - Sustain both the Housing Revenue Account and General Fund, whilst maximising available resources;
 - Deliver within the legislative context and at an acceptable level of risk;
 - Deliver CBC strategic objectives:
 - Deliver the £100m affordable homes programme;
 - Be carbon neutral by 2030;

- Deliver a community-based approach to tackling inequality and ensure all communities benefit from the improvements and investments made;
- Make services more responsive and efficient, maximising shared use of assets and resources to unlock value and deliver efficiencies;
- Deliver creative commercial income opportunities with service partners;
- Deliver wider community outcomes.

2.8 The assessment of each option will include:

- A high level analysis of costs, savings, benefits, and legal implications;
- An analysis of the strengths and weaknesses of each option, in terms of their ability to sustain and deliver a cost-effective service, their ability to generate surpluses through which new affordable homes can be provided, and their ability to support the strategic direction of the Council, balancing service quality, value, cost and risk.

2.9 This review has been undertaken against the backdrop of the Covid imposed restrictions, which has dictated the way in which the fieldwork has been undertaken and limited the extent of face-to-face interactions, on-site access, and observing a Board meeting. That said, CT would like to thank everyone that has contributed in such an open and positive way to the review, despite the pressures and uncertainties experienced by all.

3. METHODOLOGY

Objective

- 3.1 The objective of this review is to provide stakeholders with an independent and objective analysis on which to base an informed and considered decision regarding how to ensure the long-term sustainability of housing service, whilst delivering high-quality services and wider value-add to the tenants and communities of Cheltenham.

Desktop review

- 3.2 A desktop review has established the strategic context and operational objectives of the service, its tenant focus and delivery performance, and its current and potential contribution to wider strategic goals of CBC. These documents include:

- CBC strategic plans and strategies;
- CBH business plans and strategies;
- CBH performance reports, tenant surveys and benchmarking comparisons;
- CBC/CBH governance, clienting and service level managements;
- HRA and General Fund business plans;
- Annual budgets and returns.

- 3.3 A full list of the documents reviewed is set out at Appendix 1.

Financial analysis

- 3.4 An analysis of the current HRA position has been undertaken to validate the assumptions and model currently maintained for CBC housing stock, to create a baseline model, from which to understand the impact of the investment requirements to deliver both the affordable home programme by 2025 and to become carbon neutral by 2030, and from which to assess the impact of the two future management options.
- 3.5 An indicative financial analysis has been prepared for the *Retain* and *Return* options under consideration. The analysis is based on a high-level assessment of the potential impact of the options on the current budgets for services provided by CBH.
- 3.6 In assessing the potential impact of the options, we have taken into account the likely action to be taken for each service, and the potential for reducing operating costs as a result of the option. We have also identified the potential for some services to reduce their variable costs, whether by introducing efficiencies, reducing staffing levels, or by closer alignment with other CBH services or services provided by the Council.
- 3.7 Please note that our financial analysis purely provides an indication of the potential cost reductions that could be made. Further detailed analysis would be required to calculate firmer figures, as part of the Council's next steps in choosing and implementing its preferred option.

- 3.8 In addition to the service level analysis, we have conducted a high-level assessment of potential one-off and implementation costs in relation to the two options. We have also provided an indication of their potential long-term impact on the authority's GF and HRA.

Legal considerations

- 3.9 The HRA is a highly regulated entity, and CBH Housing 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.

Tenant consultation

- 3.10 The views and aspirations of tenants must be paramount in determining the nature of the services they receive. Undertaking this review within the constraints of lockdown has limited the opportunity to establish a broad tenant perspective on current service delivery, and priorities for the future. However, a workshop with the Tenant Scrutiny and Improvement Panel (TSIP) has been used to supplement service feedback from tenants through quarterly tenant surveys.

Stakeholder consultation

- 3.11 Views have been sought from a wide range of stakeholders regarding their assessment of the current service model and aspirations for the service moving forward. Interviews have been conducted with the following stakeholders:
- Leader of Council, Cabinet Member Housing, Cabinet Member Finance, and the Leader of Conservative Group;
 - CBC Executive Directors;
 - CBH Board Chair and Board constituency groups (tenant, council nominated and independent);
 - CBH Executive Team members;
 - CBH Heads of Service;
 - Cheltenham and Gloucestershire partnership stakeholders;
 - CBH service delivery partners.
- 3.12 A full list of stakeholder interviewees is presented in Appendix 2.

4. CONTEXT

4.1 In assessing the relative merits of the future options for managing the housing service, it is important to assess each of them against current and emerging contexts, both strategic and operational, so that risks, opportunities and achievability can be correctly assessed, and informed decision made. CT has reviewed the CBC strategies that shape the priorities that CBH delivers to, these are outlined in Appendix 4, and include:

- The Cheltenham Place Vision (2019);
- Strategic Housing Strategy (2016-21);
- Draft New Homes and Regeneration Strategy (2021).

Housing Revenue Account

4.2 The Housing Revenue Account (HRA) is intended to record expenditure and income on running a council's own housing stock and closely related services or facilities, which are provided primarily for the benefit of the council's own tenants. HRA resources may be used to fund either revenue or capital activity, with the two provisos that the HRA is not permitted to go into a deficit position, and that once resources have been transferred to capital then they cannot be reverted to revenue. Decisions on spending are a matter for the Council, in conjunction and consultation with residents. It is necessary to balance the needs of the service against desirable, though potentially conflicting, outcomes to best meet the Council's objectives. This could mean that there may be differences of opinion in respect of the priorities of residents versus those of the Council.

4.3 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.

4.4 The role of the 30-year HRA business plan is to identify, estimate and phase investment decisions so as to reduce risk and ensure affordability, when considered against projected income and access to capital investment.

4.5 Following the introduction of HRA self-financing in 2012, the Cheltenham HRA currently has a debt in the region of £71m. It is however in a comparatively strong position, having absorbed the impact of the Welfare Reform and Work Act (2016) which required social landlords to reduce their rents by 1% each year for four years, which gave rise to a reduction in rental income of £6.7m over four years for the HRA, savings which have been delivered by CBH over those four years. The projected balance for 2020/21 is £1.5m.

General Fund

4.6 In contrast to the HRA, the General fund (GF) has been under considerable pressure for the last decade, with £9.6m savings made since 2011, with a funding gap of £3.29m projected within the current Mid Term Financial Strategy (MTFS) 2018/19 to 2021/22.

- 4.7 Cheltenham's Covid response has resulted in a 2020/21 in-year deficit of £1.83m. Consequently, a *Covid Recovery Budget* agreed in November, brings forward capital and asset disposal programmes, to deliver a balanced budget for the year and for future years. An additional £1.5m budget has been allocated to accelerate the Cyber Central and Golden Valley development with financial commitment reaffirmed to the housing investment plan, *No Child Left Behind* programme and carbon neutral plan.

CBH

- 4.8 CBC created CBH as its ALMO in 2003, to manage 5,034 HRA homes, comprising 3,950 general needs homes, 493 sheltered homes and 482 leasehold properties. In 2011, CBH became a Registered Provider, and now owns and manages 111 homes in addition to the HRA stock.
- 4.9 The scope of services delegated to CBH (and those retained by CBC) through a *Management Agreement*, is set out in Appendix 3. In addition to the delivery of these core HRA functions, CBH has delivered the housing options and homelessness service on behalf of the CBC since 2013.
- 4.10 This 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. The agreement has a five-year review cycle, and in early 2020 a review process was initiated, work is however in abeyance, pending the outcome of this review.

The ALMO model

- 4.11 ALMOs were initially created 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. The rationale for establishing an ALMO was:
- The split of strategic and operational roles enables the local authority to focus on strategic direction and the ALMO on operational delivery;
 - An independent ALMO Board can enable faster decision-making and a more responsive service;
 - Residents can participate directly in the governance of an ALMO at the highest level and help set priorities based on direct experience of local need;
 - Provide flexible local vehicles that local authorities can use to deliver wider social benefits to their communities;
 - As separate trading companies they can provide income-generating services that can reduce the Council's revenue support;
 - They can also provide a focal point or community leadership.
- 4.12 Almost 40 ALMOs have now been dissolved as their original purpose has been fulfilled, and services rolled-back into their respective councils. However, as a management model the vehicle still holds appeal for many and currently 29 ALMOs manage over 395,000 homes on behalf of their authorities. Many have had their contracts extended: (Nottingham, Blackpool,

Colchester, Barnsley, Six Town, Tower Hamlets), the remit of others has been broadened, and new ones created. Shropshire Towns & Rural Housing (2013) and Northampton Partnership Homes (2015) were both launched with long Agreements.

- 4.13 The broader remit fulfilled by many ALMOs is evidenced by over half of ALMOs managing homes for other social housing landlords and delivering services to wider markets. ALMOs also manage over 1,700 private rented sector properties on behalf of landlords. Many fulfil a broader social mission by running programmes for troubled families and training unemployed people to help them find work (85% of ALMOs have mechanisms in place to help tackle unemployment). More broadly, others offer IT, human resources and legal services, and the facilities management of schools and corporate properties.
- 4.14 Over the last 5 years, ALMOs have contributed 8,262 new homes through build and acquisition, and over the next 5 years, will contribute a further 12,352 home. For example, Rykneld, which manages stock for North East Derbyshire District Council, has delivered 50 homes for social and affordable rents, and for shared ownership. Blackpool Coastal Housing has redeveloped five blocks to create 200 new homes.

Service delivery partnership Framework

- 4.15 In addition to the partnership CBH, Cheltenham delivers a range of its resident facing and business support services through a network of partnerships created with neighbouring authorities:
- Publica:** Provides services to its shareholder Councils - West Oxfordshire, Cotswold, and Forest of Dean District Councils, covering benefits and council tax, environmental health and licensing, waste, and recycling. For CBC it provides business support services - Finance, Human Resources, and ICT;
- Ubico:** Delivers a range of environmental services to shareholder councils - Cheltenham, Cotswold, Forest of Dean, Stroud, Tewkesbury, West Oxfordshire and Gloucestershire County Council;
- One Legal:** Provides specialist legal advice to CBC, Gloucester City Council, Stroud District Council and Tewkesbury Borough Council;
- 4.16 Additionally, **The Cheltenham Trust**, an independent charitable trust, manages five venues owned by CBC and delivers a cultural, sporting and tourism offer for Cheltenham.

5. CURRENT SERVICE ASSESSMENT

Objectives

- 5.1 The objective of undertaking an assessment of the current service is three-fold:
- **Firstly**, to determine the quality of service experienced by tenants and their perceptions of it;
 - **Secondly**, to establish whether the CBH management fee represents good value for money and how unit costs compare with peer organisations;
 - **Thirdly**, to understand how the service works, its strengths and where intervention is needed. How well it is aligned with the objectives of the Council, and how effective is the governance and clienting.

Overall satisfaction with services

- 5.2 Cheltenham tenants are highly satisfied with the services they receive from CBH, with the overall level of satisfaction risen year-on-year to 90% in 2019/20.

Tenant satisfaction				
Tenant Satisfaction Measure	2013/14	2015/16	2017/18	2019/20
Overall satisfaction with services %	86	86	88	90

- 5.3 This performance trajectory has elevated CBH to top quartile performance when compared with its peer group.

Tenant satisfaction benchmark				
HouseMark Benchmark 2018/19	CBH	Lower Quartile	Median	Upper Quartile
Overall satisfaction with services %	89	80	86	89

Service Access

- 5.4 Residents primarily access CBH services via telephone, through its contact centre, face-to-face at the Hesters Way (temporarily closed) and Oakley resource centres, and to a limited extent through digital access channels such as text. The overwhelming majority of contacts come through the contact centre (3,000 calls per month), which means tenant contact CBH on average five or so times, per year, a high level of demand that could be dissipated in part through greater self-service, self-management of issues, and process efficiency, reducing the level of repeat and avoidable contacts. Only 4% of contacts were received through the CBH portal in 2019/20 which was launched in January 2020.
- 5.5 Calls to the contact centre are measured against a response time target of 90% answered within 60 seconds, which was achieved in 2019/20, meaning that residents were responded to promptly.

Telephone response performance			
KPI Measure	2018-19 Outturn	2019-20 Target	2019-20 Outturn
Telephone response within 60 seconds (%)	-	90.0	91.6

- 5.6 Residents also find it easy to get through to the right person within the organisation to resolve their enquiry.

Tenant satisfaction				
Tenant Satisfaction Measure	2013/14	2015/16	2017/18	2019/20
Ease of contacting the right person %	81	75	75	88

- 5.7 However, tenants are less satisfied with the outcome of their enquiry, with 76% satisfied with the final outcome, however 25% are not.

Tenant satisfaction				
Tenant Satisfaction Measure	2013/14	2015/16	2017/18	2019/20
Satisfaction with final outcome %	83	72	72	76

- 5.8 CBH has invested in an integrated digital housing management system (Aareon QL), which when fully embedded and coupled with ongoing process reengineering work, will significantly increase the range of self-serve transactions and customer initiated workflow, which will in turn streamline account management and casework processes. This outcome-focused measure of success should therefore start to reflect higher levels of satisfaction.

Listening to residents

- 5.9 Residents are on the whole satisfied that CBH listens to their views, reflecting the investment CBH has made in insight gathering and engagement. Moving forward ensuring the *Tenant Voice* is central to planning and delivering services is a key regulatory priority.

Tenant satisfaction				
Tenant Satisfaction Measure	2013/14	2015/16	2017/18	2019/20
Satisfaction with views listened to %	71	66	66	77

- 5.10 This focus has helped raise CBH's comparative performance to top quartile within its peer group.

Tenant satisfaction benchmark				
HouseMark Benchmark 2018/19	CBH	Lower Quartile	Median	Upper Quartile
Views listened to %	77	62	70	76

Arrears management

- 5.11 CBH demonstrates strong performance in rent collection and has maintained collection levels during Covid, with the fall in collection restricted to 97.18% in Q1 2020/21, with more than 100% of expected income collected in Q2. In parallel with focus on collection, CBH has a strong focus on sustainment, with low levels of eviction for rent arrears.

Rent collection performance			
KPI Measure	2018-19 Outturn	2019-20 Target	2019-20 Outturn
Current arrears as % of rental income due (%)	1.62	2.65	2.65
Rent collected as a percentage of rent due (%)	98.25	97.00	99.71

Tackling anti-social behaviour (ASB)

- 5.12 The CBH ASB team manages 90-100 cases per year, half of which are low-level and relate to neighbour disputes or noise complaints, the remainder are serious and to the detriment and wellbeing of the tenants, and often require significant levels of casework input. Performance in managing casework is strong, with all cases reported in 2019-20 resolved, and to the satisfaction of the complainant.

KPI performance			
KPI Measure	2018-19 Outturn	2019-20 Target	2019-20 Outturn
Closed ASB cases that were resolved (%)	100	99	100
Satisfied with way ASB case dealt with	100	98	100

Repairs management

- 5.13 Repairs is a critical service for a housing service provider and of the highest importance to tenants, particularly in shaping their view of the service as a whole. The efficiency of a repairs service and its ability to maintain high levels of tenant satisfaction will be driven by the age, condition and investment profile of the stock, the effectiveness of the delivery partnering arrangements, and the efficiency of the repairs ordering and delivery process.
- 5.14 The CBH repairs and maintenance service undertook 11,200 repairs in 2019-20, at a rolling average of 2.5 repairs per property per year (below the sector average of 3+). Over 75% of repairs are undertaken through the in-house team, supplemented by a range of specialist contractors. The ethos of the service is to ensure that a home is in a good state of a repair when an operative completes an appointment, with outstanding issues systematically identified and rectified wherever possible. This approach protects the value of the asset over time and drives tenant satisfaction but does incur a higher level of cost when compared with a more limited *right-to-repair* focused specification, or services focused on achieving higher repairs-per-operative-per-day ratios, with operatives or contractors targeted at completing eight or more appointments per day.

