

**Name of meeting:** Cabinet  
**Date:** 2<sup>nd</sup> June 2020  
**Title of report:** Options on the future model for the management and maintenance of Kirklees Council Housing.

**Purpose of report:** To advise Cabinet of the outcome of the options assessment for the management and maintenance of the housing stock.

<b>Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	<b>Yes</b>  <b>If yes give the reason why</b> Council Housing is present in every ward. How and who manages it is a key strategic decision.
<b>Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u></b>	<b>Key Decision – Yes/No</b> Yes <b>Private Report/Private Appendix – Yes/No</b> No
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	<b>Yes/No or Not Applicable</b> Yes
<b>Date signed off by <u>Strategic Director</u> &amp; name</b>  <b>Is it also signed off by the Service Director for Finance?</b>  <b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	Richard Parry 20/05/20  Eamonn Croston 19/05/20  Julie Muscroft 19/05/20
<b>Cabinet member <a href="#">portfolio</a></b>	<b>Cllr Cathy Scott</b>

**Electoral wards affected:** All

**Ward councillors consulted:** Leading Members

**Public or private:** Public **Has GDPR been considered?** Yes

## **1. Summary**

- i. In December 2018 the Cabinet made some amendments to the governance arrangements between KNH and the Council and took the decision to pause for 12 to 18 months (given the level of uncertainty in the policy environment) before agreeing the long term approach to the housing management and maintenance options for Council housing in Kirklees.
- ii. This report provides information on the current context in relation to the social housing management and maintenance sector across the country. It includes information which compares and contrasts the models under consideration as options for the future management and maintenance of council housing in Kirklees. It emphasises the importance of the tenant's voice and how tenants, as citizens are central to shaping services and the places where they live; on the strategic alignment with the Council's priorities and outcomes; the management of strategic and operational risk in the context of a post Grenfell world where the need for clarity around decision making and accountability is paramount in addition to the financial and legal implications.
- iii. The previous options assessment that informed part of the decision making in December 2018 did not consider the Registered Provider (RP) model to be a viable financial option. It concluded that it is least likely that such management arrangements would achieve the right balance between outcomes for local residents and appropriate management of risk to the Council.
- iv. Therefore the in-house and ALMO models have been assessed in more depth against a range of criteria since these options were considered to be more likely to achieve the Council's strategic ambition for housing.
- v. The stock that was built as part of the Excellent Homes for Life programme are outside of the scope of this report as they are subject to a separate management agreement.

## **2. Information required to take a decision**

### **A. Strategic Context**

- i. The central planks of the Kirklees' Housing Strategy 2018-23 are focussed around addressing housing need; promoting and delivering quality homes and places; and supporting and enabling housing growth which aligns with the Council's corporate plan priorities for people, place and partners. The strategy is based upon a partnership approach and the recognition that there are a number of general and specialist housing providers who all have an important contribution to make in working with citizens to design tailored responses that make a difference to their lives. A summary of the Housing Strategy can be seen at Appendix A.
- ii. The Council's vision is to work with people and partners using a place-based approach to achieve our shared outcomes. It is an approach that is driving different ways of working for the Council and its staff and recognises the diversity and strengths of the communities across Kirklees. By developing local connections and networks with citizens, community and other stakeholders there is an opportunity to tap into local strengths, knowledge and skills to develop bespoke solutions.

- iii. Given the rising potential demand for adult and children's social care, there has been significant emphasis placed on maximising the independence of individuals and families and the Council being clearer about its role in enabling this. The role of housing as a key enabler has become prominent in a way that has not previously happened. Alongside this, at a local, regional and national level, the link between health and housing is now strongly acknowledged across the system.
- iv. Place-based working recognises that council housing does not exist in isolation and that it forms part of a wider housing market in which there are opportunities to make connections, trial ideas and improve outcomes for citizens. There is increasingly strong evidence that those who are most likely to be exposed to the impact of poor quality housing are living in private rented and owner occupied housing <https://www.kirklees.gov.uk/beta/deliveringservices/pdf/HNA-report.pdf>. It is important that the Council takes a holistic view of housing, regardless of tenure type, if it is to improve outcomes for the most vulnerable citizens of Kirklees.
- v. The Government's Social Housing Green Paper and the Hackitt Review form important backdrops to the assessment of the delivery model for management and maintenance of council housing. The Green Paper, emphasises the need to tackle the stigma associated with social housing as well as strengthening the tenant's voice. Please see Appendix B for further detail.

## **B. Background and Introduction**

- i. In December 2018 Cabinet received a report, following an independent review from Tony Reeves Consulting Ltd, commissioned by the Council in May 2018. The review looked at an options appraisal of the various models for managing and maintaining the Council's housing stock.
- ii. The recommendation of the independent review of management models was that there were only 2 feasible options for the delivery of the Council's housing management and maintenance services – for the Council to run services in-house or to stay as an Arm's Length Management Organisation (ALMO), with the option of a Registered Provider (RP) being discounted after due deliberation.
- iii. However, given the uncertainty around the national housing agenda at the time, the cabinet made some interim changes and held off a more definitive decision until there was greater clarity about the national regulatory and legislative landscape with a view to revisiting the issue in 12-18 months. The changes included strengthened governance arrangements between KNH and the Council (<https://democracy.kirklees.gov.uk/ieDecisionDetails.aspx?ID=6891>) :-
  - a) *The implementation of the changes to the Articles of Association as set out in Appendix 1 of the report and summarised in 5.2 of the report 'The Board approves the changes to KNH governance processes and Memorandum and Articles of Association. The changes to the Articles are as set out in appendix 1. In summary these are:*

*The number of Board Members shall be nine; Six Board Members shall be Council Board Members; Three Board Members shall be Tenant Board Members; No more than*

*three Board Members shall be Tenants; No more than six Board Members shall be Local Authority Persons; A board member shall serve for no more than 9 years.*

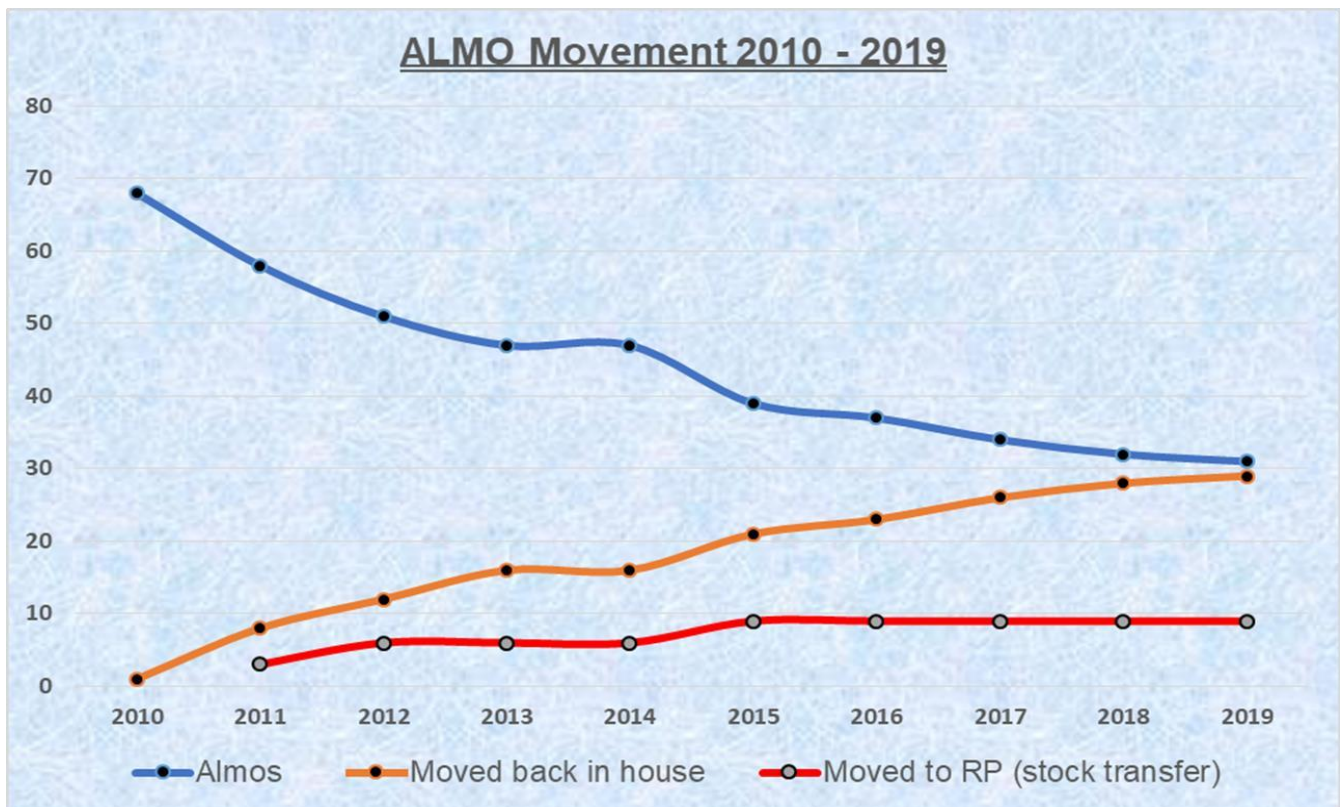
- b) *The role of the strengthened Board would be to oversee housing operations and to act as a single purpose vehicle to deliver the housing management and maintenance service.*
  - c) *That Housing Policy and Strategy, housing/asset investment and HRA Business planning matters would be determined by the Council, Cabinet or Council officers with advice from KNH officers.*
  - d) *These arrangements are interim for the next to 12-18 months and will remain under review until the regulatory and legislative landscape begins to settle.'*
- iv. Since Cabinet's decision to implement the above, the national housing policy context has become clearer than it was in 2018. The place based working agenda and initiatives such as Community Plus have developed and, as described previously, the contribution of housing to health and social care has become a much greater priority. Examples of recognition of Housing's critical relationship include, but are not limited to :-
- a) the Kings Fund paper Housing and health opportunities for sustainability and transformation partnerships  
[https://www.kingsfund.org.uk/sites/default/files/201803/Housing\\_and\\_health\\_final.pdf](https://www.kingsfund.org.uk/sites/default/files/201803/Housing_and_health_final.pdf)
  - b) Housing LIN (Learning and Improvement Network) 2019 paper 'The State of Ageing' which looks at the role of 4 key aspects including housing. It acknowledges 'a colossal demographic shift, living ten years longer than our parents' generation on average and nearly two decades longer than our grandparents' generation. This social revolution has implications for every part of our society and how we think about and live our lives'.  
<https://www.housinglin.org.uk/News/New-report-looks-at-the-state-of-ageing-in-2019/>
- v. The Local Government Association (LGA) Corporate Peer Review in July 2019 recommended that the Council '**Prioritise a decision on the long-term future of the ALMO. If the ALMO is brought back in-house it will allow the Council to maximise the opportunity to embed place-based working into priority neighbourhoods. It would also provide much needed additional corporate capacity to deliver key Council objectives**'.
- vi. This recommendation has led the Council to initiate a re-consideration of the review conducted in 2018 alongside the challenge and support provided by the establishment of an Ad-Hoc Scrutiny Panel to consider the future options for the management of the Council's housing stock.
- vii. The report of the Ad Hoc Scrutiny Panel and its recommendations are to be found at an earlier item on this Cabinet meeting's agenda.
- viii. The focus of the independent review conducted by Tony Reeves Consulting Ltd was risk based and recognised that, as highlighted by the tragedy of Grenfell Tower, the Council retains full liability as landlord even though it is not directly managing the risks that give rise to this liability. Further risk review work was undertaken by the Council's audit team in 2019. Please see Appendix C for further detail.

- ix. Whilst this still remains the case and is an important consideration, there has been greater focus in this review on place based working and tenants in the whole context of their lives and how they engage with Council services as citizens as well as tenants.
- x. The assessment of options in this review also considered the contribution housing makes to the health agenda and how good quality housing underpins social care for children and adults.
- xi. The Government's national policy agenda is now very much focused on supporting Councils with Housing Revenue Accounts (HRA) to deliver new affordable housing, as well ensure its housing estates are renewed to a much higher compliance standard.
- xii. The intent from Government is clear. They have removed the HRA borrowing restriction; committed to ensure Council HRA business plans are appropriately funded to deliver on its national policy agenda; and have moved from an annual decrease in rent to a current position which allows an increase by CPI +1% over the 2020-2025 period.
- xiii. The Council has up-scaled its own house building programme, broader regeneration and renewal of its housing estates to improve the quality of place at the same time as investing in the existing Council housing stock.

### **C. Options Assessment**

- i. Kirklees Council owns c.a. 22,000 homes which are currently managed by Kirklees Neighbourhood Housing (KNH) as its Arms-Length Management Organisation (ALMO). It was created at a time when the stock was in urgent need of investment and government funding was predicated by either creating an ALMO or a stock transfer housing association. It was established as a Teckal company governed by an independent board with the Council acting as the single shareholder.
- ii. The government funded Decent Homes programme came to an end in 2010/11 and since then the trend in the sector has been one that is characterised by council's deciding to take management of their stock under direct control as shown in the graph below.

Figure 1



- iii. Although the independent review conducted by Tony Reeves Consulting Ltd in 2018 considered a wide range of potential models, it concluded that the in-house and ALMO delivery models were the only viable options. The review work undertaken in 2019/20 and the Ad Hoc Scrutiny Panel have also revisited the option of stock transfer to a Registered Provider (RP).
- iv. Therefore, the options assessment considered three different models for the management and maintenance of council housing – namely, RP; ALMO and in-house by the Council.
- v. The options were assessed against a range of criteria including how well the model aligned with Council's strategic priorities for its citizens and its ambition for place based working. The other criteria were:
  - a) Tackle the stigma associated with social housing and work with citizens to build aspiring communities whilst empowering residents and giving them a stronger voice in decision-making.
  - b) Address the recommendations of the Hackitt Review including a lack of clarity on roles and responsibilities enabling it to act swiftly in changing circumstances.
  - c) Maximise the benefits of Housing Revenue Account (HRA) debt cap being removed and the Council's ambition to directly deliver more high quality affordable homes.
  - d) Ensure the district's housing offer plays a central role in the health and well-being of citizens and deliver better outcomes that greater integration of housing, health and social care can achieve.
  - e) Achieve a clear line of sight between strategic intent and operational delivery. Further detail for governance arrangements of each model can be seen below in section F, Table 1.

- f) Best use the available skills and capacity of the two organisations.

