

# **Report of Ad Hoc Scrutiny Panel**

## **Future Arrangements for the Council's Residential Housing Stock**

**March 2020**

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**March 2020**

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## 1. Introduction

At its' meeting on 4 November 2019, the Overview and Scrutiny Management Committee agreed to establish an Ad Hoc Scrutiny Panel to carry out a focussed piece of work to identify the best option(s) for the Council to achieve the right balance of risk and outcomes for local residents in relation to the housing stock for which it is the landlord.

In considering the request, it was emphasised that the work would need to have cognisance of the findings of the Hackitt Review and the changing risk and regulatory landscape. The work would also explore the risks and benefits of different models of housing delivery and associated opportunities to maximise the contribution of the Council's housing stock to better outcomes for the borough's more vulnerable residents.

It was requested that the work progress at pace, so a findings report could be finalised early in 2020.

It is important to note that the scrutiny remit was not to review the day to day operation of Kirklees Neighbourhood Housing (KNH) as the manager of the Council's housing stock, but instead to have a broader focus on risk, outcomes and strategic direction moving forward.

*Note: There are also 466 Council homes which are currently managed on the Council's behalf under a Private Finance Initiative (PFI) by Pinnacle PSG. This arrangement ends in 2032 and is outside the scope of this review, as are the properties which KNH currently manage on behalf of others.*

## 2. Rationale for the review

The Kirklees Corporate Peer Challenge took place from 9-12 July 2019 and involved substantial input from a wide range of staff, elected members and stakeholders.

The subsequent feedback report included the following action:-

### **From the Peer Team**

*Prioritise a decision on the long-term future of the ALMO (Arms-Length Management Organisation).*

'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'.

The subsequent Action Plan considered by Cabinet on 12 November 2019 and Council on 15 January 2020 included the following response and proposed actions:-

### **Response**

Since it was established in 2002, KNH has been successful in delivering the Decent Homes Programme. In 2016 the Council's building services function was also transferred to the ALMO. As a result of a governance review the Board commissioned, and the Grenfell tragedy, the Council initiated its own review into a number of options for the future management of the housing stock which included consideration to bring the ALMO back in-house.

The recommendations of these independent reviews were considered by Cabinet in December 2018, and given the uncertainty in the national policy environment, it was resolved to retain the ALMO with a smaller, strengthened Board that is more closely aligned to the Council's priorities.

These changes have resulted in closer working in delivering front-line services and better alignment with Council priorities, and the Council values the work of KNH. However, continuing to deliver housing services in two separate and distinct entities has, at times, created unnecessary complexity.

Cabinet in December 2018 resolved to revisit the decision in 12-18 months. Hence this recommendation is timely and consistent with the Council's intentions.

### **Proposed actions....**

Overview and Scrutiny Management Committee are considering setting up an ad hoc scrutiny group to consider the various options available to the Council and the main issues and associated risks. If they agree to this approach (on 4 November) they will undertake work over the remainder of 2019 and early 2020, with the aim being to produce a report by March 2020 at the latest.

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As indicated in the Council's response, the review of KNH outlined in the Cabinet report of 18 December 2018, was undertaken during a period of significant change in housing policy. At that time, it was felt that it would be inappropriate for the Council not to consider these as part of the review and interim arrangements were therefore agreed.

The national landscape included the Government commissioned review undertaken by Dame Judith Hackitt following the Grenfell disaster in June 2017 and the Social Housing Green Paper, published in response in August 2018, which stressed the importance of building a culture of accountability and strengthening the voice of the tenant.

Whilst the recommendations of the Hackett Review have not currently been implemented by Government, the sector has generally worked on the assumption that they would be accepted. It was therefore felt that the current ad hoc review would be able to work in the context of a more stable policy environment. The Peer Challenge has further accelerated the drive for decision and need to provide certainty moving forward.

### **3. Membership of the Ad Hoc Scrutiny Panel**

- Councillor Elizabeth Smaje (Chair)
- Councillor Susan Lee-Richards
- Councillor Amanda Pinnock
- Councillor Anthony Smith
- Linda Summers (Co-optee)

### **4. Terms of Reference**

The approved terms of reference of the Ad Hoc Scrutiny Panel (Future Arrangements for the Council's Residential Housing Stock) are set out below:

In light of the findings of the Hackitt Review and the changing risk and regulatory landscape, the Ad Hoc Scrutiny Panel will consider the best options for the Council as landlord, to achieve the right balance between risk to the Council and outcomes for local residents. The panel will consider the following;

1. The background to the current model in Kirklees.
2. Information on the different models of housing delivery, including governance requirements.
3. The risks and benefits of each model.
4. How each model supports the Council's strategic priorities, in particular the Health and Wellbeing Strategy and the Economic Strategy
5. The outcomes for residents, including how outcomes can be maximised for the more vulnerable residents of Kirklees
6. Evidence from other areas where similar issues have been considered, to reflect on their experience.

The Task Group was supported by Carol Tague from the Governance Team.

## 5. Methodology

The Panel used a range of methods to gather the evidence that has been used to inform this report. The Panel held 7 informal and 3 public meetings between December 2019 and February 2020, with the following people attending one or more meetings to give evidence on one of the areas of focus:

- Councillor Cathy Scott, Cabinet Member, Housing and Democracy
- Richard Parry, Strategic Director for Adults, Housing and Health
- Joanne Bartholomew, Chief Operating Officer, Kirklees Neighbourhood Housing
- Naz Parkar, Service Director for Growth and Housing
- Adrian Wisniewski, Relationship and Performance Manager, Housing Services
- Eamonn Croston, Service Director, Finance
- Martin Dearnley, Head of Risk - Internal Audit, Insurance and Risk Management
- Neil Evans, Director of Resources and Housing, Leeds City Council
- Lee Sugden, CEO, Salix Homes
- Michael Hill, Business Development Manager, TPAS
- Representatives from the Tenants and Leaseholder Panel (TLP)
- Amanda Garrard, Chief Executive, Berneslai Homes (ALMO)
- Representatives from 5 TRAs across the District

The Ad Hoc Scrutiny Review Panel would like to thank all of the above for their valuable contribution to the review.

### Supporting information

The Panel considered a wide body of information to ensure that recommendations were robust and based on sound evidence.

A full list of the supporting information is attached at **Appendix 1** of this report.



## 6. National and local context

- 6.1 Following the Grenfell disaster in June 2017, the Government commissioned Dame Judith Hackitt to undertake a comprehensive review of the existing building regulations and fire safety system as part of its response to the fire and its' consequences. *Building a Safer Future: Independent Review of Building Regulations and Fire Safety, The Hackitt Review – Final Report* was published on 17 May 2018 and identified a system built on ignorance and indifference, lack of clarity around roles, responsibility and accountability for fire safety and an inadequate oversight of regulatory enforcement.
- 6.2 The report called for major reform and culture change in the construction and fire safety industries and the establishment of a new regulatory framework. The recommendations placed a greater accountability on the council for effective oversight for building safety through a new Local Authority Building Standards that only approved inspectors can certify.
- 6.3 The publication of the Social Housing Green Paper places a high emphasis in 5 key areas:
- a) ensuring homes are safe and decent;
  - b) empowering tenants and strengthening the role of the Social Housing Regulator to regulate Council housing with an ability to downgrade the housing service;
  - c) effective resolution of complaints by strengthening the voice of the tenant in getting redress;
  - d) addressing the stigma and perception of social housing and;
  - e) expanding supply and homeownership .
- 6.4 The Review and the subsequent Social Housing Green Paper stressed the importance of building a culture of accountability and strengthening the voice of the tenant and will have far reaching implications on the management and maintenance of social housing stock and will place greater regulatory burdens and scrutiny on the Council and the implications of non-compliance will be significant.
- 6.5 Locally, the Kirklees Council's Corporate Plan 2018-20 sets out the Council's vision and shared outcomes and housing plays a major role in achieving the best possible outcomes for the people of Kirklees.
- 6.6 Kirklees Council currently owns approximately 22,000 homes, which is approximately 13% of all housing in Kirklees. The Council is landlord to 21,968 tenants and there are currently approximately 1036 leaseholders.
- 6.7 The delivery of management and maintenance services for the council housing stock has been managed by Kirklees Neighbourhood Housing (KNH), which is an Arms Length Management Organisation (ALMO), since 2002.