- 5.15 Well over 90% of repairs are currently reported via the telephone into the CBH contact centre, with limited take-up of digital reporting channels. However, the full implementation of the repairs process within QL will enable a step-change in consistency of customer experience and efficiency, as tenants are able to self-diagnose and digitally report problems, self-manage appointments, and track operative arrival times. The service will be better placed to schedule resources efficiently, with operatives provided with real-time data on hand-held devices. This investment should help address a gradual decline in satisfaction with the service.

Tenant satisfaction				
Tenant Satisfaction Measure	2013/14	2015/16	2017/18	2019/20
Overall satisfaction with repairs %	88	84	85	81

- 5.16 When compared with its peer group, CBH ranked just above average with regards overall satisfaction with the repairs service.

Satisfaction benchmark				
HouseMark Benchmark 2018/19	CBH	Lower Quartile	Median	Upper Quartile
Overall satisfaction with repairs %	81	72	80	85

- 5.17 The service delivers against targets set for completing jobs at the first visit and completing jobs completed on time, with jobs completed on average within 8 days.

Repairs performance KPIs			
KPI Measure	2018-19 Outturn	2019-20 Target	2019-20 Outturn
Repairs completed on time (%)	98.28	97.00	99.57

- 5.18 When compared with peers, CBH benchmarks positively with respect to the timely delivery of repairs, but this is achieved at a comparatively high price, at £83 above the peer group median.

Repairs benchmark comparisons			
HouseMark Measure	CBH Performance	Benchmark Quartile	Peer Group Median
Responsive repairs per property (No.)	2.5	Q1	3.0
Repairs completed at the first visit (%)	92.40	Q2	88.68
Average time to complete a repair (days)	7.45	Q1	10.4
Average cost of a responsive repair (£)	224	Q4	137

- 5.19 The repairs team shares depot space with Ubico, for which it pays rent. A review of the materials supply contract with Travis Perkins has resulted in lower costs across the main 'baskets' needed by operatives, correctly packaged materials for the job, reduced collection

wait times and delivery to site, this is driven in part by digital PDA integration. The terms of the contract also provide tenants with discounts on DIY materials and advice on usage.

Voids management

- 5.20 CBH considers its void standard to be clear, but not of a particularly high specification. It does however redecorate a proportion of empty homes to ensure a good standard of internal decoration when let. Whilst this is unusual, the rationale behind it is that it helps to establish and sustain a tenancy and build a positive relationship from the outset. A further enhancement of this approach is being piloted at Scott House and Edward Wilson House, where half of voids are being completed to a superior specification, to see if this has an impact on tenancy sustainability, rent payment and on general tenant wellbeing.
- 5.21 CBH repaired 384 voids in 2019-20, taking on average 9 days to complete, contributing to an average key-to-key relet time of 19 days, top quartile performance within the CBH peer group, and top quartile performance with regard to rental income loss. The cost of void repairs however benchmarks as third quartile, reflecting the relative age of the stock and the additional investment made in the new homes.

HouseMark peer group benchmark comparisons			
Measure	CBH Performance	Benchmark Quartile	Peer Group Median
Tenancy turnover (%)	5.78	Q2	6.72
Average re-let time (days)	18.84	Q1	27.20
Average cost of a void (£)	2,913	Q3	2,788
Rental void loss (%)	0.56	Q1	0.89

Asset management

- 5.22 CBH has a robust level of insight into the quality and baseline investment needs of the stock it manages, having surveyed 93% of homes within the last five years and with a rolling programme of surveys (20% per year) in place. The stock condition data was reviewed by Savills in 2017, and unit price costs updated. CBH does not therefore need to rely on cloned data to inform investment decisions. A review of sheltered housing units has been undertaken by Trimmers, with remodelling ongoing.
- 5.23 CBH benchmarks well above average in respect of compliance with the Decent Homes standard.

HouseMark peer group benchmark comparisons			
Measure	CBH Performance	Benchmark Quartile	Peer Group Median
Homes non-decent (%)	0.09	Q2	0.20

- 5.24 The new QL system will enable CBH to maintain stock condition data electronically through on-site surveys, it will also update component data automatically, based on repairs and void

works (eliminating manual input), this in turn will enable informed scenario testing and the assembly of component replacement programmes based on accurate lifecycle and cost data.

- 5.25 Two-thirds of CBH managed homes were built before 1960 and 29% of homes are of prefab design, including 1,000 thermally inefficient Wimpey “no fines” units. However, 37 Cornish type units have been refurbished through a £1m investment programme, to improve energy efficiency and to modernise the homes, acting as pilots for future refit programmes.
- 5.26 Showers are being fitted in all CBH homes for the first time, either when a home becomes void, or through a rolling programme. Similarly, doors and windows are being replaced as rolling programmes, using higher quality components made affordable through economies of scale procurement. In 2019/20 replacement windows were fitted in 1,025 homes and new doors fitted in a further 510 homes.
- 5.27 Photovoltaic systems have been installed in 800 homes and at sheltered schemes, generating £1m from feed-in tariffs to-date, covering installation costs over the period of the tariff and providing residents with free electricity. Installation. Air source heat pump installations have also been piloted in off-gas properties but are not currently viable for wider-roll-out as electricity costs more than the gas it substitutes.
- 5.28 Consequently, CBH has continued to improve the SAP rating of the stock and benchmarks above average within its peer group.

HouseMark peer group benchmark comparisons			
Measure	CBH Performance	Benchmark Quartile	Peer Group Median
SAP rating	72.8	Q2	71.0

- 5.29 Tenants are generally happy with the overall condition of their homes, with 85% expressing a positive level of satisfaction. In accordance with the policy of maintaining homes to a high overall standard, 710 homes were redecorated in 2019/20.

Tenant Satisfaction Measure	2013	2015	2017	2019
Overall quality of the home (%)	81	87	87	85

Compliance management

- 5.30 CBH has responded effectively to the refocus on health-and-safety compliance following the Grenfell tragedy. It has created a specialist compliance team and appointed both a specialist compliance manager and an asbestos surveyor, with the aim of achieving low-rise block safety compliance before it becomes mandatory.
- 5.31 CBH has also anticipated likely future requirements that will result from the *Building Safety Bill* and the *Fire Safety Bill*. The rigour of Fire Risk Inspections is being increased by undertaking Type 3 and 4 inspections, that require the random inspection of flats, with more invasive ducting and compartment inspections. An inspection of sheltered housing stock has already been completed, to be repeated every three years and a tender for general needs stock will be let in 2021, starting a five year review cycle.

- 5.32 An ongoing fire door replacement programme has been halted and reviewed to ensure doors being fitted will meet more robust certification. Fire doors will be inspected annually as part of the gas servicing contract moving forward.
- 5.33 Gas safety check have been understandably hampered by non-access during lockdown and shielding restrictions and a new delivery partner from April 2020, however, were eight homes without a valid safety certificate in November 2020, highlighting the need to utilise every pre-emptive tool (removal of supply and remote cut-off) and escalatory tools available to minimise the risk of failing to meet statutory 100% rolling compliance. However, every relevant home has a 10-year Electrical Installation Condition Report (EICR) in place and every communal area has a 5 year EICR in place.
- 5.34 Tenants feel safe in their home, with 57% feeling very safe and 35% feeling quite safe, with 8% of tenant do not feel safe (2019/20 tenant survey).

Neighbourhood management

- 5.35 Grounds maintenance and estate cleaning is undertaken by an in-house team, who undertake cleaning rotas against a set of agreed set of service standards, remove fly-tipping and support the housing management teams in keeping communities safe. The roll-out of QL will enable the activities of the team and individual job allocation to be scheduled centrally. The service is recognised as working well alongside the Cheltenham-wide service delivered by Ubico, but there are recognised opportunities for the potential rationalisation of service provision between the two, maintaining smaller areas or where or a more bespoke service is needed.

Value for money

- 5.36 Tenants are very satisfied that they receive services of the appropriate quality for the rent they pay and that CBH utilises resources efficiently, with 93% expressing a positive level of satisfaction with value for money.

Tenant Satisfaction Measure	2013	2015	2017	2019
Rent is value for money (%)	81	87	87	93

- 5.37 This equates to top quartile performance when benchmarked with peer organisations.

Satisfaction benchmark				
HouseMark Benchmark 2018/19	CBH	Lower Quartile	Median	Upper Quartile
Satisfaction with value-for-money	93	80	85	89

- 5.38 When the direct costs of providing services per property are compared with peer group providers, CBH benchmarks as being marginally more expensive than average when comparing housing management costs (Quartile 3), but less expensive in respect of repairs and void costs (Quartile 2).

Direct cost per property comparisons			
Measure	CBH Performance	Benchmark Performance	Peer Group Median
Housing management (£)	311	Q3	275
Responsive repairs and voids (£)	642	Q2	726

- 5.39 When comparing overhead costs per property, CBH performs above average (14% compared with the peer group average of 17%). When comparing specific costs, CBH is less expensive in respect of ICT and finance provision but is more expensive in respect of HR and accommodation (CHS operates from multiple locations and its corporate office Cheltenham House costs £200k p.a.). CBH is however delivering a programme of efficiency savings worth £150k p.a. that will lift performance above the benchmark group median.

Overhead cost per property comparisons			
Measure	CBH Performance	Benchmark Performance	Peer Group Median
Overheads as % of operating costs (%)	14	Q2	17
Central overheads (excl. HR) (£)	77	Q3	59
Premises (£)	38	Q3	25
ICT (£)	45	Q2	50
Finance (£)	28	Q2	28
HR (£)	20	Q3	16

Service delivery model

- 5.40 Whist tenants approve of the quality of services they receive from CBH and of the quality of their home relative to the rent they pay. However, through our fieldwork, we believe there is significant scope to review the balance between the level and cost of services currently provided on the one hand, against the resources that could be freed to deliver new homes and other priorities through transformation, whilst maintaining acceptable levels of tenant contentment on the other, this could be achieved through:

- Reviewing both the scope and specification of services provided to make sure they deliver they are needed, deliver best value and are delivered equitably;
- Reviewing accommodation requirements and considering co-location opportunities with CBC and other delivery partners;
- Reviewing organisational and operational structures to make them more agile, and when combined with streamlined digital business processes, to realise efficiencies;
- Reviewing opportunities for achieving economies of scale with CBC through shared service provision and closer partnership working in areas such as HR, ICT, communications and marketing;
- Exploring commercial and business development activities, particularly with the ten or more Registered Providers in Cheltenham, who may be seeking to consolidate activities or look for local delivery solutions, and private landlords.

- 5.41 The broader Cheltenham service delivery model is recognised by stakeholders as working relatively well in certain respects, such as the delivery of environmental services delivered by Ubico and legal services by One Legal, where resources are dedicated to Cheltenham, with costs and benefits ringfenced, and the service delivered against a service specification and quality prescribed by CBC.
- 5.42 The model is perceived to be working less well for Cheltenham however for the provision of finance, IT and HR services delivered through Publica, where the objectives and priorities of partner shareholders differ, as they are driven by the needs of their individual operating environments. This, combined with a gradual reduction in the level of dedicated resources and support, has caused a growing capacity gap and sense amongst Cheltenham stakeholders that CBC is increasingly less well served by this partnership arrangement. Conversely, operating outside of these arrangements, and without experiencing the same severity of impact caused by austerity over the last ten years, CBH has been able to build its both its capacity and capability within the corresponding functions.
- 5.43 Whilst elements of Finance, HR and ICT functions such as payroll management and ICT infrastructure management can be cost-effectively outsourced to specialist providers delivering at scale, an organisation must have within it the right level of strategic enablement that these types of functions provide. Stakeholders reflect that to deliver the *Covid Recovery Plan* and core corporate objectives, strategic capacity will need bolstering. This review could therefore be used as a catalyst for a wider review and realignment of strategic capacity across Cheltenham, to provide a more integrated and added-value solution, whilst also being more cost effective.

Wider value-add

- 5.44 In addition to the delivery of core housing management services, stakeholders recognise both the role CBH plays now in adding value to the relationship with CBC across a range of services. Specifically:
- Housing options and homelessness prevention: Helping households in avoid homelessness and providing temporary accommodation to those in crisis;
 - Support services and partnerships: Delivering within a partnership of Cheltenham and Gloucestershire support providers;
 - Community development and investment: Working within communities to facilitate engagement, skills development and to build levels of ownership and resilience.

Housing Options and homelessness prevention

- 5.45 CBH has managed housing options and homelessness prevention services on behalf of CBC since 2013, stakeholders recognise the effectiveness of the direct linkages and case-based working capacity created by embedding these services within CBH is of significant benefit in supporting vulnerable residents and tenants. Demand on the service has increased significantly since the implementation of the Homelessness Reduction Act in 2018. However, a focus on prevention, has significantly increased the number of homelessness preventions from 140 in 2017/18 to 350 in 2019/20, with the number of households accepted as

statutorily homeless decreasing from 106 in 2017/18 to 60 over 2019/20. In addition, the service has supported customers in accessing £1.5m of additional income and benefits for their housing needs in 2019/20.

Support services and partnerships

- 5.46 Cheltenham has a strong support partnership network shaped by CBC, with CBH working closely with partners such as the Gloucestershire Rural Community Council (GRCC) within the Cheltenham Partnership, and with the Department of Work and Pensions (DWP).
- 5.47 As part of the Cheltenham-wide *No Child Left Behind* initiative, CBH has been one of the first housing providers nationally to deliver an *Adverse Childhood Experience (ACE) pilot*, working intensively with eight families (40 individuals) in St Paul's, with complex needs and lived-experience of inter-generational trauma, enabling them access partner support and encouraging them to become more widely within their community, helping to build trust. In 2019, CBH ran healthy activities for over 900 children during the summer holidays.
- 5.48 The CBH Benefit and Money Advice Team supported 1,050 individuals in 2019/20 with advice on benefits and financial help, helping tenants to claim an additional £1m in appropriate benefits.
- 5.49 CBC and CBH work in close partnership with the DWP to deliver highly effective and well regarded Drop-in Sessions at Cheltenham JobCentre Plus, with staff from both partners on-site every Wednesday to provide housing support to DWP Jobs Coaches. This drop-in service is highly valued by residents as a range of issues can be tackled at a time, with 225 residents were supported in 2019/20. The arrangement has developed quickly in response to the roll-out of Universal Credit (UC), and has facilitated extensive knowledge transfer and upskilling between staff of all three partners, in building knowledge of available support options such as discretionary housing payments, and supporting individuals who struggle with managing finances directly, and so compromising their ability to pay their rent. The model is now being rolled out by the DWP across Gloucestershire.
- 5.50 CBC and CBH are also key participants in a *Vulnerable and Complex Needs Group* run by the DWP for partner agencies including Children Service and Citizens Advice, with themed awareness and knowledge sharing sessions cover issues such as gangs, modern slavery and loan sharking. CBH are currently working with DWP to create *Youth Hubs* based at their Digi Dens, that will focus on supporting 18-24 year olds, creating one-stop-shops focused on helping them to secure employment. A further DWP initiative is focused on providing support for isolation households, through *ITConnectX*, with the provision of internet access and remote IT support, enabling on-line access through a tablet and dongle provided, which the recipient can keep if they engage with the service.
- 5.51 In 2019/20, CBH delivered over 1,800 training sessions, enabling residents to learn new skills, take part in health and wellbeing initiatives, or find opportunities for volunteering. The Employment Initiatives Team also helped 61 people into work and 99 people into training.

- 5.52 During the pandemic CBC and CBH have worked in partnership with the Cheltenham Trust to create *Community Help Hubs* that have support over 1,000 residents, with 2,700 food parcels delivered and 3,500 welfare calls made.