#### **D. Transfer the Stock to a Registered Provider**

- i. Registered Providers (RPs) as they are now known are predominantly not-for-profit organisations governed by an independent board and are regulated by the Regulator of Social Housing (RSH). Their purpose is to provide affordable housing and they draw the mainstay of their funding for new homes from Homes England to subsidise rents and private borrowing.
- ii. The sector has witnessed a significant amount of change over the last 2 decades and whilst many remain community based and focused, there are equally as many that are now large, complex regional and multi-regional businesses either as a result of mergers and acquisitions or through organic growth. Many associations now build private sale homes exposing them to market risks which, in turn, leads them to behave more commercially.
- iii. RPs form an important part of the housing market and as not-for-profit businesses there is an element of strategic alignment in this model. Much of this is achieved through Nominations Agreements whereby the Council is able to nominate applicants from its Housing Register to vacant properties that become available to let in line with the housing association's allocations policy. The approach of some RPs could also be influenced by the level of commercial activity they are engaged in. There are a number of positive working relationships in Kirklees with RPs, particularly addressing areas of more specialist need.
- iv. There are also opportunities to work in partnership with RPs whose housebuilding ambitions add to the district's affordable housing offer and whilst RPs make positive contributions to addressing housing need, this model was not considered to be suitable because:
  - a) Stock Transfer means the Council would transfer all its housing stock and staff to a completely separate entity and relinquish all control to the Board of the RP.
  - b) Once transferred, there is no opportunity to reverse the model should the strategic context or the policy environment change.
  - c) The Board has complete autonomy and independence, even where there are Council nominees sitting as Board members since their first duty, as non-executive directors of the company, is to ensure the interests of that business are protected. Conversely, all risks are transferred and the RSH ensures compliance with standards in line with the regulatory code.
  - d) A stock transfer would, therefore, mean the need to establish new relationships with both the board and the executive in order to attempt to influence outcomes are aligned with council priorities.
  - e) Stock transfers are complex transactions and incur the most cost especially at the start-up phase associated with due diligence and legal and valuation costs.
  - f) There has been little stock transfer activity in recent years and the few that have were dependent on debt write-offs from government. The current debt in the HRA is c.a. £170m which would be unattractive to funders and institutional investors.
  - g) There would be financial implications from the loss of income related to economies of scale for other Council Services and impact on the services they deliver.

- h) The rental income stream and the ability to influence investment is lost since there is no longer an HRA which is effectively transferred out to the RP.
- i) There is no direct line between strategic intent and operational delivery and hence the ability to adapt and respond particularly as priorities change.

## **E. Retain the ALMO model and manage the stock through KNH**

- i. As stated earlier, ALMOs were created as a result of the government incentives provided through funding programmes for councils to transfer their stock into newly created organisations in the late 1990s/early 2000s in order to access investment into the decent homes standard. The decent homes programme ended in 2010/11 with no further transfers or funding since then except a small number that occurred prior to 2015. There is an established trend of ALMOs subsequently being dissolved and the activity transferred back to Councils.
- ii. The ALMO model is not dissimilar to the RP model, in that, the governance of the organisation falls to an independent board whose first duty as directors of the company is to the company itself.
- iii. In the ALMO model the relationship between the Council as the client and the ALMO as contractor is governed by a Partnership or Management Agreement and sets out the roles and responsibilities of each party. In practice and to avoid an overly contractual relationship the two parties tend to work by negotiation and in a spirit of partnership. This blurs the lines of responsibilities and accountability and hence this model is highly dependent on the strength of relationship at any given time and can lead to staff resource and capacity being taken up negotiating change and/or priorities. Please see Appendix D for further detail on the current relationship.
- iv. One of the benefits of an ALMO is that it is a single purpose organisation in that it provides only housing management and maintenance services which enable a focus on good quality housing services.
- v. However, council housing doesn't exist in isolation and most people live in privately owned or rented homes. The single focus can limit the ability of the ALMO model to influence the wider role housing plays in supporting people's health and well-being, their sense of security and safety and their sense of place. This is integral to the Council's strategy for place based working and ensuring citizens benefit from all the services available tailored to suit the circumstances in which they live. Further detail on tenant engagement implications can be seen at Appendix E.
- vi. Given the relationship between the ALMO and the Council's responsibilities can, at times, be blurred the ALMO model can duplicate the capacity and skills base by having it in a separate entity. There are inevitable overhead costs associated with running a separate organisation.
- vii. For these reasons, if the ALMO model were to be retained, it should be noted that this should not be viewed as a 'no change option' since the two organisations would need to clarify roles and responsibilities and to be clear about where accountabilities flow through to. In essence it would result in a more formal relationship that would be contractually led.



- viii. This inevitably requires the organisations to expend time and resources to negotiate between the two organisations and can create inflexibility and stymie the Council's ability to respond in an agile manner to the needs of tenants as citizens should the need or opportunity arise – changes to contracts, by their very nature, take time to resolve.

## **F. Directly Manage the Stock and Integrate with other Services (In-house model)**

- i. In the in-house model, the Council not only owns the housing stock but manages and delivers both the strategic housing function and the housing management and repairs service.
- ii. In this model there is no client-contractor split of responsibilities - the services are governed by the Council's cabinet but the housing activity remains regulated by the Regulator of Social Housing. Risk management and assurance is the responsibility of the Council's Cabinet including accountability for oversight of performance of the overall housing service.
- iii. It is the model that offers the most direct line between strategic intent and operational delivery – the Council can align service delivery with the ambition that tenants and communities have for their homes and the places they live in without the duplication of decision-making by the Council's Cabinet and the Board of a separate entity.
- iv. Both the strategic investment and operational management decisions within the HRA are taken by the Council's cabinet and hence more closely aligns the Council's housing stock with broader housing priorities including the quantum and nature of new build.
- v. The in-house model enables the Council to engage directly with tenants to capture their views on both their home and their place. Evidence indicates there is a direct correlation between people's views about their area and how satisfied they are with their home – i.e. if you are dissatisfied with your local area, you are more likely to feel your home isn't suitable for your needs (source - <https://www.kirklees.gov.uk/beta/deliveringservices/pdf/HNA-report.pdf> ). Many of the wider factors that determine satisfaction with place can be influenced by the Council but not by an ALMO.
- vi. It allows the Council to take a place based approach to delivery where the Council integrates the management of housing services with, where appropriate, wider service delivery enabling tailored responses to emerge through working more closely with tenants about their broader concerns. In-house means where a tenant has some feedback about waste collection services or community safety, there is a single organisation for the tenant to work with as a citizen as well as a tenant. Likewise in a directly managed service the Council's neighbourhood housing officer is able to gather intelligence and feedback from tenants and citizens who may raise concerns about the condition of private sector stock in their local area and enable advice and support to be available for landlords or, where necessary, enforcement action to be initiated. This approach would align with the strategic priority of improving quality and standards in the district's housing stock.

- vii. In-house more easily levers the contribution housing can make to health and social care by working alongside teams such as Community Plus, Thriving Kirklees and the Primary Care Networks. Additionally, the model is more easily understood by partners (the Council manages housing) and supports the faster development of initiatives such as step up & step down facilities or the linking of the housing offer to dementia hubs. It also enables greater co-ordination of joint approaches to support people who may be hoarding, for example.
- viii. With the in-house option, the Council can effect a shift from a property maintenance approach, building on 'your home your place', to an estate regeneration and investment model taking a longer term view of value for money by investing in the quality of place. It is better able to plan for and strategically invest in re-purposing, renewing and regenerating the stock to deliver specific priorities - e.g. reducing the carbon emissions of the homes, demolishing obsolete stock or meeting emerging patterns of need such as extra care for older people, wheelchair accessible bungalows or accommodation to prevent homelessness using innovative construction methods that help to reduce the carbon emissions of construction.
- ix. Unlike moving to an RP model, this is an approach that can be subsequently changed at a future date should circumstances require. A table showing comparisons of the options can be seen at Appendix F.

## **G. Conclusion**

- i. Having considered the 3 options it was concluded the RP model was the least likely to deliver the objectives of the Council because a transfer of the housing activity to a RP would transfer operational risk, at the expense of opportunities for better integration of service delivery, a loss of influence and a limit on the ability to adopt place based approaches. This option would involve very substantial effort, and may not be achievable in the current financial market.
- ii. The current arrangements under an ALMO model for delivery of housing management creates a number of 'grey' areas with reference to lines of responsibility at a time when clarity is of significant importance and an indirect line between strategic intent and operational delivery. Whilst the ALMO model can enable the Council to further its ambitions around Place Based Working and supporting Health and Social Care, the nature of an ALMO means that this requires greater negotiation than in house model which remains with the Council. The following table provides a comparison of governance implications :-

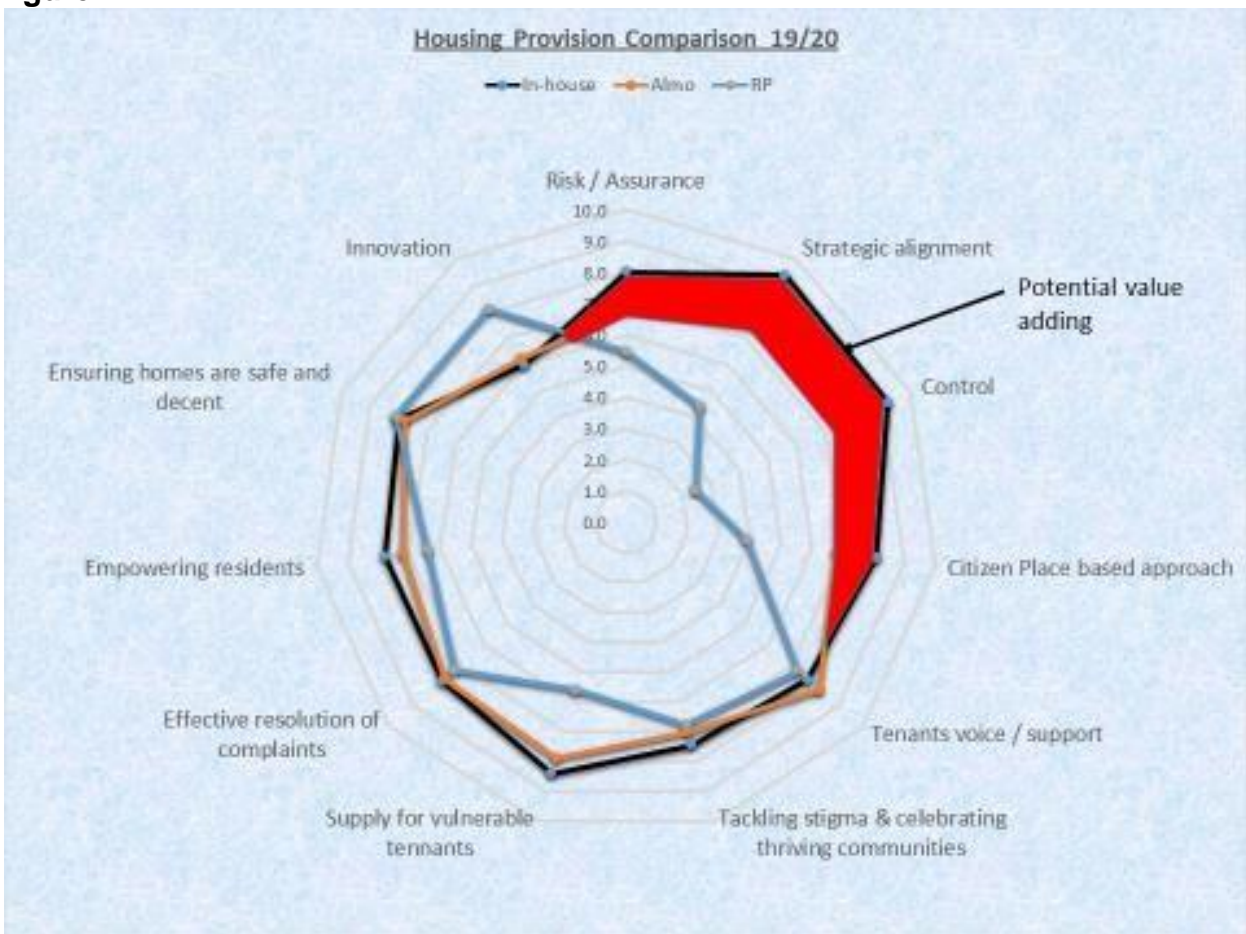
Table 1

In-house	ALMO	Registered Provider
<b>Legal Framework</b>		
Publicly established organisation as part of the Local Government Act.	Generally established as a not for profit Company limited by Shares or Guarantee. Subject to Companies Act requirements.	Can be established as Cooperative and Community Benefit Societies, Companies limited by Guarantee or Shares, Community Benefit societies etc. These can further be listed as exempt charities, register charities or for profit providers. There is also the Community Gateway model.
<b>Overview (Shareholding)</b>		
No company - direct ownership as a Council asset.	In Kirklees, the Council is the sole shareholder. There are examples elsewhere of ALMO's owned by a group of Local Authorities.	Shareholding models are varied. Some are closed (restricted to Board Members only or specific bodies), or open where anyone can apply subject to meeting policy requirements. Some RP retain a "Golden Share arrangement" with former local Authority owners.
<b>Regulatory Response - lead regulator the Regulator for Social Housing (RSH)</b>		
The RSH will regulate the Rent standard (from April 2020) along with all of the Consumer standards at present.		The Regulator for Social Housing proactively regulate the Economic standards and reactively regulate the Consumer standards.
<b>Corporate Structure</b>		
Conforms to constitution of the Council. Modelled on Cabinet and Council with delegated decisions to officers.	Generally modelled on Boards between 9 and 15 on a third, by third by third basis (Independents, Councillors, tenants)	Various arrangements are in place but often Boards comprise between 5 and 12 members. These Boards can comprise of entirely independent members or membership drawn from a range of constituencies (Independents, tenants, local authorities, stakeholders) in various combinations.
<b>Freedom to Act</b>		
Within the parameters of Local Government Acts and regulatory standards.	Restricted by the arrangements in place with the sponsoring authority	Generally unlimited within the objects and governing frameworks.

Committees and Sub Structures		
Existing Cabinet structure and governance arrangements. Risk and assurance through Corporate governance and audit.	Determined by the agreement between the ALMO and the sponsoring Authority. KNH has its own Board, which is supported by Property Services committee, with risk and assurance linked into Council governance.	Can be established at the will of the Board. Generally comprising an Audit Committee, Nominations Committee and Remuneration committee. Others by what the Board feels is required to run the business.
Borrowing and Commercial Arrangements		
Prudential borrowing arrangements. This is through both the Housing Revenue Account and also the General fund where appropriate.	Generally unable to borrow and invest in their own right and within the restrictions applied to the HRA.	Limited by business plan capacity and lender covenants. Providing it is within objects RPs are able to invest in other subsidiary (commercial or charitable) or community activity to further their aims.

iii. As part of the process, the project board looked at a number of criteria which combined key aspects of the Social Housing Green paper and business critical elements together with facets of a place based working approach. As the diagram below demonstrates, the in-house solution would provide a greater degree of control, clarity of accountability, responsibility and more flexibility in how resources are deployed to exploit the opportunities for housing to contribute to the health and social care agenda and it is the model that maximises the benefits of the HRA.

**Figure 2**



The diagram demonstrates the added value (the red shaded area) from the in-house model. Based on the range of information it is considered that the in-house model is the preferred option and will benefit from some of the good practice and expertise within the ALMO to provide the best of both worlds.