## **7. Background to the current model in Kirklees**

- 7.1 KNH was created in 2002 to secure funding to deliver the Council's Decent Homes Programme, which was completed in 2007. At the time of establishment, there were two options under which funding was available, namely to establish an ALMO, or through the creation of a housing association. There was no funding available if a council wished to retain management in-house.
- 7.2 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). In order to meet the Teckal company 'control test' the Council must be able to evidence that it can exercise control over KNH as if it were an internal department of the Council. Whilst the business is fully owned by the Council, it does not control the KNH Board.
- 7.3 Kirklees Council has retained the strategic housing function and is responsible for the Council's overall housing strategy and policies. In addition, the Council continues to deliver operational services including homelessness and enforcement services.
- 7.4 In 2016, the Cabinet took the decision to transfer Building Services, which was the Council's direct building maintenance function, into the ALMO, to facilitate the alignment of customer service through property services. The Council and KNH also agreed an extension of the management agreement to 2037. This includes five year break clauses where the agreement can be mutually terminated by giving at least six months' notice.
- 7.5 In 2018, a post Hackitt review of KNH Board arrangements was carried out which focused primarily on governance, control, assurance and risk. The outcome of the review was reported to Cabinet on 18 December 2018 and proposed two options for consideration, namely to bring the service delivery in-house or to keep the status quo position. Given the turbulent policy landscape at the time, it was agreed that a number of revisions to KNH governance arrangements would be made on an interim basis, to remain under review for 12-18 months until the regulatory and legislative landscape settled.
- 7.6 Recommendations to change KNH Board's governance were implemented in February 2019 and saw the composition of the Board reduced to 3 tenant representatives and 6 spaces for the Council to nominate (5 political and S151 officer).
- 7.7 Within the current governance arrangements, Kirklees Council and KNH senior officers meet on a regular basis to share information and intelligence and by exception to discuss matters relating to risks, compliance, performance issues, policies and strategies and finance. KNH provide performance reports to the Cabinet Member for Housing and Democracy and senior council officers on a quarterly basis and performance is reported to Cabinet and Council on an annual basis.

## **8 Information on the different models of housing delivery, including governance requirements.**

Whilst there are in theory, a number of potential options for the management of the housing stock, the Panel has focused on the following 3 delivery models:-

- Direct management by the Council
- Management of the stock by an ALMO or other management company
- Transfer of the stock ownership and management to another organisation

### **8.1 Option 1 - Direct management by the Council**

8.1.1 The in-house management model is where housing services are managed directly by the local authority. This may be because the council chose not to create an ALMO, or because an ALMO has been brought back in-house.

8.1.2 Examples of councils which have brought their housing management function in-house after previously having an ALMO include Sheffield City Council, Leeds City Council and more recently Newark and Sherwood District Council.

8.1.3 The Panel heard that this model would provide the maximum degree of direct management control.

### **8.2 Option 2 - Management of the stock by an ALMO or other management company**

8.2.1 ALMOs were first established in April 2002 to provide housing services on behalf of local authorities. They are not-for-profit organisations, wholly owned by local authorities, with a Board comprised of council nominees, tenants and independent members.

8.2.2 The ALMO manages and maintains the council's housing stock under the terms of a management agreement with the local authority. The council pays the ALMO a management fee for carrying out these services on its' behalf. This is funded from the council's Housing Revenue Account (HRA). Any monies held by the ALMO must be applied solely towards the promotion of its objects as set out in its Articles of Association.

8.2.3 ALMOs allow local authorities to separate out the day-to-day operations of housing management from the wider strategic role of local authorities. Ownership of the housing stock remains with the council, who is also the legal landlord. Tenants' rights and responsibilities are unchanged as they remain tenants and leaseholders of the council and rents are set by the local authority.

- 8.2.4 ALMOs also provide housing management services alongside a range of additional services which support tenants to live well and independently, maintain their tenancies and contribute to their communities.
- 8.2.5 As a Teckal company, an ALMO can pursue other market activity providing that its' core activity remains at no less than 80% of total annual turnover of the company and the monies raised can be used to help support the rest of the business of the ALMO ie managing properties.

The Panel were advised that KNH's current extra market activity was quite small and the Localism Act 2011 and general competency powers gave the council potentially greater flexibility to expand future commercial activity of services brought back in-house, beyond the current 20% Teckal Company limit, if it so chose to.

### **Status of the ALMO sector**

- 8.2.6 The Decent Homes programme of the 2000s saw the government introduce financial incentives for councils to set up ALMOs to deliver the decency programme. These incentives have not been in place for some years.
- 8.2.7 At their peak in 2009/10 there were 70 ALMOs managing approximately one million homes. Since 2010/11, there has been a trend towards councils bringing services back in-house. Of the 68 ALMOs that existed at that time, there are now 31 remaining. Twenty eight have been brought back in-house and 8 have been transferred out. Of those 8, 4 have been incentivised by a small programme of stock transfer monies that was made available by Government in 2014/15
- 8.2.8 Periodic reviews of ALMOs at appropriate contract break points are usually a trigger for bringing an ALMO in-house, although some authorities have taken the opportunity to retain or expand their ALMO at these points. Those councils that have taken back direct control of their housing have highlighted a desire to bring the service closer to democracy, provide clearer accountability and a strong customer focus to drive improvements and investment.
- 8.2.9 In the last 10 years, local authorities such as Leeds, Sheffield and Wigan have chosen to close their ALMOs and return all management in house, although some ALMOs, such as Barnsley, remain.

### **8.3 Option 3 - Transfer of the stock ownership and management to another organisation**

- 8.3.1 Housing associations are not-for-profit organisations set up to provide affordable homes and are classified as registered social landlords. They are subject to the regulatory regime as local authorities and ALMOs and bound by the same laws of any other company or landlord. They are generally

overseen by an independent remunerated board recruited on the basis of skills and abilities.

8.3.2 Many housing associations have an agreement with the local council that they will offer housing to people already on the council's waiting list, although some associations accept direct applications.

8.3.3 The process for a stock transfer to a housing association is fundamentally different and there has to be a compelling case to do so. A transfer cannot go ahead without a majority tenant ballot in favour of transfer and the consent of the Secretary of State. In deciding whether to grant consent to the transfer, the Secretary of State would need to ensure that the following conditions were met:-

- 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

8.3.4 Transferring to a registered provider would mean completely relinquishing control and once the assets were transferred, there would not be an opportunity to reverse the model should the strategic or policy landscape change.

8.3.5 The Panel heard from the Chief Executive of a housing association who been through the experience of moving from an ALMO and noted that the transfer enabled £100m private finance to be accessed and used to deliver the decent homes programme. This delivery was part of the promise to tenants who had voted for transfer. A further commitment made on transfer was to add to the supply of social housing and the housing association model had allowed the new build programme to start immediately.

8.3.6 The Panel were advised that a key facet was the close relationship with the local authority in terms of partnership, collaboration and working to address the priorities of the City and this relationship was valued by the Board.

### **Status of the Registered Provider Sector**

8.3.7 A total of 9 Councils have transferred their housing stock to a Registered Provider since 2010 and there have been no stock transfers since the Government subsidy for rent write off deadline passed in 2015.

## 8.4 Governance

The Panel received the following comparison of housing governance arrangements across the 3 models:-

In-house	ALMO	Registered Provider
<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>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.
<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.

In-house	ALMO	Registered Provider
<b>Committees and Sub Structures</b>		
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.
<b>Borrowing and Commercial Arrangements</b>		
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.

- 8.4.1 The Panel noted that the KNH Board was made up of tenants and councillors from across Kirklees. In addition to the 3 tenant representatives on the Board, KNH had a Tenant and Leaseholder Panel (TLP) and a Service Improvement and Challenge (SIC) Panel which formed part of the organisation's governance framework.
- 8.4.2 The TLP's role includes contributing to the development of new policies and service planning, driving improvements in services, approval of grant applications and the formal dissolution of TRAs. The SIC Panel replaced the previous tenant scrutiny arrangements at KNH and is responsible for scrutinising policies and strategies, reviewing particular services and function to identify improvements. The SIC is independent and agrees its' own work plan however, this must have relevance to KNH priorities.
- 8.4.3 As part of their consideration, the Panel heard from the Chief Executive of an external ALMO. The Panel noted that organisation's governance structure allowed elected Members to have input and allowed the ALMO to focus on operational delivery. This also meant that decision making could be simpler, but some decisions needed to be twin tracked.
- 8.4.4 The Board membership comprised of 3 independent, 3 tenant and 3 council representatives which were housing focused and worked well. There were 3 sub-committees, which included Customer Services, HR and Risk & Audit. The membership of Customer Services and Risk & Audit also included co-optees.

- 8.4.5 Good governance practice among registered providers, supports tenant representation on Boards and any sub-committees. The Panel were advised that 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 registered provider.
- 8.4.6 In hearing directly from a housing association, it was noted that the composition of the Board had changed over the initial 5 year period. At the point of transfer, the local authority had the 'golden share' with the right to nominate 4 of the 12 board positions, which effectively gave the local authority a veto. Following changes to government legislation, this changed to 2 skills based nominations. There was a clear distinction between appointments and nominations, in that the local authority nominated and there was an assessment process before appointment.

Two customers (tenants) were also on the Board and the remaining places were allocated to people who brought different skills that were deemed appropriate at any point in time.

The Board was supported by Audit and Growth and Development Committees. A formally constituted and remunerated Customer Committee was also being established. Customers had been invited to apply and 130 applications had been received from a wide range of people. It was intended that the Customer Committee would support the Board in their work and strengthen the customer voice, which was particularly important following Grenfell.