Community development and investment

- 5.53 CBH deliver or support a range of well embedded community partnership initiatives:
- **Community Hubs:** CBH supports three community hubs (Oasis, St Pauls and Oakley) that offer social activities for all ages and act as a base for other community organisations to deliver regular clubs and workshops;
 - **Thrive:** Working in partnership with supply partner Travis Perkins Managed Services this initiative provides support and encouragement to young people to stay in education while learning in a way that works for them, attending Thrive sessions for a day each week as an alternative to school, to build their employability skills, followed by 11 weeks work experience;
 - **Strive:** Delivered in partnership with Enterprise Cube, this innovative approach provides individuals with the skills to set-up their own businesses, with the initial scheme enabling 17 participants to residents to set-up a business;
 - **Help2:** A volunteering scheme developed by CBH employees to support individuals and households facing difficult circumstances. Through its Christmas 2019 appeal, 772 coats were provided for local children;
 - **Digi Den:** located at the Oakley community Resource Centre, this initiative supports weekly job clubs, and in partnership with Adult Education Gloucestershire offers computer and tablet training courses;
 - **#SeeThePerson:** Through tenant board member Trish Blane, CBH is one of 25 sponsors across the UK, who challenge the negative portrayal of social housing and tenants by media outlets and the wider population;
 - **Tenant and Leaseholder Awards:** Provided a highly valued acknowledgement of community champions and partners within Cheltenham.
- 5.54 Covid has galvanised a herculean effort across Cheltenham, with volunteers, community groups, charities, support agencies, CBC, CBH and GCC delivering cross-community support interventions as a partnership network. Stakeholders recognise that there is now a unique opportunity to rethink the Cheltenham support network, fully harnessing individual and community assets more effectively and creating a fully integrated and coordinated framework, centred within and owned by individual communities and their priorities. This could be achieved by:
- Re-mapping and understanding the role of community assets within Cheltenham;
 - Establishing a clear set of needs, priorities and enabling themes within each community, with ownership and direct funding allocations;
 - Identify centres of expertise within partners to establish a single point of leadership for a development or support theme, to eliminate duplication of provision and double funding, in so doing creating a resource network.

- 5.55 Through well-defined roles working within a network of formal and informal partnerships, communities will start to recognise themselves as true stakeholders and participants in structuring and providing solutions, rather than just as consumers.

Affordable homes delivery

- 5.56 CBH has been the partner to CBC in supplying new homes since it was launched. Initially managing the St Paul's regeneration, a two-phased scheme remodelling an estate classified as being one of the five most deprived in the country. The first phase delivered 48 units of one bedroom flats and 4 bedroom family homes, and a Community Hub. The second phase delivered 56 new homes, 24 for affordable rent and 32 were sold on the open market through the development partner, Kier.
- 5.57 In 2016/17, CBH developed the first Council-owned homes in Cheltenham for 30 years, building 20 new homes including 10 for service veterans, and acquired a further 4 on the open market. In 2017/18 they built 9 new homes and acquired a further 11 on long leases. In 2018/19, 10 new homes were built at Hesters Way Road and Newton Road, and a further 7 homes were acquired on the open market.
- 5.58 Since 2019/20, building works have started at Monkscroft Villas, a mixed tenure scheme of 27 homes, including shared ownership, with a mixture of one and two bed flats and two houses, with solar panels installed and batteries for storing unused energy for future use. Work have however been completed at Holy Name Hall where 8 new homes for social rent have been delivered. At 320 Swindon Road, 28 affordable flats will be built on the site of a derelict property, supported by £1m grant funding from Homes England. In 2019/20, a further 27 homes were acquired through the open market.
- 5.59 In total, CBH supplied 18 new homes in 2018/19 against a target of 25 and 24 in 2019/20, against a target of 50 units, which compounded by the impact of the Covid standstill in 2020/21, CBH will fall well short of a target set in 2018/19 to deliver 350 new homes by 2020/21. However, a development pipeline of 458 homes (with heads of terms) is in place to deliver a range of social rent, affordable homes at 80% market rental, and discounted shared ownership homes.
- 5.60 In delivering the *Private Rent* strand of the affordable homes strategy, CBH has recently acquired its first property on the open market, at St Georges Place, where former student accommodation will be turned into 13 flats, providing city centre accommodation with wraparound services to young renters. CBH plans to buy properties on the open market for the next two years, that they will manage outside the HRA. The viability of the model will then be assessed prior to expanding the initiative.
- 5.61 CBH's approach to delivering the *Market Sale* strand of the strategy has been slow to emerge and a commissioning process being led by CBC is currently underway to select a partner to develop a strategy, that will assess the risks and rewards, test assumptions, undertake a market analysis, and prepare a route to market.
- 5.62 The *Regeneration* strand is currently being modelled within the HRA and dialogue is underway with Homes England to potentially unlock funding from the 2021-26 Funding

Prospectus. Regeneration schemes will be considered on a case-by-case basis, with community engagement and negotiation at the core of progressing a scheme.

- 5.63 Stakeholders are frustrated that the affordable homes programme in its totality has taken time to ramp-up and deliver the step-change in the rate and diversity of supply envisaged, since the initial announcement of the £100m funding stream in 2018. This has of course been compounded by the impact of the Covid pandemic, but stakeholders now want to see progress accelerated in respect of the 2025 delivery goals. There is also concern that whilst CBH has the experience and skills of developing HRA-based schemes, it has yet to develop the commercially focused skills or capabilities needed to fully scope and expedite the market rent or sales strands of the strategy.
- 5.64 As is being considered currently by CBC, a refocused and reinforced approach is needed, backed by centralised oversight, robust governance and with the necessary design and delivery skills in place, to provide stakeholders with confidence that delivery of the strategy remains on track. With:
- 5.65 **Delivery partnership model:** A specialist delivery partner sourced to work alongside CBH and move forward the market rent and sale stands of the strategy, and to provide additional specialist capacity across all strands;
- 5.66 **Oversight:** A strategically focused Development Director, coordinating and progressing all strands of the supply programme, working with the CBC and CBH, directly recruited, or provided as part of a partnership arrangement, would ensure that the approach and delivery model for each strand is validated and risk across the full programme managed, that opportunities are quickly assessed and brought forward, and that schemes progress to plan;
- 5.67 **Governance:** A streamlined governance structure for the supply strategy is a necessity, with a *Strategic Oversight Board* comprising of the Cabinet Member for Housing, a supply lead representing the CBH Board, and executive directors from CBC and CBH. The Board would direct and prioritise the strategy, provide delivery oversight and scrutiny of scheme delivery, and track outcomes against delivering the strategy.
- An *Operation Oversight Group* consisting of senior CBC and CBH officers and delivery partners, would have delegated responsibility for defining and delivering individual schemes against the strategic priorities defined.
- 5.68 A final consideration of the affordable homes strategy is that the increased rate of supply and quality of new homes cannot become disconnected or out of balance with investment in the existing stock, particularly when showers are only now being fitted for the first time in homes, and many tenants are likely to experience fuel poverty.
- 5.69 To help inform the definition of a delivery model for Cheltenham, an overview of approaches taken by other Local Authorities is set out in Appendix 5.
- Delivering Carbon Neutral and the Cheltenham Quality Standard***
- 5.70 Retrofitting existing CBC homes to become carbon neutral, across of a wide variety of archetypes, many non-traditional, will be both a resource intensive and time consuming

process. Across the sector, retrofit programmes are at the pilot stage, with the definition of scaled, cost-effective and sustainable delivery models is still some way off. These focus on:

- Re-skinning homes with a pre-formed thermally-efficient skin;
- Installing air source or ground source heat pumps;
- Installing photo-voltaic heaters and solar panels;
- Replacing gas heating with electrical heaters.

- 5.71 Nottingham City Homes is piloting a system called *Energiesprong*, developed in the Netherlands in 10 homes (called 2050 Homes). The system uses prefabricated facades, insulated rooftops with solar panels, smart heating, ventilation and cooling installations, enabling it to generate all the energy needed for heating, hot water and appliances.
- 5.72 CBH has installed over 800 Photo-voltaic units on homes and sheltered schemes, but not on mixed-tenure blocks as ownership of the equipment is an issue. Air source heat pumps have also been piloted in off-gas properties but are not currently viable as a substitute for gas as higher electricity costs make conversion unviable, prior to a full retrofit.
- 5.73 In response to the CBC Carbon Neutral Strategy (2019), CBH has commissioned Suss Housing to undertake a review of options and a cost analysis of retrofitting the stock, which will be presented in early 2021. Based on the findings, the resource needs of the programme can be modelled into the *HRA Business Plan* (sector estimates are at a cost of £20k per home), a *Carbon Neutral Delivery Plan* can then be jointly agreed between CBC and CBH.
- 5.74 To underpin the delivery of sustainable, high quality homes within the HRA, a *Cheltenham Quality Standard* is being defined. From 2025, all new homes will have to achieve a *Passivhaus* equivalent standard, starting with those on HRA land. The additional investment in a *Passivhaus* is estimated to be 10-15% above standard build costs when scaled. Again, this needs modelling into the *HRA Business Plan*, and the balance of investment made in new homes balanced against the improvement of existing homes.

HRA investment requirements

- 5.75 CT has reviewed the HRA business plan developed by CBH on behalf of CBC as part of the ongoing review, as well as reviewing in conjunction with CBH the potential impact on this plan of delivering the affordable homes programme and becoming carbon neutral by 2030, and how the adverse implications could potentially be mitigated.
- 5.76 The HRA Business Plan provided shows a strong position where HRA cashflows are projected to be sufficient to meet the 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. The table below demonstrates that the HRA is projected to remain in balance over the 30 year plan and can meet the additional borrowing costs associated with the delivery of the current development programme.

HRA balances (£000k)							
£000	2020-21	2024-25	2029-30	2034-35	2039-40	2044-45	2049-50
	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Total income	20,585	25,491	28,213	30,596	33,164	35,931	38,976
Total expenditure	25,871	25,446	28,213	30,594	33,157	35,930	38,966
HRA balance	1,589	1,544	1,575	1,562	1,634	1,588	1,688

- 5.77 At the time of undertaking this project, the approach to achieving carbon neutral in respect of the councils housing stock, and indeed across the whole council, has not been finalised. We understand that a report has been commissioned by CBH to attempt to quantify what level of expenditure on the existing housing stock may be required in order to retro-fit it so as to achieve carbon neutrality, but that this report had not been finalised.
- 5.78 In order to understand how the HRA might be impacted, a working session was held with CBH to model scenarios through the HRA, based on indicative figures for the cost of retrofitting the stock. This enabled us to look at how it might be possible to fund the additional costs and any capital financing costs incurred as a result of further borrowing that may be required. The outcome of this exercise indicated that, assuming the costs are in the region of those modelled, the HRA could potentially take on additional borrowing in order to fund the costs. This would be subject to meeting CBH's debt reduction target of 50%. This could be delivered through identifying savings or via more support from Central Government.
- 5.79 In order to try to mitigate this position, several iterations of the model were run to assess the impact of items such as reduced HRA borrowing rates, targeted cost reductions, the potential for additional income streams from new development not currently shown within the model, all of which would appear to be both reasonable and achievable, and it was clear on the basis of the modelling undertaken that it should be possible to improve cashflows so as to bring the HRA back within the desired metrics, notwithstanding support from Central Government.

Strategic alignment

- 5.80 The *Management Agreement* between CBC and CBH is based on the delivery principle of working together within a spirit of mutual cooperation and partnership, with the services delivered by CBH recognised as part of an important relationship between the Council, its strategic partnerships and the community it represents. The partnership is intended to help shape the Council's corporate and community outcomes and resulting strategies, and CBH's role in this as both a key strategic and delivery partner is recognised as essential.
- 5.81 CBC has fully respected the independence of decision making of CBH, and through the terms of the *Management Agreement*, CBC has enabled CBH to operate fully at arms-length, to an extent not supported by many local authorities, allowing the CBH Board to direct day-to-day business and as a result for CBH to flourish as an ALMO. This includes:
- Allowing CBH to make its own accommodation arrangements;

- Not tying CBH into service level agreements (SLAs), for services central such as HR, legal and ICT, often used as a tool to claw-back income into the General Fund, but often at the expense of building capability within the ALMO;
- Enabling CBH to set its own employee terms and conditions and pay-scales;
- Delegating responsibility for executive recruitment to the CBH Board;
- Delegating responsibility for managing the HRA 30-year business plan, and.
- Allowing limited retention of annual surpluses for reinvestment within the business.

5.82 This degree of autonomy within the partnership arrangement has led to what stakeholders perceive as a 'slow uncoupling', which set against the new backdrop of Covid recovery and the impetus needed to deliver ambitious corporate plans, a change of leadership of the Council, and relatively new executive leaderships teams at both CBC and CBH, stakeholders are rightly reflecting on how best, if at all, the relationship can be aligned to meet Council aims and objectives. Specific observations made by stakeholders point to either a natural tension within the relationship, or potentially one under strain:

- The relationship with CBH is in danger of becoming similar to that with a registered provider, rather than that of a wholly-owned subsidiary partner of the Council;
- The HRA and the GF have fared very differently and at a time when the Council is under extreme pressure, a more proactive partnership approach is needed;
- There is a danger of working across each other when shaping and delivering community development and investment initiatives, duplicating effort and losing the support of partners and communities;
- Internal and external communication is not aligned and opportunities for delivering strong, aligned messages to stakeholders are lost;
- Relationships with Members need to be built and the nuances of working within a broader 'political' environment need to be appreciated by CBH.

Governance and clienting

5.83 The CBH Board clearly has a strong sense of purpose, is effectively led, and has a high level of collective endeavour, with the three constituency groups (tenants, council representative and independents) working as one. However, based on our own fieldwork and also drawing upon a CBH *Board Governance Review* undertaken by CT in 2019, as the Board emerges from the restrictions of Covid, it must:

- Step-up to meet the change in the level of challenge from the external environment, in particular, in delivering the affordable homes programme;
- Evolve towards a skills-based membership model, bolstering PRS, market and commercial skill-sets;
- Become more attuned to the operating realities of the Council, and to the priorities of Members, through the closer alignment of governance cycles and informal liaison;
- Increase the level of challenge to the CBH Executive Team, and be more demanding in seeking a greater depth of assurance as to the effectiveness of controls, level of compliance, and management of risk;

- Prepare for the more intense level of scrutiny to be placed on local authority housing managers by the Regulator.

- 5.84 Tenant board members are highly empowered and play leading roles in national campaigns and organisations, through their role at CBH; the Tenant Scrutiny and Improvement Panel is also highly effective in driving process improvement. To take resident empowerment to the next level, Cheltenham could consider establishing a Resident Board, whose Chair would be an ALMO board member.
- 5.85 CBH is a highly capable delivery agent of housing management and needs minimal day-to-day oversight. Clienting is delivered through a lead commissioner, who oversees the strategic governance of the arrangement and ensures the necessary level of assurance that CBH remains compliant in delivering the statutory duties of the Council. Scrutiny has however become less light-touch with increased challenge focused on compliance, risk management and complaints. Financial and performance targets are agreed jointly as part of the annual budget setting round. Whilst performance targets are challenged, there is a perception that there is less challenge on cost.

Current service assessment

- 5.86 CBH is a strong and highly regarded housing provider and delivery partner for the Council, however the operating environment has changed, and stakeholders are right to question whether the ALMO model can adapt to deliver what is needed for Cheltenham:
- Core service delivery is focused and tenant satisfaction high, however, there is scope for streamlining services and delivery models, and for adding additional value;
 - CBH works effectively within a framework of community support partnerships, but the ongoing response to Covid is opening up opportunities for rethinking the way communities can enable themselves and the role providers such as CBH play;
 - The HRA is in a relatively strong position to support the investment needed to support the Council's plans, however the role of CBH as the Council's development partner needs to be refocused and its capacity to deliver bolstered accordingly;
 - CBC has enabled CBC to flourish with a high degree of independence, which has led to a gradual loss of alignment at a strategic level within governance and clienting.
- 5.87 Whilst there is clearly a strong level of cross-working within the partnership and stakeholders point to a high degree of trust between both parties, the relationship could be characterised as rather more tactical and reactive, than being strategic and dynamic, capable of delivering greater value, wider outcomes or innovation. To address this, the Council must paint the broader picture of need to which CBH is well placed to contribute and to recast the partnership framework is needed to deliver it.

6. FACING THE FUTURE

Responding to Covid

6.1 In just nine months Covid has carved out a new operating reality for public services, its impact on people's lives and the increased demand that this will place on public services will be experienced for many years to come. In particular:

- Homelessness presentations, especially through family breakdown and trauma;
- Unemployment and in-work poverty;
- People re-entering the jobs market with a skills mismatch;
- Increasing dependency on benefits and people entering the system for the first time;
- Increasing demand and complexity of physical and mental health support needs;
- Increasing numbers of children and young people needing support, already tagged as a 'lost generation', and struggling to define their futures.