## H. Engagement

- i. At one level, if agreed, the change would be as simple as a change in the organisation that provides a service to tenants. Ownership of the stock and rent payments remain unchanged as do the staff who tenants interact with as they would TUPE over. Guidance from DCLG 'The Government believes that the decision to take ALMO housing management functions back 'in-house' should remain a local one' – please see Appendix G.
- ii. If Cabinet are minded to change the way Housing is managed in Kirklees, it will be important to engage with tenants. This is because engagement is a key part of our commitment to place citizens at the heart of our approach.
- iii. Hearing the voice of the tenant would be at the heart of any engagement approach.
- iv. The tenant engagement process would need to capture the things that people feel are important about current arrangements, areas that they would like to see changed and to start to explore future arrangements, post implementation of the new model, for hearing the tenants' voice in decision making. There will be value in considering the role of the Ad Hoc Scrutiny Panel in the design of the engagement process.
- v. The approach to engagement would be to support the move to work with people and build relationships within a place based context by engaging tenants as citizens and enable the Council to take a whole systems approach to the feedback received. It should also enable the Council to directly hear an un-filtered view of what tenants as citizens are telling the Council.
- vi. In order to further enhance that approach, it is proposed that there would be 3 parallel work streams to engage with Councillors, tenants and the workforce. This would enable the joint intelligence to provide valuable insight and inform any future action and service delivery.
- vii. It is anticipated that engagement would be multi-faceted, include an approach based on the Place Standard methodology, be co-produced and jointly delivered with tenants. The impact of Covid19 is recognised and national advice and restrictions would shape the approaches used. It is anticipated that a range of methods would be used including electronic as well as face to face opportunities, if not physically possible then virtually, to share their views according to their preference. We would also have the opportunity to interact with / capture the views of those who get in touch with the Council / KNH, for example to report a repair.

## **I. Implications for the Council**

### **□ Working with People**

- i. The proposal has working with people at its heart by working with tenants as citizens and if the Council's is to affect change in the attitudes towards and the perceptions of social housing, the views of citizens in the broader housing market are central to helping to understand and shape the diversity of responses the Council and its partners will wish to agree with the communities of Kirklees.
- ii. The views of tenants would be captured through a range of engagement mechanisms including use of the Place Standard Tool as described below.

### **□ Working with Partners**

- i. Kirklees enjoys strong partnerships with a range of mainstream and specialist housing providers and the proposed approach will continue to build on and strengthen these relationships to continue to develop bespoke solutions for providing affordable and supported housing with the communities of Kirklees.
- ii. The proposal offers the Council and its partners an opportunity to strengthen the links between Housing, Health and Social Care and to continue to integrate and provide the platform to positively impact further on outcomes for people / communities by working with them in a more holistic way.

### **□ Place Based Working**

- i. An in-house model would enable closer integration of the various place based approaches and would minimise the duplication that some citizens will currently experience.
- ii. The approach would use the Place Standard methodology as part of the wider engagement plan and would align this piece of work with wider Council and partner ambitions for place based working. It is acknowledged the methodology would continue to evolve and adapt to challenges such as those posed by Covid19.
- iii. The Place Standard approach enables us to begin to develop a much more nuanced understanding of our diverse places both in terms of the challenges they face and, more importantly, the aspirations they have. Over time we are looking to develop a detailed picture which would increase our level of understanding in a way that:
  - Is based on local identity.
  - Facilitates a more cohesive and joined up response.
  - Is conversational and intended to bring citizens / tenants with us both in terms of dialogue and co-creating solutions.
  - Allows us to re-engage to understand the difference that has been made.

- iv. Tenant engagement on this scale would provide us with a unique opportunity to gain a wider and more detailed understanding of those places, the outcomes from which would inform wider thinking, policy agendas and budget setting moving forward.
- v. The place standard explores 14 themes that focus on both the physical and social environment and the relationships between people and their surroundings, and is used to assess and improve the quality of a place. (Physical environment = the buildings, streets, public spaces and natural spaces that make up a place and the social environment = the relationships, social contact and support networks that make up a community).
- vi. It provides a framework to facilitate conversations to help identify what's good about a place, what needs to improve and what citizens / tenants can contribute. It helps focus on priorities for action and encourages a very collaborative approach (working with not doing to) as it enables communities, public agencies, voluntary groups and others to work together to identify their priorities for a particular place that need to be targeted to improve people's health, wellbeing and quality of life.
- vii. One of the benefits of the place standard is that it's consistent and provides a baseline which can be re-assessed to see how well places are performing. In developing our approach it is recognised that there should be opportunity to go back to communities to 'sense check' and report back on conclusions, proposals and actions as a result of the information contributed by communities.

#### **□ Climate Change and Air Quality**

- i. Both existing housing and new build homes leave a significant carbon footprint – finding ways to reduce the carbon emissions from housing is a strategic priority for the Council. The proposal would enable the Council to consider the alignment of the asset strategy to enable investment in ensuring the housing stock performs at a greater thermal efficiency, renewable technologies as well as working with tenants as citizens on behavioural change where appropriate.
- ii. The proposal would also allow the Council to better align its new build programme to seeking to achieve carbon neutral housing developments by seeking alternative methods of construction as well as taking a fabric first approach.

#### **□ Improving outcomes for children**

- i. Housing is fundamental to the well-being of children and helping them to get the best start possible. A safe, warm and affordable place to live is an essential prerequisite.
- ii. This proposal would enable the Council to work with children and families to better identify and design the most suitable solution to their housing need by, for example, extending a council home so that a foster carer can accommodate a child or extending a council home when working with disabled children and their families to enable the transition into adulthood by creating the necessary adaptations and space for an additional room.

**Other (e.g. Legal/Financial or Human Resources)**

- i. In the event that Cabinet are minded to pursue an in-house model, there will be need to be due diligence conducted on the commercial activities that KNH are engaged in e.g. KNH Living and ensure any contractual obligations are accounted for.
- ii. The in-house option would mean some relatively low initial transition costs that would be balanced out by potential cost savings through eliminating duplication and economies of scale. Any savings would be re-invested in the housing service.
- iii. An in-house run service offers the opportunity of merging the capacity and capabilities of both organisations and so strengthening the opportunities for deploying resources to improve outcomes for Kirklees citizens. It is recognised that this approach may also result in the loss of some key employees with related knowledge, skills and experience, this risk would need to be mitigated and managed. A single employer would have the potential to rationalise and simplify employee relations arrangements with recognised trade unions minimising the potential for tension that currently exists.
- iv. Prior to the transfer careful change management planning will be needed to make sure that all Council and KNH staff are well informed and supported both initially on transfer but throughout the following transition period.
- v. Should approval be given, there will be a nominal amount of financial resources required to enable engagement with tenants and leaseholders. It is anticipated that costs of employee resource will be absorbed within Services. Please see Appendix H for a review of financial implications.

**J. Do you need an Integrated Impact Assessment (IIA)?**

- i. A stage 1 screening assessment has been completed for the recommended option of inhouse provision.
- ii. It confirmed that a stage 2 assessment is not required. However, it is noted that equality, diversity and inclusion are at the heart of the proposed approach.
- iii. The heading of engagement does not score at this time as the proposed approach is to comprehensively engage.
- iv. The assessment summary is :-

Theme	Calculated Scores						Stage 2 Assessment Required
	Proposal	Impact	P + I	Mitigation	Evidence	M + E	
Equalities	0	3.3	3.3	0	6	6	No
Environment		2.8	2.8	0	6	6	No



## NATURE OF CHANGE

WHAT IS YOUR PROPOSAL?	Please select YES or NO
To <b>introduce</b> a service, activity or policy (i.e. <b>start</b> doing something)	NO
To <b>remove</b> a service, activity or policy (i.e. <b>stop</b> doing something)	NO
To <b>reduce</b> a service or activity (i.e. <b>do less</b> of something)	NO
To <b>increase</b> a service or activity (i.e. <b>do more</b> of something)	NO
To <b>change</b> a service, activity or policy (i.e. <b>redesign</b> it)	NO
To <b>start charging</b> for (or increase the charge for) a service or activity (i.e. ask people to <b>pay</b> for or to pay more for something)	NO

### K. Consultees and their opinions

The KNH Board met on 10<sup>th</sup> March to reflect upon the ad-hoc scrutiny panel's report with a view to considering its findings and feeding back the Board's response to Kirklees Council's Cabinet. In undertaking this review the Board considered in detail the three options set out in the report and their Director's responsibilities to ensure the success of the Company by furthering its objectives. The options set out in the report are:

- Transfer to another Registered Provider
- Continue with the ALMO model
- In house service delivery

The Board considered the Scrutiny Review's assessment of the strengths and opportunities provided by each of the options, and discussed the benefits offered by these to our tenants and the wider community. The Board is particularly focused on ensuring quality service provision to tenants and seeking the best advantages for them in any future delivery model. Board would wish to be assured by Cabinet that any future arrangements would provide more rather than less opportunities for our tenants to shape service delivery and would therefore be more responsive to our tenants needs. The development of any of the models will require further engagement and deliberation to establish the detailed working arrangements and the Board would wish to ensure that tenants are at the heart of this process.

Whilst acknowledging the successes of the current arrangements the Board recognises the strengths associated with aligning with the Council's ambitions for our communities that is at the heart of the place-based agenda, and so acknowledges the synergy that the option for in house service delivery provides. The Board recognizes that the Council approach is in line with KNH's vision for quality homes and services in successful communities and therefore supports the company further alignment with these in delivering its objectives. The Board would wish to recognise the contribution already made by our staff to the successful coordination of front line service delivery and would recommend to Cabinet that these staff are engaged with at the earliest opportunity to inform and shape future provision.

The Board would therefore recommend that the option for in house service delivery is further explored through wider engagement with tenants, staff and other key stakeholders with a view to clarifying the optimal management arrangements for the delivery of a successful in house housing management service as part of Kirklees Council's overarching Place Based Strategy.

Our current Management Agreement has a default break clause in October 2022. Assuming that at the end of the engagement exercise all stakeholders agree that this is both the best option and that suitable future management arrangements will be established, the board would be minded to seek agreement with the Council to an earlier termination of our Management Agreement as the Board feels that this provides the greatest clarity and certainty to staff, tenants and all our key stakeholders, and would support the earliest realisation of the benefits.

## **L. Next steps and timelines**

If the In-house model is agreed in principle, then it is anticipated that 3 parallel workstreams would need to be established. These would be jointly led by KNH and Council colleagues as the changes will affect both organisations. The workstreams would focus on tenant engagement, staff engagement and business transition.

Current plans are that engagement activity will take place from June through to August/September and report back in September/October. The mechanisms used would be within the parameters of any national restrictions imposed due to Covid-19 virus at that time. An overview of the proposed approach can be seen at Appendix I.

This would then trigger formal business transition processes such as TUPE consultation.

## **M. Officer recommendations and reasons**

- a) That the Cabinet note the outcome of the options assessment for the management and maintenance of the housing stock.
- b) That the Cabinet approves 'in principle' changing the model to an in-house delivery of the council housing management and maintenance services by transferring activity undertaken by KNH back to the Council. This option provides the greatest degree of control, influence and strategic alignment with place based working. It also offers a greater degree of assurance whilst enabling the Council to promote and deliver its ambition for regeneration of its own housing stock in the context of the broader housing market.
- c) That the Cabinet approves the proposal to engage with tenants on the preferred model using a range of approaches including the place standard tool. Authority is delegated to the Strategic Director for Adults and Health to finalise and implement the approach.

## **N. Cabinet Portfolio Holder's recommendations**

- a) That the preferred model is to directly manage the Council's housing stock, recognising that, in doing so, the approach needs to take the best of the ALMO model and combine this with the benefits that arise from in-house delivery.
- b) That engagement on this model should be carried out with tenants and with staff in KNH and the Council over the summer period
- c) Following the engagement exercise that a report on the outcome is brought back to Cabinet in September/October 2020 to inform the final decision on the future housing

management and maintenance of council housing in Kirklees. If the decision is then confirmed the report should also make recommendations on the matters required to progress to run Council housing services in-house on or before 31<sup>st</sup> March 2021.

#### **O. Contact officer**

Naz Parkar – Director for Growth & Housing

#### **P. Background Papers and History of Decisions**

The December 2018 Cabinet report made recommendations on the future direction of the management of the Council's housing service <https://democracy.kirklees.gov.uk/ieDecisionDetails.aspx?ID=6891>. Cabinet agreed recommendations including arrangements for:-

- a) Approving changes to strengthen governance processes and the Memorandum and Articles of Association as proposed by the KNH Board at its meeting on 3<sup>rd</sup> December 2018.
- b) Appointing Naz Parkar, Service Director Growth and Housing as the sole member of KNH with delegated authority to sign any relevant documentation to make changes on behalf of the Council.
- c) Housing policy and strategy, housing/asset investment and HRA Business Planning matters being determined by the Council, Cabinet or Council officers with advice from KNH officers.

Documents shared with Scrutiny are published at :-

<https://democracy.kirklees.gov.uk/ieListMeetings.aspx?CId=655&Year=0>

**Q. Service Director responsible:** Naz Parkar, Director for Growth & Housing

## Appendix A – Kirklees Housing Strategy Summary

The full Kirklees Housing Strategy can be found at

<https://www.kirklees.gov.uk/beta/housing/pdf/kirklees-housing-strategy.pdf>

**The key issues addressed in the strategy are summarised here:**

- Housing demand outstrips supply
- Home ownership is out of reach for many households
- Demographic changes and needs of vulnerable groups for more specialist / supported housing
- Increasing numbers of people becoming homeless
- Higher than average energy inefficient homes and levels of fuel poverty
- Responding to Grenfell
- Responding to the need to improve substandard homes and tenancy management in the private rented sector

**Kirklees's Housing Strategy for 2018 – 2023 sets out the key housing issues that the Council and its partners will address, recognising the opportunities as well as the challenges. The strategy supports and complements the Local Plan which is currently reaching the end of the examination process. It is also a key contributor to the ambitions and outcomes set out in the Joint Health and Wellbeing Strategy and the Economic Strategy, and underlines how good, secure and affordable housing in attractive and inclusive communities, underpin the overarching partnership outcomes we want to see for Kirklees, and the people who live and work here.**

**In response, our three priorities for housing in Kirklees are:**

- To meet the housing need of vulnerable people
- To improve housing quality and make the best use of existing housing
- To enable housing growth and the long term supply of market and affordable housing

Housing growth is a challenge across all tenures and provision types. 1,730 new homes are needed every year between 2013 and 2031, with an annual net imbalance of 1,049 affordable homes over the next five years. Market housing is out of reach for many. There is a commitment by the Council to enable and facilitate the delivery of 10,000 new homes by 2023, maximising the use of council owned land to provide 1,000 of those new homes. This ambition and desire to move forward at pace, will only be achieved through innovative and creative change, including new and modern construction methods and new funding sources.

The strategy identifies the need to increase supply of more specialist and supported housing for older and other vulnerable groups of people, alongside

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support to enable them to continue or achieve successful and independent lives in a safe and suitable home. Population is growing in Kirklees and for people aged 65 plus the projected increase is nearly 40% by 2031, so we need to ensure a sufficiency of the type of homes that people want and need as their circumstances change.

