

Cheltenham Borough Council

Cabinet 17 October 2023

Cheltenham Borough Homes

Accountable members:

Cllr Rowena Hay, Leader of the Council

Cllr Victoria Atherstone, Cabinet Member for Housing

Accountable officers:

Gareth Edmundson, Chief Executive

Paul Jones, Executive Director - Finance, Assets & Regeneration

Claire Hughes, Corporate Director & Monitoring Officer

Ward(s) affected:

All

Key Decision: Yes

Executive summary:

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

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

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

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

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

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

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

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

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

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

Recommendations: That Cabinet:

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

Implications

1.1 Financial, Property and Asset Implications

As detailed in Section 5.

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

1.2 Legal Implications

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

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

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

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

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

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

Signed off by: Anthony Collins Solicitors

1.3 Environmental and Climate Change Implications

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

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

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

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

A climate impact assessment is attached at Appendix 2.

1.4 Corporate Plan Priorities

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

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

Signed off by: Ann Wolstencroft, Head of Performance, Projects & Risks,
ann.wolstencroft@cheltenham.gov.uk

1.5 Equality, Diversity and Inclusion Implications

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

1.6 Performance Management – Monitoring and Review

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

Signed off by: Ann Wolstencroft, Head of Performance, Projects & Risks,
ann.wolstencroft@cheltenham.gov.uk

2 Background

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

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

2.2 The creation of ALMOs as a form of social housing delivery and management enabled more government funding to secure and support decent home standards. This funding stream ended in 2016. As of July 2008, there were 70 ALMOs managing over half of all UK council housing, consisting of more than a million properties. By 2023, this number had significantly reduced to around twenty, as local authorities have taken services back in-house or stock has been transferred into a housing association.

2.3 This trend is continuing with more local authorities announcing their intention to bring tenant housing services back into the Council. Drivers for these announcements have been due to:

- End to Government funding for decent homes
- Increased regulatory expectations on social landlords with further responsibilities from the social housing white paper
- Reducing duplication of effort
- Speeding up of decision making through streamlined governance arrangements
- Better value for money to tenants and leaseholders
- More integrated service delivery to support tenants, leaseholders and communities

2.4 The arrangement for managing the Cheltenham Borough Council (CBC) housing stock has been in place since 2003, with Cheltenham Borough Homes (CBH), an ALMO, with CBC as its sole shareholder, but retaining landlord responsibility for the stock and the safety of tenants. The management agreement was signed in 2015 and will expire in 2045, unless terminated through break clauses in 2025 or 2035.

2.5 The table below sets out the number of homes owned and managed:

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

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

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

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

3 Drivers for change

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

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

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

4 Changing regulatory environment

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

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

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

5 Financial

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

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

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

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

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

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

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

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

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

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

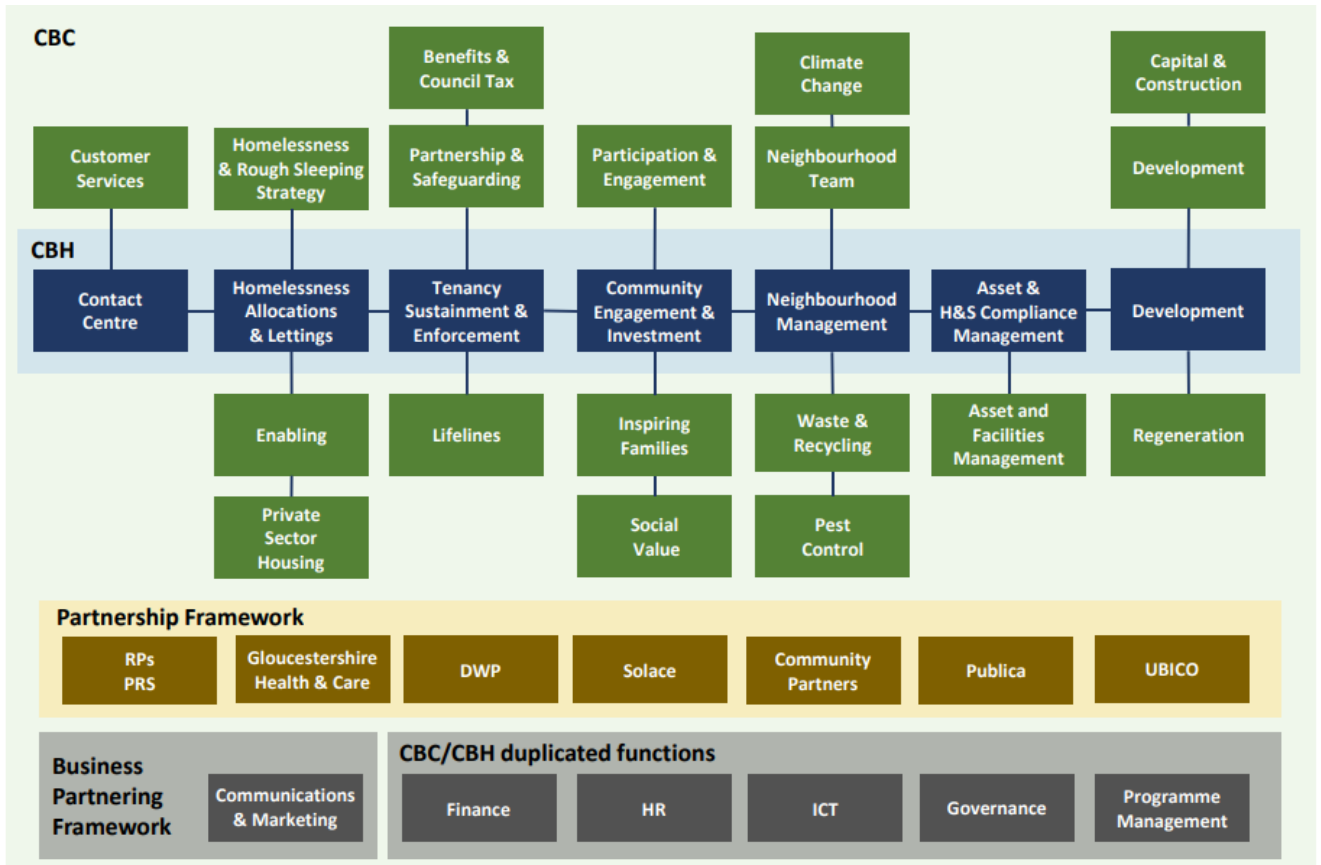
6 Future vision for housing

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

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

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

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



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

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

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

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

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

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

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

9 Options considered

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

10 Recommended Option

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

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

11 Tenant and Leaseholder Engagement

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

shaping the future service.

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

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

12 Key risks

12.1 These are shown in Appendix 1.

Report authors:

Gareth Edmundson, Chief Executive

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Appendices:

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

Appendix 1: Risk Assessment

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

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

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