Joint Working Stage Two Summary Report

East Kent and Ashford: Landlord Services Joint Working

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Strictly private and confidential

hqn consultancy

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1 Introduction

This summary report sets out the findings from stage two of the investigation into the options for joint working in Kent's local authority landlord services. The detailed findings are contained in a series of four annexes.

The three primary recommendations are to develop a Shared Services Vehicle to take over the management and maintenance of the housing stock for all five authorities, to develop five individual local housing companies co-operating in a joint development venture to build new affordable housing and to establish appropriate financial principles to underpin the process. There are opportunities to:

1. Deliver an estimated £700k of efficiencies annually in the delivery of landlord services over an extended period for reinvestment in the long term improvement of services, in the long term viability of HRA business plans and increasing investment in sustainable communities.
2. Develop around 400 new affordable housing units on land currently held within council housing neighbourhoods to help meet growing need and demand for new housing in this part of Kent.
3. Protect the financial position of each authority through establishing appropriate principles for the management and administration of support services in the early period.

Our stage one report was presented to a meeting of Chief Executives at the end of February at which the go ahead to move into more detailed investigation at stage two was received. The stage one findings were to move forward on joint working on a road map with four areas as part of two carriageways as follows:

Carriageway One: joint service working

1. Develop a form of Kent Local Authority Procurement Network (KLAPN) or explore the potential to join an existing procurement network.
2. Develop the scope for shared service provision in a separate vehicle or via one authority providing services for others; initially this should include leasehold management, resident participation and back office services whilst continuing to explore the scope for 'whole service' sharing perhaps via a form of joint venture company.
3. Commit to share best practice more formally than at present.

Carriageway Two: new build and development

4. Develop a joint Local Housing Company (LHC), or alternatively companies with a Joint Development Network, to bring forward local authority land and build new housing; to approach Government to be a '15th' LHC pilot.

The stage two work has focused on the East Kent authorities and Ashford; the three North Kent authorities in stage one are being kept informed of progress.

Work at stage one highlighted that the medium term (5-7 year) prognosis for the HRAs and HRA business plans was relatively positive at all of the five authorities at an investment standard close to or just above the Government's decent homes standard. None are likely to pursue alternative options for the foreseeable future. The joint working approach could be utilised to a) secure efficiencies, with b) the opportunity for reinvestment in services and stock investment and community sustainability at a standard beyond the government's minimum and c) a contribution to new affordable housing, all of which would improve the business planning prospects of each authority.

The work at stage two has focused on a more detailed consideration of the options and the opportunities for achieving greater efficiencies and therefore reinvestment; the work has included an initial review of stakeholder views via a series of workshops held with senior officers, members and tenants. All key findings are summarised below including a series of recommendations with some preliminary work also undertaken into the possible project resourcing needs. More detailed commentaries on the key findings and issues are contained within the annexes.

As external advisers, we note the widespread commitment to explore joint working initiatives in this part of Kent. It is clear that housing landlord services can provide a string catalyst to build momentum in the stimulation of changes in other service areas through further joint working initiatives.

2 Joint Working options

The options for sharing service delivery and procurement which were considered together with a summary of the issues and benefits are as follows.

2.1 Hosting by one or more individual authority of service units

This option would involve one or more authorities assuming responsibility across the five authority areas for the delivery of individual services functions and could be based upon the 'best and most efficient' taking on the role on a service by service basis. For example, as the best resourced service in the five areas, Thanet could take on leaseholder services for all; other services could be taken on by other authorities as agreed. Service agreements would be required from the host to the other authorities.

The main advantage of this approach would be that it would be relatively straightforward to establish once agreed and as there would be no new vehicle or body involved, have relatively low set up costs. There would be opportunities for some efficiencies but the main objective would be to improve service effectiveness to 'best in the area'. Tangible benefits realised in some areas might lead to a positive impact for other service areas.

The main issues involved would be around the need for agreement on the criteria for determining which authority would lead on which service and the potential for some authorities to take more of a lead than others causing obvious political and consultative difficulties; the chance for some authorities simply to opt out on a service by service basis could also undermine the commitment to joint working.

It is therefore difficult to envisage this approach taking place on anything other than a limited scale and, given likely political opposition and almost certain tenant opposition, impossible to see a scenario where one authority provides all landlord services to the other four. Our view is that this approach would not therefore represent the demonstrable commitment to joint working that the five authorities are looking for and could actually prolong the time through until agreements are able to be reached.