Around 12,000 people are registered for social housing in Kirklees, and the impact of welfare benefit changes suggests these numbers will rise. Homelessness is increasing and the implementation of the Homelessness Reduction Act, whilst not widening the groups of people for whom the Council has statutory duties to accommodate, will impact on the way we work with people in housing need.

The quality of housing across existing and new build development including the quality of management practices in the social and private rented sectors is a focus, and we outline our intention to develop an overarching Kirklees Quality Standard framework to drive up conditions and management practice across both social housing and the private rented sector, where this is necessary. We will work closely with our partners such as KNH and Pinnacle PSG to improve council

**Population is growing in Kirklees and for people aged 65 plus the projected increase is nearly 40% by 2031**

managed homes and estates, with private sector landlords, and developers; this strengthened approach to new, and more, partnership arrangements and innovative practices is a theme which runs throughout the strategy.

The strategy sets out what the Council and KNH are already doing to ensure standards are met to assure the health and safety of tenants, and the additional work undertaken following the Grenfell fire. There will be more to do, and we await the outcome of the independent enquiry.

Having reviewed the challenges that face us in achieving the vision for housing and the places where people live in Kirklees, we also capture the benefits and opportunities that are available. The positioning of Kirklees, close and easily accessible to the major cities of Leeds and Manchester through the rail and motorway network is a real strength for growing homes and jobs and attracting wealth into the district. The North Kirklees Growth Zone programme is ambitious and transformational, offering major investment of £1.9 billion.

In partnership, we have developed our first year Action Plan to establish how we intend to bring about the outcomes we want for Kirklees that will address housing need, quality and growth. The Action Plan will undergo a review process as we come to the end of the first year, and we will set out refreshed plans that are updated annually for the life of the strategy.

## **Appendix B – Social Housing Green Paper**

### **Background and Purpose**

The Social Housing Green Paper was published in August 2018 and the purpose of this note seeks to set out how the 3 models under consideration (ALMO, in-house, RP) would deal with each strand. It should be read in conjunction with the paper on Tenant Engagement (elsewhere on the agenda) since the green paper is largely focused on strengthening the Tenant's Voice. The Green Paper has **five core themes** and each of these is then considered through the lens of the tenants in Appendix 1:

#### **1. Ensuring Homes are Safe and Decent**

*Ensuring resident safety* - The Green Paper leads with proposals on safety, understandably, as the paper was formed in the wake of the tragedy at Grenfell Tower. The Paper supports the principles behind the Hackitt review of building regulations and commits to bringing forward legislation on building safety.

*Reviewing the Decent Homes Standard* – The Green Paper notes the Standard has not been revised since 2006 and should now be reviewed and updated. Recent tightening of safety has been applied to the private rented sector and additional measures are now needed for social homes.

In an ALMO, the Council and the ALMO would work closely to establish and ensure the ALMO's Fire Safety Plan is consistent with the Council's Fire Safety Policy and in its role as asset owner would set/agree the capital plan in line with its own ambitions and those of tenants whereas in the housing association model this would be the responsibility of the Board offering a lesser degree of assurance and influence on investment in the housing stock than either the Council or ALMO models.

#### **2. Effective Resolution of Complaints**

Removing Barriers to Redress - Government has been moving towards better redress for tenants for some time now and the proposals include strengthening mediation including removal of the 'barrier' of a designated person in order to access the Housing Ombudsman which would require primary legislation. Other issues raised in the Paper include how residents are aware of how to complain, what are their rights and how to deal with retaliatory action. To speed up the complaints process, a suggestion is for the Regulator to set out more specific timescales in a Code of Practice.

We recognise there is a need for greater accountability and thought about how tenants' voices can be heard at national and local level.

Tenant engagement is critically important to the Council's housing service and we are introducing a wide variation of methods in the way that residents are listened to.

#### **3. Empowering Residents and Strengthening the Regulator**

*Performance Indicators* - The Green Paper includes proposals on how tenants judge the performance of a landlord and proposes that performance data is published in a consistent format with all landlords assessed against a number of performance indicators.

Key performance indicators will be on repair, safety, complaints handling, engagement with residents and neighbourhood management. It is also proposed that residents are able to compare the performance of different landlords' complaints handling so that there is a consistent approach to reporting to the Regulator.

It is also proposed that the Regulator publishes landlord performance in the form of league tables. Views are invited including on whether the performance indicators should be reflected in 'consumer' ratings, and governance and viability ratings.

The Paper suggests the role of financial incentives and penalties to promote best practice and deter worst performance. This would include whether the KPIs should help inform the extent to which landlords receive funding from the Affordable Homes Programme by linking KPIs to the bidding process.

Resident Engagement - KPIs will also be used for measuring resident engagement. Through a regulatory review it will be considered whether there needs to be greater consistency and transparency for residents and whether landlords are setting the right expectations on how to engage with residents.

Resident Voice - The Paper asks "is there a need for a stronger representation for residents at a national level?" Landlords are expected to work closely with residents in developing new opportunities to have their voice heard and how this can best be achieved.

*A Stronger Regulator* – The Green Paper states that the Regulator's ability to enforce consumer standards is limited by the 'serious detriment' test. A separate review will look at whether the consumer regulation objectives and standards need to be changed and related to the new KPIs. Government will also be considering how to have sufficient oversight to hold the Regulator to account to Parliament.

The Paper suggests that regardless of whether someone is a resident of a housing association or a Council, the same standards should apply and asks if the Regulator should monitor the performance of local authority landlords. It is also suggested that its remit is extended to other organisations such as TMO's and ALMOs.

#### **4. Tackling Stigma and Celebrating Thriving Communities**

*Stigma* was the most consistent theme raised by residents in recent consultations and the Green Paper's main theme was promoted as tackling this perception of social housing and the people who live in it. The Green Paper aims to "rebalance" the relationship between landlord and tenant and to increase supply. Proposals aim to "celebrate the role of residents" by recognising the best neighbourhoods.

*Customer Service* – The Paper aims to embed a "customer service culture" and seeks evidence on the impact that landlords are playing beyond their key responsibilities. One of the new KPIs for landlords to be held to account will be on tackling Anti-Social Behaviour.

*Good Design* – The Green Paper proposed good design "regardless of tenure" and references the revised National Planning Policy Framework setting out policy for quality building. Guidance will be published later this year on applying this to social housing and comments are invited on how planning guidance can support good design in the social sector.

#### **5. Expanding Supply and Supporting Home Ownership**

The Green Paper includes a proposal on how to fund replacement homes sold under Right to Buy. The government has launched a pilot to test the extension of the policy for housing association tenants, but otherwise it has been absent from the debate up to now. No discussion on the supply of quality, affordable, social housing is complete without consideration of the implications of Right-to-Buy so it is useful that the Green Paper seeks to do this.

The Green Paper includes proposals for:

- Raising the housing borrowing cap which has subsequently been removed
- Reforming the Right-to-Buy receipts
- Giving LAs the confidence to invest in home building – by abolishing proposals to bring higher value assets into effect – this legislation has now been repealed
- The role of housing companies
- Community led housing – better understanding of how public and private investment can improve existing housing
- Affordable homes / longer term certainty – funding certainty over longer periods and views are sought on the impact of this on affordable housing
- Investment for social housing Social housing for those who need it most – evidence will be collected on the Allocations Frameworks across the country.

The Paper recognises the value of fixed term tenancies and victims of domestic abuse would retain lifetime security.

Voluntary Right to Buy – a pilot for HA residents has been underway in the Midlands for the past 12 months and a new feature will be tested – a ‘portable discount’ allowing a resident to move their discount to a different property.

Affordable home ownership – proposals will be considered to lower the minimum 10% staircase requirement for shared ownership.

## Appendix C

### RISK SERVICES

#### FUTURE OPTIONS FOR HOUSING MANAGEMENT AND BUILDING MAINTENANCE SERVICES CURRENTLY PROVIDED BY KIRKLEES NEIGHBOURHOOD HOUSING LTD

##### 1. Introduction

The fire at Grenfell Tower, and the responsibility ascribed to the owning local authority, Kensington & Chelsea LBC, rather than the intermediate management organisation, affirmed the importance of understanding risk and liability.

This report therefore considers the current position in relation to the governance, management and control of housing management and property maintenance services provided to the council by its wholly owned subsidiary Kirklees Neighbourhood Housing Ltd (KNH). It considers the risks associated with the current position and presents options for future management which may amend the risk profile.

This is against a backdrop of continuing uncertainty around some key national policy and funding issues for housing and local authorities more generally but a heightened appreciation by councils of the need to have full line of sight and assurance on how risk is being managed on its behalf.

##### 2. Background

KNH was formed in 2002 as an arms-length housing management organisation (ALMO), to enable it to receive decent homes funding to improve the councils housing revenue account properties. The decent homes improvements were completed circa 5 years later, and the formal need to maintain the ALMO lapsed. As others did at the time, the council chose to keep KNH as a separate business with the ALMO governance structure. Although the business was fully owned by the council, it did not control the board; 15 directors represented the council (5), tenants (5), and independents (5).

In 2016 the council transferred its direct labour building maintenance function- Building Services- to KNH. Whilst this made sense in that three quarters of the activities of Building Services related to HRA properties, this significantly changed the size and business risks of the operation.

In 2017 a consultancy study by Altair identified that aspects of governance and control did not meet best practice (in that the board was perceived as too large, lacking in key skills) and concerns about the strategic direction and the risk relationship with KC led to a decision to reduce the size of the board and increase the council's control and influence over the company. This amended the board to 9 directors, 6 council nominees; (5 councillors, 1 officer), and 3 tenants representatives).

In the last 10 years many local authorities, including Leeds, Sheffield and Wigan have chosen for varying reasons to close their ALMOs and return all management in house, although some ALMOs e.g. Barnsley remain. Many authorities have



transferred their housing to registered providers -3 of 5 in West Yorkshire, in the 1990s and early 2000s; a small number have transferred their housing functions to register providers post an ALMO based home improvements.

### 3. Considering Risk.

The council remains the landlord of 20,000+ tenants. As such it holds all of the statutory risks that any property landlord holds, many of which are onerous and have increased in the years since the ALMO was established.

Events such as the Grenfell Tower fire have highlighted that ultimate responsibility lies with the landlord, even where management is delegated to another party.

Cabinet makes executive decisions on behalf of the council as landlord. Operational decisions are made on behalf of the council by its own officers and to a large extent by KNH officers who execute the decisions of council, Cabinet and some decisions delegated to the KNH Board.

There can be occasions where responsibility for decision-making is unclear, which can cause conflict or delays or where the council's and the KNH board's priorities may differ.

Despite these delegations, though, the full responsibility ultimately remains with the council.

The council therefore needs to be clear about the level of risk that it is willing to tolerate as a result of having to work through an intermediary organisation to discharge its responsibilities and liabilities.

Grenfell has prompted most councils with responsibility as a landlord to consider their position. A number of ALMOs have been closed in the period since 2017 as councils revisit their risk appetite, the need to have absolute line of sight on compliance issues direct to cabinet and the ability to ensure that appropriate action is being taken. For example, as the landlord, a council is ultimately responsible for every appropriate property having an annual gas safety check. For a council to have proper line of sight, it needs to be confident that the ALMO board is focused on compliance with gas safety checks, is receiving regular compliance performance information and is acting on this. As landlord, it should be receiving regular, formal, reporting of performance on compliance, immediate escalation of non-compliance and an annual statement of compliance from the ALMO board. It should be clear how it will deal with instances where the ALMO board's priorities or focus differs from its own requirements as a landlord.

KNH is a wholly owned subsidiary, whose contract has been awarded without any competition (legitimately under various legislation and current EU Teckal provisions for fully controlled operation). Almost all of its funding has been derived from activities carried out on behalf of the council, and it has no resources of its own. Any liability of the company is inherited by the council as the ultimate owner.

As a limited company, KNH has an obligation to comply with companies' legislation and its directors have to act in their perceived best interests of the

company, although the shareholder has ultimate control. This has at least the potential to lead to conflict. The recently restructured company seems to have faced some degree of challenge in establishing its new role. A number of wider management issues have arisen, that have included concerns about fraud and strategic alignment though these are not a direct consequence of the separate management structure.

If the council had appointed a third party to manage its housing management and maintenance activities, it may have been able to mitigate against the financial (if not statutory) consequences of these activities. In practice, this would have been likely to have been controlled by the provider by way of contractual caveats and a fee commensurate with the absorption of that risk. There remains however no circumstances in which the reputational risk would not impact on the council.

If the council were to manage its own housing management and maintenance arrangements the risk profile would be unchanged, as under TUPE the same employees would be discharging the duties within the council, initially at least following the same business practices. Ultimately, realisation of any risk would result in identical consequences.

Although the council has only recently carried out a control and governance realignment, the recent LGA Corporate Peer Challenge has recommended further consideration of the purpose of KNH having a separate status. Cabinet had already agreed in 2018 that it needed to keep this issue under review.

The existence of a separate organisation creates a risk to securing best value for money for the council as there are a set of additional costs, associated with management and governance of the entity, and managing the relationship between the council and the company. Although the company has used the corporate accounting and payroll system, it has otherwise operated with dedicated supports services (rather than these being provided by the council under a services agreement) which suggest that there is scope for efficiency and saving if these were integrated into the larger council functions. There are additional costs for example for auditing and other administrative tasks. The continuing financial challenges and the need to achieve best value for money for tenants and, more widely, citizens may therefore lead to consideration about the financial case for continuing to have separate entities.

As the council increasingly focuses on outcomes for local citizens and the need to align the work of multiple organisations to maximise these, fragmentation of capacity across multiple organisations, (each of whom may ultimately have differing organisational priorities), risks hindering achievements of these outcomes.

Closer integration may mitigate this risk and potential scope may exist to recast parts of the operations in line with the council's objectives and the people, places and partnerships agenda, which might achieve better outcomes, although there are some risks in this approach. The council does have to balance this against the need to demonstrate how the tenant voice is heard and influences decision

making in social housing, although that would not be insurmountable, or indeed necessarily difficult under a directly managed option.

From the opposite perspective, a single purpose organisation can be more clearly devoted to specific customer service, and gain better client relationships, potentially achieving higher levels and quality of outputs, and thus overall bring better value for money, albeit at higher cost. This does however need to be balanced against the risks mentioned earlier in this report

The ultimate control of risk to the Council would be to transfer to a registered provider or providers which would remove all risk from housing management operations, but it would also reduce very substantially the influence the council could have in neighbourhoods, and the ability to integrate social housing activity with or within other council priorities. It is not clear how practical this option would be in the current financial market. It would involve a very considerable consideration of the impact on the rest of the council (e.g. shared support services) and on the potential negative impacts in respect of a future integration of activity. In the short term after a transfer the council would find it difficult to divorce itself from many reputational risks.