## **8.5 The risks and benefits of each model**

Whilst the current trend has been for housing service delivery to move back in house, the council's appetite for risk needs to be considered when examining options. For example, the Panel was informed that bringing the service back in house presents greater opportunities for control, but also greater exposure to risk. At the opposite extreme, a wholesale transfer of assets would see responsibilities and risk move to an independent provider but there would be a subsequent loss of control and influence.

### **Overview of Risks and Benefits**

## **8.6 Option 1 - Direct management by the Council**

- 8.6.1 This would involve terminating the management agreement with the ALMO and returning the housing service to direct control and management of the council.
- ✓ The service can be aligned to deliver broader corporate service goals and objectives



- ✓ More responsive decision-making through a single integrated management structure
- ✓ Potential efficiency savings in re-aligning services and client functions
- × The transition process may deflect management attention and result in a performance dip
- × Tenant consultation regarding the proposed change would be required
- × Resident accountability may be weakened, and an alternative engagement structure would be needed
- × Housing management focus could be lost as the service is absorbed into a service with wider spans of control
- × Key staff may decide not to transfer back into the council

8.6.2 As part of their considerations, the Panel heard from a local authority who had been through the experience of bringing an ALMO back in house.

It was noted that there had been some concerns at the time as to bringing delivery in house and the Panel were advised that it was important to be aware that council housing management could dominate and there was a need to be alive to the continued responsibilities in relation to other types of housing.

With regards to maintaining strategic delivery focus once the service had moved back in house, the Panel heard that the council had been able to focus on improving other services whilst the ALMOs were operating. This meant that the council was able to balance both aspects more effectively when the management of housing stock came back in-house.

In terms of lessons, the Panel heard that one issue raised by staff was that decision making could be slower within the Council. However, the Panel also heard of specific examples where significant strategic decisions had been able to be taken through more quickly as a result of more seamless service planning and delivery.

## **8.7 Option 2 - Management of the stock by an ALMO**

8.7.1 This is the status quo option and as such would not require any changes to current arrangements.

- ✓ Focus on managing and maintaining tenancies
- ✓ Least complex of the options and lower level of risk as no major change of structure needed
- ✓ Maintains the existing approaches and relationships
- ✓ No requirement to consult with tenants
- ✓ Opportunity to improve governance arrangements and strengthen the client-side function within the Council
- × Strategic control limited to actions agreed in the delivery plan
- × Inherent layer of management between ALMO and the council
- × Opportunities to drive growth and service efficiency in order to create investment options would be more limited

- × Potential failure to contribute effectively to delivering the council's wider corporate and service goals
- × Anticipated service/performance may not be delivered

8.7.2 In hearing directly from an external ALMO, the Panel were advised that it was important not to underestimate the complexity of the housing sector and not to lose that tenant focus. There were benefits to keeping a political / organisational separation, in that the council could focus on strategic direction and be reassured that delivery was in good hands. The right people in right relationships was crucial.

There was a danger that focus could be lost or diluted if delivery was brought back in-house. There was also a risk, particularly post-Grenfell, that the tenant voice could be consumed within part of the council's overall tenant strategy. Tenants could lose out if there was a wider focus on general residents of an authority area, rather than housing and tenant needs.

## **8.8 Option 3 - Transfer of the stock ownership and management to another organisation**

8.8.1 This option would involve transferring ownership and management of housing stock to an external organisation.

- ✓ Focus on managing and maintaining tenancies
- ✓ Creation of an independent organisation, free to deliver investment and services within its business plan capacity
- ✓ Direct access to funding markets enabling use of the asset base
- ✓ Access to Homes England funding to develop more affordable homes more likely over time
- × Complex statutory process with consent of the Secretary of state required
- × No direct influence other than as a condition of transfer
- × Less political ability to influence outcomes for tenants
- × Governance and accountability moves one step further away from the Council
- × Decision cannot be reversed – no opportunities for integration

8.8.2 In hearing directly from a housing association, the Panel heard that this model allowed access to different sources of funding which could be invested in different ways, such as investment in on-line services for customers.

As an independent organisation, a housing association was not restricted by local authority constraints and conversations could take place on a broader range of potential partnerships and collaborations, thereby offering greater flexibility. Whilst it was acknowledged that this flexibility could potentially lead to an organisation being at cross purposes with the local authority, the housing association in question was an example of a stock transfer with a close, productive relationship with its' local authority and this was valued by both parties.

## **8.9 Consideration of key risks and benefits**

In considering the risks and benefits of each model, the Panel also referred to a number of key drivers for the review, namely:-

- Assurance and risk
- Strategic alignment
- To maximise the use of the Housing Revenue Account for tenants and leaseholders

## **8.10 Assurance and risk**

8.10.1 Even though housing delivery and maintenance is currently delegated to the ALMO, Kirklees Council remains the landlord of 20,000+ tenants and therefore holds all of the statutory risks that any property landlord holds. 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.

8.10.2 Health, safety and accountability have been brought into focus in recent times with the tragedy at Grenfell Tower. 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.

8.10.3 The Hackitt review was far ranging and reaching in its approach and considered building safety throughout the entire life cycle to completion and occupation. As an authority with 23,000 housing units, the recommendations that related to buildings in occupation are of primary concern.

8.10.4 Evidence considered by the Panel indicated that in-house control of housing management provided greater clarity and strengthened the link between operational control and accountability.

8.10.5 In the ALMO model, the Council was the duty holder and could not pass this responsibility to KNH, who were the building safety manager. Responsibility, but not accountability was delegated so the risk remained with the Council.

8.10.6 The Panel were advised that the Council's current arrangements for delivery of housing management create an opaque management solution, where ultimate responsibility and liability remains with the council, but an intermediate body ie KNH, has some rights and exercises day to day operational control, without commensurate responsibilities.

8.10.7 Whilst the Government had not as yet produced all the regulations as a consequence of Grenfell, one of the issues identified was the potential

laissez faire relationship between a council and ALMO. The Panel heard that if the current structure was to be retained within Kirklees, then there would be a need for the Council to be much clearer as to its' role and activities, with the likely strengthening of the client function. This would also need to be carefully considered if the Council moved to an in-house model. The Panel were advised that post Grenfell, a status quo position was not an option in relation to responsibility and would need to be reviewed regardless of delivery model.

- 8.10.8 In hearing directly from a local authority who had brought the ALMO back in house, the Panel were advised that one of the key drivers for doing so, was a critical issue in relation to accountability, responsibility and the potential for ambiguity. This became apparent during a poor experience on a repairs contract which had been outsourced and the appointed company ceased to operate within 6 months and work was transferred to another company. During that time it became evident that tenants held the Council responsible for the issues that arose.
- 8.10.9 In hearing from the external ALMO, it was noted that resource on compliance had been upped and an independent consultant had been commissioned to look at governance arrangements and would report back to the Board in March. This would provide the local authority with extra assurance that the ALMO were on top of issues and that people were safe. Ultimately the risk remained with the local authority, but this was effectively passed to the ALMO. Trust and relationship was key, as was a good relationship with officers and elected members.
- 8.10.10 The Panel were informed that the ultimate control of risk to the council would be to transfer to a registered provider which would remove all risk from housing management operations. However, this would substantially reduce the influence the council could have in neighbourhoods, and the ability to integrate social housing activity with other council priorities.
- 8.10.11 It was also acknowledged that tenants and the public generally, would continue to see the property as 'council houses' with a reputational risk almost irrespective of the management model.
- 8.10.12 In hearing directly from a housing association, it was confirmed that risk in relation to properties was entirely with the housing association and one of the priorities of the Board was to manage that risk. The Panel noted that the organisation had a risk register, which included building safety, and a range of assurance mechanisms were in place to satisfy the Board that risk was being well managed. Internal auditors also provided third party assurance.
- 8.10.13 With regards to risk around decision making and the relationship with tenants and local councillors, the Panel heard that there was an established arrangement for tenant involvement in the current operation but there was not currently clarity as to what that would be within an in-

house solution. If outsourced, arrangements would be stipulated within the management contract.

8.10.14 The Panel heard that if a similar incident to Grenfell were to occur, then a council under current regimes had, subject to borrowing constraints, a semi-unlimited access to capital funding. Whilst none of the models were superior in this respect, a council may be more readily able to access funding in the short term. However, the need to spend a huge amount on fire precautions would impact on the funding available to spend on other things across all the models.

8.10.15 The Panel were advised that one of the important things to consider post Hackett, was that the costs associated with management and monitoring of fire and other compliance would be ongoing for any organisation. For some organisations there would be a clear step change in that their building management may be found wanting under a new regime and they would need to make investment. The main focus of the Hackett Review and moving forward for any organisation, was to how best ensure that they remained compliant and there would be a cost to managing and monitoring that that regardless of model.

