

East Kent Scrutiny Committee

14 December 2009

Subject: East Kent Shared Housing Landlord Services Project

Director: Velia Coffey, Director of Community Services

Decision Issues: These matters are within the authority of each Council

Decision type: Treated as key

Classification: This report is open to the public.

Summary: *Attached to this report at Appendix A is the detailed case for the sharing of housing landlord services between the District Councils of East Kent. It makes recommendations to each council about the model of service sharing, the housing management activities to be undertaken in the shared service, the governance arrangements for sharing and the delegations to the East Kent Chief Executives necessary to enable to the proposal to proceed to the final council approval to join a Housing Shared Service Vehicle.*

To Recommend: **That the East Kent District Councils of Canterbury City Council, Dover District Council, The District Council of Shepway and Thanet District Council ("the East Kent Authorities") are recommended to merge the delivery of housing management landlord service between two or more of them through agreement of the following:**

1. that the arms length housing shared service option be confirmed as the preferred method for sharing landlord services in East Kent
2. that any staff vacancies related to the housing management activities to be undertaken by the Housing Shared Service Vehicle be managed to minimise potential severance costs
3. that the housing management functions set out in Appendix A, Annex 2 are approved activities to be undertaken by the Housing Shared service Vehicle
4. that the housing shared service vehicle is set up as a company limited by guarantee.
5. that the board of the company will comprise twelve people – four members nominated by the local authority, four independents and four tenant/leaseholder representatives
6. that Area Boards be set up in each participating council area.
7. that the draft Memorandum and Articles for the SSV

company reflect the governance and legal issues set out in Appendix A , Annex 3

8. that each council's Chief Executive be authorised to make any decisions and any changes necessary to these proposals to pursue the project up to final council approval to join the Housing Shared Service Vehicle.

Next stage in process

Each council will take this report through their own decision making process.

SUPPORTING INFORMATION

1. Introduction

- 1.1. In December 2008, EKJAC, with Ashford Council, recommended further work on the proposal for establishing a housing landlord shared services vehicle (HSSV) for Ashford, Canterbury, Dover, Shepway and Thanet. A further report was required to set out the detailed implications of the proposals before a final decision to proceed with the project could be taken.
- 1.2. In looking at the more detailed implications it has been important to retain a clear focus on the original aims of the project, namely:
 - Delivering excellent customer service – aiming for 3 stars
 - Realising greater efficiencies and savings for reinvestment
 - Encouraging stronger and more prosperous communities
 - Improving procurement capacity
 - Providing additional investment for council housing estates
 - Ensuring longer term resilience for individual HRAs
 - Establishing a stronger housing role for the councils
 - Developing a stronger role for tenants in shaping housing services
 - Improving career opportunities for staff
- 1.3. Since the initial report, substantial work has been undertaken to look in depth at the the proposals. Work completed includes:
 - A detailed financial model addressing the potential impact on the councils general fund and HRA budgets
 - A more detailed options appraisal of the various models;
 - Obtaining specialist legal and governance advice about the HSSV proposal
 - Establishing a tenant and leaseholder consultation framework
 - Project team and working groups set up to consider housing management best practice, governance and communications
 - Determining the activities to be included in the shared arrangement
 - Assessment of the impact on remaining council services
 - Developing a detailed project plan and timetable
 - Developing a Risk Assessment plan
- 1.4. Whilst progress has been slow and the original timetable has slipped, this is almost inevitable with a project of this scope and complexity. Furthermore, whilst over

seventy councils have established arms length arrangements to manage their housing stock, this project remains the first in the country which seeks to provide high level integrated housing services for a number of local authorities through a single shared service arrangement. Consequently, it remains of considerable interest to central government and the regulatory agencies. Additionally, the work has also taken account of the future relationship between landlord services and any wider shared service arrangements developed in East Kent.