In any scenario where the Council is not also the managing organisation, there is the risk that what the managing organisation defines as good and what the Council defines as good will differ and drive cost and risk towards the Council. For example, a managing organisation might seek to maximise rent collection rates and so be reluctant to house or continue to house vulnerable individuals who may be more at risk of defaulting on their rent. As a consequence, the Council may need to become involved in finding alternative arrangements (for instance in the private sector) for those individuals that transfers resource demands and risk to the Council. It should be noted that areas such as compliance are defined by regulation and should therefore in theory be the same across any model. The impact on what a managing organisations considers to be a decent property beyond the statutory minimum could be based on financial and not outcome drivers.

There is a culture, leadership and relationships factor. A strong relationship will almost always ensure that decision making recognises mutual beneficial outcomes. But relationships depend on individuals, which can disappear as individuals move on, or corporate priorities change. This is not an issue for direct management, but can occur within an ALMO operation, and would be more likely in a contractual relationship with a services provider, or partnership arrangement with a registered provider.

Reputationally, the public generally, and tenants will still see the property as “council houses” with a reputational risk almost irrespective of the management model. (This would diminish over time if there was a full stock transfer, although even this may take many years).

#### 4. Options Comparisons

The table below analyses four options- the status quo current position, a fully in house solution, a fully outsourced management solution, and a transfer of all properties to registered provider(s).

Although the analysis considers the combined housing management and property maintenance operations as is currently provided, the lead determinant is the housing management function. As a consequence, the balance of construction and maintenance being provided in-house (or by a HM contractor) and other building contractors is largely immaterial for the purpose of this assessment.

#### 5. Conclusions

The current arrangements for delivery of housing management creates an opaque management solution, where ultimate responsibility and liability remains with the council, but an intermediate body (KNH) has some rights and exercises day to day operational control (without commensurate responsibilities).

There are pro's and con's to alternative approaches.

A fully in house (direct council provision) solution would provide a greater degree of clarity of accountability, responsibility and more flexibility.

An outsourced housing management solution would force a greater degree of clarity about roles and responsibilities and could be backed by a genuine penalty regime. In practice, the contract is likely to be priced to reflect this and any outsourced provider could be expected to look to maximise profit/surpluses by minimising output.

A transfer of the housing activity to a registered provider or providers would eliminate housing operations risk, at the expense of opportunities for better integration of service delivery, a loss of influence, and impacts on the council otherwise. This would involve very substantial effort, and may not be achievable in the current financial market.

M E Dearnley

Head of Risk

December 2019

The table below summarises issues and consequences

- Legislative and Compliance covers the risks associated with complying with core statutory responsibilities
- Governance covers the risk that there will be a misalignment between strategic intent of the council and delivery organisation
- Integration covers the risk that tenants have a more fragmented experience as a result of different organisations working with them
- Operational Practice covers the risk that the council cannot adequately influence activities that impact on current and future tenants experience and so there is a mismatch between what the council wants tenants to experience and what they actually experience

- Commercial and VFM covers the risk that opportunities to secure vfm are not maximised.

In the table, the following key is used.

Green	Likely best outcomes
Orange	Some issues
Blue	More complex concerns and issues

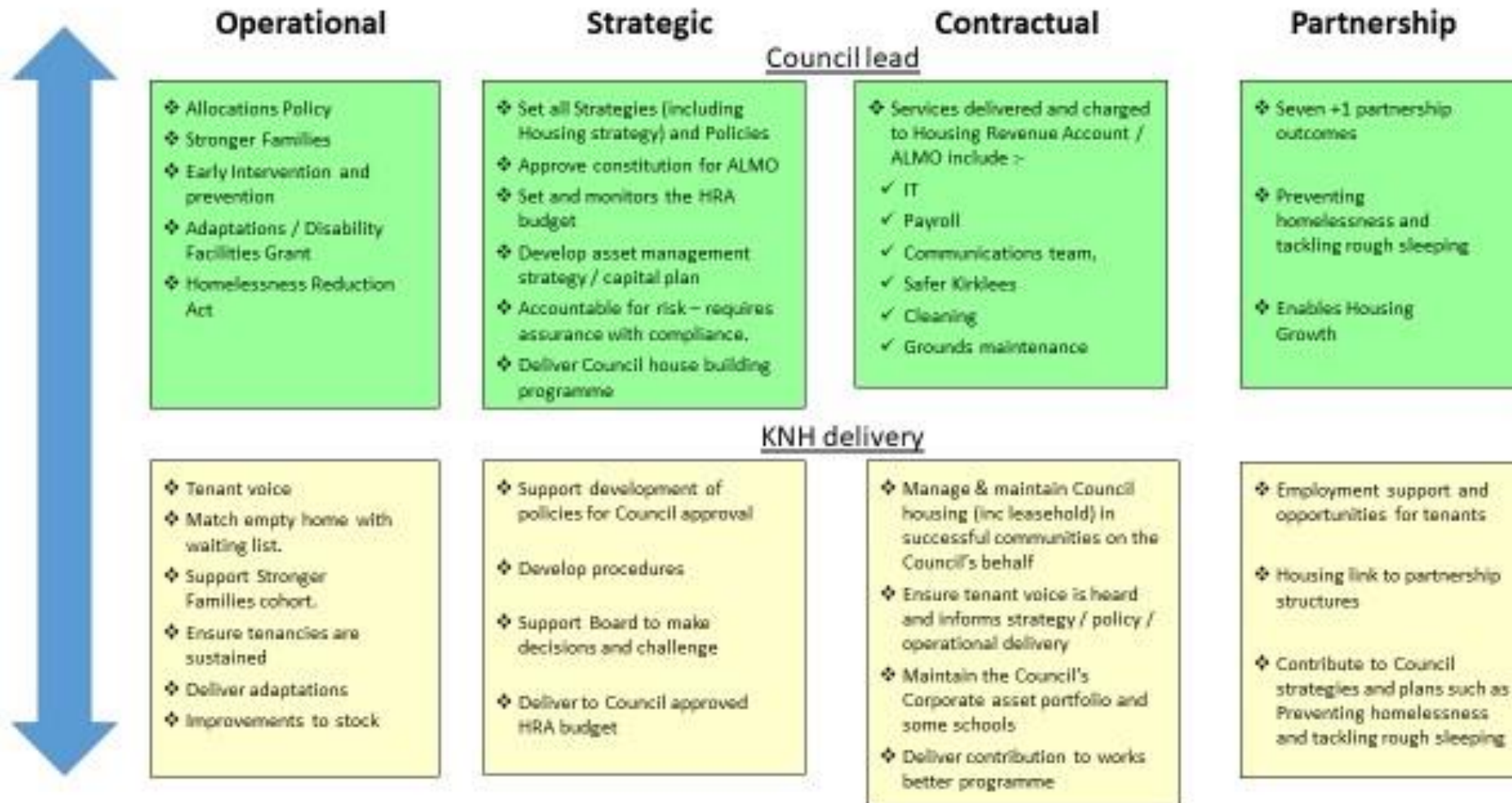
OPERATING MODEL>>>>>>	FULLY IN HOUSE SOLUTION	AS CURRENT KNH IS A SEPARATE WHOLLY OWNED SUBSIDIARY	OUTSOURCED HOUSING MANAGEMENT FUNCTION	TRANSFER HOUSING TO REGISTERED PROVIDERS
ISSUE OR TOPIC -----				
<b>Legislative+ Compliance</b>				
Landlord Statutory Compliance (Visibility of compliance)	Very clear lines of accountability are achievable, within the officer and political hierarchies of the council	Although ultimate responsibilities lie with the council, the company has some rights and responsibilities which could impact on lines of accountability	Although ultimate responsibilities lie with the council, the contract would clearly set out roles and responsibilities,	Responsibility passes to the operator
Compliance & variations to level of service...	Fully flexible	Flexible , subject to company separation	Requires variation at quoted cost.	Responsibility passes to the operator
<b>Governance</b>				
Governance & business control	As standard council decision making	Directors must act in interest of company, Potential for conflict or disagreement although shareholder has ultimate control.	Contractual; Potential for conflict or disagreement; resolution would be mediation, adjudication or litigation	No direct influence (other than as condition of sale) Depends on partnership
Relationship with Council	As standard council decision making	Can be strong , but depend on individuals	Contractual- can be variable – dependant on individual relationships and corporate objectives	Strategic relationship potentially strong-but not much detailed involvement
Ability of local councillors to be involved.	Fully involved through democratic processes	Opportunity to be directly involved in governance	Limited involvement as set out in contracts.	None
Tenant involvement	Still fully achievable but requires new structures. Has potential to be as strong as providing participation in governance	Current involvement in board,	As potentially covered by contractual relationships. Likely to be subservient to formal client and contractor relationship	Depends on the provider

<b>Integration</b>				
Clarity of Purpose	Part of Council – potential to stifle independence and initiative	A single purpose organisation can have clarity of purpose	If part of a larger group may mean that some local initiative is limited- or is multifunction outsourcer.	A single purpose organisation can have clarity of purpose but may be negated by wider corporate policy or issues
Contribution to outcomes, people place & partners	Greater flexibility to match these needs is achieved by this solution	The need for separation is likely to limit many opportunities	Limited opportunities, beyond those formally specified as requires hard structure	Limited
Ability to integrate activity to meet wider objectives	Unlimited	Separate structures are likely to substantially frustrate this. Limited scope to integrate by negotiation.	Separate structures are likely to substantially frustrate this. Limited scope to integrate by contract variation	Limited
Clarity of understanding or roles by service users	A very clear model of responsibility and accountability	A somewhat unclear demarcation	Clarity of responsibilities clearer than current arrangements	Clarity of responsibilities, but not linked to wider council
<b>Operational Practice</b>				
Penalties for NonCompliance	Not applicable	Theoretically possible but all funds of company already belong to council	A penalty regime for non-compliance is possible (although the contractor will charge a risk premium commensurate with expected losses)	Not applicable
Client & Contractor split	Fully integrated- no requirement	Yes, but with some “soft” areas.	Yes- “hard”	Not applicable
Housing management operations	Effectiveness depends on control of inputs and outputs	As in house solution, but with potential of conflict between client and operational functions	Well defined for work specified at time contract is let. Potential problems if need to change activity (e.g. to align with a policy or legislative change)	Not applicable
Property maintenance operations	Effectiveness depends on control of inputs and outputs	As in house solution, but with potential of conflict between client and construction contractor functions	Well defined for work specified at time contract is let. Risk of poor vfm for work not specified – as contractor has limited value incentives	Would require council restructure as almost all routine and a large proportion of planned repairs and improvements currently carried out by KNH BS
Flexibility	Fully in control of council to reshape	Company hierarchy and governance , and	Contract with formal variations only will	Not flexible within council needs

Potential for changes in organisational and operational structures	and realign for achievement of direct and indirect policy objectives	“contract” is block to any reshaping, though ultimately achievable on instruction of council as shareholder	substantially limit restructuring without compensation to contractor.(until retendering)	No opportunities for integration
<b>Commercial &amp; VFM</b>				
Trading & commercialisation	LAs have a general power to trade, but may require creation of new vehicles to trade in commercial sector	As company already exists has more freedom (already) than the local authority	Not applicable	Not applicable
Operating Costs	Opportunity to integrate support services and unify management structures should produce costs savings	Current largely selfsufficient management and governance structure of company, and costs of client activity	Competition may drive down operating costs of function, but costs of client activity	Not applicable
Value for money	Potential for very good. (although risks of other outcomes, depending on management- as with KNH) ,and restructuring and change always presents risk	Unlikely to achieve beyond good	Unlikely to achieve beyond good	Not applicable (probable impact on client rents)
Practicality & Achievability	Fully achievable, but requires effort to obtain outcomes	Current position	Not a clear, active market for all activity	Serious doubts about achievability without impacts
<b>SUMMARY</b>				

Appendix D – Current Governance Relationship

# Council with Almo





## **Appendix E – Tenant involvement Implications**

### **1. Purpose**

- 1.1 How might each model approach engagement and what are the implications for the Council?
- 1.2 How can each structure further enhance the customer experience and outcomes for tenants?
- 1.3 What are the opportunities to further embed engagement with Place Based Working?

### **2. Overview**

- 2.1 It should be noted that best practice is consistent across the sector regardless of provider.
- 2.2 There is an ongoing refocus and strengthening of regulation around the tenant voice. This means that all Social Housing providers, regardless of the specific structure e.g. RP, ALMO, In-House, should be on a continuous journey to revisit and evolve their practices to ensure these remain appropriate and responsive to the external environment.
- 2.3 The approach to tenant involvement will underpin the delivery of the 5 key elements of the Social Housing green paper - Tackling stigma and celebrating thriving communities; Expanding supply and supporting home ownership; Effective resolution of complaints; Empowering residents and strengthening the regulator; Ensuring homes are safe and decent.

### **3. Context - Current Tenant Involvement Strategy**

- 3.1 In June 2018, in consultation with the Council, the KNH Board approved a new Tenant Involvement Strategy – ‘Get Involved’. The strategy highlights what tenant involvement means at KNH, the outcomes KNH seeks to achieve in partnership with tenants, leaseholders, the Council and other partners and the impact KNH wants to achieve.
- 3.2 The Tenant Involvement Strategy reflects the Regulator for Social Housing Consumer Standards, specifically the Tenant Involvement and Empowerment Standard and the Neighbourhoods and Community Standard (see appendix 1 and 2 below) and aligned with TPAS’ Landlord Accreditation Framework on Tenant Engagement (TPAS, formerly known as the Tenant Participation Advisory Service, are the leading experts in tenant engagement [www.TPAS.org.uk](http://www.TPAS.org.uk)) Please see Appendix 3.
- 3.3 The Tenant Involvement Strategy has also been informed by best practice across the social housing sector, participation by KNH staff in TPAS national roundtable events and through the sharing of experiences with other housing providers e.g. Blackpool and Coastal Housing, St. Leger Homes in Doncaster and Rotherham Council who have visited KNH to discuss their approaches to engagement.
- 3.4 The Get Involved Strategy complements the Resident Engagement Framework which forms part of KNH’s Fire Safety Management Plan (FSMP). The FSMP is informed by the findings from the Hackitt Review, recommendations from the Social Housing Green Paper and the priorities set out in the Council’s Fire Safety Policy (approved in 2018) and Kirklees Housing Strategy 2018-23.
- 3.5 The Framework brings a more structured, transparent and robust approach to the fire safety relationship, ensuring all tenants and leaseholders have a strong voice in scrutinising fire safety practices and performance. This will be aligned with the revised Complaints Policy and Procedures at KNH.

#### **4. Current KNH Tenant Involvement Strategy Key Outcomes**

- 4.1 The voice of the tenant is clearly evident in key decisions taken by the Board.
- 4.2 Service improvements are shaped by and reflect the voice of the tenant.
- 4.3 More opportunities for individuals to have a say in the future of their homes and communities.
- 4.4 Increased enrichment of the business and staff through the diverse and collective experiences of our tenants.
- 4.5 More local people coming together around a common purpose to help create successful communities.