Rethinking services

6.2 Against this backdrop, every service provider must examine their own operating model to ensure it can be configured to deliver a sustainable level of service, whilst looking towards broader configurations to provide universal access paths that can better utilise resources across the whole system, targeted at those most in need. Difficult choices must be made and a wholesale shift away from the passive consumption of public services towards community resilience and shared responsibilities is needed. This approach could be characterised by:

- Upstream and early interventions, reducing demand for point of crisis intervention;
- Individual and community-centred approaches;
- A whole system response rather than siloed service delivery;
- A shared vision and culture across partnerships realising a single goal;
- Empowered individuals and communities who inform their own decisions.

6.3 To sustain service models, demand will need to be dissipated through *community based solutions* enabling individuals to taking responsibility for finding solutions to problems for themselves, with slimline *universal services* acting as gatekeepers to high-cost *needs-based services*, and with *location-based services* targeted to address local needs:

- **Community-based solutions** – Developed through a shared narrative with residents across tenancies, community groups and businesses, placing individuals and communities at the centre of service shaping and provision, with the aim of increasing resilience and reducing dependency on core services;
- **Universal services** – Core service provided to every tenant household, with an unequivocal *offer* and *ask* that is sustainable whilst best meeting stakeholder priorities, with clear service standards and commensurate behavioural expectations set. Based primarily on digital self-service, defined trigger points and thresholds act as gatekeepers for accessing resource intensive *Needs-based* service interventions;
- **Needs-based services** - co-produced care and support solutions for individuals, whose needs cannot be met within *community-based or universal services*, with a focus on

upstream prevention and maintained wellbeing delivered through community-based solutions. Built upon the strengths of an individual or family rather than any deficits, the lived experience of an individual, family or carer is equal to that of the service professional when agreeing solutions;

- **Locality-based services** - delivered in partnership with local communities and responding to agreed priorities and needs, local insight informs decision making and strong local connections building trust. Community assets are used to create a strong engagement base, and highly visible service teams create cared for places that foster ownership and sense of place. Coordinated enforcement is focused on community challenge in tackling negative behaviours.

6.4 Building service models of deliver these services requires a radical realigning of organisations, departments and functions away from who they work for and how they are organised, to who they deliver to and how they deliver, by:

- Placing services within a community and delivered through locality hubs, built around the specific needs identified within and by a community;
- Adopting an asset-based approach centred around integrated housing and social care solutions;
- Focusing on place-based prevention and wellbeing, using strengths-based approaches that maximise individual and community assets;
- Co-locating multiagency teams within communities and into multi-disciplinary service hubs under shared leadership;
- Adopting key worker caseworking to help individuals with complex issues to improve outcomes, become resilient and reduce the need for statutory service intervention;
- Pooling data and resources for the benefit of the community, holding insight in community data portals that enable partners to develop integrated solutions;
- Realigning funding streams to enable members and local stakeholders to invest in local community projects.

Charter for Social Housing Residents

6.5 The recently published *Charter for Social Housing Residents* sets out the Government's commitment to raising the standard of social housing and meet the aspirations of residents, through the provision of safe, high quality homes and services, free from the blight of crime and antisocial behaviour, where tenants feel protected and empowered within a culture of transparency, accountability and decency. As a result, a social housing resident should be able to expect from their landlord:

- To be safe in their home;
- To know how their landlord is performing, how it spends its money, and how they can hold it to account;
- To have complaints dealt with promptly and fairly with swift redress when needed;
- To be treated with respect;
- To have their voice heard, through engagement, scrutiny, or being on its Board;
- To have a good quality home and neighbourhood, kept in good repair;

- To be supported to access a ladder of home rental or ownership opportunities.

6.6 In a similar way to the rethinking needed for Covid recovery, this call to arms should be used to prepare for a more robust regulatory regime with a more focused and rigorous scrutiny of the consumer standard applied to local authorities. To empower tenants fully, as required, local authorities will have to find effective ways of sharing decision-making power with residents and communities and building new levels of engagement and trust.

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7. OPTIONS FOR THE FUTURE DELIVERY OF HOUSING SERVICES

7.1 The two options are discussed below, with indicative savings and costs outlined, to the extent that these can be reasonably quantified at this time:

- **Retain Cheltenham Borough Homes** - with changes introduced to enable CBH to work effectively with CBC to deliver its core priorities and broader service outcomes;
- **Return the service to Council control** – with an *offer* to tenants that ensures their priorities and aspirations are addressed, and that integrates the housing service effectively back into CBC;

7.2 For each option we will:

- Outline its strengths and weaknesses;
- Estimate the efficiency savings available;
- Delivery processes;
- Risks and opportunities.

7.3 We will make an assessment against each of the following criteria:

- Ability to sustain the quality of services provided and satisfaction with them;
- Ability to sustain both the Housing Revenue Account and General Fund, whilst maximising available resources;
- Deliverability within the legislative context and at an acceptable level of risk;
- Potential to deliver CBC strategic objectives:
 - Deliver the £100m affordable homes programme;
 - Be carbon neutral by 2030;
 - Deliver a community-based approach to tackling inequality and ensure all communities benefit from the improvements and investments made;
 - Make services more responsive and efficient, maximising shared use of assets and resources to unlock value and deliver efficiencies;
 - Deliver creative commercial income opportunities with service partners;
- Potential to deliver wider community outcomes.

Option 1: Retain CBH

7.4 This option involves continuing with the current delivery model and retaining the ALMO. The case for adopting this approach is built upon CBH's strong connection to the community and its strong day-to-day operational performance. It is well regarded and delivers community value-add in local partnerships across Cheltenham.

7.5 Through the course of this review however it has become apparent that this option cannot be seen as a steady-state or do-nothing option. There is a groundswell of sentiment across stakeholder groups that a refocusing of the purpose and goals of CBH is needed, and that a realignment is required to ensure it can best meet the objectives set for it.

Whilst the operational remit of CBH is clearly defined within the Management Agreement, a gradual misalignment of expectations has arisen as to its role in delivering the broader

strategic objectives of the Council. There is also potential for delivering frontline services more seamlessly, and for sharing accommodation and management services.

Renewing the remit

7.6 To realign the role of the ALMO and to make it a viable management option in the eyes of all Cheltenham stakeholders, it is proposed that the remit of CBH is revisited and refreshed, to enable it to meet the strategic, operational, and financial priorities of the Council. Any new remit would be enshrined within an updated management agreement, that would address:

- **Strategic alignment** - to restate the remit of CBH within the strategic objectives and policy framework of the Council, with clarity of objectives and targets;
- **Best use of resources** – to make best use of the HRA and GF resources, to realise cost savings, maximising efficiency and to achieve a sustainable cost base;
- **Place and needs-based service alignment** – to optimise the organisation and delivery of service provision, creating seamless services for residents on a sustainable basis;
- **Shared service alignment** – to best align business support services by pooling skills and resources to create centres of expertise based on a *business partnering* model;
- **Trading services development** – to agree a remit for CBH to offer services to other RPs and landlords across Cheltenham;
- **Operating model transformation** – to undertake a whole-system transformation to create a customer-focused digital operation and agile organisational design.

7.7 Delivering these changes would put the partnership in the best shape to deliver the types of holistic service transformations outlined above in *Facing the Future*.

Strategic alignment

7.8 The starting point of any realignment must be the reassertion that CBC is the landlord and legally accountable as such. It owns the stock and has overall responsibility for the relationship with tenants and leaseholders, and in setting housing strategy and policy. CBH is the delivery agent responsible for delivering the strategy and bound to adhere to agreed policy. That said, to prosper, the relationship between the Council and CBH must be based on an open partnership, a shared vision and jointly agreed objectives.

7.9 It should also be borne in mind however that CBH has achieved significant outcomes and operated extremely effectively, as a stand-alone operating business, with an independent Board and focused Executive Team. There is a risk of losing what makes CBH work and the value it adds through a degree of separation from CBC if the balance of alignment between independence and control is made overly rigid or prescriptive.

7.10 A stakeholder-led exercise is required to translate the Council's vision and values, strategic ambitions, and impact of operating environment pressures into a refreshed *CBH Business Plan*, reflecting the priorities of the *Covid Recovery Plan and Recovery Budget*, and fully shaped by the Council's corporate objectives and deliverables. Any changes to the nature or structure of the relationship must be reflected in the *Management Agreement*. Specifically, in realigning the relationship the review would need to address:

- **Role and Remit:** Setting out how CBH would be expected to contribute to meeting corporate objectives and the outcomes expected. Agreeing how it should respond to the challenges of the operating environment in respect of service scope and quality standards, delivering cost efficiencies whilst meeting tenant expectations.
- **Strategic alignment and service planning:** Sharing insight and experience to co-produce the next Housing Strategy (2021/22) and aligned annual delivery plans;
- **Governance:** Aligning governance cycles to synchronise decision making, and through regular informal review sessions between Members and the CBH Board, and using thematic *Oversight Boards* to jointly scrutinise and deliver key programmes such as affordable homes and regeneration;
- **Leadership:** Creating a leadership framework that enables the executive teams to operate more closely through formal joint management meetings, and informal planning and review sessions;
- **Clienting:** Adopting an *intelligent clienting* approach to enable a more dynamic, open relationship to flourish, and whilst rooted in the contractual relationship between Council and ALMO, nurturing innovation and a more effective response to the rapidly changing operating environment;
- **Resourcing:** Supporting matrixed-managed operating arrangements within local service partnerships, underpinned by flexible and harmonised employment terms and conditions;
- **Communications:** Defining a *Protocol* that ensures the timely dissemination of news and information, the coordination of messaging, marketing, and the provision of appropriate briefings to all stakeholder groups;
- **Accountability:** A responsive performance framework that demonstrates compliance, cost effectiveness and customer contentment performance, but which can flex over time to track and deliver specific outputs and outcomes.

Best use of resources

7.11 A prime objective of this review is to help protect the long-term sustainability of the HRA. If CBH continues to deliver the housing service, then an effective HRA governance mechanism is needed to:

- Review the allocation of costs between the GF and HRA that will ensure the HRA contribution can be maximised within the context of the ring fence;
- Revisit the management fee within the context of the reframed service and efficiencies made, to ensure the demonstrable value-add of the ALMO clearly outweighs the additional cost of management it places on the HRA;
- Determine the optimum organisational design to deliver the expected service objectives, whilst optimising value-for-money;
- Determine the optimum use of HRA surpluses and RTB receipts, including a consideration of utilising any borrowing headroom if appropriate;
- Consider the potential financial benefits that could be derived from a shared service and co-location opportunities, and how these could assist in delivering new homes;

- Firm-up the technical accounting aspects of the client relationship, as well as strengthen contract management and procurement procedures;
- Consider and develop income generation opportunities to maximising delivery of new homes.

Place and needs based service alignment

- 7.12 In delivering the *Covid Recovery Plan*, CBC and CBH have the opportunity to radically redesign services around *place* and *need*, working within communities as a seamless partnership with others, to leverage skills and strengths that will maximise outcomes for every resident and community in Cheltenham. Building on the success of the joint delivery model at JobcentrePlus, similar cross-working focused on neighbourhood and estate management, tackling ASB, community safety and enforcement could be connected through *Neighbourhood or Place* teams, with:
- A single set of objectives and targets, underpinned by a shared *Delivering for Cheltenham* focused culture;
 - Joint operational delivery centred on community hubs and service access points, with a rationalised access and support pathways;
 - Agreed local priorities shaped and agreed by residents, delivered through *Neighbourhood Action Plans*, with local targets and resource allocations;
 - Co-located teams with potentially shared management arrangements, delivering to a common policy framework and business processes, sharing insight, data and case notes, and using the same business systems and toolsets wherever possible;
 - Integration with health, social-care and housing interventions the support a 'whole systems approach' to improve health and wellbeing outcomes.
- 7.13 Additionally, a combined *Service Hub*, with co-located customer service and operational delivery teams such as income management, would enable the creation of a universal front-door to services, that would drive self-service, digital shift and process automation, increase the percentage of contacts resolved at the first point of contact, realises synergies between roles and eliminate over time duplicating processes and support costs. Income management functions.
- 7.14 Through the delivery of statutory housing options and homelessness prevention services, CBH already supports households at the point of housing crisis, and through its approach to tenancy sustainment, supports households to remain in their homes. However, CBH is also uniquely placed to deliver a universal *Accommodation Pathway* solution available to anyone to plan for their long-term accommodation needs with a realistic set of options. It would provide a self-help solution to the majority of those in housing need, whilst identifying at an early stage, individuals approaching a point of housing crisis, or who may be too vulnerable to support themselves through the process unsupported. Through working with private sector landlords, it would also help to increase the supply of high quality, safe and well managed accommodation in Cheltenham, by:
- Increasing the number of vulnerable households being re-housed into the private rented sector, and ensuring homes are safe and affordable;

- Providing independent living advice and support, supporting anti-poverty strategies through early intervention and preventative work, and tackling fuel poverty;
- Supporting the lifetime use of homes, making them age and disability friendly, and helping people live in their own homes for as long as possible;
- Raising expectations for private landlords, ensuring housing conditions and management standards improve through landlord accreditation.

7.15 The crucial role CBH plays in community development and investment needs to pivot if it is to support the wider aims of the Council in enabling communities to build resilience, based on their particular needs and strengths. To this end, and to maximise the impact from limited resources, a joined-up partnership approach is required across Cheltenham, with emphasis placed on CBC and CBH commissioning solutions from within the community or from supporting agencies, rather than through direct delivery and oversight. A *Community Development and Investment Plan* could be used to:

- Define a single set of investment priorities and goals aligned with Council objectives, based on comprehensive insight of community needs and available assets;
- Commission and facilitate the roles and initiatives of community groups, voluntary sector organisations and support partners, to avoid duplicating initiatives or funding and multiple layers of support;
- Facilitate cross-community and tenure-neutral development initiatives;
- foster community self-reliance, through support of volunteering and social enterprise initiatives;
- Work alongside West Cheltenham communities and local community groups in Hesters Way and Springbank, to promote engagement with the Golden Valley regeneration, ensuring they benefit directly from the inward investment, both during and through its creation, and to ensure they feel valued as the existing community;
- Leverage CBH's position as the 'lead' landlord within Cheltenham to engage with and support other RPs in delivering community investment outcomes;
- Help draw-in funding and social-value contributions from the private sector and other funding sources.

Shared services alignment

- 7.16 This review has highlighted opportunities for operating a shared service model for the provision of business services across the partnership, enabling economies of scale to be achieved, to streamline processes and improve the flow of business intelligence that underpins service planning. This could be achieved by pooling and leveraging expertise, sharing costs, cross-working and through co-location, rationalising business systems and toolsets, ultimately converging into centres of expertise, delivering cross-Cheltenham through a business partnering model:
- 7.17 **HR business partner:** focused on embedding a shared *Delivering for Cheltenham* culture, building customer-facing skills and developing leadership capacity, whilst converging resource management processes;
- 7.18 **Information systems business partner:** focused on garnering insight and data sharing, driving digital service access and business systems transformation, with day-to-day ICT infrastructure management and frontline support service provision delivered through Publica or market tested against third-party specialist provision;
- 7.19 **Finance business partner:** focused on making best use of resources, creating a single customer view of debt, streamlining procurement, and driving process efficiency.
- 7.20 **Communications and marketing business partner:** focused on developing effective stakeholder and public communication and marketing channels
- 7.21 **Asset management business partner:** focused on health and safety compliance, asset management and facilities management, cost-effective procurement, and delivering carbon neutral Cheltenham;
- 7.22 **Development business partner:** focused on drawing together the skills and specialist resources needed to deliver, plan, coordinate and oversee the strands of the Affordable Homes Strategy and Golden Valley regeneration.