2.2 Development of joint procurement approaches

This would involve authorities committing to jointly procuring goods and services and has already begun with three of the East Kent authorities exploring the joint procurement of responsive repairs contractors.

There would be advantages in terms of efficiencies in procurement, management and overheads and a track record of co-operation in procurement could lead onto more structured commitment in sharing services.

The main issues are around the continued operation of ‘multiple clients’ (and in some authorities continued individual authority-based standing orders and other procurement rules) together with the timing of when contracts and partnerships are up for renewal, although we are aware that work is underway in East Kent to produce a common set of standing orders and these have already been adopted by two authorities. The opportunities for real service efficiencies are limited to ‘bought in’ good and services and do not fundamentally affect the staffing or central services base for each landlord service.

The gradual bringing on stream of services into a joint procurement arena would demonstrate a clear commitment to joint working; however, we wonder whether this will be accompanied by the structures necessary to lock in joint working into the future.

2.3 Development of a Shared Service Vehicle (SSV)

This option would involve the establishment of a new vehicle, most likely a company limited by guarantee, jointly owned by the five authorities with a board of directors, to take over the operation and delivery of all or some landlord services. Services would be delegated to the SSV from each authority rather than sub-contracted so that the day to day responsibility for service delivery would rest with the SSV/board through management agreements which would run for several years at a time. Staff currently engaged in those services which the SSV would provide would transfer to the company.

The main advantages of such an approach are that the commitment to joint working is locked into a specific joint venture and that the delegation of functions is over an extended period which allows the potential for efficiencies and effectiveness from joint working to be fully realised over a set period. Joint procurement is inherent within the model as the SSV would assume service responsibility and would therefore be the body that would procure goods and services. The SSV model could also be utilised to cover some or all services and therefore allow for some phasing of service transfer if preferred by authorities.

The main issues are that the establishment of a completely new vehicle will require resources and commitment from each authority over a considerable set up period and that such a body could be seen to affect the political input from individual authorities. If the range of services provided by the SSV becomes extensive, there might also be some uncertainty from those currently providing support and central services to HRA services although there are options to ensure that there are no financial losses to authorities General Funds which could be adopted.

2.4 A shared service vehicle with some or all services

The SSV approach could be utilised on a service by service basis (perhaps on a phased approach) or to take on the delivery of all landlord services (management, maintenance and HRA capital programme). The report considers the benefits and disadvantages of each approach.

Stage one highlighted the potential for greater efficiency and effectiveness in service delivery for leasehold management and tenant participation as these are currently under-invested in within the five authorities.

The key problems with the phased approach are felt to be around the need for individual agreement on a service by service basis from each authority and the obvious diseconomy involved in investing time and resources in the creation of a new vehicle and governance structure where the opportunities for efficiencies are limited to relatively small services in the early period. The phased approach also risks losing momentum and loss of buy-in which could threaten the achievement of wider efficiencies.

Moving all services (or perhaps management and maintenance/capital separately in two large tranches) into an SSV places responsibility for the delivery of efficiencies firmly in the context of legally binding management agreements locking in the commitment to joint working, the commitment to delivering efficiencies and reinvestment and avoiding the potential for disagreement.

2.5 Options for joint working in developing new affordable housing

The main options for involvement in new build local authority housing arise from the availability of land and resources within each authority and the keenness of the new Homes and Communities Agency to engage positively with local authorities in bringing forward innovative new ways to add to the amount of new affordable housing being developed.

Development by local authorities is being carries freedom from explored by almost all forward thinking authorities. Development within local companies would mean freedom from rent restructuring, allow building without the Right to Buy, allow overhead costs within the HRA to be defrayed over a larger property base and would help to rebuild capacity within authorities for a significant additional contribution towards meeting affordable housing targets.

Our stage one report identified the two main options to establish either a joint development company partly owned by the five authorities or for each authority to individually establish a local housing company and commit to a joint development venture between the companies. Recent announcements have also indicated that it might be possible for local authorities to receive grant directly from the HCA. The joint development venture could either be linked to shared service delivery or undertaken as a separate venture and both would benefit from the consistency of housing service delivery that is often lost when transferring land to RSL partners thereby also enhancing the viability of HRA services.