## 5. Comparison

Option 1 (In-house)	Option 2 (Almo)	Option 3 (Registered Provider)
<b>Tenant Board Member Representation</b>		
Consumer Standards determine that tenants should have a direct link to decision making processes.		
National Housing Federation (www.housing.org.uk) Code of Governance for Housing Associations includes the following principles: Accountability – there is proper accountability to, and involvement of, all the organisation’s stakeholders, primarily its residents and, Customer First – that the needs of existing and potential service users are at the heart of business decisions and strategy.		
Currently, KNH Board are custodians of the tenant voice and act as scrutiny. The Tenant and Leaseholder Panel (TLP) acts as support and challenge to the board.	KNH Board currently has 3 tenant board member positions, 1 of which is currently vacant. Tenant Board members represent tenants’ voice in strategic decision making.	Good governance practice among RP’s supports tenant representation on Boards and any SubCommittees.
To ensure a clear tenant voice is being heard, the Council would create a dedicated Housing Scrutiny panel for the next 2 years. The TLP would continue to amplify the voice of tenants.		For example, Yorkshire Housing have a Customer Services Committee that act as a link between the Board and its customers. The chair of the CSC sits on the Board. <a href="https://www.yorkshirehousing.co.uk/getinvolved/customer-voice-panel">https://www.yorkshirehousing.co.uk/getinvolved/customer-voice-panel</a> / Wakefield District Housing and Together Housing Group also have Ward Member representation on their Boards.
TLP could form part of the flightpath to Cabinet. This would be supported by the Cabinet member having a regular agenda item at TLP meetings as a formal part of the engagement / scrutiny structure.	Tenants have a direct link to Councillors who also sit on the KNH Board.	However, it would be up to the Board to determine whether it is relevant to have a direct link to the Council as part of the governance arrangements. It is recognised that in the event of being a Board member, a Councillor's first duty would be to the RP.

**Tenant and leaseholder panel (TLP)**

<p>The TLP would continue under this option and would link directly to any new governance arrangements. There would be a particular focus on landlord services - rent setting, compliance and safety and service agreements with tenants e.g. communal cleaning.</p>	<p>The TLP are a key part of KNH's governance framework ensuring tenants and leaseholders can influence the development of strategies, policies and plans and how the business is run. Currently made up of 6 panel members (Terms of reference allow for maximum of 12 members).</p>	<p>In line with the Consumer Standards and NFA Code of Governance, it is not unusual for RP's to have Tenant Panels or Forums in place. The likelihood is that this would continue in some format. For example, Together Housing Group (<a href="https://www.togetherhousing.co.uk/yourhome/listening-to-our-tenants/residentengagement/">https://www.togetherhousing.co.uk/yourhome/listening-to-our-tenants/residentengagement/</a>) run resident engagement and scrutiny groups. Yorkshire Housing Association has a Customer Voice Panel that provides opportunities for tenants to engage through consultations, focus groups, meetings, or reading paperwork and providing written or verbal feedback.</p>
<p>TLP could form part of the flightpath to Cabinet. This would be supported by the Cabinet member having a regular agenda item at TLP meetings as a formal part of the engagement / scrutiny structure.</p>	<p>2 members of TLP attend every KNH Board meeting. The model is not unusual among ALMOs of a similar size e.g. St. Leger Homes also has TARAs (tenant and resident associations).</p>	<p>Councils are generally regarded as a strategic partner of the RP. However, it would be up to the Board to determine whether it is relevant to have a direct link to the Council as part of its governance arrangements.</p>
	<p>TLP are recognised as an asset and positive links with Board have been established. Two members of TLP attend every KNH Board meeting to assist connections.</p>	

**Service improvement and challenge (SIC) - Scrutiny**

An approach to tenant scrutiny is considered good practice across the Housing sector, linked to decision making processes.

Supports elements of the Regulator for Social Housing - Tenant Involvement and Empowerment Standard.

<p>New governance arrangements of the housing management service would take on board best practice and ensure tenant scrutiny was in place. There is opportunity to ensure that this function is kept discrete from, but benefit from, the connections to other wider Council Place based engagement.</p>	<p>KNH have found it difficult to recruit to a standing panel as part of the new TI Strategy. In 2019, KNH commissioned TPAS to work with a small number of tenant scrutineers to review the Complaints Procedure which is now scheduled to go to KNH Board in February 2020.</p>	<p>An RP would decide on its own strategy.</p>
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<p>Council Housing scrutiny reports into Overview scrutiny committee and this will be used to ensure we are hearing tenant voice. TLP will amplify the voice of the tenants. The combination of the above will provide an auditable trail / traceability of communications and information flows to evidence tenant voice in decision making.</p>	<p>A further exercise to promote further opportunities for tenants to decide on future topics to scrutinise will begin early in 2020.</p>	
<p><b>Tenant and Resident Associations (TRAs) and Street Voices (SV's)</b></p>		
<p>TRA's are fairly common across ALMO's and In-house management services.</p>		<p>TRAs are less popular among RPs therefore it is seen to be unlikely that an RP would continue to support a continuation of the groups in the longer term.</p>
<p>Kirklees / KNH have historically been seen as a leading light in tenant engagement which is endorsed by many Councillors from across all parties.</p>	<p>The TRA's and SV's continue to play an important role in Kirklees. KNH have adopted a light touch approach to supporting these groups with an emphasis tenants doing more for themselves and their communities.</p>	<p>KNH currently supports, on average, a much higher number of TRAs compared with many other housing providers of a similar size). This may be a reason for the groups to be discontinued by an RP.</p>
<p>Allied to this, and acknowledged as a significant asset, TRA's and SV's will to continue to be seen as vital as the current model will be the Council model going forward.</p>		
<p>The opportunity to connect TRA's into a broader citizen approach will be taken and the street voices principle will be adopted as part of our citizen engagement,</p>	<p>KNH currently supports 47 TRA's and is unusual in terms of the number of TRA's given its size.</p>	
	<p>SV's are individual tenants who champion the voice of tenants in those areas which do not have the support of a TRA but who are working towards KNH's aims and objectives). KNH currently has 19 Street Voice representatives.</p>	

**Digital Platform (<https://kirklees.tenant.digital/>)**

All Housing providers are looking to maximising the use of technology to engage customers and improve access to services.

The 'Get Involved' Platform could exist under this option. It would be included under Kirklees Councils IT and Communications strategies and would be accessed through the Kirklees Website.	The 'Get Involved' Platform allows tenants, residents, staff and partners to share and participate in a wide range of involvement opportunities.	The RP would decide its own channel access strategy and whether to continue with the 'Get Involved' platform.
The opportunity to integrate into other engagement platforms would be looked into.	The Platform is currently accessed through the KNH website and has the potential to be accessed directly through Kirklees Council's website.	
This approach offers the opportunity to connect people and wider services together, whilst still enabling tenants and leaseholders to have a direct voice. As with all Services, there would be a continued drive to put the tenant / leaseholder (citizen) first and designing interaction in an intuitive way that works for people.		

**Neighbourhood forums - North & South**

Existing forums could continue to exist under all models and there are examples within RP's such as Together Housing.

Forums meet quarterly and are an opportunity for TRA's, SV's and Ward Members to come together to talk about KNH activities including involvement opportunities and, the development of policies and procedures. This is envisaged as continuing to occur within an In-house option.	The RP would decide its own engagement strategy and whether to continue to use the forum approach.
Minutes from Forums are shared with the TLP to ensure that the voice of the tenant at a local level is also heard and able to influence service delivery and improvements. This could continue In-house	There is no requirement for the RP to invite Ward Members or the same partners' organisations to be part of the Forums.
Further guaranteed integration into the Council's Place based approach would enable links to wider agenda's and partners such as Health and Adult social care.	The Forums are also a platform for partners talk to TRA's and SV's on a range of different subjects. Recently forums have received presentations covering Prevent (Extremism), Modern Day Slavery and Hate Crime.  As a singular focussed vehicle, there is no guarantee that RP's would engage in wider agenda's which would negatively impact on the range and depth of reach.

<b>Estate Based Surgeries</b>		
There are 2 estate based surgeries currently in Kirklees. They give tenants the opportunity to drop in to a location to speak with their Housing Officer. This could continue under all 3 options.		
In-house provides opportunities to further increase alignment with Place based working and other frontline services working in and around the estates e.g. Streetscene.	The surgery in South Kirklees is fortnightly and is well attended. The one in North Kirklees has recently changed its approach. In line with local feedback, and to become more responsive, it now happens at least once a month but the dates are determined by tenants and their needs. Both approaches are valued.	The RP would decide their own strategy and whether this should continue.
<b>Estate inspections</b>		
This is likely to continue under all options as it links to the Regulator for Social Housing's Neighbourhood and Community Standard.		
Estate Inspections take place at least on a quarterly basis. They are an opportunity for TRA's & SV's to walk their estate with Ward Members, the housing officer, estate caretaker and occasionally other partners such as the Police, Streetscene etc.		<p>The approach would depend on the strategy chosen by the RP. If they decided to continue, the RP would decide whether or not Ward Members have a role to play in inspections.</p> <p>An example of an approach is Together Housing Group have 3 Estate Services Groups covering all regions, In conjunction with the Estate Teams. Meeting three times a year, the role of residents on these groups is to help improve grounds maintenance and cleaning services across estates.</p>
<b>Grant Scheme</b>		
It is good practice for a grant scheme to be in place.		
Current approach would be reviewed to see how impact could be maximised in tandem with other Council grant pots e.g. Up to You, Do Something Now and Growing Great Places. These share a similar criterion. Steps would be taken to ensure that outcomes were predominantly for the benefit of tenants.	Under the KNH Integrated Grant Scheme, TRA's can access two funding pots; TRA grant & the Social investment fund.	RP's would be under no obligation to retain the same grant arrangements. However, they could continue it, or create an alternative approach as it is linked to the RP's Social Value obligations.

	<p>The TRA Grant is designed to support the day to day activities of a TRA including room hire, payment of utility bills (where they have premises) and stationery. The TRA grant is awarded twice a year with allocations of up to £500 per award.</p>	
<p>The Social Investment Fund is open to TRA's to deliver projects in their communities that align to the 7 Kirklees Outcomes. There are 2 allocations of awards up to £2k per award. Applications are assessed by TLP.</p>		<b>Place Based Working</b>
<p>In-house delivery would enable the Council's strategic intent to be maximised and would not be dependent on relationships, or Board priorities, at any specific time. This would mean being able to utilise a greater range of resource whilst still ensuring tenants were the predominant beneficiaries.</p>	<p>KNH are currently supporting Kirklees Council to deliver place based working in particular in relation to the roll-out of the Place Standard. This work on Council estates managed by KNH is approached as part of the 'Your Home Your Place Investment Programme. KNH are continuing to explore how the Place Standards methodology can support grounds maintenance and other environmental works across estates. At present, 27 staff at KNH are trained on Place Standard toolkit.</p>	<p>An RP would be under no obligation to support place-based working or put Councillors at the heart of their strategy. Neither would they be required to share any plans for engagement to enable either a joined up approach or constructive input. The Council would not be able to access appropriate data and intelligence to inform wider strategies unless the RP agreed to include within their approach to GDPR.</p>
<p>Place based working recognises and builds on the strengths of Kirklees' towns and communities – each of which has its own unique local identity. Central to this is co-production which places Councillors at its heart and supports working within wards.</p>		<p>However, there are clear benefits for the RP to support the principles of Place based working e.g. avoidance of consultation fatigue among tenants, opportunity to align related priorities that would benefit the RP e.g. Playable Places Strategy etc</p>



<p>There is a recognition that tenants are also citizens who engage with a range of Services and strategic partners, each of whom look to connect with them. Kirklees estates are also home for citizens who rent or have bought their own property. The mixed estates mean there is an opportunity to bring communities further together rather than provide artificial divides.</p>		
<p>The opportunity to engage in an holistic way would mean a simpler relationship / engagement strategy. This would avoid potential duplication and consultation fatigue. Additional benefits would also include improved Housing links to the wider partnership including Health and connecting with approaches taken to coproduction by Adult Social Care and 'whole person, whole system and whole family'.</p>		
<p><b>Annual Service Planning Conference</b></p>		
<p>This is an example of best practice and, in line with the Consumer Standards, all models would need to adopt an approach to ensure tenants can influence and inform services.</p>		
<p>In October 2019, KNH held a tenant service planning conference. This revamped annual event commenced during the summer months and involved KNH engaging with tenants to ascertain what they thought KNH did well, not so well and what could be done to improve. Questions included satisfaction with services and value for money. Tenants should have a say in how rental income is allocated and services prioritised and delivered and this approach could continue to be used within In-House provision.</p>	<p>There is no requirement for this to be an annual or face to face event e.g. Yorkshire Housing have a Customer Voice Panel Page.</p>	
<p>This information was presented back to tenants at the conference which was supplemented by workshops where tenants were able to have a conversation with Heads of Service about the services provided by KNH. This information is being used to prioritise and develop service plans and the feedback has also contributed to the Council's budget setting process.</p>	<p>RP's are also not required to have Ward Member involvement in the process and are under no obligation to share the findings from any consultation with the Council.</p>	

**Surveys / Questionnaires**

Customer feedback is required under all housing models. Evidence of how services are performing is a requirement of the Consumer Standards. This includes sharing performance data with tenants at least on an annual basis.

<p>The approach currently adopted could be continued In-house. There is also the opportunity to jointly harvest data and intelligence, in line with GDPR requirements, that enables strategy as well as operational delivery to be increasingly informed.</p>	<p>KNH administer a number of questionnaires and surveys that are both perception and transaction based. KNH continues to use the STAR (Satisfaction of Tenants and Residents) survey as the main method to understand tenant satisfaction levels and trends. Results are attached at appendix 4.</p>	<p>RP's are under no obligation to share the findings from any consultation with the Council.</p>
	<p>KNH also shares performance data with tenants through an Annual Report.</p>	

**Fire Safety / Resident Engagement**

The emerging Housing Green Paper / Hackitt Review is explicit in terms of the expectations placed on housing providers to have in a place a Resident Engagement Strategy, linked to fire safety as best practice.

<p>KNH have developed a Fire Safety Resident Engagement Framework. The strategy utilises the structures mentioned above to engage, update, consult and brief tenants on all aspects of fire safety. This includes work that will take place next year to recruit tenant Fire Safety Champions, establish a High Rise Forum and produce a High Rise newsletter. This could be replicated if an In-house provision is required.</p>	<p>An RP would identify and implement its own approach.</p>
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## **Additional 1**

### **Regulator for Social Housing – Tenant Involvement and Empowerment Standard**

[www.gov.uk/guidance/regulatory-standards](http://www.gov.uk/guidance/regulatory-standards)

#### **1.1 Customer service, choice and complaints**

1.1.1 Registered providers shall:

- a. provide choices, information and communication that is appropriate to the diverse needs of their tenants in the delivery of all standards
- b. have an approach to complaints that is clear, simple and accessible that ensures that complaints are resolved promptly, politely and fairly.