Trading services

- 7.23 CBH has the scale of operation, on-the-ground presence, brand positioning and trust rating within Cheltenham to enable it to leverage existing operational capacity created through process digitisation and operational efficiency, or through adding capacity on an ROI basis, to deliver a range frontline and support services on behalf of RPs, private landlords, support service partnerships, to CBH leaseholders and private citizens. This could include:
- **Tenancy management:** Offering tenancy onboarding, management and enforcement services to RPs or private landlords (student accommodation for example) looking for cost-effective solutions to manage stock, in-full or in-part;
 - **Repairs and maintenance:** Offering high quality, digital end-to-end responsive repairs and void turnaround services to tenants on behalf of other providers;
 - **Facilities management:** Overseeing or undertaking the day-to-day management and upkeep of operational spaces and domestic blocks;
 - **Professional services:** Leveraging expertise and skills in areas such as compliance, surveying, energy efficiency and in time, delivering carbon neutral;

- 7.24 Whilst care would be needed not to dilute the service delivered to CBH tenants or to overstretch or compromise the core service, the opportunities outlined should be explored further and market-tested as part of a *Trading Services Development Plan*.

Operating model transformation

- 7.25 CBH is a comparatively well-resourced operation relative to the level of stock it manages and whilst investment has been made in a new housing management system, digital transformation and self-service adoption is at an early stage. There is significant scope for a whole-system remodelling of the operational and organisation to deliver a high quality service at a lower cost base, without compromising quality and resident satisfaction, particularly if delivered in conjunction with the shared service arrangements outlined above:

- Reviewing the scope of service specification and creating a service offer to promote digital self-service to the majority of tenants at low-cost to the service, enabling high-value staffing resources to be focused on sustainment and intervention;
- Maximising the coverage of digital self-service transactions and fully digitising customer journeys through the service;
- Organising service delivery through a Service Hub and rationalising operational workspaces, including terminating the lease on Cheltenham House saving £200k p.a., within a partnership delivery framework;
- Flattening management structures and introducing flexible role profiles, underpinned by a performance-centred culture. Implementing a business partnering model and co-locating wherever possible with CBC.

Savings realisation

- 7.26 We believe that by delivering the operating model outlined above, the *Retain* option could deliver an indicative annual saving of £609k, comprising £497k of operational savings and £112k of management savings. The operational savings assume the cessation of the occupation of Cheltenham House at a saving of £200k. Allowing a 20% margin for cost growth, a net annual saving of £487k could be realised. This would of course be subject to the delivery of the transformation programme and the mitigation of any risks associated with it.

Retain: indicative financial savings	
Annual saving	£000
Operational efficiency savings	497
Management efficiency savings	112
Gross savings estimate	609
Operational efficiency savings less allowance for cost growth 20%	397
Management efficiency savings less allowance for cost growth 20%	90
Net savings estimate	487

- 7.27 The cost of transition to the new operating model is estimated as £175k, covering the cost of rewriting the Management Agreement and restructuring costs, which would be chargeable to the HRA and funded out of the current operational surplus.

Retain: indicative transition costs	
Cost	£000
Legal advice	25
Restructuring	150
Total cost estimate	175

- 7.28 Based on the above, the cumulative indicative saving over the 30-year HRA business plan are estimated to be in the region of £13,636k, based on current prices and net of the transition costs. In practice the savings are likely to be greater than this due to the impact of inflation and interest savings on the business plan.
- 7.29 The extent to which the savings outlined above are taken, if maintaining the current level of service is the main priority, or are utilised, dependent on the priorities of stakeholders, to be taken as savings, or redistributed in support of development or support initiatives.

Transition considerations

- 7.30 A *Partnership Offer* setting out how CBH could be 're-coupled' to CBC, with clear strategic alignment, and operating within refreshed partnership oversight and delivery arrangements could be prepared within 3 months. It would comprise:
- A *Blueprint* and fully costed *Business Case* to articulate the vision, objectives and anticipated outcomes of a whole system approach to operating model change;
 - A *Transformation Plan* and *Benefits Realisation Plan* to ensure the change is delivered and that benefits are fully realised;
 - A *Governance Framework* to represent the interests of all stakeholders, with mechanisms to engage tenants from the outset in reshaping the service;
- 7.31 With executive focus, a whole system change of this type (which does not require a full business system implementation) could be delivered and embedded within 12-18 months, though the commercial aspects of any change may require a longer implantation period.

Legal considerations

- 7.32 If a retention decision is made, the following considerations apply:
- The Management Agreement and CBH Articles of Association are reviewed to reflect any revised role of CBH;
 - A new or extended management agreement will require the consent of the Regulator under the provisions of s27 of the 1985 Act.

Assessing the Retain option

7.33 Taking account of the above, the following factors are material in assessing the *Retain* option against the review criteria.

- (a) **Ability to sustain the quality of services provided and satisfaction with them:** CBH are fully capable of delivering a high quality and valued service into the future in the way they have been over the 17 years. However, through transformation of the operating model and implementing a shared service model with CBH, services can be refocused around those most in need, and a saving of £487k could potentially be realised, without compromising the quality of service delivery. Again, there is no evidence to suggest that CBH in partnership with CBC cannot deliver the transformation objectives. However, inherent within the ALMO model, there would still remain a layer of management overhead, and therefore negotiation between the Council and delivering its objectives
- (b) **Ability to sustainability the HRA and GF, whilst maximising available resources:** The *Retain* option has the potential to deliver £13,636k saving to the HRA over the life of the 30-year business plan, which, with management of any operational surpluses, has the potential to deliver additional value to the General Fund. It is however dependent on the successful transformation of CBH and delivery at the performance levels needed.
- (c) **Deliverability within the legislative context and at an acceptable level of risk:** The strength of the *Retain* option is that it maintains continuity of service provision and avoids the inevitable loss of focus caused by restructuring; the transformational change needed can also start immediately. However, this depends on the capacity and capability of CBH to drive the change through and operate the new model effectively.
- (d) **Potential to deliver CBC strategic objectives:** CBH has proved itself as a key delivery partner of the Council in delivering regeneration projects and several small-scale affordable homes schemes over the last ten years, and its stewardship of the HRA and knowledge of stock condition means CBC has the access to the investment resources it needs. However, the risk of the *Remain* option is that as CBC scales its delivery ambitions and in particular delivering open market supply options, CBH is drawn out of its sphere of expertise, and becomes overstretched and less focused, resulting in fewer homes being supplied.
- (e) **Potential to deliver wider community outcomes:** CBH's embedded role within the most disadvantaged communities in Cheltenham makes it a natural partner for CBC in supporting tenure neutral services supporting health, education and employment objectives, by using its degree of independence to engage with and support tenants, whilst helping to build resilience and reduce dependence on critical public services. However, without careful positioning, there is a danger of duplicating support and working at cross-purposes, and also, in supporting a wider range of tenure neutral services, that the interests of CBH tenants do not become diluted or the primary purpose of the HRA negated.

Option 2: Return the service to Council control

- 7.34 This option involves terminating the management agreement with CBH, winding-up the company and returning the housing service to direct control and management by the Council.
- 7.35 The indicative savings outlined for the *Retain* option could also be achieved by adopting the *Return* option, but the service transformation outlined for *Retain* is still a prerequisite and would have to be delivered in addition to the programme of activities needed to embed the service back into the Council, as outlined below.

Offer to tenants

- 7.36 If the Council's decision is to bring back the service back in-house, it must be linked to a clear and coherent *offer* to tenants. The current service model has been in place for 17 years, CBH has developed a pivotal role in Cheltenham, is highly respected, and is deeply embedded within the most disadvantaged communities.
- 7.37 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. The Council must be prepared to engage effectively with well organised tenant groups. An *Offer to Tenants* must therefore address:
- The rationale for the change and its timing;
 - The advantages of returning the service to the Council for tenants and the quality and cost effectiveness gains that will be delivered to them;
 - Any changes to service structure or access pathways.
- 7.38 With the removal of the CBH Board (and TSIP), consideration should be given to an alternative structure that maximises the depth and diversity of tenant engagement at a meaningful level, in setting direction, agreeing operational priorities and in the scrutiny of the service.

Tenant consultation

- 7.39 CBC must determine the type and level of consultation with their residents on any reintegration proposal. Under section 105 of the Housing Act 1985, a Council will be required to consult where, in the opinion of the Council, so as to determine whether:
- 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.
- 7.40 The proposed change is likely to affect either all or a distinct group of secure tenants.

Target organisational design

- 7.41 CBC has choices as to how CBH would be integrated back into the Council, and of the phasing of that change. Whether it slots back in as an integrated function within the existing directorate structure, or whether its return would act as a catalyst to wider organisational and operation redesign, in response to the cost pressures generated by Covid.
- 7.42 A key consideration is whether the service would lose operational focus if it was reconfigured between directorates and process efficiencies driven by co-location of teams delivering aligned services lost. There is also a danger that tenants experience or perceive a diminution in the service they receive, as the response provided becomes more generic. This is probably unavoidable in the long run, but expectations need to be managed.

Savings realisation

- 7.43 The additional savings that could be realised by bringing the service in-house and simply removing the costs inherent in running the ALMO, are in the region of £617k of which £301k relates to additional savings from management roles, additional to the £90k saving in the Retain case, and the remainder from roles being absorbed into council structures and savings on governance costs. The management savings allow for a new senior management structure within CBC, which will be required to ensure effective transition and ongoing management of the housing stock. Allowing a 20% margin for cost growth, an additional net annual saving of £494k could be realised. This would be subject to the delivery of the restructure and operational transformation programme, and the mitigation of risks associated with it.

Return: indicative financial savings	
Annual Saving	£000
Management savings	617
Allowance for cost growth 20%	123
Return: savings estimate	494

- 7.44 The cost of returning the ALMO to the council is estimated as £1,000k, covering the legal costs of closing the ALMO, administering TUPE and pension arrangements, and management of change costs, which would be chargeable to the HRA, with retained surpluses used to meet these costs.

Return: indicative transition costs	
Cost	£000
Legal advice and transfer of assets	350
Management of change	650
Total cost estimate	1,000

- 7.45 When added to the transformation savings outlined in the *Retain* case, the indicative savings over the length of the HRA business plan could be £27,468k at current prices and net of the

assumed transitional costs. In practice the savings are likely to be greater than this due to the impact of inflation and interest savings on the business plan.

Transition considerations

- 7.46 A detailed *Transition Plan* with rationale, target operating model and the change plan required to embed CBH back into the Council, could be prepared within three months. It would comprise:
- A *Blueprint* and fully costed *Business Case* to articulate the vision, objectives, and anticipated outcomes of the change;
 - A *Transformation Plan* and *Benefits Realisation Plan* to ensure the change is delivered and that benefits are fully realised;
 - 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;
 - An *Offer* to tenants prepared in advance of a *Test of Opinion* through a tenant ballot;
 - A *Change Management Plan* to guide staff, both (CBH and CBC) through the change, which could largely be delivered in 12-18 months of a tenant ballot supporting the change, although any commercial aspects may require a longer implementation period.
- 7.47 The key consideration in delivering this option is as to how the organisational change would be delivered relative to the transformational change needed, and how that might impact the timing of savings realisation. As with the *Retain* option, stakeholder priorities would determine the level of savings to be realised and how they would be distributed.

Legal considerations

- 7.48 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

- 7.49 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

- 7.50 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

- 7.51 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.
- 7.52 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

- 7.53 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

- 7.54 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

- 7.55 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

- 7.56 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

- 7.57 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

- 7.58 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

- 7.59 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

- 7.60 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

- 7.61 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.

HRA ringfence

- 7.62 One final critical issue that the Council would need to consider in relation to the impact on its general fund on any closure of the ALMO (and in particular in relation to the consideration of central service recharges to the ALMO and any savings that might be realisable were the housing service to be brought back in-house) is that the housing service would remain subject to the statutory "rules" that apply to the Council's Housing Revenue Account in the Local Government and Housing Act 1989 (at Part IV and in the Schedule); the consequence of these "rules" may well be that any additional support that can be provided to the Council's general fund as a consequence of closing CBH may well be limited.

Assessing the Return option

- 7.63 Taking account of the above, the following factors are material in assessing the *Return* option against the review criteria.
- (a) **Ability to sustain the quality of services provided and satisfaction with them:** Returning CBH to its control would provide CBC with a greater degree of control over services and resources at a time when significant structural change is required in response to Covid, and services need to be fully connected to maximise outcomes. The indicative saving indicated in the *Retain* option of £397k could still be achieved against operational budgets, plus a further £253k through operational transformation to give a total potential operational saving of £650k. This includes the savings from Cheltenham House. However, the majority of the management cost of running the ALMO can also in theory be removed, with the indicative *Return* saving of £241k added to indicative *Retain* saving of £90k to realise a total potential management saving of £331k. The management savings allow for a new senior management structure within CBC, which will be required to ensure effective transition and ongoing management of the housing stock. The risk remains however, that through loss of focus, or momentum, caused by the restructuring, underlying transformation opportunities are not realised, and consequently, the Council falls short of the levels of service quality, operational efficiency and growth it is seeking;
 - (b) **Ability to sustain both the HRA and GF, whilst maximising available resources:** The *Return* option has the potential to deliver £27,468k in savings to the HRA in current prices over the life of the 30-year business plan. However, as with the *Retain* option, it is dependent on the successful transformation of services and ongoing operational focus;
 - (c) **Deliverability within the legislative context and at an acceptable level of risk:** Many Authorities have terminated their ALMOs, and the route, risks and resources required well understood. What is less certain however is the level of risk posed by making the change in an uncertain operating environment, whether tenants will support the change, and whether service focus can be maintained as staff are transferred.
 - (d) **Potential to deliver CBC strategic objectives:** Delivering strategic programmes directly rather than through partnership arrangements, obviously removes a link in the delivery chain and the chance of any mis-alignment of expectations, or additional management layers impacting delivery. However, at a time when programmes need to be expedited, a whole-scale reorganisation of delivery mechanisms could deflect effort;
 - (e) **Potential to deliver wider community outcomes:** By embedding community development and investment services effectively back within its control, CBC would potentially be better placed to oversee wider tenure-neutral and holistic approaches to support health, education and employment objectives, that better connect and enable communities. However, by removing CBH from the picture, a highly respected and trusted delivery agent, benefiting from its one degree of separation with the Council, a level of connection and trust with communities cemented by CBH could be diminished.

8. CONCLUSIONS AND RECOMMENDATIONS

Current service assessment

- 8.1 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.
- 8.2 CBH's relative strength lies in the holistic view it takes of tenancy and asset management, in sustaining tenancies, in providing support to vulnerable residents, and in repairing homes to a high standard. This holistic approach also underpins community partnerships built to support vulnerable residents in the communities in which CBH operates and through the delivery of housing options and homelessness prevention services on behalf of CBC. Neighbourhood-based services such as ASB are highly responsive, although there is a level of parallel working with CBC functions, where synergies could be realised. CBH also works with the Council through a range of partnerships to foster community development, however greater clarity of approach and a change of emphasis from delivery to commissioning could be better placed to enable communities to achieve greater resilience from within.
- 8.3 The condition of the stock managed by CBH is well understood and investment needs appropriately modelled and accommodated within the *HRA Business Plan*. Whilst homes meet the Decent Homes Standard, there is a relatively high level of non-traditional prefab stock in the portfolio. An active asset management approach has been adopted to ensure the stock meets ongoing needs and financial performance criteria. However, the impact of becoming carbon neutral by 2030 is yet to be fully modelled, financing agreed, or a delivery plan formulated. This needs resolving as a matter of urgency.
- 8.4 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 raise its game significantly to deliver the 500 affordable home in its pipeline. The skills needed to deliver more commercially focused elements of the affordable housing programme are not well developed in CBH, and furthermore, the delivery of the programme needs a single central point of executive management and oversight. With skills investment however, CBH could be equipped to become the Council's developer of choice.
- 8.5 Whilst the partnership between CBC and CBH is fundamentally strong, in formulating a sustainable Covid recovery strategy, alongside delivering ambitious corporate goals, stakeholders are rightly questioning whether the degree of uncoupling between CBC as the landlord and CBH its agent is now compromising the delivery of broader objectives.
- 8.6 CBH is a well-resourced operation relative to the size of stock it manages. The investment in systems already made can be used to transform the CBH operating model and align it more closely with CBC, through digitisation, refreshed operational and organisational design, co-delivery of neighbourhood based services, co-location with CBC and the adoption of a cost-effective shared services model. This also provides scope for CBH to develop a commercial offering aimed at Cheltenham's RPs and private landlords.