The main advantage of the joint company approach is that the joint development venture and the company are the same entity. The disadvantages are however more tangible in that the ownership of new properties would by the company rather than each authority with all the issues for landlord and tenancy that this might entail and there would be a need for each authority to place capital resources and maybe even prudential borrowing with the jointly owned company.

Five individual companies would be straightforward to create with relatively small boards of management. The joint development approach would need to be established as a co-operative venture between the companies and therefore authorities involving the appointment of officers to procure and manage the development process. Authorities would need to agree the land and resources which would be committed to the development of new housing.

As the agenda develops, it would be appropriate to note the scope for receipt of grant directly for authorities directly and ensure that development plans take any opportunities into account.

2.6 Summary

In overall summary, as 'service hosting' would prove difficult to secure on anything other than a piecemeal basis, our recommendation is that the best chance to deliver the efficiencies and reinvestment that run from a long term commitment to joint working arises from the creation of a Shared Service Vehicle that takes on responsibility for the delivery of either management or maintenance/capital delivery or preferably both from a set date. Joint procurement across all services would be inherent within such a vehicle as would a formalised commitment to sharing best practice.

Whilst the range of shared services is being explored and set up in detail, our recommendation is that the establishment of five individual local housing companies and the allocation of resources to act as a development venture on behalf of all five authorities, are pursued more or less immediately.

The key features and opportunities arising from these initiatives are summarised below and contained within the following annexes:
1. Feedback from stakeholder workshops
2. Opportunities for efficiencies and increased effectiveness
3. Opportunities for new development
4. Project planning and resourcing.

3 Shared Service Vehicle: features and opportunities

3.1 Features

The key features of a proposed SSV for landlord services are as follows.

Company
The company would most likely be limited by guarantee and jointly owned 20% each by each authority – this approach limits potential future controversy if based on any other split. The company would be not-for-profit and have a board of management in line with the best practice governance guidance for other housing organisations.

Governance
Best practice in governance suggests a board of management of no more than 12 or 15 drawn from tenants, councillors and independents. As this might be perceived to be a weakening of local interests, there is the opportunity to develop area boards, comprising tenants and councillors, and where day to day programme management and resource allocations within HRAs would take place. This approach is in place at a number of larger high performing housing organisations and would allow effective local consultation and engagement to continue whilst protecting the ability to achieve efficiencies through joint working.

Delegation / management agreement
Services would be delegated under a management agreement with each authority based on a standard model but variable for local service standards to be agreed with tenants in line with best practice. Management agreements could last for many years but would usually have a five year break clause for renegotiation. The equivalent of annual delivery plans would be agreed with each authority based on the resources allocated to the HRA budget (and HRA capital programme) by each authority. There would be the need for a small client function at each authority, the usual experience at equivalent ALMO authorities being up to one FTE.

Resource utilisation
Members at each authority would continue to have ultimate responsibility for the allocation of resources and setting of HRA budgets. As each HRA would continue unchanged, with HRA subsidy per authority and rents set locally (within the context of national policy), there is no prospect of any cross-subsidisation of resources between authority areas. A protocol for the distribution of efficiencies would be required.

Location
Local services would continue to be provided locally but if a vehicle was set up, there would need to be a head office identified from existing accommodation or new. Any additional costs would need to be found from efficiencies within the organisation.

Procurement – external
Joint procurement would be inherent within such a SSV. Our feeling is that centralised procurement of repairs, capital contracts and other goods and services would, in time, represent a positive route for efficiencies. The organisation would have its own procurement rules which would be drawn from the best practice within each authority.

Central and support services
The SSV would have formal Service Level Agreements with existing central and support services providers such as legal, finance, IT and other corporate services currently charged to the HRA. These would be able to represent current costs at day one subject to value for money review over a set period. There should be the opportunity for the providers of support services to realign resources with service delivery to ensure that value

for money is provided. The scope for greater sharing of services within back office and support is also clear.

Tenancies and tenant consultation
Tenancies remain tenancies of each authority and tenants are tenants of the council. New consultative structures would be needed to engage with the SSV but the primary consultative framework of existing landlord and tenants bodies would be unchanged.

Costs of set up and funding
Costs of set up have been estimated at around £0.55m (see below). Potential efficiencies have been estimated at £0.7m plus per year.