## **8.11 Strategic Alignment**

8.11.1 Some evidence considered by the Panel, indicated that in-house management would provide the greatest degree of management control and potential for alignment of strategy and operations, as well as offering the greatest opportunity to holistically view housing as part of a wider range of support to those who were vulnerable or had special requirements, which could more readily be delivered as an integrated package.

8.11.2 In hearing directly from a local authority who had brought the service back in in-house, the Panel noted that benefits included:-

- Efficiency savings which realised approximately £2m a year (the local authority had multiple ALMOs and had previously reduced from an original 6 to 3 separate organisations);
- The consolidation of ALMO reserves into a fund to carry out new house building;
- Benefits realised through closer working arrangements; and
- The facilitation and smooth delivery of a number of the Council's priorities. One example being the commitments made around new house building which would have had to have gone through extensive ALMO consultations had they still been in place.

8.11.3 The Panel noted that any external model can present a risk for potential divergence in council and organisational approach. For example, a housing association 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 those individuals, which would in turn transfer resource demands and risk to the council.

- 8.11.4 From the opposite perspective, a single purpose organisation such as an ALMO, 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 was echoed in witness testimony which highlighted that the ALMO model provided an arms-length focus which could concentrate on key tenant issues, with the ability to listen and act at the right time.
- 8.11.5 Whilst there would be less influence and control through the housing association model as the stock would have been transferred, this could still be achieved through good partnership working.
- 8.11.6 The Panel heard witness testimony that following stock transfer, there had been a contract for the first 5 years which set out legally binding promises and the main priority of the organisation had been to deliver on those obligations.
- 8.11.7 Within the transfer agreement, there were also certain aspects that the housing association were contractually obliged to deliver, such as the delivery of the council's Homelessness Service and property adaptations. The organisation was now moving out of that 5 year period and whilst the Board were ultimately in charge of their own destiny, the organisational culture was one which valued and respected the relationship with the local authority.

## **8.12 Housing Revenue Account (HRA)**

- 8.12.1 The HRA is a ring fenced account which must balance and be used to account for all income streams and costs relating to the provision of landlord services to council tenants. It is directly managed by the council as the strategic body. The Panel were advised that the Council has a 30 year business plan and the prudential borrowing currently done to invest in the Council's housing stock was determined via the Council's decision making processes.
- 8.12.2 In terms of maximising the benefits of the HRA for tenants, evidence presented to the Panel indicated that the in-house model would enable the use of HRA resources in a more flexible manner with greater control of the Asset Management Strategy compared to a housing association model. The Panel noted that the HRA would be transferred with the housing stock which would in effect mean that the local authority had no direct ability to utilise resources where it strategically or geographically might wish to do so. There was also a risk that that the provider would wish to use their own services to carry out work such as ground

maintenance and there would be a loss of economies of scale without that extra income.

- 8.12.3 Evidence presented to the Panel also highlighted that the existence of a separate organisation could create a risk to securing best value for money as there are a set of additional costs associated with management and governance of the ALMO. Returning services in-house would remove that client/contractor split. However, this could be seen as positive in that the council was receiving a service from a single purpose provider with that separation.
- 8.12.4 There would remain a degree of control within the ALMO model as the council was the owner of the stock, Asset Management Strategy and HRA Business Plan. It should therefore be possible to add elements to the Business Plan that enabled the council to drive the maximum benefit. However, delivery would be delegated to the management partner which was a single focus model.
- 8.12.5 There were opportunities to integrate and align through partnership, but this would have to be worked through and there was a relational and structural dependence. An example of delivery partner negotiation was noted where the Council had an ambition to drive forward a new Kirklees housing standard that built aspiration for its' communities and most vulnerable. As part of the business planning exercise, the Council outlined its ambition to go beyond minimum standard and asked the ALMO to develop an enhanced lettable standard. This meant that when a property became available for re-let, they would carry out void inspection works and identify what needed to be done before the property could be re-let. This was a significant negotiation in terms of getting buy-in, as it was not the sector norm and would impact on property turnaround and re-let performance. It also added a layer of additional work so there was a structural and resource impact for the ALMO to consider.
- 8.12.6 In hearing from the external ALMO, it was noted that the HRA responsibility went back to the Council 2-3 years ago and the ALMO now received a management fee to deliver housing services. The ALMO had a good relationship with the Council's finance function and worked together to deliver what was needed to run a modern housing service and was best for the customers.
- 8.12.7 If a housing association model was selected, the Panel heard that there would potentially be less influence and control as the stock would have been transferred.
- 8.12.8 In hearing directly from a housing association, it was noted that at the point of transfer, the HRA debt that was allocated to properties was paid off through the debt that the housing association raised.

## **Other Factors**

### **8.13 Outcomes for tenants**

The Panel considered the importance of the tenant voice and the need to provide a seamless service which offered support for vulnerable tenants, simple access for referrals, tenancy sustainability and early intervention and prevention. Outcomes for tenants, including the approach to homelessness, rent levels and right to buy are detailed in the section of the report entitled *Terms of Reference 5 - The outcomes for residents, including how outcomes can be maximised for the more vulnerable residents of Kirklees.*

### **8.14 Staffing**

8.14.1 There are currently 860 staff employed by KNH and TUPE and employee regulations would apply irrespective of which model was in place.

8.14.2 A return in-house has the potential to lose some key employees with related knowledge, skills and experience. However, a single employer / entity would rationalise and simplify a complex employee relations arrangement between the organisations which can cause tensions.

8.14.3 In hearing directly from a local authority who had been through the process, the Panel heard that there had been mixed feelings, with some staff very attached to the ALMO, but equally there were many who wanted to return to the council. The trade unions were very much in favour of returning the staff to the council and to see alignment of terms and conditions. The Panel were advised that this element of the process went extremely smoothly with the Cabinet decision being taken in June and all staff back in-house by October.

8.14.4 Retaining the ALMO would offer a settled state which should lead to skills retention.

8.14.5 The option of transfer could mean a loss of key staff to the new organisation.

### **8.15 Transition costs**

8.15.1 The Panel heard that a move to in-house delivery would see some relatively low initial costs, that should be balanced out by potential cost savings through eliminating duplication and economies of scale. Any savings would be re-cycled within the ring fenced Housing Revenue Account.

8.15.2 There would be no transition costs if the current arrangements stayed in place.



- 8.15.3 A stock transfer would be a complex transaction and incur the most cost, both during and after transfer. This would include significant due diligence and related legal input which, depending on negotiations, could be quite substantial. However, the model should be capable of leveraging additional investment.

## **8.16 Finality of decision**

In terms of the finality of any decision, the council retained the strategic options to create either an ALMO or move in-house with both direct delivery and ALMO models. However, the decision to transfer to a housing association would be irreversible and final, as the stock would have been sold and would sit within a completely separate legal entity.

## **8.17 Current Government Guidance**

- 8.17.1 The *'Updated guidance for councils considering the future of their ALMO housing management services, December 2011'* sets out that the Government believes that the decision to take ALMO housing management functions back in-house should remain a local one. Whilst a Council is currently required to seek consent from the Secretary of State under section 27 of the Housing Act 1985 where it seeks to transfer all or part of its housing management functions to an ALMO, there is no requirement for a council to seek consent when taking ALMO housing management functions back in-house.

- 8.17.2 The Guidance goes on to state:-

*'...that in the interests of fairness and consistency, councils that 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.*

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

## **9. How each model supports the Council's strategic priorities, in particular the Health and Wellbeing Strategy and the Economic Strategy**

- 9.1 The Kirklees Housing Strategy 2018–2023 outlines the importance of housing to the economy and wellbeing of communities and how housing growth is central to creating sustainable economic growth.

9.2 The Kirklees Joint Health and Wellbeing Strategy 2014 – 2020 includes the following shared outcomes on economy, health and wellbeing:-

- Good quality housing and high energy efficiency/standards supporting affordable warmth, good health and reduce living costs.
- Access to suitable, good quality homes and neighbourhoods providing a secure place for families to thrive and promote good health, wellbeing and independent living.
- A quality residential and neighbourhood offer impacting on quality of life and attracting people and businesses to locate there.

9.3 Housing provides a major contribution to both the Economic Strategy and Health and Wellbeing Plan, with the following positively impacting across both:

- Housing growth – creating healthier places to live is a major driver. The construction brings with it contribution to apprenticeship opportunities, jobs, skills and inward investment to the district.
- Health Impact Assessments for major new developments are now part of the planning process and there are specialist developments for people with support needs through partnership arrangements including NHS England's Transforming Care agenda and registered providers.
- Housing Quality – improving quality and standards.