#### **1.2 Involvement and empowerment**

1.2.1 Registered providers shall ensure that tenants are given a wide range of opportunities to influence and be involved in:

- a. the formulation of their landlord's housing-related policies and strategic priorities
- b. the making of decisions about how housing-related services are delivered, including the setting of service standards
- c. the scrutiny of their landlord's performance and the making of recommendations to their landlord about how performance might be improved
- d. the management of their homes, where applicable
- e. the management of repair and maintenance services, such as commissioning and undertaking a range of repair tasks, as agreed with landlords, and the sharing in savings made, and
- f. agreeing local offers for service delivery.

#### **1.3 Understanding and responding to the diverse needs of tenants**

1.3.1 Registered providers shall:

- a. treat all tenants with fairness and respect
- b. demonstrate that they understand the different needs of their tenants, including in relation to the equality strands and tenants with additional support needs.

#### **2.1 Customer service, choice and complaints**

2.1.1 Registered providers shall provide tenants with accessible, relevant and timely information about:

- a. how tenants can access services
- b. the standards of housing services their tenants can expect
- c. how they are performing against those standards
- d. the service choices available to tenants, including any additional costs that are relevant to specific choices
- e. progress of any repairs work
- f. how tenants can communicate with them and provide feedback
- g. the responsibilities of the tenant and provider
- h. arrangements for tenant involvement and scrutiny.

2.1.2 Providers shall offer a range of ways for tenants to express a complaint and set out clear service standards for responding to complaints, including complaints about performance against the standards, and details of what to do if they are unhappy with the outcome of a complaint. Providers shall inform tenants how they use complaints to improve their services. Registered providers shall publish information about complaints each year, including their number and nature, and the outcome of the complaints. Providers shall accept complaints made by advocates authorised to act on a tenant's/tenants' behalf.

## **2.2 Involvement and empowerment**

2.2.1 Registered providers shall support their tenants to develop and implement opportunities for involvement and empowerment, including by:

- a. supporting their tenants to exercise their Right to Manage or otherwise exercise housing management functions, where appropriate
- b. supporting the formation and activities of tenant panels or equivalent groups and responding in a constructive and timely manner to them
- c. the provision of timely and relevant performance information to support effective scrutiny by tenants of their landlord's performance in a form which registered providers seek to agree with their tenants. Such provision must include the publication of an annual report which should include information on repair and maintenance budgets
- d. providing support to tenants to build their capacity to be more effectively involved.

2.2.2 Registered providers shall consult with tenants on the scope of local offers for service delivery. This shall include how performance will be monitored, reported to and scrutinised by tenants and arrangements for reviewing these on a periodic basis.

2.2.3 Where registered providers are proposing a change in landlord for one or more of their tenants or a significant change in their management arrangements, they shall consult with affected tenants in a fair, timely, appropriate and effective manner. Registered providers shall set out the proposals clearly and in an appropriate amount of detail and shall set out any actual or potential advantages and disadvantages (including costs) to

tenants in the immediate and longer term. Registered providers must be able to demonstrate to affected tenants how they have taken the outcome of the consultation into account when reaching a decision.

2.2.4 Registered providers shall consult tenants at least once every three years on the best way of involving tenants in the governance and scrutiny of the organisation's housing management service.

## **2.3 Understanding and responding to diverse needs**

2.3.1 Registered providers shall demonstrate how they respond to tenants' needs in the way they provide services and communicate with tenants.

## **Additional 2**

### **Regulator for Social Housing – Neighbourhood and Community Standard (Extract)**

Source: [www.gov.uk/guidance/regulatory-standards](http://www.gov.uk/guidance/regulatory-standards)

#### **1.1 Neighbourhood management**

Registered providers shall keep the neighbourhood and communal areas associated with the homes that they own clean and safe. They shall work in partnership with their tenants and other providers and public bodies where it is effective to do so.

#### **1.2 Local area co-operation**

Registered providers shall co-operate with relevant partners to help promote social, environmental and economic wellbeing in the areas where they own properties.

#### **1.3 Anti-social behaviour**

Registered providers shall work in partnership with other agencies to prevent and tackle anti-social behaviour in the neighbourhoods where they own homes.

## **2 Specific expectations**

#### **2.1 Neighbourhood management**

Registered providers shall consult with tenants in developing a published policy for maintaining and improving the neighbourhoods associated with their homes. This applies where the registered provider has a responsibility (either exclusively or in part) for the condition of that neighbourhood. The policy shall include any communal areas associated with the registered provider's homes.

#### **2.2 Local area co-operation**

Registered providers, having taken account of their presence and impact within the areas where they own properties, shall:

- (a) identify and publish the roles they are able to play within the areas where they have properties.
- (b) co-operate with local partnership arrangements and strategic housing functions of local authorities where they are able to assist them in achieving their objectives.

### Additional 3 TPAS: National Tenant Engagement Strategy

The full document can be downloaded at [www.tpas.org.uk](http://www.tpas.org.uk) or contact [graham.sykes@knh.org.uk](mailto:graham.sykes@knh.org.uk)

Engagement Strategy	Make sure your tenant engagement links directly to business
Resources for Engagement	Your engagement has got to be resourced to ensure it is effective in delivering planned outcomes.
Information & Insight	Provide access to information at the right level, at the right time, to the right people in the right way.
Influence & Scrutiny	Ensure tenants, leaseholders and communities can influence appropriately.
Community Engagement	Engage with communities and local stakeholders to develop projects and plans to meet jointly identified needs.
Valuing Engagement	Ensure your tenant engagement outcomes will benefit stakeholder organisations, tenants, leaseholders and communities.

**Appendix F – Options Comparison**

**Housing Approaches 2019 / 20**

Most likely to achieve the objective
  Partially achieves the objective
  Unlikely to achieve the objective
  Not relevant or no role

No	Element	In-house		ALMO		Registered Provider (RP)		Comments
		Rating	Description of principle benefit / risk	Rating	Description of principle benefit / risk	Rating	Description of principle benefit / risk	
<b>Governance &amp; Strategy</b>								
1	To have the ability to influence / control decisions		Direct control.		Directors must act in interest of company. Potential for conflict or disagreement although the Council as sole shareholder has ultimate control.		No direct influence (other than as condition of transfer). Depends on the partnership. Although transfers can often initially be to local housing associations who are committed to working in close partnership with the Council to address local issues, changes in Board composition or executives, mergers or financial pressures can get in the way of the original spirit of partnership that was intended.	

2	Finality of decision / flexibility / potential for changes in organisation and operating structures		Decision can be reviewed at any point. Fully in control of council to reshape and realign for achievement of direct and indirect policy objectives.		Decision can be reviewed. Company hierarchy, governance and “contract” is block to any reshaping, though ultimately achievable on instruction of council as shareholder.		Decision cannot be reversed. No opportunities for integration.
3	Ability of local Councillors to be involved		Fully involved through democratic processes.		Opportunity to be directly involved in governance.		Nominations to initial Board can be made condition of transfer, but the first duty of a board member is to the company.
4	To ensure strong and sustainable tenant and leaseholder involvement in housing services		Still fully achievable but requires review to align to existing mechanisms within the Council. Has potential to be as strong including providing participation in governance.		Current involvement in board, Tenant Involvement and Engagement structures are in place.		This will depend on the provider but is part of Consumer Standards and is the sector direction of travel.
5	To ensure Housing Services deliver Council strategies - balancing needs of tenants with those of wider communities		Provides the maximum flexibility to strike a balance between the needs of tenants within the broader community within the rules for the HRA.		Local knowledge and experience of working with communities. Core business focuses on housing, has a strong alignment with tenants that can cause tension with place based approaches for all communities.		Diminished flexibility. Core business focuses on housing.



				Focus on 'Council' estates providing potentially differential services between Council tenants and wider neighbourhood citizens.	The focus of the RP lies primarily with tenants and leaseholders. Doesn't have the advantage of the Almo who have Council as single shareholder with potential for balancing / alignment.	
6	How does the model align to Kirklees strategic outcomes	Stronger alignment with other Council priorities enables improved broader outcomes for people within the rules of the Housing Revenue Account. Housing has a critical role in securing wellbeing e.g. through Health & Social Care integration.	Original rationale to deliver the decent homes standard by accessing additional funding now expired. The existence of 2 entities is likely to limit many opportunities.	Completely separate entity which causes issues with alignment to Council. Will have the same influence as with any other partner.		
7	Ability to integrate activity to meet wider objectives	Unlimited subject to Housing Revenue Account spending rules.	Separate structures are likely to substantially frustrate this. Limited scope to integrate by negotiation.	Limited but wider funding opportunities may be available.		
8	Clarity of purpose	Part of Council –potential to limit independence, innovation and initiative	A single purpose organisation which can have clarity of purpose.	A single purpose organisation can have clarity of purpose but may be negated by wider corporate policy or issues		

**Legislative / compliance**

1	Level of assurance / accountability		As the owner of the housing stock, the Council is ultimately both responsible and accountable for the housing management function including the health and safety of tenants and their families. This issue of accountability has been brought sharply into focus in recent times with the tragedy at Grenfell Tower in London. In-house provision strengthens the link between operational control and accountability.		Has 2 'masters'. Need to report to an independent board, but also be accountable to Council which can lead to divergence in strategy and operational activity.		Assurance and accountability to the Board and ultimately the Regulator.	
2	Regulatory environment / Landlord statutory compliance		Clear lines of accountability are achievable, within the officer and political hierarchies of the council. In terms of the regulatory standards, the economic standards apply to all registered providers but not local authorities because the regulator has no power to set economic standards for local authorities.		Ultimately, responsibilities lie with the Council although some functions are delegated which can blur some lines of accountability.		Provider has to meet all Regulatory standards and is subject to Regulator scrutiny.	* Please note, the Council is a Registered Provider

3	Contractual obligations / implications		Direct control no contract.	A contract that is relationship and function based. The Almo needs to provide assurance to its board, tenants and the Council, but this can be difficult to receive and evaluate. There is the opportunity to flex agreements to achieve required outcomes.	Legal specification will be required and open to some level of interpretation which may create conflict. Work will not occur without recompense. As part of the Economic Standards a Registered Provider Is required to meet all legal and regulatory obligations.
4	New legislation compliance & variations to level of service		Fully flexible.	Flexible, subject to company separation.	Provider responsible for complying to legislation and setting own service standards.
5	Use of the Housing Revenue Account		The Housing Revenue Account in Kirklees is in a relatively healthy position to positively impact on Kirklees tenants, leaseholders and residents. A move in-house would retain the ability to control this important attribute.	Strategic management of the Housing Revenue Account remains under the ownership of the Council and is managed by KNH on an operational basis. Almo's are a separate entity and sometimes persuasion to use the HRA in a particular way is required.	The use of the HRA in the Registered Provider model is fully externalised with the Council having no influence over its use. The Council would retain the HRA for it's PFI and some retained funded services.
6	Future social housing growth		Options to maximise the HRA borrowing opportunities within capacity constraint and access Homes England funding.	The Council have the ability to use the HRA and its borrowing potential to provide appropriate funding for the Almo.	Options to borrow to build and access Homes England funding. More likely to attract capacity to deliver but banks and construction companies would view the Council as having lower risk.

7	Regeneration - neighbourhood renewal, skills and employment		The Council provides critical ability to align with other community initiatives, the skills and employment agenda and focus on wider communities not just housing tenants.		The Almo's core purpose and skill set is not to deliver development.		Focus is on managing and maintaining tenancies.	
8	Responding to climate emergency		Has the ability to control carbon footprint. Can make Council owned land available for initiatives such as zero carbon properties.		Asset management strategy belongs to Council - Asset management and green investment would be delegated to Almo.		Would be determined by the board's strategy for the future but unlikely to include approaches such as Passivhaus.	
9			Becomes a Service within Council and eliminates questions that do currently occur.		Existing arrangements would continue e.g. retention schedules and information sharing agreements which acknowledge that the Council owns all data and systems.		The Registered Provider would become their own data controller with responsibilities direct to the ICO. Any incidents would not be reported to the Council and the risk area is transferred over.	
10	GDPR implications		Would not need a range of separate arrangements such as information's sharing agreements and how KNH work with / documentation with partners would follow local established arrangements.		Any issues leading to fines imposed by the Information commissioner's office (ICO) would be applied to the Council, which also brings reputational risk.		The key risk to the Council is how and when data is transferred. There would be a need to go through every record and delete appropriately before transfer. Time implications for this are significant.	

Tenants							
1	Impact on current and future tenants		At least as good engagement and improved service quality		Model accepted by tenants		Potential to drive efficiencies may impact on services delivered. Likely innovation but need to meet Consumer Standards.
2			Integration of the landlord and housing management / maintenance function means the Council provides continuity as it remains the landlord as well as becoming housing manager.		A somewhat unclear demarcation. On some things tenants and leaseholders will be engaged by the Council. Clarity would be brought by a single entity consulting them on all matters.		Less political ability to influence outcomes for tenants.
3			A very clear model of responsibility and accountability.				Clarity of responsibilities, but not linked to wider council initiatives.
4	To ensure impact on vulnerable tenants is mitigated		Council's reason for being is clear in its support of vulnerable people.		Tenants are primary focus including creating sustainable tenancies.		Existing tenants transfer as secure tenants with retained rights (e.g. Right to buy) .Likely to look at financial bottom line in terms of policies and approaches which could lead to changing approaches to housing vulnerable tenants.

5	To ensure impact on leaseholders is mitigated		Access powers via internal Services e.g. Use of Environmental act to gain access for gas. This is potentially quicker as serve notice, seek warrant for entry and gain access within a tonight.		Almo's can access the powers of their host local authority.		Face the same challenges as other models, but would need to take a protracted injunction route. For example, Registered Providers do not currently access Council's Environmental team's services and would look to rely on tenancy agreements which means the process can take longer.	
<b>Finance</b>								
1	Cost implications to change		Opportunity costs of distraction from core services whilst TUPE and structure settle.		No transition costs.		Complex transaction but model capable of leveraging additional investment.	It is noted that there have been no stock transfers since the 2015 deadline set by the Government. This deadline was part of a 2013 agreement to assist new stock transfers by writing off debt on Council's with Housing revenue Accounts. This also suggests that without some significant element of Government subsidy to write off Housing Revenue Account debt going forward, for Councils like Kirklees with Housing Revenue Account debt currently at circa £170m, stock transfer would not be attractive to institutional investors.
			A range of Council Services undertake work for the Housing Revenue Account. This positively impacts on the Council's General fund and economies of scale.		The Almo via the Housing Revenue Account utilises a range of Services provided by the Council. This contributes positively to the Council's general fund.		After transfer existing Council supported Services may be provided through the Registered Provider's own mechanism with subsequent significant financial impacts on council General fund.	
							Arduous regulatory process. Tenant ballot required ahead of transfer.	
							Potential debt write off from Government (if new initiatives appear) and capital receipt to Council from transaction.	