Summary
A joint working initiative based on a new shared services vehicle along the lines of the above would place the five authorities at the centre of an innovative project which would attract national interest. All other new housing organisations have to an extent been established to spend more money (transfers or ALMOs) but provide a guide to best practice in future management and maintenance which the Kent authorities can draw on. This would be the first case to be predicated at least partly on the delivery and reinvestment of efficiencies through economies of scale and whilst there is inevitable difficulty comparing with others given the unique nature, what evidence we do have suggests that the potential for efficiencies for reinvestment are considerable and therefore able to recover set up costs within a short space of time.

3.2 Greater effectiveness

There is widespread evidence that focused housing organisations deliver more effective services. Of 19 3-star inspections of landlord services since 2003, 16 are of ALMOs and 3 are of RSLs. There has not been a 3 star rating for a directly managed landlord service for many years. Focused housing services in East Kent and Ashford would be able to improve effectiveness through the building of capacity and economies of scale.

3.3 Opportunities for efficiencies

A detailed analysis of the total resources being utilised in service delivery across the five authorities compared to 'best in class' similar sized ALMOs and with high performing service providers as reported in HouseMark benchmarking is contained at annex 2. This analysis is summarised below in reporting the potential scope for efficiencies though a comprehensive approach to joint working. The analyses remain work in progress pending ongoing and further review by each authority. However, some general conclusions about the scale of the undertaking of the whole landlord service and the extent of resources bound up in the provision of services to the HRA, front-line and support, directly provided and recharged are able to be inferred.

In the context of the objectives at this stage, we can draw out the following main points.

The number of FTE that are directly involved in providing landlord services is 238.8. The headcount would be higher, estimated at over 260. The number of FTE engaged on front line service delivery but which work for non-landlord service units (Thanet and Dover rent arrears and Dover property services) is estimated at 30. The total of front-line and direct housing staffing FTE is therefore estimated at 270.

Whilst there are some difficulties making direct comparisons with others, there appears to be some evidence of scope for efficiencies in mainstream housing management and management of maintenance with the potential for reinvestment in community and estate based services, tenant participation, a more robust leaseholder service and in stock investment if desired.

Although very illustrative at this stage, achieving benchmark patterns of expenditure for high performing housing providers of similar overall size would imply staffing reductions of around 10 (increasing average caseloads for the average staffing complement) within management and up to 15 in the management of maintenance (reducing the %age of management costs taken up in managing maintenance to around 25%) with the potential for reinvestment in community safety and direct estate services. Whilst we would not want these numbers to form part of any target setting without further detailed work and certainly are not in a position to highlight specific posts, we do feel able to state that there is scope for this kind of efficiency and reinvestment if a full shared services vehicle were to be the adopted approach.

At average direct salaries of £25k, efficiencies of up to 25 posts for could represent reinvestment potential of around £700k per year including overheads and other costs.

The total cost of support services incurred within the overall five HRAs is £6.15m in line with average benchmarks within other similar sized housing organisations. However, considerable care is required in ensuring that like for like comparisons are being made. It is clear is that there could be scope for reducing many of the support costs as part of momentum to explore further shared service delivery and streamlining within these services, subject to ensuring no impact on the remainder of the council's finances.

Conversely, the movement of many recharged costs into formal Service Level Agreement with any new joint working organisation might provide the scope for streamlining via joint working for support and back office services across the authorities. We are clear that these costs do not need to be affected in the early period if the shared service vehicle approach is adopted. As has been the case with all other new housing providers created in the last 10-15 years, there is a bedding-in period in which current charges are protected whilst the opportunity to realign costs with resources and service delivery is taken.

We note that no authority's finances have been undermined by the creation of similar types of housing organisation (be that outsourced as at Westminster, ALMO or stock transfer) and many authorities report a positive impact on the providers of back office and support services through an increased sense of value for money in the provision of those services.

The cost of staff charged to the HRA where staff are engaged in both HRA and GF activities is estimated at around £1.5m offering some scope for savings in either or both upon adoption of any new arrangements.

3.4 Summary

Across all services at all authorities, there are well over 300 FTE involved in landlord service delivery, most in housing specific service units but a significant minority as part of other corporate-based service units.

When comparing to 3 star ALMOs of equivalent size and when comparing to 'best in class' service providers via HouseMark, the *overall* amount of resources being put into service delivery across the five authorities appears in line. However, there would be opportunities to create a new *shape and pattern* for service delivery which took advantage of potential efficiencies in mainstream housing management and the management of maintenance and for these resources to both recover set up costs within two years and to allow substantial reinvestment in specialist services which need investment, in community and neighbourhood based services and in stock improvements.