#### **9.4 Strategic Alignment**

9.4.1 In referring to capacity to deliver, The LGA Peer Challenge Feedback Report, July 2019, stated:

*'Given the importance of housing among the Council's priorities, the peer team did not get a sense of how the Council's Arm's-Length Management Organisation (ALMO) is contributing to delivering on this.*

*There was also some uncertainty about its future and the peer team would suggest that the consideration of the future of the ALMO should be brought forward. This could release talent out of the silo of the ALMO into the wider organisation to have a much greater impact and support the delivery of the Council's vision, especially around place-based working'.*

and went on to recommend:-

*'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'.*

- 9.4.2 Some of the evidence presented to the Panel reinforced the view that in-house management would provide the greatest potential for alignment of strategy and operations, as well as offering the opportunity to holistically view housing as part of a wider range of support to those who were vulnerable or had special requirements, which could more readily be delivered as an integrated package.
- 9.4.3 The Panel heard that in-house delivery would enable the Council's strategic intent to be maximised and would not be dependent on either relationships or Board priorities and there could be a greater potential to avoid duplication and achieve efficiencies through streamlining of structures with a single entity delivering across the range of services within a place based structure. For example, housing was a key determinant of health and wellbeing and aspects of work could be aligned with Adult Social Care and partners in health.
- 9.4.4 Place based working offered the opportunity to engage with tenants in a holistic way which could mean a simpler relationship / engagement strategy and avoid potential duplication and consultation fatigue. Additional benefits could include improved housing links to the wider partnership, including Health.
- 9.4.5 Whilst each of the 3 models could potentially contribute to the Council's shared outcomes, the Panel heard that it would become more complex the further away the control of the stock and capital investment was from council decision making and influence may not be possible. For example, improving the energy efficiency of housing stock could be done directly in-house or via negotiation with the ALMO. However, once stock was transferred to a housing association, unless locked into the contract at the point of transfer, the Council would effectively have lost the ability to control improvements to the energy efficiency of housing stock beyond minimum legislative requirements.
- 9.4.6 The Panel were advised that it would be difficult to predict how arrangements might change over time if stock and support arrangements were transferred to a housing association. For example, stock may be transferred to a local housing association that retained a Kirklees only footprint and be part of a partnership model where it was possible to negotiate alignment and co-ordination. However, if staff were to become part of a housing association that covered a much broader area, then it would become more difficult to influence operations.
- 9.4.7 Evidence presented to the Panel outlined that a registered provider 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 a joined up approach. The Council would not be able to access appropriate data and intelligence to inform wider strategies unless the registered provider agreed to supply.

9.4.8 In contrast, the Panel heard directly from a housing association who considered themselves to be a place based organisation which reflected the priorities of the community and local authority. The Panel were advised that if that relationship was important to the local authority, then it was important to structure the transfer to maintain that as much as was possible with an independent organisation.

In terms of joint working to maintain the wider neighbourhood environment, the Panel were advised that a close working relationship with the local authority was required to ensure consistency in service and it was an area that required maturity and a common sense approach in order to agree how the grounds were managed. It was also important to ensure that both organisations had similar maintenance routines.

9.4.9 In witness testimony, the Panel heard of specific in-house examples where significant strategic decisions had been able to be taken through more quickly as a result of more seamless service planning and delivery. Examples included the installation of a district heating network and the installation of sprinklers in multi store blocks.

9.4.10 In speaking with the external ALMO, the Panel heard that joint working was in place to align strategic direction to Council ambition. The Chief Executive met regularly with the Council's Chief Executive and attended a steering group, which was a partnership of key leaders in the Borough who were working to create a '2030' vision. The ALMOs '2030' strategy was being aligned with this and the new strategic plan would also dovetail.

Further examples of the synergies between the ALMO and the Council included:-

- A call centre ran by the local authority with a number of staff dedicated to the ALMO. Whilst the staff are not ALMO employees, it was important to ensure that they felt part of the organisation and understood the key themes and focus.
- The importance of the relationship with tenants formed through the contact centre and the repair service is key and well established and integrated.
- There are relationships and opportunities for feedback between officers at ground and strategic level eg to deal with estate management issues.

## **10. The outcomes for residents, including how outcomes can be maximised for the more vulnerable residents of Kirklees**

10.1 Housing is a key determination of health and suitable accommodation that is safe, secure and warm is one of the foundations of personal wellbeing across all ages. It enables people to access basic services, build good relationships within the community and manage their health and wellbeing, all of which results in a better quality of life.

10.2 Good housing and housing support services also help to prevent people from being admitted to hospital, enable quicker and safer hospital discharge, and to remain living in their own homes, within their communities, more safely, with greater levels of independence and enjoyment.

### **10.3 Supporting vulnerable tenants**

10.3.1 The current profile of tenants in properties managed by KNH indicate that approximately a third are not in receipt of benefits, a third receiving partial benefits and a third receive full benefits. It is important to note recognise that vulnerability is not limited to any one of these categories.

10.3.2 Identification of an individual as having vulnerability is key and there are some sensitivities, particularly if an individual does not consider themselves to be vulnerable. Support mechanisms are available where a person is known to be vulnerable or becomes so, but there are hidden individuals who do not interact with the system and therefore need to be identified in order to provide that support. Awareness may be triggered by a repair, or where a person has reached a crisis point and requires support eg around hygiene, hoarding, cold etc and referral would come via property colleagues or neighbourhood housing officers.

10.3.3 Housing officers are often well placed in that they are in a position where they have a relationship with an individual to impact positively on wider factors through the 'nudge approach'. These critically include poverty and worklessness.

10.3.4 The Panel were advised that in the current ALMO arrangements, a good partnership and working relationship with KNH colleagues is in place and teams work across geographic areas to co-ordinate activity to tackle issues such as loneliness and social isolation.

10.3.5 The Panel heard that it would be difficult to describe how that support might change over time if stock and support arrangements were transferred to a housing association.

10.3.6 It was acknowledged that there is a potential for any system divide to feel fragmented and this could occur within a single organisation as well as between organisations. If two organisations were closely aligned in terms of their objectives with a strong partnership, then it could feel seamless.

However, there was a greater risk of gaps and impact on seamless service delivery, if the organisations had different priorities and ways of working.

- 10.3.7 In hearing directly from a housing association, the Panel heard that support in relation to rent arrears was provided but had been reduced following cuts in service. The organisation supported hundreds of customers through the Universal Credit journey, but increasingly worked with other third sector colleagues, who in many instances were better placed to provide support from a whole life rather than just financial perspective. The organisation has its own benefits advisor and an income team who had the required training and knowledge to assist customers.

An income officer was in place for every 400 tenants and they would get to know individuals within an area who may need more support. The organisation was integrated and embedded within the community and supported tenants to pay their rent and access other support areas if required.

Disabled adaptations were a specific requirement of the stock transfer. There was a 5 year commitment for a financial contribution and obligation to adapt properties for people who needed them.

- 10.3.8 In hearing directly from an external ALMO, the Panel noted that their key principle was to put the tenant first and they had a tenant sustainability team, which included mental health staff as well as a seconded DWP employment worker.

## **10.4 Homelessness**

- 10.4.1 The statutory duty to house rests solely with the council. If a tenancy breaks down with a provider then the individual comes back to the council who then has the statutory duty to ensure that they have access to appropriate housing.

- 10.4.2 Following the implementation of the Homelessness Reduction Act, councils have new statutory duties to work with a wider group of people who present with a housing need and to work more intensively with them. This includes jointly developing and agreeing to a personal housing action plan with individuals, to support people in achieving a successful and sustainable resolution to their housing need.

- 10.4.3 The Panel heard that when an individual currently presents with either threatened or actual homelessness, an assessment is carried out and the Council will act on their duty to prevent as far as possible. Once the Council had accepted an individual as homeless, it seeks to find temporary accommodation if they do not have anywhere to go.

- 10.4.4 The Council discharges its' duty either through the temporary accommodation it owns or where this isn't possible and partners are not

able to assist, then it would have to resort to bed and breakfast as temporary accommodation. The Panel noted that Kirklees Council currently has a small stock of 128 temporary homes, which it hopes to increase under the sufficiency agenda to 150 homes.

- 10.4.5 With the direct management model, a council would have greater control as to how many homes it could allocate from its' main stock to temporary accommodation and could flex the number of units in that temporary accommodation stock as required.
- 10.4.6 The Council currently negotiates with colleagues in KNH to bring further units into temporary accommodation stock as and when required and it was not anticipated that this approach would change if the ALMO was retained.
- 10.4.7 If stock was transferred to a housing association, then a view would need to be taken at the point of transfer as to whether to retain a number of homes within direct management to act as temporary accommodation. An alternative would be to commission the housing association as the temporary accommodation manager, in much the same way as the Council could now discharge its statutory responsibility through delegation to the ALMO.