Facing the future

- 8.7 Covid has created a stark new operating reality for public services, and the increased level of demand that this has placed on services will be experienced for many years to come. To sustain housing-centred service models, demand must be dissipated through *community based solutions* that enable individuals to find solutions to problems for themselves, with slimline *universal services* acting as gatekeepers to high-cost *needs-based services*, and with *location-based services* targeted to address local needs. Against this backdrop, Cheltenham must examine its own operating model to ensure it is optimally configured to deliver a sustainable level of service, whilst targeting resource in the most cost efficient, productive and needs focused manner possible. Additionally, the *Charter for Social Housing Residents* raises the regulatory bar for Local Authorities with respect to the *Consumer Standard for Social Housing* and in listening to and responding to the aspirations of tenants.

HRA funding requirements

- 8.8 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, whilst meeting the additional borrowing costs of delivering the current development programme.

HRA balances (£000k)							
£000	2020-21	2024-25	2029-30	2034-35	2039-40	2044-45	2049-50
	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Total income	20,585	25,491	28,213	30,596	33,164	35,931	38,976
Total expenditure	25,871	25,446	28,213	30,594	33,157	35,930	38,966
HRA balance	1,589	1,544	1,575	1,562	1,634	1,588	1,688

- 8.9 Whilst the approach to achieving a carbon neutral Cheltenham has yet to be defined in detail, on the basis of preliminary modelling undertaken as part of this review, and assuming the costs are in the region of those modelled, the HRA could potentially take on additional borrowing in order to fund the costs. However, this would be subject to meeting the debt reduction target of 50%. This could be delivered through identifying savings or via more support from Central Government.

The two options

- 8.10 Based on the analysis above, in our opinion, both options, Option 1: *Retain CBH* and 2: *Return the service to Council Control*, are valid paths for Cheltenham to select, but each has strengths and weaknesses, opportunities and risks associated with it, that need careful consideration.

Option 1: Retain CBH

- 8.11 CBH has operated effectively at relative arms-length within the terms of its management agreement since 2003, it has delivered Decent Homes, delivers high quality services valued by tenants and has developed highly valued community connections. However, within the new operating environment and with raised expectations of wider partnership delivery, it is appropriate for stakeholders to review at this point the overall value and sustainability of delivering housing services under the ALMO model.
- 8.12 For CBH to be considered as a fully credible delivery vehicle for the housing service moving forward, a realignment of its remit is required to dovetail with the strategic and operational priorities of the Council, combined with whole system transformation to create a more integrated and cost-effective delivery model with CBC, sharing resources and with a joined-up approach to delivery, capable of realising wider outcomes for Cheltenham. It requires:
- A more closely and strategically aligned remit for CBH set-out within a refreshed *Management Agreement* and a *Business Plan* reflecting the Council's vision and values, strategic ambitions and housing strategy and cross-working objectives;
 - A reinvigorated Partnership Framework with improved stakeholder engagement and communication, and an Intelligent Clienting Framework that will enable an effective partnership to flourish;
 - 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 covering finance, Information systems, HR, Comms, Asset Management and Development;
 - A refreshed *Service Offer* to tenants, with increased levels of accountability, consideration of a *Tenant Board*, and universal *Accommodation Pathway* offer;
 - An agreed *Community Development and Investment Framework* based on community asset mapping that will enable CBH to use its position within the local community to commission and support a *whole system* approach in Cheltenham;
 - A more commercial approach that delivers income through provision of services beyond the Council, and potentially having its capacity bolstered to become the Council's development partner of choice.
 - A *Partnership Offer* to be defined within three months, will set out agreed efficiency targets and transformation priorities, with a focus on quick wins and the programme to be delivered within 12 months, with savings accruing over a period of time.
- 8.13 We estimate the annual operational savings achievable through adopting this model to be worth £397k and with management savings worth £90k, a cumulative saving of £13,636k at current prices over the life of the 30-year HRA business plan. However, a balance will need to be struck between the level of savings made, investing in capacity building and sustaining service quality.
- 8.14 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. The risk inherent in the ALMO model is the additional management cost and that the

Council is dependent on the effectiveness and quality of the relationship to deliver the change necessary and to achieve key service objectives moving forward.

Option 2: Return the service to Council control

- 8.15 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 the close alignment of service delivery across Cheltenham;
 - Enable direct coordination of community development and investment;
 - Enable direct control of critical programmes such as affordable homes and carbon neutral;
 - Eliminate a decision making and management layer;
 - Eliminate the operating overhead of the ALMO operating model.
- 8.16 The service and partnership remodelling outlined for the *Retain* option is still a prerequisite of achieving the same level of outcomes, efficiencies and value-add from the *Return* case. Therefore, the first three bullet points above would remain the same for the return option. Due consideration must however be given to creating the optimum service model, maintaining momentum during a transition period and driving through the changes within the new model.
- 8.17 Bringing the service in-house would remove the majority of the ALMO management overhead and potentially save £331k p.a., plus overheads of £650k, making a full savings total of £27,468k at current prices over the 30-year HRA business plan. These figures are inclusive of the potential savings identified under the *Retain* option. The management savings allow for a new senior management structure within CBC, which will be required to ensure effective transition and ongoing management of the housing stock.
- 8.18 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 it will 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, how service quality will be sustained, and the opportunities for more accessible engagement and scrutiny;
 - An organisational design that will optimise the capacity and capability of the Council to deliver the new service model and inherent efficiency savings;
 - A *Transition Plan* to be defined within three months that will deliver the above and an agreed set of efficiency savings through a transformation programme, with a focus on quick wins, delivered over a 12-18 month period, though commercial aspects may require a longer implementation period.
- 8.19 The strength of returning the service to the Council is that it gives back direct control over the service at a time of considerable operating challenge and the background of uncertainty.

The main risk with returning the service to Council control is the loss the momentum gained by CBH, and loss of focus, when it needs to achieve demonstrably needs to achieve more.

Considering the options

- 8.20 Allowing CBH to continue on its current path is unlikely to meet the raised level of stakeholder expectations and objectives of the Council moving forward. CBH's remit needs to be re-aligned with and clearly deliver against the Council's priorities, through a refreshed partnership approach, with strengthened oversight, governance and clienting arrangements. However, building on its core strengths and community positioning, CBH make a significant contribution to delivering value-add services that address the Council's wider service priorities, including as a development partner. Remodelling the ALMO could yield a realistic operational efficiency savings worth £397k and management savings worth £90k which could yield £13,636k over the 30-year HRA business plan. However, to an extent this would be offset by any investment in capacity building agreed for CBH. The cost of transition is estimated to be £175k and would take 12-18 months to implement, though commercial aspects may require a longer implementation period.
- 8.21 Returning the service to Council control would enable the Council to reshape services more widely and enable more efficient, joined-up delivery across Cheltenham. It would also potentially yield a management saving of £331k, plus overheads of £650k, making a full savings total of £27,468k, over the 30-year HRA business plan. However, due consideration must be given to creating the optimum service model, how the transition would be managed, and how residents would be engaged in the process. The management savings therefore allow for a new senior management structure within CBC, which will be required to ensure effective transition and ongoing management of the housing stock. The cost of transition is estimated to be £1,000k and would take 12-18 months to complete following a supportive tenant ballot, and as above, commercial aspects may require a longer implementation period.
- 8.22 A significant level of upfront efficiency savings can be made through both the *Retain* and the *Return* options, with ongoing channel shift and self-service, digitisation, shared services and matrixed operating models driving further efficiencies, along with the flexibility to focus resources where they are really needed.
- 8.23 The crux of the matter hinges on whether stakeholders believe that CBH, with its inherent level of overhead can be sufficiently refocused to deliver in partnership the priorities of the council, whilst delivering agreed efficiency savings, or whether returning the service to the Council will deliver greater synergies and efficiencies, whilst mitigating the risk of disruption to the service and satisfaction with them, caused by their reconfiguration.

Assessment criteria summary

- 8.24 Considering all of the above, our assessment of the relative merits of the *Retain* and *Return* options against the review criteria is as follows.

- (a) **Sustain the quality of services provided and satisfaction with them:**
CBH is a fully capable agent delivering high quality housing services, through transformation of the operating model and implementing a shared service model it can be realigned with CBC priorities, potentially delivering a saving of £487k. However, a layer of management overhead would remain and therefore a layer of negotiation between the Council and delivering its objectives. Returning CBH to its control would provide CBC with the ability to fully connect services and resources to deliver outcomes, it could also realise operational savings of £650k and eliminate £331k management cost of running the ALMO after allowing for a new management structure within CBC. This would however be at the risk of a loss of focus or momentum, leading to a diminution in quality of services provided;
- (b) **Sustain both the HRA and GF, whilst maximising available resources:**
The *Retain* option has the potential to deliver £13,636k of saving to the HRA over the life of the 30-year business plan, whilst the *Return* option has the potential to deliver £27,468k in savings, double the level over the thirty years of the business plan. However, with both options, the savings are dependent on the successful transformation of services and ongoing operational focus;
- (c) **Deliverability within the legislative context and at an acceptable level of risk:**
The strength of the *Retain* option is that it maintains continuity of service provision and avoids the inevitable loss of focus caused by restructuring, but is dependent on the skill and capability of CBH to successfully drive through the change and operate the new model effectively. Whilst many Local Authorities have terminated their ALMOs, and the route, risks and resources required are well understood, the risks posed by making such a change in an uncertain operating environment, without the clear backing of tenants and stakeholder are significant;
- (d) **Potential to deliver CBC strategic objectives:** CBH has established a strong track record in delivering on behalf of CBC. However, when CBH is drawn out of its sphere of expertise, it is in danger of becoming overstretched and less focused. Whilst delivering strategic programmes directly rather than through partnership, obviously removes a link in the delivery chain and therefore less chance of any mis-alignment, but at a time when programmes need to be expedited, is a whole-scale reorganisation of delivery mechanisms likely to be an enabler or a distraction;
- (e) **Potential to deliver wider community outcomes:** CBH is a natural partner for CBC in building tenure neutral services focused on health, education and employment objectives. However, duplication and working at cross-purposes must be avoided. Operating within the Council, it may be easier to create a wider tenure neutral approach, better able to connect with and enable communities. However, by removing CBH, a highly respected and trusted partner, benefiting from one degree of separation from the Council, a level of connection and trust with communities could be lost.

Conclusions

- 8.25 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. Covid will disproportionality impact the communities supported by CBH on many levels, and it is critical that all services remain fully focused on supporting and empowering them.
- 8.26 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.
- 8.27 CBC has shown vision and placed trust in CBH, which has enabled it to flourish over many years, however the sharper focus of stakeholders necessitates a more comprehensive, cost effective and more closely aligned *ask* of the housing service, if Cheltenham is to recover strongly and flourish.
- 8.28 The Cheltenham HRA is fundamentally strong and can support the majority of the investment needs being asked of it, there is therefore no imperative to make deep operational savings at this point to release funds for investment in new supply. There are however potential choices open to stakeholders regarding how resources are utilised, optimised, and directed to meet broader objectives within and aligned with the remit of the HRA. A savings and transition cost summary is presented below:

Potential Savings and Transition Costs Summary				
(£000k)	Operational Savings	Management Savings	30-Year Savings	Transition Costs
Retain the ALMO	397	90	13,636	175
Return service to Council control	650	331	27,468	1,000

Recommendations

- 8.29 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, and any differences reflect a healthy natural tension rather than a relationship at breaking point;
 - The likelihood of achieving the ambitious goals set for Cheltenham will be far greater if built upon the strengths of the current partnership, rather than spending the next 12-18 months or perhaps even longer making the case for and creating a new management model that would risk loss of continuity and be pressed to perform at the same level.

- 8.30 However, to deliver fully for Cheltenham, a realignment of the relationship is required: to unlock synergies by operating collaboratively; to optimise the deployment of *whole-system* resources; and to achieve wider outcomes through community-based partnerships:
- Renew the partnership arrangement within a *Partnership Offer*, with an aligned framework of governance, clienting and communications, lock-step planning and decision making, and mechanisms for stakeholders to jointly plan, direct, oversee and realise the delivery of a shared set of goals for Cheltenham;
 - Develop a *Best in Class* approach to partnership delivery, through co-working operations, co-location and shared-service partnering to provide transformative insight and a step change in strategic capability;
 - Develop a commissioning-based approach to community development and investment, engaging with a broader partnership base to maximise the use of resources, reduce duplication, and to make a deeper impact across communities;
 - Deliver within a lean, digital operating model that will both yield efficiencies and open-up income generating opportunities, without compromising the quality of service delivery to tenants;
 - Invest in the partnership with CBH as a strategic delivery partner of the affordable homes programme and in meeting the carbon neutral target, within a centralised framework of governance and oversight, and in partnership with external delivery specialists.
- 8.31 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.

APPENDIX 1: DOCUMENTS REVIEWED

Document list
Housing Revenue Account (HRA) budget/business plan
Current version of the HRA business plan model
HRA stock and non-housing assets – property database
Asset management strategy and stock condition survey
Decent Homes standard and supporting models
Organisational and staffing structures for both CBC and CBH
MFTP and outturn report
CBH management agreement and variations
CBH business plan, objectives and strategies
CBH annual reports (last two years)
Detailed operational budgets for CBH
Governance structure details, Board and Committee papers, governance review reports
Operational performance, customer satisfaction and external benchmarking reports (last 3 years or reporting cycles)
2019-20 KPI performance reports

APPENDIX 2: STAKEHOLDER INTERVIEWEES

Stakeholder interviews	
Name	Role
Cheltenham Borough Council	
CLlr Steve Jordan	Leader Cheltenham Borough Council
CLlr Rowena Hay	Cabinet Member Finance
CLlr Pete Jeffries	Cabinet Member Housing
CLlr Tim Harman	Leader of the Conservative Group
Gareth Edmundson,	Chief Executive
Tim Atkins	Managing Director Place & Growth
Paul Jones	Executive Director Finance & Assets
Darren Knight	Executive Director People & Change
Cheltenham Borough Homes	
Jason Langley	Chair of CBH Board
Chris Mason	Council Appointed Board Member
John Rawson	Independent Board Member
Shane Brimfield	Tenant Board Member (Vice Chair)
Steve Slater	Chief Executive Officer (Interim)
Trish Blain	Tenant Board Member
Sarah Godfrey, Ed Trevina, Lisa Shepherd	Tenant Scrutiny and Improvement Panel (TSIP)
Stafford Cruse	Executive Director Finance & Resources (Interim)
Emma Wall	Executive Director Property & Communities
Caroline Walker	Head of Community Services
Matt Ward	Head of Housing Services
Vicky Day	Head of Technical & Investment
Liz Garner	Head of HR
Gary Towers	Head of Finance & IT (Interim)
Mark Way	Head of Building Services
Alison Salter	Head of Development
External stakeholders	
Ian Sharman-Jones	Regional Director, Travis Perkins
Roger Clayton	Store Manager, Travis Perkins

Stakeholder interviews	
Name	Role
PC Phil Clark	Gloucestershire constabulary
James Saunders	Partnership Manager, GCC, Social Care
Angela Gilbert	Community Development Team manager, GRCC
Steve Olczak	Gloucestershire Partnership Manager, DWP
Eamon McGoldrick	Managing Director, National Federation of ALMOS