The potential could be £3.5m+ over 5 years. After recovering set up costs, service investment could be boosted by up to 10% or stock/community investment boosted by a further £130 per unit, the equivalent of 19% of MRA.

4 Developing new housing in LHCs: features and opportunities

Refer to annex three for a more detailed description of the features and opportunities developed at the five workshops.

4.1 Features

The strongest case is for five separate companies which buy into a development partnership, taking advantage of the very strong push from the HCA to involve local authorities directly in development, subject of course to the developing agenda. The key issues are that authorities would be able to use their own land for redevelopment and the levering in of resources and grant would be an easier process if transferring to a wholly owned company.

A development partnership would be in a strong position viz a viz developing RSLs in the county. Such a partnership would have advantages over RSL development in consistency of management within existing council estate areas and the likely enthusiasm of the Homes and Communities Agency in engaging proactively.

A key advantage of wholly owned companies is that governance and board membership can be appropriately limited in the early period to senior officers and members from the council and specialist independent members as necessary. We suggest that no more than four board members drawn from the council and professional communities in the five districts would be needed; a suitable council officer could be appointed Company Secretary.

Should there be five separate companies, the link between a shared service vehicle and the proposed development partnership would need to be thought through. However, the development partnership could proceed immediately and in the absence of any other shared working initiatives through agreement of each authority to engage an officer and to commit land and resources following a more detailed trawl of sites.

The companies could be established immediately and a protocol developed to place resources into a pot to employ a lead officer who would act on behalf of all authorities and lead the development proposals including liaison with the Homes and Communities Agency and the development of a business plan. These resources would be recoverable as capital costs from the development schemes. Finance is likely to be an issue without grant and the five-company approach would, unless confirmed otherwise, mean each having to qualify separately for grant via the Housing Corporation.

Financial modelling could begin immediately with the aim of developing 400 units over say a three-five year period. Procurement of development partners could be in line with the joint procurement initiatives for repairs.

Subject to planning permission and the meeting of appropriate procurement directives, we estimate that building could take place within 12-18 months. Pre-qualification for Housing Corporation grant should also be sought and active engagement with the agency pursued in the forthcoming period.

4.2 Opportunities for new housing

There is a sub-regional strategic market / needs assessment process ongoing and all authorities have infill and garage sites with development potential available as of now with the potential to develop new affordable housing.

We estimate that land with the space for anything up to a total of 400 properties across the five authorities could potentially become immediately available. This figure is based on the initial trawls undertaken and does not include any approaches where there is redevelopment (ie demolition and rebuild).

There are also redevelopment opportunities within the authorities including maisonettes at Canterbury and sheltered schemes within Dover.

In particular at Thanet and Shepway, there are options to use a Joint Housing Company to access private sector land to pump prime the regeneration of areas particularly given the current economic climate.

Ideally authorities would look for 100% rented on small sites but there would be a willingness to accept shared ownership and market sale, in line with current policies on the delivery of affordable units via RSLs.

Resources to pump prime schemes are available in all to a greater or lesser extent. However, these are limited in Thanet and Dover given previous commitments or other pressures. We estimate that around £2million might be available at this stage, grant equivalent perhaps for around 50 rented properties.

4.3 Summary

There do not appear to be many barriers to the immediate creation of new local housing companies and the creation of a programme to develop 400 new homes across East Kent and Ashford. A project plan to commence the development of new homes within 12-18 months could be generated which would include the following key headings:

- Development of finance and business plan
- Engagement with the Homes and Communities Agency and seeking of pilot status with Government
- Company design and set up
- Engagement of staffing and other advisors to develop proposals
- More detailed trawl of sites with a view to land assembly and the development of initial plans for numbers and tenure options.

5 Note on consultation undertaken to date

Initial informal consultation was carried out with key stakeholders at a series of workshops held at each authority in early June. Refer to annex one for a more detailed description of the findings.

5.1 Members

Members were invited to an informal discussion over lunch and senior portfolio holders and leaders/deputies participated at three of the five authorities. We noted a positive sense in wanting to learn of the opportunities and interest in the model of a shared service vehicle.

As would be expected, there was some variation of views with strong enthusiasm at one authority but with some questions over the future of the democratic role in landlord services at others.