## **10.5 Housing allocation**

- 10.5.1 There are approximately 12,000 people currently registered for social housing in Kirklees. The Council's Housing Allocations policy sets out the way in which it lets or allocates council owned properties and nominates housing register applicants to Housing Associations. The Policy is based upon the Council's statutory duties and ensures that 'reasonable preference' is given to people with the greatest housing need.
- 10.5.2 In Kirklees, like many other local authorities, a choice based lettings system called Choose and Move is operated, whereby people who are registered with the scheme 'bid' against the property that they are interested in, and for which they are eligible to bid.
- 10.5.3 In the current model, an applicant moves onto the housing register and bids for available properties to let via Choose and Move. If successful, the matching of that individual to the property goes through KNH and they will sign a tenancy. A similar process would be applied if managed in-house.
- 10.5.4 In a housing association model, the council would nominate from its register to the association's vacancies and re-lets. There would need to be dialogue as to whether the council had a 50 - 100% nomination right on those properties and go through the vetting process in terms of whether they would accept the nomination or not. The housing association would have a waiting list and different systems by which people could get onto their waiting lists, one of which would be via a

nomination from a Council. Whilst eligibility criteria might not be inconsistent with the council's it but might not always be a like match.

- 10.5.5 In hearing directly from a housing association, the Panel heard that whilst they were contractually obliged to offer 75% of the properties that became vacant to the Choice Based Letting Scheme, in reality it offered circa 95%, with only a few properties reserved for specific and special circumstances. The process operated in the same way as when in the ALMO and nothing had changed as far as allocations were concerned.

Vulnerable tenants and those with specific needs were addressed through the local authority's Allocations Policy. The housing association offered properties up to the choice based letting system and it was the council's priorities that would drive who would get the properties that became available.

The Panel heard that there were 8,000 properties and 6,000 people were currently in housing need. In a typical week only 3-4 properties might become available, hence the priority to provide more properties. In terms of new properties, the Panel were advised that the housing association had a modest ambition to deliver over 100 properties per year, every year.

## **10.6 Rent levels and right to buy**

- 10.6.1 A council would have the same control over rent and right to buy with both the in-house and direct delivery models. With the housing association model, there were preserved right to buys that would be stipulated within the transfer agreement and transported across with the tenant.
- 10.6.2 Housing associations were subject to right to acquire, which enabled a tenant to buy a property at a less generous discount than council housing tenants currently received. The council could stipulate measures to control rents at a certain level up until the end of the transfer period. Beyond that, it was the decision of the Boards.
- 10.6.3 In hearing directly from the housing provider, the Panel were informed that rents within the housing association sector were regulated and set by a government formula. In a normal environment rates would rise by CPI plus 1%, but they had gone down for the last 4 years.

## **10.7 Voice of the Tenant**

- 10.7.1 The National Housing Federation 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.

10.7.2 The experience of Grenfell had been that the voice of tenants had been the last to be heard and it was important that appropriate mechanisms and engagement approaches were implemented to ensure that the tenants' voice was not just heard, but acted on, in order to bring redress and balance back to how services are delivered to tenants and residents.

10.7.3 The Panel heard that the voice of the tenant was not statutorily defined in any one model and organisations were able to determine their own tenant engagement arrangements. However, the sector regulator would arrive at a judgement as to how involved tenants were in decision making as a result of the practices operated and performance data received.

## **10.8 The tenant voice within the current delivery model**

10.8.1 The KNH Board has 3 tenant board member positions, 1 of which is currently vacant. The tenant Board members represent the tenants' voice in strategic decision making and have a direct link to councillors who also sit on the Board.

10.8.2 The TLP, currently made up of 6 panel members, 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. TLP are recognised as an asset and positive links with the Board have been established. Two members of TLP attend every KNH Board meeting to assist connections.

10.8.3 The TLP also works with Tenant Resident Associations (TRAs) who are groups of people who get together to work to improve the local area in which they live and build community spirit by arranging activities that bring people together. Street Voices and TRAs both feed into the TLP and this includes neighbourhood forums on a quarterly basis.

## **10.9 Resident Feedback**

As part of their deliberations, the Panel heard from representatives from the Tenants' and Leaseholder Panel (TLP) in Kirklees and representatives from the TRAs.

## **10.10 Tenants' and Leaseholder Panel**

10.10.1 The representatives from the TLP advised that the key point they wished to make was that tenants' involvement should remain the same, as they were involved a lot in the current model. They did not want to see that change and wished to see more involvement rather than less.

- 10.10.2 Any option must be UK based as there had been some concern that a registered provider might be a subsidiary of a company based outside of the UK.
- 10.10.3 Tenants wanted a decent home and a clean, safe environment with decent infrastructure. Tenants felt that they were getting this at the moment and did not want to see this change. Tenants also wanted to see services such as repairs remain the same or improved and rents to stay controlled with tenants involved and having a say in the process.
- 10.10.4 The Panel were advised that the TLP's preferred options were to either stay with the ALMO or be directly under the control of the Council.
- 10.10.5 In response to a question as to what could be done to reassure and allay tenant anxiety, the Panel noted that more information in a timely manner was required and transparency was important.
- 10.10.6 The TLP felt that they were heard loud and clear within KNH and anything that had been proposed in both informal and formal meetings had been taken forward to the Board. They had also been involved from the outset in strategic decisions regarding policies and procedures and were happy for this to continue.

## **10.11 TRAs**

- 10.11.1 The Panel heard from 9 representatives from 5 TRAs across the district. In contrast to the positive feedback received from the TLP, residents raised a number of concerns and issues which included:-
- Vulnerable people were not sufficiently supported after they had been allocated somewhere to live;
  - The impact of anti-social behaviour on vulnerable tenants;
  - There was no accountability from Kirklees to the tenants and there was no feedback to complaints raised at TRA meetings;
  - There should be full time estate managers on each estate;
  - It was now a business and not about what the community wanted anymore.
  - There used to be a human point of contact and queries and complaints would be dealt with there and then, rather than having to go through the telephone recorded messages that were now in place. Estate offices had been closed but face to face contact was important;
  - Before KNH, there was a service provided by teams that covered specific areas, who had good local knowledge, were easily contactable and sorted issues promptly and made decisions as to whether things needed to be passed on to other services. This had been lost with centralisation and tenants did not see their current equivalent of Estate Management Officers as much as they would like and the service from Service Management Officers had been lost; and

- Community police used to visit regularly but they were not visible anymore.

- 10.11.2 The Panel heard that things had previously been in place which had run smoothly. The TRAs had contact with the estate management officers, had meetings with councillors, and knew where everything was going because they were involved from the beginning. That had now gone and TRAs had folded because there had been no assistance. There had also been a Tenants and Residents' forum, where decisions would be brought for discussion and input, but that had also gone. It was asked for a return to the meetings that tenants used to have, where they were involved right from the beginning and did not feel that decisions had already been made because they were involved from start.
- 10.11.3 The Panel were advised that it was important to start from the grass roots and ask tenants what they wanted. Whilst a lot of TRAs had gone there were still TRAs there that were willing to help and were not being engaged
- 10.11.4 The overriding view was that whatever model was taken forward, it was important to tenants and leaseholders that they be involved in early discussions, not just in relation to local estate discussions and service delivery, but also strategic decisions so that they could input and help shape. It was also acknowledged that not everyone wanted to be engaged with a TRA and that different ways of involvement should be explored.
- 10.11.5 Councillor Scott, Cabinet Member for Housing and Democracy, who was present during the meeting, stressed the importance of the tenant voice and the TRAs throughout the approach and reiterated that the Council was listening. She added that this was not just about housing but people's homes and their environment and it was important that tenants told the Council what was happening because this would feed into process.

## **10.12 TPAS**

- 10.12.1 The Panel also heard from TPAS, who are England's leading tenant engagement experts.
- 10.12.2 The Panel were advised that TPAS were keen to strengthen the tenants' link into governance as this was an area where organisations could potentially lose the voice of the tenant. The willingness to involve tenants in an operational responsible role and devolve some decision making was indicative of the culture of an organisation.
- 10.12.3 It was important for tenants to have a clear role into the decision making arena. If the organisational commitment and desire was there, alternative models could be developed to ensure that residents could have operational responsibility and influence matters that were important to them.

- 10.12.4 The Panel noted that this was generally more of a challenge when responsibility for delivery lay with elected Members, due to the nature of decision making and where responsibilities lay. However, this did not mean that it could not work effectively and it was down to the organisation's culture, behaviours and desires to want to hear the voice of the tenant. One such example was the relationship that Rotherham Council had established with a residents' federation when they brought the service back in house.
- 10.12.5 Whilst it was generally easier to involve residents in ALMOs and housing associations as they could be representatives on the board, there was nothing to say that a voice group which linked into the decision making process could not be established. Any model could be made to work as long as the commitment and desire to have residents at the heart of decision making was there.
- 10.12.6 In terms of good practice for tenant consultation, it was crucial to plan sufficient time for engagement, use the right methodology and consider the tenant demographics and the geography of the organisation. It was essential to use clear and simple language and take care to ensure that any questions asked were not leading. Accessibility, good communications, rapport and empathy were also critical and it was important to be mindful that this was an emotive topic. An open and transparent relationship with good feedback mechanisms as to why decisions had been taken were also key.
- 10.12.7 TPAS had been involved in a number of options appraisals as an independent tenant advisor. Principles adhered to included independence and impartiality and the importance of being clear, open and not leading people was emphasised.
- 10.12.8 The Panel were advised that when reviewing alternative models, rather than focusing solely on model, to consider 'form follows function' ie to look at what the organisation wants to achieve and its' ultimate aims and commitment to housing (ie its function). This would in turn advise the most suitable delivery model (ie form).
- 10.12.9 In relation to potential service migration, the establishment of a tenants group, forum or steering group was recommended in order to utilise existing residents and other tenants who wanted to be engaged. A shadow board or committee established in that phase that could be formalised later in the process, which would further demonstrate organisational commitment.
- 10.12.10 With regards to possible impact on tenants, loss of place was highlighted, in that tenants may have concerns as to whether they would lose their influence when moving to a new structure. There would also be concerns as to what the changes would practically mean to people and their

families and it was important to dispel myths and put out the right information to negate this.