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APPENDIX 3: DELEGATED AND RETAINED SERVICES

Function	Delegation	Lead
Housing strategy		
Strategic work with Social Landlords	Retained	CBC
Council tenant involvement strategy	Delegated	CBH
Contribution to corporate planning	Retained	CBC
Housing needs		
Housing needs	Retained	CBC
Homelessness	Retained	CBC
Housing Choice	Retained	CBC
Community safety		
ASB - strategy	Retained	CBC
ASB – Council tenants	Delegated	CBH
ASB (excluding Council tenants)	Retained	CBC
HRA land and assets		
Sale of HRA land	Retained	CBC
Disposal of commercial dwellings	Retained	CBC
Management of Right to Buy		
Valuations	Delegated	CBH
Administration	Delegated	CBH
Approval	Shared	CBH
Final consent and sale	Shared	CBH
Right to first refusal	Delegated	CBH
Homelessness		
Corporate objectives	Retained	CBH
Housing advice	Delegated	CBH
Assessment of homelessness applications	Delegated	CBH
Prevention of homelessness	Delegated	CBH
New tenancies		
Allocation policy	Retained	CBC
Housing Register	Delegated	CBH
Nomination of tenants	Delegated	CBH
Notification and sign-up	Delegated	CBH
Granting of new tenancies	Delegated	CBH
Statutory succession	Delegated	CBH
Discretionary succession	Delegated	CBH
Mutual exchange	Delegated	CBH

Function	Delegation	Lead
Making best use of housing stock	Delegated	CBH
HRA Business Plan		
Business Plan	Retained	CBC
Statistical returns	Retained	Shared
Repairs and maintenance		
Stock condition surveys	Delegated	CBH
Responsive repairs (including policy)	Delegated	CBH
Planned maintenance and cyclical repairs	Delegated	CBH
Modernisation and improvement policy	Delegated	Shared
Replacement and renewal	Delegated	CBH
Energy efficiency	Delegated	CBH
Void management		
Tenancy terminations	Delegated	CBH
Inspections and repairs	Delegated	CBH
Void policy	Shared	CBC
Tenancy management		
Tenancy Agreements and amendment of terms	Retained	CBH
Estate management	Delegated	CBH
Caretaking	Delegated	CBH
Grounds maintenance	Delegated	CBH
Garages	Delegated	CBH
Enforcement	Delegated	CBH
Illegal occupation	Delegated	CBH
Requesting ASB orders	Shared	CBH
Police protocols	Delegated	CBH
Tenancy management policy	Delegated	CBH
Leasehold management		
Leasehold policy	Retained	CBH
Leaseholder consultation	Delegated	CBH
Service charge collection	Delegated	CBH
Planned maintenance and cyclical repairs	Delegated	CBH
Recharges	Delegated	CBH
Enforcement of leasehold conditions	Delegated	CBH
Finance		
Agreeing the HRA	Shared	CBC
Rent and service charge setting	Retained	CBC

Function	Delegation	Lead
Rent collection	Delegated	CBH
Arrears recovery (current tenants)	Delegated	CBH
Arrears recovery (former tenants)	Retained	CBC
Financial returns – HRA	Delegated	CBH
Management of capital programme	Delegated	CBH
Management of capital expenditure	Delegated	CBH
Financial management of HRA	Delegated	CBH
Procurement	Delegated	Shared
Managing contracts for delegated activity	Delegated	CBH
Managing capital and repairs contracts	Shared	Shared
Tenant involvement		
Tenant involvement policy	Delegated	CBH
Tenant and resident association development	Delegated	CBH
Consultation on policy change	Delegated	CBH
Consultation on ALMO contract	Shared	CBC
Newsletters and reports to tenants	Delegated	CBH
Satisfaction surveys	Delegated	CBH
Support and development of local plans	Shared	Shared
Complaints		
Customer complaints relating to HRA activities	Delegated	CBH
Ombudsman complaints	Delegated	CBH
Appeals in relation to complaints	Delegated	CBH
Elected Member enquiries	Delegated	CBH

APPENDIX 4: CHELTENHAM STRATEGIC CONTEXT

This section provides further detail on the strategic context within which CBH operates

1. Strategic Context

The Cheltenham Place Vision

- 1.1 The *Cheltenham Place Vision (2019)* defines the collective commitment of the Council and its strategic delivery partners to ensure that Cheltenham is a place where everyone thrives, supported by a thriving economy, a thriving cultural offer and thriving communities. The Plan commits action to:
- Deliver a step-change in the pace of delivery of housing (including affordable housing) and an immediate priority in reducing homelessness;
 - Reduce vulnerability and harm through collaborative working, to reduce crime and anti-social behaviour, and a joined-up approach to safeguarding children and adults;
 - Create socially sustainable communities in both new residential developments and in existing communities.
- 1.2 In delivering this vision, a key priority of the *Cheltenham Corporate Plan (2019-23)* is to increase the supply of housing and invest in building resilient communities, through securing new funding and leveraging value from existing assets. Key outcomes sought are to:
- Proactively tackle homelessness and rough sleeping;
 - Increase the supply of affordable homes and enable more private rented homes to be let on a long-term basis;
 - Deliver new homes and sustainable improvements to the west of Cheltenham;
 - Deliver a community-based approach to tackling inequality and ensure all communities benefit from the improvements and investments made.
- 1.3 The Plan also prioritises the delivery of services that meet the needs of residents and communities by enabling quick and efficient self-service transactions, streamlining customer journeys to improve satisfaction, and to improve efficiency in realising financial self-sufficiency.
- 1.4 In response to Covid, Cheltenham has developed a *Recovery Strategy – A Local New Deal for Residents (2020)* which restates the objectives of the Corporate Plan and identifies priorities for immediate focus, including:
- Making services more responsive and efficient, to ensure that every resident has the opportunity to access services and support, maximising shared use of council buildings and assets to unlock value and deliver efficiencies;
 - Becoming carbon neutral by 2030 and prioritising investment projects that deliver inclusive growth and opportunities to deprived communities;

- Working with service partners on creative opportunities to deliver commercial income, efficiency and improved services, and to specifically review the partnership with CBH to expedite a £100m housing investment plan and to support wider regeneration.

Strategic housing priorities

1.5 The Cheltenham *Housing Strategy* (2016-21) sets out three key objectives: to increase the provision of affordable housing; to make best use of existing housing and to improve neighbourhoods; to tackle homelessness; and to improve the health and wellbeing of communities. The key issues and solutions identified within the strategy that CBH would be expected as a strategic partner to help address include:

Housing Need: There are approximately 2,200 households on the CBC waiting list, in a town characterised by higher than average housing cost, with areas that suffer high levels of deprivation, particularly West Cheltenham, which also has limited tenure and property diversity.

Homes for younger people: A key priority for Cheltenham is to provide broader housing options and support young people to make homes and careers in Cheltenham, instead of moving to larger cities such as Swindon and Birmingham. 25% of individuals currently accepted as homeless are aged under 24 (20% nationally). Home to an expanding university campus, it is projected that Cheltenham will be home to an additional 4,000 students by 2030.

Homes for older people: The population of residents aged over 65 is set to rise in Cheltenham by almost 40% by 2031, with a corresponding significant rise in residents over the age of 85. This will impact the way Cheltenham evolves as a community and the demands on specialised housing and services.

Health and wellbeing: Driven in part by the ageing population, 15% of Cheltenham's residents considered themselves to have a long term health problem and 6.5% of these residents considered themselves to have a condition that significantly limits their day-to-day activities.

Private rental homes: There are 10,000 private rented sector homes in Cheltenham (18% of homes) and is the least regulated sector of the rental market. The challenge for CBC is to stimulate the supply of long-term lets and to ensure homes are maintained to a high standard and level of thermal efficiency.

Homelessness and rough sleeping: the main driver of homelessness in Cheltenham is the loss of private rental accommodation or being asked to leave a family home, the level of homelessness associated with domestic abuse is also increasing. Rough sleeping has increased in Cheltenham, with 9 rough sleepers identified in a street count undertaken in 2017.

Flexible temporary accommodation: Cheltenham maintains a portfolio of 17 furnished and part-furnished temporary accommodation units from within the HRA stock, reflecting households needs and to avoid the use of Bed and Breakfast accommodation wherever possible.

Delivering housing priorities for Cheltenham

1.6 Cheltenham has an ambitious programme in place to deliver against its strategic housing and broader environmental priorities:

- To deliver 800 new homes by 2025;
- To regenerate West Cheltenham with a Cyber-hub and approximately 3,700 new homes;
- To be a carbon neutral borough by 2030;
- To deliver homes to a Cheltenham Quality Standard.

Delivering affordable homes

1.7 CBH and CBC are finalising a new strategy for new homes and regeneration that is expected to be presented to Cabinet in 2021 for approval setting out an ambitious plan to deliver circa 800 homes through a £180m investment. The strategy will contain four broad strands:

- **Affordable homes programme** with the aim of increasing the supply of new affordable homes for both rent (social and affordable) and low-cost home ownership with the aim of tackling the housing waiting list and encouraging young people to stay in Cheltenham;
- **Open market sale programme** to deliver homes for open market sale with the aim of unlocking sites within Cheltenham and increasing the supply and choice of homes available, whilst maximising returns to generate funds to be re-invested in the other strands of the strategy, including regeneration;
- **Private Rent programme** with the aim of increasing the supply of quality and accessible private rent homes with greater tenure security;
- **Regeneration programme** to remodel existing estates by demolishing and re-developing new homes with the primary aim of closing the quality gap between existing and new homes to ensure all are high quality, safe and energy efficient, whilst still being affordable.

Golden Valley Regeneration

1.8 In addition to the affordable homes programme outlined above, CBC has ambitious plans to regenerate an area of 45 ha adjacent to GCHQ in West Cheltenham, creating *Cyber Central UK*, the UK's first campus dedicated on cyber-technology. It will also provide approximately 3,700 homes within an exemplar Garden Community. The majority (2,600) of these homes will be built on allocated land to adjacent to the existing communities of Fiddler's Green, Springbank and Hesters Way, with 40%

potentially being transferred into the Cheltenham HRA. CBC are currently in the process of procuring a development and investment partner, with *Cyber Central UK* due for completion in 2023.

- 1.9 The scale and ambition of this development will draw in significant investment into Cheltenham, but the challenge for CBC and its strategic partners will be to retain future revenue within the town and to ensure the adjacent communities, some of the most deprived in Cheltenham, benefit directly through employment opportunities and community investment.

Carbon Neutral

- 1.10 In 2019 Cheltenham declared a climate emergency and made a commitment to be a carbon neutral Council and Borough by 2030, eliminating its carbon footprint. Meeting this target will require a radical rethink of how the Council and its service partners operate, and how homes are designed, built, heated, and managed. A delivery plan will require:

- Operating from zero carbon offices;
- Making Cheltenham homes carbon neutral;
- Deploying renewable energy sources such as wind and solar power on suitable sites;
- Rolling out a zero emission vehicle fleet;
- Defining a Cheltenham Standard as a benchmark for low-carbon living.

APPENDIX 5: LOCAL AUTHORITY APPROACHES TO DEVELOPMENT

This section provides further detail on the approaches adopted by other local authority comparators to delivering affordable housing.

1. Background

1.1 Local Authorities face a raft of challenges in delivering housing priorities, including addressing homelessness and the demand for temporary accommodation, the lack of affordable housing, the poor quality of private rented homes, and in many areas' vacant properties. There are also issues with regards the planning system, the stimulation of the market, the lack of availability and affordability of building land, and the risk to the level of supply provided from within the HRA.

1.2 The drivers for providing affordable homes and accommodation are to:

- Deliver low-cost homes and security of tenure to local people;
- Increase the supply of first step and temporary accommodation;
- Increase supply and improve the quality of stock within private rented sector accommodation;
- Diversify the range of tenure types and the homes available across social rent, affordable rent, shared ownership, starter homes and affordable homes for sale;
- Support regeneration and broader economic growth;
- Respond to demographic changes and emerging needs (an older population, under 25s, under 35s etc.);
- Secure sustainable income over the long-term; and
- Generate a receipt at a favourable rate of return for commercial development.

Financing the supply of affordable homes

1.3 Financing the supply of affordable homes is a major challenge for all Councils within the context of what is permitted within the HRA and General Fund, the availability of land and expertise, the type of homes or accommodation needed, and the extent of external partnership and procurement. The main sources of funding are as follows.

- (a) **HRA:** Through the use of HRA annual surpluses, reserves, and borrowing against the HRA headroom, to directly build and retain homes, within the objectives of the Prudential Code for Capital Finance in Local Authorities and risk of stock loss associated with right-to-buy.
- (b) **RTB Receipts:** Can be used to fund affordable homes, but not shared ownership, market sale or market rental homes.
- (c) **General Fund:** Through the use of reserves, land and prudential borrowing at Public Works Loan Board rates or at market rates, to deliver market rental homes.

- (d) **On-lending from the General Fund:** Lending to a subsidiary such as LHC at half a percent more than they pay to borrow from the Public Works Loan Board.
- (e) **Homes England Grant:** Councils with LHCs can take Homes England grant (previously HCA) as part of their mix of financing options.
- (f) **Local Government Pension Scheme:** A number of Councils are looking at how pension fund resources can be used to support development and Government appears to be supportive of such initiatives.
- (g) **Cross-subsidy:** Using match funding from the Council and a third-party funder to build homes for sale or shared ownership, and to recycle the receipts into building affordable homes.
- (h) **Disposal of Assets:** Identifying land and non-housing buildings on Council estates such as shops and pubs.
- (i) **Disposal of current housing stock:** As properties become void, they are considered for disposal with the capital receipt being ring fenced for new supply, this is applicable where there is already sufficient social housing or where maintenance costs are high. Many Councils are also repurposing sheltered stock on a smaller number of sites and using surplus land to build new affordable homes.

Models for delivering affordable homes

- 1.4 Since 2011, the Localism Act has enabled local authorities to establish private companies and given them greater borrowing powers. The change in accounting standards to the International Financial Reporting Standard has placed local authority accounts on the same basis as private sector companies and has stimulated investment in both commercial and residential property assets.
- 1.5 The range of delivery models being adopted by Councils can be broadly categorised as follows:
 - New build or acquisition of stock within the HRA under a development agreement with a developer, with the resultant homes owned and managed by the Council within the HRA;
 - Land is released to developers through a development agreement with homes either sold on the open market or back to the Council or a registered provider;
 - Land is leased to a funder who develops the land through a development contract, homes are sub-leased to the Registered Provider;
 - Contractual or corporate joint ventures where the risk of development is shared with a partner on a risk/reward basis and the resultant developments sold on the open market, sold to the Council or registered provider, or retained within the joint vehicle; and

- Special Purpose Vehicles that provide new homes and/or delivery of housing management, with the Council creating a wholly owned vehicle, or creating a separate company (a registered vehicle) and the homes created sold or rented.
- 1.6 The delivery vehicle adopted will depend on a range of local factors such as specific housing needs, market conditions, the risk appetite and the level of control, the level of resources available, procurement and the type of partnerships available, and the potential of existing vehicles such as an ALMO.
- 1.7 An increasingly prevalent approach taken by local authorities is to set-up Local Housing Companies (125+ have been created or are being considered), whereby a mixed tenure homes can be provided, with rented homes not subject to right-to-buy requirement, and therefore retained by the Council as landlord in perpetuity. There is no one predominant model or approach, with local circumstances (supply, homelessness, community shaping and regeneration) and constraints (funding, using RTB receipts, HRA borrowing cap) shaping the approach taken and business model adopted, with new companies being established by many and some of those with ALMOs using them as a parent company.

2. Local authority examples

- 2.1 In this section, we provide a range of examples to illustrate how other local authorities have taken steps to increase the delivery of new homes through local housing companies.

Nottingham City Homes

- 2.2 Nottingham City Homes (NCH) is an ALMO, managing the housing stock of Nottingham City Council. It was the first ALMO to set up a subsidiary to build homes for market rent, NCH Enterprise, and has subsequently established a second subsidiary which was successfully registered as a provider of social housing in 2017. Both companies are wholly owned by the ALMO.
- 2.3 The market rent subsidiary plays a significant role in contributing to NCH's corporate objective of building high quality, affordable new homes for local people. According to NCH's Corporate Plan, they have built twice as many homes as any other ALMO: in 2018 they had built or had under construction 647 homes, with a further 565 planned.
- 2.4 NCH Enterprise is trading under the brand name LiviNG. It aims to improve the standard of private rented property in Nottingham. Up to 2018, it had acquired 100 properties for market rent. Since then, its business model has shifted from purchasing individual street properties to acquiring or developing new build specifically for market rent. It is also focusing on the regeneration of the

Arboretum area of the city, through which 86 properties will be refurbished to a high standard.