- 1.5. The detailed business case undertaken has also shown that given the necessarily conservative approach to implementation, the potential HRA benefits for Ashford are not as substantial as that authority had anticipated. Furthermore its ability to mitigate general fund impacts and to drive further savings to that fund are less than the other councils because they are not part of the wider East Kent joint working arrangements. Ashford therefore does not benefit from the potential economies of scale open to Canterbury, Dover, Shepway and Thanet and so has withdrawn from the project.
- 1.6. More encouragingly, with the work now undertaken, the business case for the remaining authorities provides the detailed implications and confidence in order to allow further progress of this project. Furthermore, with the withdrawal of Ashford from the project the complications of trying to address that authority's requirements through wider East Kent arrangements is removed and, indeed, simplifies the position for the four remaining authorities.
- 1.7. The innovative nature of the project also remains clear. The Communities and Local Government (CLG) Department have expressed great interest in the proposals as a shared service approach for housing services, particularly involving four authorities, has yet to be achieved. Work has already begun on comparing good practice and methods of operation across a number of key housing services and many of the short term efficiency savings highlighted in this report come about as a result of merging managerial and "back office" services across the four authorities.

2. Detail

- 2.1. The detailed work and business case is set out in the report attached at Appendix 1. The report sets out the case for proceeding with an SSV for the East Kent landlord housing services as well as the potential for combining the residual housing services of the four East Kent councils projected by January 2011. The initiative is a complex one and therefore not without risks however the benefits are considerable - savings for both general funds and housing revenue accounts, improved services for tenants, better staff resilience and capacity, and the potential to drive efficiencies and further savings.
- 2.2. Managing the changes and ensuring tenants are involved in the change programme, and supportive of the proposals, requires a more phased approach than with perhaps most other council services. Hence the business case has been developed on the basis of minimal change to front line housing services in the first two years. During those two years medium to long term plans will be developed for the greater integration of all housing services, which will generate further efficiency savings, as well as renegotiating support service costs with other council services and putting in place a robust procurement strategy for the East Kent Housing service which, through economies of scale, should be able to realise substantial reductions in the cost of contracted services e.g. repairs and maintenance.
- 2.3. In terms of key issues arising since the initial report, there are three. Firstly, financial effects, in the first two years of operation the Housing Shared Service Vehicle (HSSV)

is expected to achieve efficiency savings in excess of 10 per cent of current running costs for the four housing services. These savings will be reinvested in the HSSV to support the further changes and service improvements in years 2 – 5 and beyond, which in turn will generate further efficiency savings. Indeed, over the first five years of operation it is estimated that the HRA can expect approximately £2,886,000 in savings for reinvestment in the housing service and/or improvements to the housing stock.

- 2.4. In terms of any impact upon the general funds of the four councils, this would occur as a result of two issues, firstly, how and from where support service functions such as Human Resources, ICT support services, etc. are provided and secondly, how the remaining or residual housing services (housing options, homelessness, housing strategy, enabling, and private sector housing) are revised to take account of any losses in senior management or support posts as a result of the TUPE transfers to the new HSSV. The business case demonstrates that even the worse case scenario for the general funds would be restricted to an additional £1,032,000 in total over the first five years (£50,000 per authority per annum), falling on the four authorities. However even these minimal costs should be offset by planned savings for the general funds through such proposals as the proposed sharing of residual housing services not transferred into the HSSV.
- 2.5. Quite clearly these estimates may be subject to fluctuation and changing circumstances over time, for whilst the short term savings and improvements can be presented with some certainty, the medium to longer term expectations cannot be as precise. However, some certainty and confidence can be drawn from the experiences of other authorities who have adopted similar models, in particular, Arms Length Management Organisations (ALMOs). Whilst to date these have all been on a “1 to 1” basis as opposed to the “4 into 1” proposed for East Kent, what is clear from those models is that the speed and scale of change has had to be carefully managed in order to ensure tenants remain fully engaged and supportive of the plans. More importantly the ALMO comparisons demonstrate marked performance improvements and significant levels of efficiency savings achieved, particularly from reduced procurement costs and renegotiated support service costs (see report at Appendix A, Annex 5).
- 2.6. The comparison of the East Kent HSSV project to ALMOs is the second key issue addressed in this report. In the 2008 report various options were presented in terms of the type of vehicle which could support the shared services approach for landlord services. In essence the choice fell to either a hosted approach between the participating authorities or the establishment of a new arms length model which the authorities would wholly own. The recommendation of this report is to adopt the arms length option and the detailed reasoning is set out later in this report. However, in summary, the ALMO model is tried and tested, particularly in terms of their ability to drive service improvements and efficiency savings, secondly an arms length model gives tenants much greater involvement and decision making in the management of the services and operational matters, thirdly, it is a model familiar to and therefore likely to be favoured by government and regulatory agencies.
- 2.7. The final key issue relates to the proposed consultation arrangements with tenants and leaseholders about the proposals, and the future governance arrangements for the new organisation. Both are covered in detail later in the report, including an analysis of the impact on the various stakeholders i.e. tenants, members and staff. However, the consultation issue is a crucial one and needs to be developed in a way that ensures all tenants and leaseholders not only receive full information about the proposals, but critically, their views can influence the final shape of the changes.