2	Maintaining financial resilience - Cost implications for future running		Improved strategic alignment and minimisation of duplication leading to improved efficiency. Opportunity to integrate support services and unify management structures should produce costs savings .		Current largely self-sufficient management and governance structure of company, and costs of client activity.		The organisational will have to operate within its own financial restraints.	
			Improved economies of scale and financial resilience e.g. from procurement.		Potential access to funding not available directly to the Council.		Costs may be higher, not lower to the Council & efficiency gains lost.	
			Access to favourable borrowing opportunities.				Potential to build a long term business plan for the housing stock.	It is noted that the Housing Revenue Account requires those holding it to develop a robust 30 year business plan.
			Potential loss of access to alternative funding sources.				Access to Homes England funding more likely over time.	
			Majority of contracts in the Council's name creating a seamless change with most suppliers. Specific contracts supporting KNH may need novation.					
3								

**Operational practice**

1	Penalties for Non-compliance		Reputational penalties issued from the Housing Regulator (Regulatory Notice) and potential for tenants to choose housing management provider (if real failing)		Reputational penalties issued from the Housing Regulator (Regulatory Notice). As the Council is a Registered Provider, any penalties for the Almo are attributed to the Council		Regulatory Judgements and Notices can result in intervention by the Regulator.	
2	Issues created by client and contractor split		Fully integrated- no requirement.		Yes, but with some "soft" areas.		Difficulties as outlined in sections above e.g. alignment with strategy.	
3	Housing management operations		In direct control.		As in house solution, but with potential of conflict between client and operational functions.		Not applicable as have no control.	Registered Provider - please note this has been answered from a viewpoint of there would be no 'responsibility'. It could be possible to gain some limited influence through contractual methods / a partnership agreement in order to support mutually advantageous outcomes / approaches.



4	Property maintenance operations		Effectiveness depends on control of inputs and outputs.		As in house solution, but with potential of conflict between client and construction contractor functions.		Would require Council restructure as almost all routine and a large proportion of planned repairs and improvements currently carried out by KNH Property Services.	
<b>Commercial and value for money</b>								
1	Trading & commercialisation		Local Authorities have a general power to trade, but may require creation of new vehicles to trade in commercial sector.		As the company already exists it has more freedom (already) than the local authority.		Not applicable / dependent on it's structure. If registered Charity then often limited by charitable objectives.	A return to inhouse provision would improve the partial exemption position for the Council.
2	Value for money		Potential for very good. Although, depending on management- as with KNH, restructuring and change always presents risk.		Unlikely to achieve beyond good.		Not applicable - but note the potential impact on tenant rents.	
3	Practicality & Achievability of the option		Fully achievable, but requires effort to obtain outcomes.		Current position.		Serious doubts about achievability without impacts.	
<b>HR</b>								
1	Workforce implications are understood and mitigated where possible		Potential loss of some key employees with related knowledge, skills and experience.		Current 'known' situation with existing relationships and removal of uncertainty.		TUPE rights apply but there is the potential loss of key staff as well as a potential drive to reduce unit cost impacting on ability to deliver quality services or future initiatives.	

2			Change may lead to short term impact on quality of service to tenants and broader performance given recent restructures.		Settled state should lead to skills retention and consistent performance in the short term.			
3			A single employer / entity would rationalise and simplify a complex employee relations arrangement between the organisations which can cause tensions.					

**Overall Risk**

<b>Summary</b>			
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## **Appendix G – DCLG extract from ‘Updated guidance for Councils considering the future of their ALMO housing management services’**

‘The Government believes that the decision to take ALMO housing management functions back ‘in-house’ should remain a local one. Councils in England are 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. Government does not propose to alter these arrangements.

### **Future arrangements**

Government does not believe in imposing any unnecessary additional regulations or burdens on councils. The Government does not consider it necessary to impose upon all councils with ALMO’s a mandatory duty to hold a ballot of their tenants when considering taking housing management functions back from their ALMO’s.

However, in line with the principles set out in the Review document, Government considers that in the interests of fairness and consistency, councils that had held ballots to gauge tenant opinion before transferring their housing management functions to an ALMO should also similarly hold a ballot when considering taking housing management functions back from the ALMO. This is important as it allows tenants to express their opinion in a similar manner to the original ballot.

For those councils that did not hold a ballot to test tenants’ opinions but chose to use an alternative method, they may of course choose to hold a ballot. There are no plans to require those councils to follow a particular course of action.

However, it is expected that the consultation exercises undertaken by all councils considering the future of their ALMO’s should be as comprehensive as that undertaken when transferring those functions to the ALMO originally. This could be either through a ballot or a full survey or other locally appropriate method’.

## Appendix H – Financial Implications Review

### **Purpose of report**

High level overview of the potential financial implications and impacts in relation to future options for the delivery of operational housing management and property services to circa 22,000 Kirklees tenancies and 1,000 leaseholder services.

### **1. Summary**

This overview considers, at a high level, potential financial impacts/implications in relation to 3 scenarios :

- i) Large Scale Stock Transfer (LSVT)
- ii) KNH brought back 'in-house'
- iii) Current operational housing management arrangements remain as is

### **2. Information required to make a decision**

#### i) Large Scale Voluntary Transfer (LSVT)

##### WHAT IS THE PROCESS ?

- LSVT – transfer of 500 or more tenanted & leasehold properties to a usually new Registered Provider (RP) of social housing, who is registered and regulated by the regulator of Social Housing.
- Cannot go ahead without majority tenant ballot in favour of said transfer, and the consent of the secretary of state (s32-34 Housing Act 1985 and/or HA 1985, s43)
- Secretary of State would need to ensure the following conditions are met when deciding whether to grant consent to the transfer :
  - That the proposal offers value for money
  - Accords with government policy
  - Has the support of the tenants involved
  - Provides them with the protection of a regulated landlord
- When stock is transferred, **the related debt will need to be repaid**
- If the value of the transferred stock is insufficient for full repayment, central government will need to cover the shortfall. This is a process known as overhanging debt write-off.
- Any requesting LSVT would need to adhere to the process set out in the Ministry of Housing, Communities & Local Government (MHCLG); Housing Transfer Manual for it to be considered by the secretary of state.

## Transfer Value (TV)

- *If there was a successful tenants' ballot, the Local Housing Authority (LHA) and RP will negotiate the price (or transfer value); effectively the capital receipt the LHA would receive and which it can use to pay down associated debt*
- *This receipt would be based on a transfer value calculation using a discounted cashflow model for social housing (TV Model)*
- *MHCLG would need to be satisfied that the TV had been acceptably optimized in respect of the balance between maximising transfer value, minimizing debt write-off and securing additional private investment which delivers growth, and the requirement for over-hanging debt write-off is accordingly justified*
- There would also be an extensive transfer contract, which would contain the terms of the sale of the housing stock, and the relationship between the LHA and the RP. The LHA will be asked to provide warranties covering certain matters affecting transferred stock.
- It will also contain service-level agreements where either party is to provide services to the other.
- The transfer contract will also detail the treatment of net preserved right to buy receipts as transferring secure tenants have their statutory right to buy preserved by HA1985 s171A. There is usually a sharing mechanism for such receipts.
- The transferring organisation will need to have secured funding from private investors

## WHAT IS THE REALITY

- There has been no Government enabled annual stock transfer programme since 2016.
- LSVT has largely fallen into disuse in recent years due in large part to the introduction of LA HRA self-financing in 2012 which increased LA housing debt. Kirklees HRA current debt is about £170m.
- Recent relaxation of the HRA borrowing cap has also reduced the argument for LSVT going forward where the 30 year self-financing business case properly stacks up in terms of fulfilling future investment needs allied to new build potential.
- Also, a perceived lack of certainty of tenant support for transfer in what are largely urban authorities that remain stock owners.
- Protracted timescale for the LSVT process to complete; anywhere between 2 to 3+ years would not be unrealistic.

- Short term impact on existing capital investment proposals, pending transfer.
- One-off transactional costs associated with the transfer process itself are likely to be significant ; £2m - £3m plus, over the period
- HRA currently buys in about £9m services from the general fund. Over time, while there will be SLA's in situ post transfer, there will be a number of SLA costs that the Council will effectively have to absorb e.g. costs of democratic core, and additional officer time furnishing the contracts. In time, it is increasingly likely that the RP will seek to scale back inherited LHA provided activity over time. Could cost the Council £1m plus, over time, from having to absorb relatively fixed cost overheads.
- An illustrative 50:50 sharing agreement on prescribed future RTB sales would still see a reduction in Council RTB's from current that support general fund capital activity, in the order of £3m-£4m per annum.
- RP's typically seek to maximize service charges (existing and new), maximize rent potential (e.g. mixed tenure/differential rents on re-lets), over time. Also, may seek to divest housing assets not making a positive contribution to the business plan bottom line, over time.
- RP would require new governance, new board, attractive salaries to meet skills base required; further investment need realistically up to £1m per annum.
- The new RP may typically need 5 to 10 years to maximize 'efficiency & effectiveness' from a standing start.
- Some Councils who have previously LSVT'd their housing stock are now considering re-creating HRA's as they want to build their own social housing.
- Kirklees Council would still retain a Housing Revenue Account for the balance of Excellent Homes for Life PFI units, for the duration of the contract (which runs until June 2034).
- Continuing impact of Homelessness pressures e.g. Subsidy loss through bed and breakfast accommodation. Current Council pressure circa £0.5m to £1m per annum. Flexibility to work with RP post LSVT to address temporary accommodation housing need may be significantly constrained.

*ii) Stay as is*

- Existing KNH Housing Management Fee incorporates resource requirement to furnish the operation of the Company and ensure all relevant statutory Company law and associated governance requirements are met. Estimated housing management costs for specific governance of the Company is circa £500k.
- Current Pay grades across KNH organisation largely mirror Council equivalents. However, there are some pay differentials at the highest management tiers

compared to nearest 'equivalent' Council posts that are reflective of prevailing market conditions in the ALMO/Housing sector.

- Current Management Agreement allows for a shared 'surplus dividend' payment between KNH and the sole shareholder (the Council) providing that the dividend payment is used by the Council for purposes that accord with the objects of the Company. This is factored into the Council's MTFP currently.
- As a TECKAL company, KNH can pursue other market activity providing that its core activity remains at no less than 80% of total annual turnover of the Company. Current extra market activity is quite small (e.g. boiler servicing to private households, KNH Living)
- Conversely, the stay as is option in itself could result in significant future additional investment requirement for the organization to upskill in key identified areas; in particular around governance, culture and strengthened Partnership working. Could be in the range £100k - £500k per annum.

### *iii) Bring KNH back In-House*

- Company no longer exists – governance resource requirement to furnish Company requirement goes. Any associated savings re-cycled back into HRA, over time. Extent of realizable savings in practice will depend on transferrable skills identification from posts affected, and whether or not the Council has requirement for these skills in areas where there are identified skills/capacity gaps that could be matched to the individuals affected. This may straddle general fund as well as pure HRA activity. Likely to impact more on corporate type KNH roles (across all grades) & more operational senior KNH management roles.

Sustainable HRA savings in the range £250k - £500k, over a 2 year period. Some likely redundancy costs over the short-term (£100k-£300k).

- TUPE protection (pay, terms & conditions) would apply in the first instance for KNH posts transferred back into the Council. In most instances, this would be minimal impact because KNH pay and terms mirror Council. Higher graded posts more likely to require medium term re-alignment through appropriate Council policy & processes.
- Dividend option would cease. Current MTFP assumption is circa £500k annual Council dividend 'target' (general fund). Council would at this point want to review alternative options within existing ring-fence 'tolerances' to mitigate this impact.
- Localism Act 2011 and general competency powers would give the Council potentially greater flexibility to expand future commercial activity of services brought back in, beyond the current 20% Teckal Company limit, if it so chose to.
- There will be one-off transitional costs associated with the 'bring back' in-house option, which are not anticipated to be significant (e.g. £150k - £200k).

### **3. Implications for the Council**

- (i) Working with people
- (ii) Working with partners
- (iii) Place based working
- (iv) Improving outcomes for children
- (v) Other (e.g. Legal/Financial or Human Resources) See above.

### **4. Consultees and the opinions**

N/A

### **5. Next steps and timelines**

N/A

### **6. Officer recommendations and reasons**

For the ad hoc Scrutiny panel to note and discuss the contents of this report.

### **7. Cabinet Portfolio holder's recommendations As**

above

### **8. Contact Officer**

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### **9. Background Papers and History of Decisions**

Source material for LSVT analysis Public Law Today. Link below :

<https://publiclawtoday.co.uk/lexisnexis/556-lexis-lg/lexis/localgov/housing/39222housing-stock-transfers-key-issues>

**Service Director responsible** Eamonn Croston, Service Director for Finance



# Potential Approach to Creating a Co-Produced Tenant Engagement Model – Stages 2020

Please note – The following is indicative and will evolve

May	June / July	August	September / Oct
<ul style="list-style-type: none"> <li>❖ Workstream established inc membership</li> <li>❖ What 'good looks like' confirmed</li> <li>❖ Draft options for engagement explored, branding considered / mechanisms chosen</li> <li>❖ Survey drafted</li> <li>❖ IT On line presence created e.g. web sites to host key info and Vlog from Senior Council Officer or Cabinet member</li> <li>❖ Letter for tenants to confirm cabinet decision drafted</li> <li>❖ Feedback mechanisms confirmed and created within Covid-19 restrictions at that time. E.g. on-line, virtual face to face, dedicated phone line, dedicated email address</li> <li>❖ Plain language engagement materials created</li> </ul>	<ul style="list-style-type: none"> <li>❖ Ad-hoc Scrutiny panel re-established</li> <li>❖ Joint understanding of scope established</li> <li>❖ Tenant &amp; Leaseholder Panel engaged</li> <li>❖ TRA's informed</li> <li>❖ Council citizen engagement panel engaged / feedback reviewed to identify further opportunities to engage 'hard to reach' groups.</li> <li>❖ Promotional materials distributed / FAQ's (citizen and staff facing) publicised e.g. staff newsletter</li> <li>❖ Portfolio briefing</li> <li>❖ Online presence made live</li> <li>❖ Feedback mechanisms made live to capture quantitative and qualitative data</li> <li>❖ Survey sent to every tenant via postal system</li> <li>❖ Council staff networks, e.g. BAME; Young People, engaged to extend reach to key communities</li> <li>❖ Virtual drop in events / engagement / workshops undertaken – jointly delivered with Tenants</li> </ul>	<ul style="list-style-type: none"> <li>❖ Reminder sent to tenants via variety of mechanisms</li> <li>❖ Data / Intelligence collation stepped up</li> <li>❖ Early indicative feedback captured and shared appropriately</li> <li>❖ Tenant &amp; Leaseholder Panel / Tenant board members end of stage review</li> </ul>	<ul style="list-style-type: none"> <li>❖ Qualitative and quantitative data collated and analysed</li> <li>❖ Themes and options identified.</li> <li>❖ Report created</li> <li>❖ Portfolio briefing</li> <li>❖ ET</li> <li>❖ LMT</li> <li>❖ Cabinet (unless decision delegated)</li> <li>❖ Decision made</li> <li>❖ Decision communicated</li> </ul>