There was a general keenness to maximise the opportunities for efficiencies in back office service and overheads/management and some anticipation that these kinds of efficiencies were likely to be deliverable, in line with all of the other shared service initiatives in the county.

5.2 Tenants

Tenants were not unsupportive of proposals to achieve greater efficiency and effectiveness through joint working providing any proposed vehicle or company was not a ‘stalking horse’ for future stock transfer. Reassurance was able to be provided that such a vehicle would be the opposite of a stock transfer and that any such company would not be privatisation but a joint venture between a authorities with no private finance.

Local services should continue to be provided locally and this should be enshrined in any joint working arrangements. Efficiencies should be reinvested in improved effectiveness of services or in new services. Tenants felt strongly that there should be no cross-subsidisation of resources between areas. Tenant engagement and consultation should be enshrined with appropriate mechanisms to protect local interests adopted in any proposed new arrangements.

There was general enthusiasm for the idea of local housing companies but with the focus of new development on houses not flats.

An appropriate process for liaison and consultation with tenants' representatives at each authority should be incorporated into the project management and development process.

5.3 Officers

Senior managers from the housing service were engaged in the workshops and a broad consensus reached on the following issues affecting the possible views of staff within each authority to any degree of joint working:

1. There was a notable degree of positive approach from those managers who took part in the workshops - the opportunities to grow services, become more effective and to allow for more staff movement and therefore motivation generally outweigh the threats.
2. There were some fears about job security expressed but this was a small minority view only.

If a large scale SSV were to be the favoured model, as would be expected, the key issues to be addressed would include:

- The harmonisation of terms and conditions linked to service standards; an analysis of current average salaries suggests such harmonisation is a distance away.
- Early confirmation of the ability of any new company/vehicle to join the county pension scheme is essential.
- The disaggregation of posts for TUPE could be difficult in some areas but could be overcome via short term service agreements for support services and any other services which are currently provided in non-housing dedicated units.

6 Project planning and timescales: key headings

A summary of the main project management and resourcing implications for the establishment of a Shared Service Vehicle is set out below and based on the establishment of the vehicle and delegation of services to it under a series of management agreements as a pre-cursor to the reorganisation and rationalisation of service delivery. A more detailed analysis with an outline project plan trajectory to a live date of the earliest April 2010 is contained at annex 4.

6.1 Project phases

The key project phases to a live date for a new SSV would fall into the following key headings. These are not in series, for example work on the S27 application would begin early within the project.

1. Agreement secured from members to proceed
2. Create project-based decision making body – ideally member based with authority to take decisions delegated from each authority and with an appropriate role for tenants representatives
3. Appoint project management resources for development of the project (which could be seconded from one or more of the participants)
4. Carry out formal tenant consultation on proposals under Section 105 of the Housing Act 1985
5. Recruit and train Shadow Board

6. Appoint Management Team and other structures/posts critical for the pre-operation period
7. Develop service agreements with existing support and other services
8. Develop and submit Section 27 application to Government
9. Development and sign off of Management Agreements and delivery planning
10. TUPE staff for ‘go live’.

Such a process is consistent with the approach adopted in the creation of other housing provider models.

6.2 Resources

Overall, we estimate that set up costs could run to £0.55m across all authorities from the outset over a minimum of 18 months and across at least two financial years. This is consistent with the establishment of large ALMOs as the closest comparators. Costs would be incurred through the appointment of project management resources, expenses in delivering the project, training and public meetings/consultation and the appointment of external legal and other advisers. Internal secondment costs might also be incurred depending upon the approach adopted at each authority.

The input from each authority would therefore be in the region of up to £110k across the life of the set up project. All of the costs of set up would be financed from the HRA and could be capitalised if appropriate. It is anticipated that these costs would be more than recovered through efficiencies in the first years of operation.

Costs of set up for the five housing companies and the joint development venture are estimated to be within £100k including initial design fees, the cost of a lead officer plus secretariat and external legal and financial advisers. If schemes to deliver 400 new properties are developed, the scheme costs would be in the region of £40million and therefore the initial set up costs contained to 0.25% of these.

6.3 Timescales

Given the need for agreement at critical stages throughout what would be a complex project, the absolute earliest a live date for a new SSV could be delivered is April 2010. More likely, a realistic target date might be April 2011 which would allow time for the necessary political, legal and organisational agreements to be reached prior to service delegation.