Consequently a set of consultation measures are planned which are currently being discussed with the Joint Tenants & Leaseholders Group (JTLG) covering the four authorities. Certainly, the officer Project Board believes a single ballot of all tenants and leaseholders is too narrow an approach to achieve effective consultation.

Similarly, governance issues need to be fully understood by members, tenants and leaseholders. The detailed proposals are set out in the report at Appendix A, section 5 and Annex 2, however, the arms length model offers both stakeholder groups a more direct role in the shaping and delivery of housing services in the future, at full board level as well as district by district.

In a complex project such as this wide delegated powers are recommended to be granted to each council's Chief Executive to ensure speed of decision making on any changes to the proposals which may be necessary as a result of advice received or for some other reason. Members have the reassurance that the final decision on whether to approve the proposals as they finally appear will be theirs.

3. Relevant Council Policy/Strategies/Budgetary Documents

Each council will determine its decision with regard to its own, strategies, policies and budgets

4. Consultation planned or undertaken

The following have been consulted about the report at Appendix A:

Joint Tenant and Leaseholder Liaison Group 10 December 2009

East Kent Joint Scrutiny Committee 14 December 2009

Staff and Unison 2 – 9 December 2009

Comments from these groups will be reported at the EKJAC meeting

Should the individual councils approve the creation of a Housing Shared Service Vehicle statutory consultation with tenants and leaseholders would commence as set out in Appendix A section 6.

5. Options available with reasons for suitability

Each council, as individual sovereign bodies, will be free to accept, reject or amend the recommendations. However the best option is for each council to agree the recommendations in their entirety as we will then have a single approach which will make the delivery of this complex project on time much more likely. A patchwork of resolutions is likely to cause delay and perhaps differing expectations between the parties.

Rejecting the recommendations in their entirety would be disappointing but the process could still carry on between two or three councils.

6. **Reasons for supporting option recommended, with risk assessment**

A considerable amount of research and analysis has been undertaken to produce the case set out in the report Appendix A for a Housing Shared Service Vehicle for East Kent, including a risk assessment at Annex 6. The sharing of services provides a very good opportunity to reduce costs, establish efficiencies and improve services for tenants.

7. **Implications**

- (a) Financial Implications – these are set out in section 3 of the report at Appendix A
- (b) Legal Implications – these are set out in section 5 and Annex 3 of the report

Other implications

- (c) Staffing/resource – these are set out in section 3 of the report
- (d) Property Portfolio – accommodation needs will be met through existing premises in the early years of the project. Each council remains owner of its own assets including its council housing stock.

8. **Conclusions**

It is important for Members to recognise that the recommendations set out in the report are intended to allow further stages of the work to be undertaken and developed. In particular they allow formal consultation to be undertaken with tenants and leaseholders of the four authorities and also allow more detailed work to be undertaken on the financial implications and legal documentation of the recommended arrangements which will result in further reports to the relevant forums. In that context, Members are requested to agree the recommendations

9. **Background Papers**

None

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