- 2.5 NCH Enterprise has received loans directly from the Council, including one in 2019 for £20.086 million for the acquisition of private rent properties. This loan was arranged on market terms in compliance with State Aid regulations, at a rate equivalent to the Public Works Loan Board (PWLB) annuity rate borrowing plus a premium for the inherent risk taken by the City Council. The Council originally intended to make the loan to NCH, but later decided to make the loan directly to its subsidiary as it was expressly stated that NCH Enterprise would be operating the properties for market rent.
- 2.6 Another state aid compliant loan for £9 million was also made from the Council to NCH Enterprise to finance the purchase of 70 properties to be used for temporary homeless use.
- 2.7 The Registered Provider Subsidiary, NCHRP, has acquired 17 2-bed properties which are used as affordable rent general needs units. Affordable Homes grant funding was used to fund these homes, and NCHRP has made a recent bid to Homes England for grant assistance to support further delivery of new housing. Additionally, through NCH's Private Sector Leasing Scheme, NCHRP will lease properties for property owners, offering guaranteed monthly rental return at slightly lower than market rents.

Stoke-on-Trent City Council

- 2.8 Stoke-on-Trent City Council is in the process of delivering significant regeneration in the city through partnership working with the private sector and the Government on a number of schemes. Specifically, in regard to developing new affordable housing, the Council is developing the market housing offer in the city and is pursuing a range of development themes to drive activity for all forms of housing. The Council still owns over 19,000 properties, which it directly manages in partnership with a contractor, rather than using the ALMO model.
- 2.9 One of the key ways in which Stoke is looking to develop affordable housing is through the creation of a local housing company. Fortior Homes is a wholly-owned council company in which the Council invested £55 million in 2018 to deliver 500 homes over three years – either new build or by bringing homes back into use. Fortior Homes will have over 400 properties in management by 2021.
- 2.10 According to Fortior's updated 2018 business plan, the council's investment will result in a £5.1 million interest margin, a £2.5 million dividend and £2.6 million in extra council tax, resulting in total returns of £10.3 million over 10 years. In January 2020, Stoke-on-Trent City Council's cabinet announced plans to commit £30m from its capital programme for Fortior Homes to build 450 new homes over three years from 2021, half private rented houses and half open sale.

- 2.11 Fortior Home's six non-executive directors include the leader of Stoke-On-Trent City Council, its Director of Housing and Customer Services, Direct of Place, Growth and Prosperity, a local Civil Servant, and a local business owner.
- 2.12 There are certain gaps in housing provision within the city and the housing company will allow the council to stimulate, partner, and, on occasion, lead the market in those sectors. Through close partnerships with Homes England, developers, financial institutions and housing providers, the Council expects the local housing company to deliver housing growth across the city of the right type, tenure and in the right location.
- 2.13 Fortior Homes has taken multiple different approaches in its development sites. At Clayworks in Hanley, Fortior Homes is delivering 151 'build to rent' apartments. At Saxon Place, it has partnered with local company Novus Property Solutions to develop 128 quality homes for market sale and rent. This development will include a mixture of one and two-bedroom apartments as well as three-bed houses, which will contribute towards addressing the city's need for quality new-build rented accommodation. Another development is building apartments on a former garage site. Fortior Homes has also bought properties from the market and currently owns over 100 homes across the city.
- 2.14 Stoke has also been awarded the status of a 'custom build vanguard' local authority by the government. Having successfully delivered the first custom-build site in the city (six plots), the Council progressed the next sites to planning permission and marketed them in 2017. The Council expected that this phase would produce around 100 homes.
- 2.15 Another way of allowing the development of affordable homes in Stoke has been through a £1 house project as a solution to bring empty homes back into use. This project involved renovating properties by selecting local people on modest incomes to pay £1 for their home. The council renovated the homes and the new owners agreed to repay the costs of the renovation through a 10-year, low-interest loan of £30,000. The repayments were then used to bring more homes back into use, meaning ongoing value for money for taxpayers and residents. The overall cost of purchasing and bringing back into use a property is less than the cost of purchasing land and building a new home.

Wokingham Borough Council

- 2.16 Wokingham Borough Council has established a group of housing companies as subsidiaries of its holding company WBC (Holdings) Ltd. Loddon Homes is a For Profit Register Provider which enables it to spend Right to Buy receipts and commuted S.106 sums (they have the 3rd highest level of such receipts in the UK). This was the first council-owned housing association, registering with the regulator in 2016.
- 2.17 Another wholly-owned company, Wokingham Housing Limited (WHL) develops new properties. WHL transfers all of its social and affordable developments to Loddon

Homes, which acts as caretaker and landlord. Loddon Homes was initially set up as a subsidiary of WHL but was separated in order to meet the registration requirements of the social housing regulator.

- 2.18 The Council uses a holding company structure to maintain control of the arrangement as the sole shareholder, and an Inter Group Agreement ensures compliance with regulatory standards and the National Housing Federation Code of Governance. As a wholly owned council housing company, Loddon Homes delivers affordable homes which also deliver a financial return for the Council. Any profit is reinvested in the local area, either in the provision of additional housing or other local services.
- 2.19 Various funding arrangements are in place for the housing companies. The Council makes loans to the Holding Company, which then loans funds to the individual housing companies at a 3.5% rate. The Council has also made loans directly to WHL, initially at a rate of 5.75% which reduced to 3.5% in April 2019. This rate is fixed, but the Council has an option to review if Public Works Loan Board rates increase significantly. Loddon Homes, as a Registered Provider, can access Homes England funding. Several developments have received HCA grant (the predecessor of Homes England). The Council can also pass on funds from commuted sums to its housing companies to develop new homes.
- 2.20 Wokingham's business model for its companies is based on a small team. As far as possible, the companies use the Council's services through an umbrella Service Level Agreement. For Loddon Homes, the Council's Housing Service provide housing management and maintenance services to residents. This provides significant economies of scale across the Council companies and provides the Council an additional income from outsourcing its own departmental services; the Council charges its companies at cost plus a small margin of between 3-5%.
- 2.21 Loddon Homes offers a range of developments from Wokingham Housing Ltd. These cover various tenure types, including affordable rent and shared ownership, and support needs, such as older people, young care leavers, and adults with care needs.
- 2.22 Wokingham Housing Ltd can complete developments to meet specific needs within the borough. For example, in late 2019 it began to develop a three-bedroom, purpose built, detached bungalow designed to meet the specific needs of three individuals with specialist care requirements. This bungalow is being built on unused Council land and benefits from a £135,000 specialist housing for rent grant under the Homes England Shared Ownership and Affordable Rent Programme 2016-2021. Wokingham Housing Ltd has also built new properties to be used directly as council housing by Wokingham Borough Council.
- 2.23 A third company owned ultimately by Wokingham Borough Council, Berry Brook Homes, also provides below-market rent. Berry Brook Homes to date has focused on delivering homes for key workers, with 22 one- and two-bedroom apartments made available in early 2019. These homes are not eligible for right to buy.

London Borough of Barking & Dagenham

- 2.24 The London Borough of Barking and Dagenham (LBBD) also has multiple council-owned companies. Reside offers below-market properties to people who are in employment but can't afford to buy or rent privately and have limited access to social housing. Properties are let at 65% to 80% below the market rate. Through this, LBBD intends to ensure that working people on lower wages are not left behind in their regeneration programme. Reside currently manages just over 900 homes, including some affordable shared ownership properties. This could increase by a further 3,000 within five years.
- 2.25 LBBD provided Reside with a loan of £55,150 in its first year of trading, to be paid back through eventual profit made from renting properties. Reside subsequently secured a £160m loan facility from the European Investment Bank, which was used to fund development schemes.
- 2.26 Another council-owned company, Be First, was established with the mission of accelerating regeneration within the borough. It aims to ensure that 50,000 new homes are built, and 20,000 new jobs created in the next 20 years. This company offers a range of services, including:
- Development and development management;
 - Investment funding and partnerships;
 - Land acquisition and site assembly;
 - Pre-planning and planning services;
 - Masterplanning and design briefs;
 - Marketing and borough promotion;
 - Community consultation and engagement;
 - Bid writing; and
 - Delivery of capital projects and project management in a range of sectors including housing, decent homes, education and civil engineering.
- 2.27 According to LBBD's then Strategic Director for Growth and Homes, the Council initially agreed to borrow up to £850m to fund Be First's activities.
- 2.28 Be First aims to deliver more than 9,700 new homes in its first five years, some of which will be rented out through Reside. To achieve this, they will:
- Build over 2,200 homes ourselves, including 1,600 affordable homes;
 - Increase housing density on a number of sites scheduled for development;
 - Create opportunities on new sites; and
 - Attract external developers to build an additional 7,500 homes.
- 2.29 Be First reported earlier this year that it is on track to generate a £15 million surplus to the Council by March 31, 2021, having generated around £6m from its activities in 2019/20 to help towards paying for services in the borough. As well as delivering new

homes, it is also focusing on creating new job opportunities in the borough including plans to develop London's largest film studios on former industrial land.

- 2.30 Barking & Dagenham Council was awarded £25.3m in September from the Mayor of London's Building Council Homes for Londoners fund. It intends to use this to deliver up to 293 homes for let through Reside, but under the terms of the grant it must be used by a registered provider of social housing. Therefore, LBBDD intend to establish a new company within Reside's structure that will become a registered provider of social housing, so that it can access Homes England and GLA grant funding.
- 2.31 This is progressing well: in a March 2020 Overview and Scrutiny report, LBBDD stated that a stage one application to the Regulator of Social Housing had been approved and 'good progress' was being made on the stage two application. They expected this stage two application would be submitted by the end of February and had been advised by the Regulator that they would need three months to consider the second application. It is, however, likely this timeline will have been extended due to the COVID-19 pandemic. The company has been registered on Companies House as Barking and Dagenham Homes Ltd.

London Borough of Barnet

- 2.32 In 2012 Barnet Council set up The Barnet Group, a Local Authority Trading Company, with four subsidiaries:
- Barnet Homes, the Council's housing ALMO;
 - Your Choice Barnet, which provides social care services to people with learning and physical disabilities;
 - Bumblebee – an online estate agent providing quality bespoke property services to landlords and tenants, throughout Barnet and the surrounding areas;
 - TBG Flex – a company for the recruitment and employment of new staff.
- 2.33 This structure allows for losses in one company to be paid off from surpluses elsewhere. For example, the Council made a loan of £1.27 million to Barnet Homes. This is being paid off from the surpluses from the companies, at present from Your Choice Barnet as the other companies have not yet reached the consistent profit-making stages of their business plans.
- 2.34 Barnet Homes has set-up a not-for-profit subsidiary, Opendoor Homes, which gained registered provider status in 2017. Opendoor Homes was set up to allow for the delivery of new affordable homes outside of the HRA, as at that point the borrowing cap was still in place. The Council was able to provide Opendoor Homes a loan outside of its HRA, and still wishes to use Opendoor to provide more capacity for delivering new homes. The Opendoor Homes Board has in principle agreed to adopt charitable status; if this were successful, it would deliver additional tax benefits.

- 2.35 Opendoor Homes is developing 340 homes across Barnet, with several already completed. This is funded through a loan facility of up to £65 million from the Council, to be drawn down over a number of years, and right to buy receipts (which were reported as £23.7 million in 2019). By April 2019, Opendoor Homes was renting out 37 properties at affordable rent.
- 2.36 Proposals have also been developed to transfer 950 council homes to Opendoor Homes, as well as 140 homes that the council has acquired on the open market for use as temporary accommodation. The Council has also agreed to fund a programme to purchase 500 properties on the open market, to be owned by Opendoor Homes and used as temporary accommodation for homeless people.
- 2.37 Barnet Homes, the ALMO, has been developing new homes on existing council land held in the HRA. The Council's Management Agreement with Barnet Homes included a target for Barnet Homes to build 500 new homes by 2022, including 320 homes from a number of locations identified across mainly HRA sites. In the main these were relatively small infill sites such as unused garages and poor-quality amenity space. By October 2019, Barnet Homes had built 43 new homes across 7 sites, the first new council building in Barnet in 30 years.

Westminster City Council

- 2.38 Westminster has relatively low levels of home ownership and high residential rental costs. Much of the rental accommodation in the city is used for short-term lets. There continues to be considerable demand for good quality rental that is affordable. Moreover, Westminster City Council (WCC) is keen to encourage long-term renting by residents who will have a commitment to their neighbourhood.
- 2.39 Over time, WCC has developed an innovative, mixed economy approach to delivering and managing housing solutions that respond to local housing needs and demands, with the paramount need being to deliver high quality affordable homes, quickly and at scale. To this end, Westminster Community Homes (WCH) and Westminster Builds (WB) operating as Westminster Housings Investments Limited (WHIL) and Westminster Housing Developments Limited (WHDL) have been set up to deliver affordable and market housing, through two quite different but complementary routes. Both businesses have clear missions and aims but are at different stages of their development cycles. WCH is a well-established business with a strong track record, whilst WB is a well-funded start-up with significant potential.
- 2.40 Incorporated in 2009, WCH is a Community Benefit Society, a not-for-profit company with charitable aims, it is registered with the Financial Conduct Authority (FCA), and as a Registered Provider (RP) with the Regulator of Social Housing (RSH). Its remit has been to increase the provision of affordable housing and other related activities that assist in the delivery of strategic housing objectives, achieved primarily by negotiating the acquisition of lessee interests in regeneration areas, by providing additional

Intermediate rented units, and by providing out-of-borough units for temporary accommodation. WCH has a strong track record of delivery and currently manages 506 social and intermediate rental homes. It is currently delivering 60 homes through £15m of affordable housing funding from WCC and has an aspiration to deliver 60 affordable homes a year.

- 2.41 WB was incorporated in 2017 as a profit-making company limited by shares, 100% owned by WCC. Its remit is to develop (through a development subsidiary - WHDL) or acquire housing assets to be retained within the Company (through a management subsidiary - WHIL), The intended outcome is to provide Intermediate and market homes with an extended range of tenure types, available for those living and working in Westminster, with control and ownership of the assets retained by the Council. To this end, WB has identified an ambitious delivery programme of potential development and acquisition activity, which will provide 2,109 homes, of which approximately 960 will remain under WB management.
- 2.42 Both approaches have and will accelerate growth, enable regeneration and deliver the mix of housing products needed, whilst retaining control of both the delivery process and resultant rental products within WCC's orbit, creating long-term assets and added-value. These results could not have been achieved directly by the Council for regulatory or operating reasons

London Borough of Ealing

- 2.43 The London Borough of Ealing and Broadway has set up a local housing company, Broadway Living, to develop homes on behalf of the Council. Broadway Living's focus is to deliver over 1,100 new homes after securing £99.4 million in grant funding from the GLA's 'Building Council Homes for Londoners' programme; they claim this is the largest council-led housing development programme in London. Its homes are delivered across various tenures and rent levels.
- 2.44 The Council initially provided a loan facility of £2 million to cover the costs of setting up Broadway Living. In December 2017, the Council's Cabinet agreed a further borrowing facility of £143 million to fund Broadway Living's business plan. These loans must be made at commercial interest rates. Right to buy receipts also offer another source of funding for Broadway Living developments.
- 2.45 Broadway Living is a successful developer in its own right, having won several development awards in 2018. It also works in partnership with other organisations to develop and deliver affordable homes. For example, property management services on some of its schemes are delivered by Bell Management Associates.
- 2.46 To further support the delivery of affordable homes outside the HRA, the Council is making arrangements to establish a charitable subsidiary of Broadway Living which would be a registered provider (RP) of social housing. This would enable access to further GLA and Homes England grant funding. The Council selected this structure of

having an RP subsidiary of Broadway Living based on an options appraisal undertaken by Savills. They have gained Stage 1 approval from the Regulator of Social Housing and application for Stage 2 was underway in July 2019.

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