- 10.12.11 The way to combat distrust was to build a clear narrative with consistent lines of communication which were transparent and honest. It was noted that trust was hard to gain and easy to lose and consistent communication with both residents and stakeholders was crucial.

### **External feedback from the 3 delivery models under consideration**

#### **10.13 In-House**

An extensive consultation on the future management proposals was carried out. This included a survey distributed to every tenant in the City which resulted in approximately 8,500 responses, with strong support for either moving towards 1 ALMO or bringing back in-house. A series of workshops and open evenings were also held over a 3 month period which further demonstrated the strong mandate from tenants.

The Panel heard that it was important to keep tenants involved and engaged. Ten area panels had been set up across the City where people could express views as to what was going on in their local area. They also had a small budget available to them for environmental improvements in the area. Work was also undertaken to strengthen the Tenant Involvement Body, which had seats on a strategic overview board which continued when it was brought into the council.

#### **10.14 Registered Provider**

Consultation on the change was a tenant led process which was open and transparent. When the options were being considered, a tenants' forum was established whose membership was drawn from the wider tenant population, to provide challenge and scrutiny to the proposals. As the proposals developed, the panel oversaw and subsequently endorsed the promises document, which was then sent to all tenants for ballot.

Two customers (tenants) sit on the Board as members and a Customer Committee is being established to strengthen this voice and provide a greater level of scrutiny on service delivery. Customers had been invited to apply and 130 applications had been received from a wide range of people. It was intended that the Customer Committee would support the Board in their work and strengthen the customer voice, which was particularly important following Grenfell.

#### **10.15 ALMO**

Tenants were the key focus and Grenfell was a wake-up call for everyone in the sector. There had been a refocus and following a review, it was determined that the structure that was in place, which included a tenants'

federation, was not working and did not include a broad range of people. A new structure included:-

- Tenant Voice Panel, which focused on performance,
- Customer panel held 4 meetings per year
- Tenant scrutiny group
- TARAs
- Ad hoc electronic consultation as required on key topics identified by tenants
- ALMO liaison meeting where reps from the tenant voice and scrutiny attend with the Council.

Issues were discussed with officers and elected members and passed on to a scrutiny group where appropriate. This had encouraged tenants who had not been previously engaged and it was noted that there were opportunities to use the experience gained to facilitate the route back into employment.

The wide ranging Customer Panel held 4 events per year. This was open to all tenants and there were a number of TARAs which provided representation at a grass roots level.

In terms of bridging potential gaps in engagement, the TARAs received performance information and most representatives attended the Customer Panel events. It was noted that the last session had focused on void performance and issues raised would be taken forward by the Scrutiny Group. There were also other feedback mechanisms for tenants who did not wish to take part in formal engagement as well as task and finish groups which focused on hot topics.

## **10.16 Potential approaches to tenant engagement and involvement in the decision making process**

10.16.1 A key area of concern for the Panel was how tenant involvement could be maintained and strengthened if the service was to be moved in-house and to ensure that operational voice was not diluted or lost if arrangements were changed.

10.16.2 In response, the Panel were advised that in any change scenario, a transition pathway would be designed and it would be important to understand the experience of other councils that had already undergone the process of change. General feedback had been that if an organisation were to carry out the process again, they would stay much more closely aligned with existing arrangements for a significant period of time in order to develop an understanding of what worked well or required improvement and allow for a period of co-production as to the way forward.

10.16.3 Once a decision had been taken, there would be a period of co-production with tenants if there was a change to current arrangements. It was

anticipated that either a standing scrutiny panel or ad-hoc panel would have an interest in any future arrangements that were developed prior to transition into the council. Consideration would also have to be given as to how an in-house model would align with the place based model that was also emergent.

- 10.16.4 If brought in house, it was proposed that tenants would be represented on a dedicated scrutiny panel which would act in an advisory capacity to Cabinet and would form part of the Council's governance arrangements.
- 10.16.5 The TLP would continue to amplify the voice of tenants and could form part of the flightpath to Cabinet. This could be supported by the Cabinet member having a regular agenda item at TLP meetings as a formal part of the engagement / scrutiny structure.
- 10.16.6 Allied to this, TRA's and Street Voices would continue to be seen as vital going forward. There were opportunities to connect TRA's into a broader citizen approach and the street voices principle to be adopted as part of citizen engagement.
- 10.16.7 It was acknowledged that getting the right balance could be difficult as there were governance arrangements that determined how a council should operate, alongside giving the tenants' voice sufficient weighting and influence in the decision making process.
- 10.16.8 The Panel were advised that officers were absolutely clear that the steer from Cabinet was that they wanted to strengthen, not weaken, the voice of the tenant and anything that undermined that voice would have to be considered very carefully.
- 10.16.9 With regards to consultation, it was emphasised that the proposals were a starting point and could be adjusted as required to ensure that tenants were involved from the beginning and throughout. If a decision for change was made in March, it was proposed that work would take place during April and May to establish what interaction tenants wanted, how best to engage and what different mechanisms and range of approaches should be used.
- 10.16.10 Following on from that, it was important to ensure that there was enough time given to consult and engage with people properly and this was proposed through June to August. The results would then be collated and fed back to Cabinet, to ensure that they were hearing the tenants' voice.
- 10.16.11 The Panel were advised that the proposals improved on the original consultation which had taken place 20 years ago and the Council would look to introduce a range of different methods to enable people to connect in a way that suited them in order to widen the opportunity for people to respond.

- 10.16.12 The Panel noted that listening to the voice of tenants was paramount and significant weight and emphasis would be applied to the response.
- 10.16.13 In terms of residents who may be hard to reach, the Panel were advised that a Citizens Engagement Panel would bring together different agencies in order to discuss how people could be engaged and consulted with. It was noted that whilst an individual might be hard to reach by the Council, they might be engaged with another agency, so there was a potential for connections to be made.

## **10.17 Ensuring homes are safe and decent**

- 10.17.1 The Social Housing Green Paper was published in August 2018 and is largely focused on strengthening the Tenant's Voice. Two core themes are:
- 10.17.2 Ensuring resident safety - The Green Paper leads with proposals on safety and supports the principles behind the Hackitt review of building regulations and commits to bringing forward legislation on building safety.
- 10.17.3 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.
- 10.17.4 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. The Panel heard that in the housing association model, this would be the responsibility of the Board.

## **10.18 Equality of Opportunity**

All of the models were bound by equality duties as landlords and would therefore not seek to breach any legislation around equalities. However, the approach would be shaped by the organisation's values and leadership.

The Panel expressed disappointment that the information requested regarding equality impact assessments and how each of the models could impact on tenants, was not received to form part of their decision making.



## **11 Evidence from other areas where similar issues have been considered, to reflect on their experience.**

11.1 The Panel heard from the following representatives from each of the 3 housing delivery models under consideration:-

- Neil Evans, Director of Resources and Housing at Leeds City Council who had been through the experience of bringing an ALMO back in house;
- Lee Sugden, Chief Executive, Salix Homes who had moved from an ALMO delivery model to a housing association; and
- Amanda Garrard, Chief Executive, Berneslai Homes (ALMO)

11.2 From the outset of the process, the Panel recognised the importance of the tenant voice and were keen to hear from tenants as to their experiences and views. Evidence was heard from:-

- Michael Hill, Business Development Manager from TPAS
- 2 representatives from the Tenants' and Leaseholder Panel (TLP) in Kirklees; and
- 9 residents from 5 TRAs across the District.

11.3 The Review Panel would like to thank everyone who contributed to the review by willingly sharing their experience and expertise and their feedback has been incorporated throughout the report.

### **Questionnaire**

11.4 A questionnaire was distributed to inform how Kirklees Council may approach the future management of its Council Housing stock. The questionnaire was created as an alternative to attendance at a formal ad-hoc scrutiny meeting. A total of 7 responses were received from a mix of the 3 organisational delivery models under consideration.

