

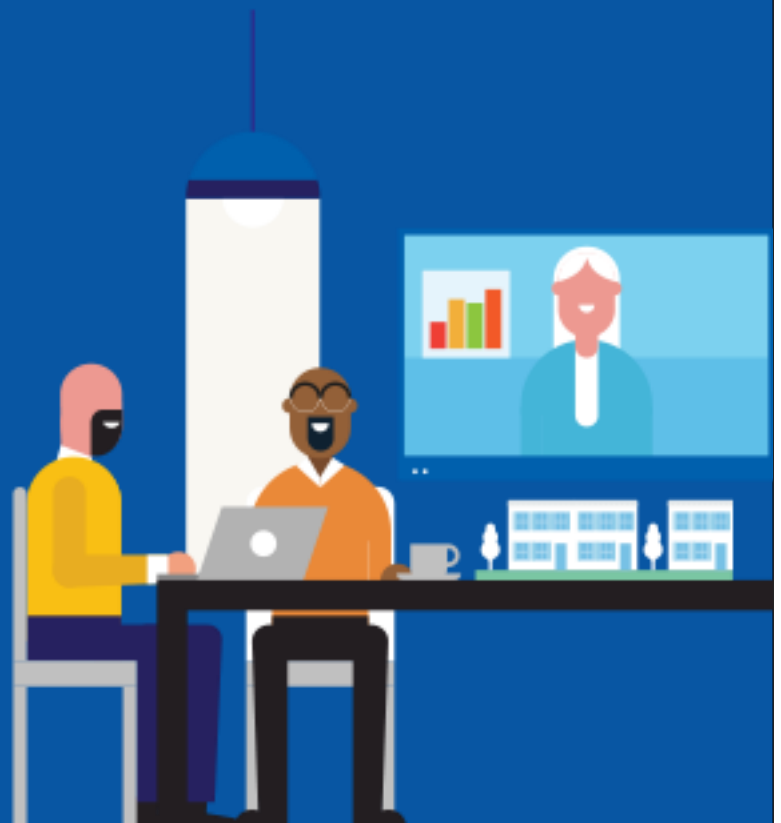
CAMPBELL  
TICKELL



# Strategic Housing Review

Final Report

September 2023



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## 1. EXECUTIVE SUMMARY

### *Purpose*

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

### *Housing vision*

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

### *Delivering housing priorities*

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

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

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

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

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

***Recommended approach***

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

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

### **Conclusions**

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

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

## 2. INTRODUCTION

### *Purpose*

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

### *Approach*

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



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

### 3. THE CHELTENHAM VISION FOR HOUSING

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

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

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

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

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

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

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

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

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

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

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

***Ensuring shared prosperity***

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

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

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

***Summary assessment***

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

## 4. DELIVERING HOUSING PRIORITIES

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

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

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

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

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

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

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

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

### ***Maximising resources***

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

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

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

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

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

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



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

### ***Summary assessment***

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

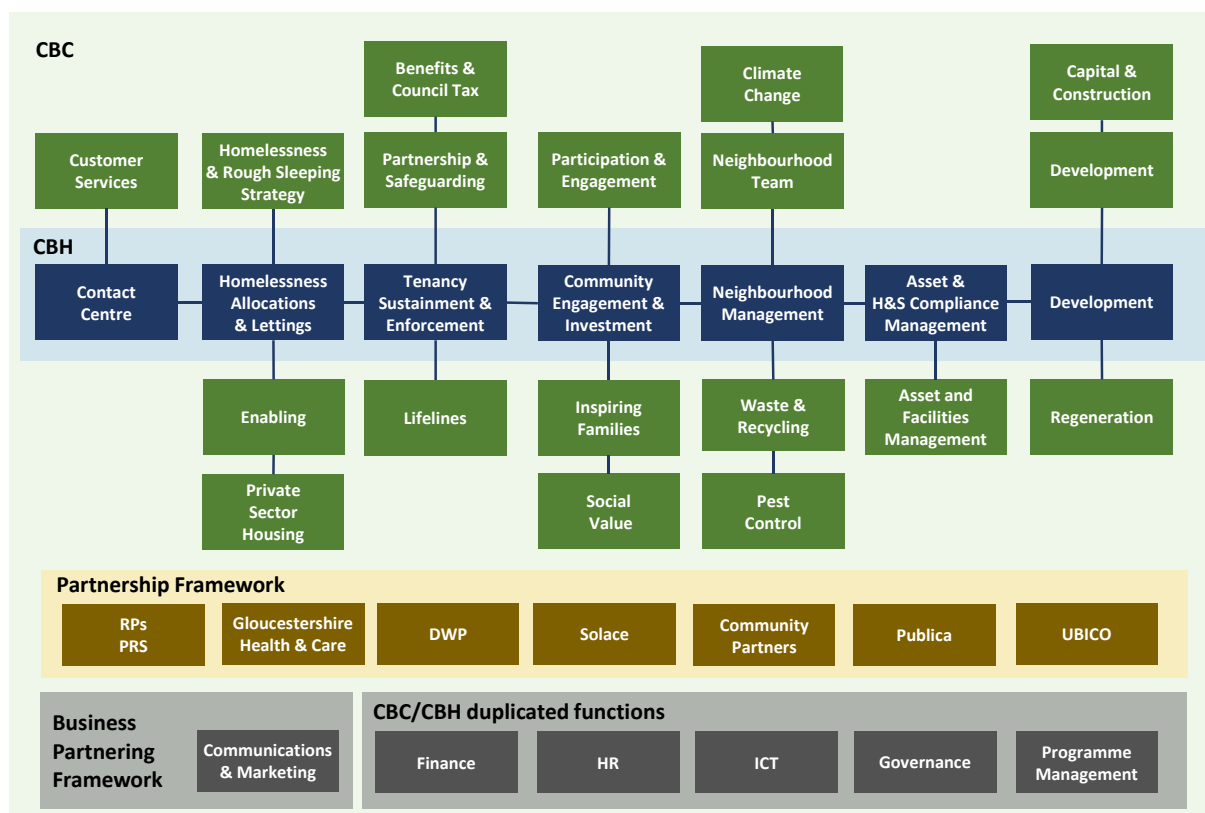


## 5. A TARGET OPERATING MODEL FOR CHELTENHAM

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

### *As-is operating model*

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



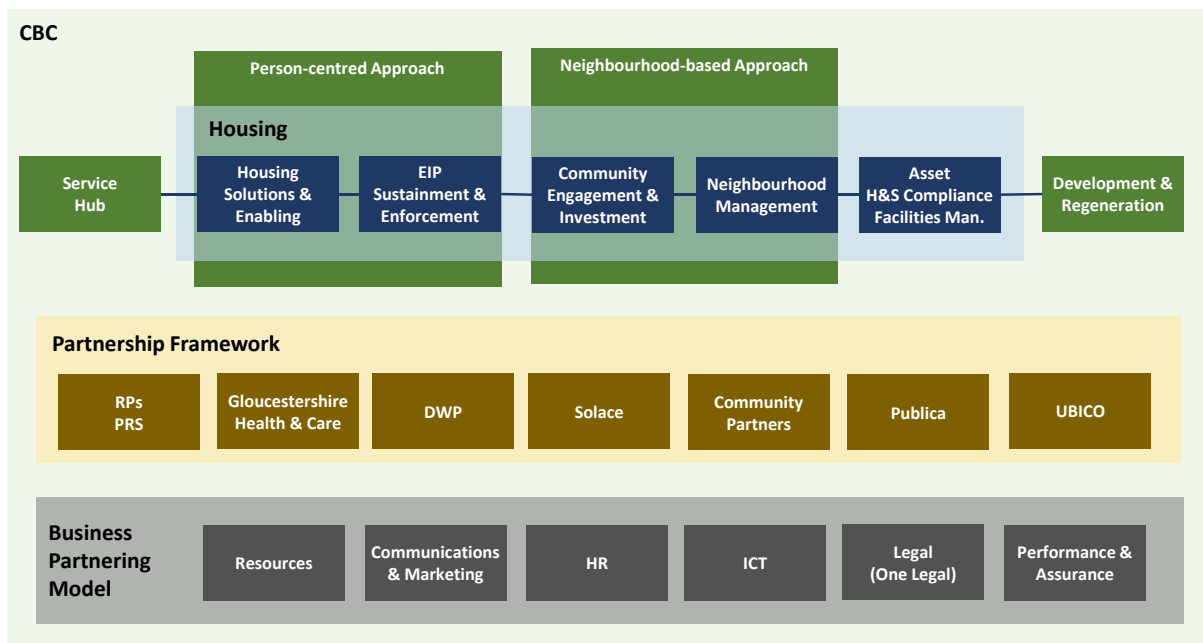
5.3 When represented in this way, current service duplications and overlaps, areas for realising synergies and driving efficiencies become obvious:

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

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

**Target operating model**

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



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

**Single front door to services**

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

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

**Person-centred approach**

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

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

### **Neighbourhood-based approach**

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

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

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

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

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

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

### ***Partnership working***

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

### ***Business partnering***

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

## 6. DELIVERING THE TARGET OPERATING MODEL

### *Guiding principles*

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

### *Potential operating structure*

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

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

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

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

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

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

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

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

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

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

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

***Phasing: Service alignment***

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

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

***Phasing: Service Evolution***

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



***Governance and oversight***

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

***Offer to Tenants***

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

**Tenant Consultation**

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

**Staff consultation**

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

**Transition planning**

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

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

### ***Legal considerations***

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

### **Winding up CBH**

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

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

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

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

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

**Works or services provided to third parties**

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

**Dealing with contracts**

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

**Dealing with assets**

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

**Terminating membership of organisations/bodies**

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

**Terminating/assigning leases/licences**

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

**Assessing the application of TUPE**

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

**Consulting staff**

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

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

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

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

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

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

## 7. CONCLUSIONS AND RECOMMENDATIONS

### **Conclusions**

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

### **Recommended approach**

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

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

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