Within such a project, there is a need for an appropriate risk management strategy to be adopted in line with the corporate requirements of each authority. An initial specimen schedule of risks is set out in the table in section 8 below.

7 Summary of recommendations

Following stage two of the landlord services joint working project, our main recommendations are as follows.

1. To develop a Shared Services Vehicle as the best chance of securing long term efficiencies for reinvestment in new services and the stock. Additionally,

    a. To develop a detailed project management plan to achieve a delegated ‘go live’ date of April 2010 with a view to identifying whether this might be achieved earlier if felt to be realistic.

    b. To identify resources to support the development of a SSV totalling £110k from each HRA from the 2008/09 and 2009/10 financial years; further to designate lead officers at each authority and to appoint a lead project officer/manager to take an overall lead for the project.

    c. To further continue the process of detailed analysis of the staffing and financial position for each HRA to inform the project and to confirm the potential for efficiencies and greater effectiveness to be realised.

2. To establish five individual local housing companies and to allocate an equal amount of resources from each authority totalling £100k into a development venture pursued more or less immediately with the appointment of a lead officer to work on behalf of all five authorities.

    a. To carry out a more detailed trawl of the land assembly opportunities with a view to developing specific schemes for specific sites consistent with the objectives of each authority and taking into account the availability of resources within each and potentially from the Homes and Communities Agency.

3. To establish a principle within both projects of ‘no impact on the authority’s finances’ and to ensure that this principle is adopted in the initial establishment of support and other service agreements. Over time, we would expect further momentum to develop to explore joint working in these services across the authorities.

8 Specimen Risk Management Summary

We have set out below an initial specimen schedule of major risks should the recommendations be approved. This would be further developed and appended at an early stage within the project.

	High level risk	Probability	Impact	Possible mitigation
1	Support does not continue at all authorities	Medium: affected by initial 'buy in'	High: SSV may need to be reconstituted, aborted set up costs	Ensure initial commitment and buy in Negotiate options to counter local concerns
2	Tenants' support not received	Low: ensure involved tenants support	High: aborted set up costs	Negotiate options within the SSV to meet tenants' concerns
3	Section 27 not approved by gov't	Unknown	High: would need to seek alternative model	Establish communication from the start
4	Project costs over budget	Medium	Medium: depends on progress	Ensure appropriate contingencies in HRAs
5	Unforeseen additional service costs	Medium	Low/medium: depends on level	SSV/company to fund additional efficiencies
6	Principle of 'no financial impact' for Las cannot be met	Low-Medium	High: may require fundamental review of options	Ensure clarity in initial service and other agreements
7	Efficiency targets not able to be met	Low-Medium	Medium-High: not able to deliver promised service improvements	Recast SSV and HRA business plans
8	Adverse impact on current services from large set up project	Low	Medium: threaten reputation and credibility for project	Ensure project resources appropriately deployed
9	Difficulties with TUPE for critical staff	Low (staff to date supportive)	Medium: may affect services of new SSV in short term	Ensure robust approach to recruitment in SSV
10	Difficulty in harmonisation of staff terms / conditions	High	Medium: affects scope to achieve efficiencies in medium term	Adoption of suitable HR and IR protocols
11	Inability to recruit directors	Low	High: reputational and governance issues	Ensure robust approach to recruitment in SSV
12	Ashford not in EK joint decision making (eg ongoing shared services reviews)	High	Medium	Protocols between various joint working initiatives within East / Mid Kent
13	HRA Subsidy Review affects ring-fence)	Low	Medium	Continued robust budget management within authorities
14	Support services do not achieve alignment SLAs after review period	Medium: SSV unable to achieve efficiencies	Low	Ongoing negotiation to ensure value for money in support services
15	Sales proceeds not realised for new build	Medium	Medium: need rethink development finance	Reduce reliance on sales and ensure prudent assumptions
16	Grant not able to be secured from HCA	Low-Medium	High: not be able to proceed with schemes	

HQN is the largest independent housing training and consultancy company in the UK. Over 680 housing organisations nationwide subscribe to The Housing Quality Network which provides high quality briefings and workshops on a wide range of issues affecting the sector. We also run a number of specialist networks, provide bespoke consultancy and research, in-house training, interim management (The Pool) and executive recruitment (The Source) services and host a comprehensive programme of conferences and seminars.

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