*Note: The information contained below is taken directly from feedback and is verbatim.*

### **The Organisations**

- 3 responses were from registered providers, all of which were formed via a stock transfer, 1 response came from an ALMO.
- Since the original contract, 2 respondents had merged with other organisations.
- 3 organisations' current arrangements had been in place for more than 10 years and 1 had been in place between 3 and 5 years.
- None of the 3 long established organisations had considered changing their arrangements in the last 3 years.
- None of the respondents had plans to review their arrangements.

## Reason for change

- Ensuring safe and decent homes was the high priority - *'the main driver was to address decency'*.
- Medium priority was given to improved joint working across services improved service quality and expanding supply or ownership.
- One organisation had moved from an ALMO to RP model and would make the same change now as they believed it:

*'enables accelerated investment in both existing and new homes utilising the value of the stock. The Local Authority is in a strong position through the transfer agreement to negotiate for the transferring RP to deliver priorities that it and tenants consider appropriate for the area'*.

## Approach to change

- The organisation who had experienced change used an independent options appraisal and had a Customer Senate. This *'led on customer voice and ensured it was central in the offer to tenants'*.

## Current arrangements

- Respondents were asked how their current arrangements allowed them to prioritise vulnerable citizens eg care leavers and people with mental health problems. Responses included:-
  - *'We have a Tenant First service that assist tenants to sustain tenancies with specialisms in mental health and substance abuse issues, care leavers would also be picked up as part of this service'*.
  - *'Through the stock transfer process we agreed a nominations agreement with the LA that stated a minimum of 75% of all allocations should be sourced from the LA Choice Based Lettings System. The allocation policy for the CBL system is an LA document and so prioritise and awards points for those groups deemed most in need. In reality we allocate over 90% of homes through the CBL system'*.
  - *'By having a vulnerabilities register this allows specific services to be tailored to the needs of individuals and in times where a response is required promptly'*.
  - *'We have a programme of supported housing which delivers care according to need. We tend to provide the property and landlord service and work with specialist providers for the care element'*,
- The questionnaire also asked 'How do your current arrangements allow you to influence the design elements of the environment and stock - new and retro-fit?' Views were :-

- *‘We have an acquisitions programme and work with the Council on new build council housing. In terms of retro fit we have an adaptations budget and zero carbon programme such as solar panels and heating replacements as part of the investment plans’.*
- *‘As a stock transfer we have responsibilities and obligations that were identified through the transfer process, these include investment in decent homes, disabled adaptations etc.’*
- *‘All environmental improvements involve consultation with all affected residents so that their views can be considered as part of the design stages of any scheme. In terms of new stock, these are built, or acquired, to current legislation to ensure they meet the needs not just for now but for the future. Energy efficiency is always considered and a number of initiatives have taken place to improve this in existing stock, which is supported by discussing with residents who their energy suppliers are and helping them switch to a more cost effective supplier for them’.*
- *‘We have control over the design of the environment and stock, both new and retro fit. With the environment and new stock we work closely with our partner local authority’.*

## **Review**

- One organisation responded to this area of the questionnaire and believed it has achieved all of the benefits that it set out to achieve.
- In terms of reviewing / changing the operating model, the key reflection was that *‘the transfer from ALMO to RP went smoothly. The part transition to ALMO had already introduced a level of independence and so it made the final steps to an RP easier ie employees had already TUPE’d across to the ALMO’.*
- The one organisation who had moved from an ALMO to a registered provider model said they would make the same change now, as they believed it:-

*‘enabled accelerated investment in both existing and new homes utilising the value of the stock. The Local Authority is in a strong position through the transfer agreement to negotiate for the transferring RP to deliver priorities that it and tenants consider appropriate for the area’.*

## 12 Findings

- 12.1 In considering the option to transfer ownership and management of housing stock to an external organisation, the Panel acknowledged the potential benefits of this model, but referred to the complexity and financial implications of transfer and that there had been no stock transfers since 2015. The Panel also considered the views of the TLP and their stated preference for either an in-house or ALMO model. Given this combination of factors and the finality of a decision to transfer, the Panel came to the view that this would not be the right option for Kirklees.
- 12.2 Evidence considered by the Panel indicated that there were 'pros and cons' to both the in-house and ALMO models. Given this, the Panel wished to highlight that they had considered what was possible within the time constraints set and that they would have looked in far more detail at certain aspects of the models proposed, if there had had a longer period of time to carry out their investigations.
- 12.3 A key focus of the Panel's considerations was the Hackitt Review and the Social Housing Green Paper and their central themes of safety, accountability, empowering and listening to tenants and ensuring that they were central to the services they received.
- 12.4 Whilst evidence presented to the Panel indicated that in-house control of housing management provided greater clarity and strengthened the link between operational control and accountability, the Panel did hear from an external ALMO where resource on compliance had been upped and accompanied by a review of governance arrangements in order to provide the local authority with extra assurance that the ALMO were on top of issues.
- 12.5 With regards to risk and compliance, the Panel heard that post Grenfell, a status quo position was not an option in relation to responsibility and would need to be reviewed regardless of housing delivery model. The Panel therefore recommended that compliance and risk be examined and strengthened by both the Council and ALMO in partnership, as a priority.
- 12.6 In terms of the current position, the Panel agreed that attention and focus should be given to renewed standards in relation to compliance and risk. It was important that appropriate structures were in place to ensure that this was maintained and the Panel asked that strong consideration be given to the establishment of an Assurance Board to focus on compliance and risk across both the Council and ALMO.
- 12.7 Based on the evidence heard, the Panel also felt that a strengthened council/client relationship with more clearly defined roles and responsibilities was required, if the current model was to remain in place.

- 12.8 In considering outcomes for tenants, the voice of the tenant emerged as a key concern during the Panel's investigation and evidence heard from TPAS, the TLP and the TRAs stressed the importance of tenant involvement. The Panel considered that the potential approaches to tenant engagement and involvement in the decision making process outlined, were unclear and did not sufficiently set out how the tenants' voice would be heard within an in-house delivery model, particularly in relation to decision making.
- 12.9 Given the lack of clarity in the evidence presented, the Panel expressed concerns that the voice tenants currently had could be lost or diminished, particularly given that the Board which currently included tenant representatives with voting rights, would no longer exist.
- 12.10 In light of this, the Panel recommended that if a decision was made to bring delivery back in-house, that a clear process which placed tenants at the heart and strengthened their link into governance with a clear route into the decision making arena, be developed in order to ensure that the tenants' voice was protected. The Panel would want to have an ongoing role in looking at the proposed model and the involvement of tenants going forward.
- 12.11 With regards to tenant engagement, the Panel recognised the work of the TLP and welcomed their views on tenant participation and were pleased to hear that the TLP felt fully involved in the current model. However, the Panel also heard evidence which suggested a potential disconnect between engagement at strategic and grass roots levels. Whilst outside of the terms of reference, the Panel did feel that given the contrasting feedback received from the TLP and the TRAs, it would be beneficial to carry out an examination of current tenant engagement approaches in order to identify and address any such disconnect.
- 12.12 The Panel were keen to emphasise that the voice of the tenant should be central within any housing delivery model and recommended that tenants be consulted on any proposals for change at an early stage and in a meaningful way. This was echoed by evidence heard from both the TLP and TRAs who stressed the importance of timely and transparent information. The Panel advised that any consultation carried out should be in-line with the good practice outlined by TPAS in Section 10 and the government guidance referenced in Section 8 of this report.
- 12.13 The Panel highlighted that should tenants be consulted on any proposals for change, there would also be an opportunity to question tenants as to how they would wish to be engaged moving forward. This intelligence could then be used to better inform future engagement strategies.
- 12.14 Given the importance of tenant communications, the Panel concurred that if a change to the housing delivery model was proposed, then any plans for tenant engagement and consultation should be brought to the Scrutiny

Ad-Hoc Panel for consideration at the earliest opportunity and that the Chair of the Economy and Neighbourhoods Scrutiny Panel be invited to attend any future meetings.

- 12.15 In considering of financial implications, the Panel advised that if an in-house delivery model was proposed, due diligence should be carried out as to the ALMOs commercial activities and contractual obligations.
- 12.16 In considering synergy, the Panel heard that that the in-house model presented greater opportunities for strategic alignment and the development of a seamless service. Delivery would not be dependent on relationships and Board priorities and there could be potential to avoid duplication and efficiencies through streamlining of structures with a single entity delivering across the range of services.
- 12.17 However, the Panel also heard that a single purpose organisation, such as an ALMO, provided an arms-length focus which could concentrate on tenant issues and there was a danger that focus could be lost or diluted if delivery was brought back in-house.
- 12.18 The Panel also considered whether the transition process itself may deflect management attention from important priorities such as compliance and the provision of a responsive service, which could result in a performance dip. Given this, the Panel advised that if there was a change in delivery model, then there should be a renewed focus on tenant satisfaction to ensure that levels of satisfaction did not drop as a result of the changes.
- 12.19 It was acknowledged that there were significant unknowns and risks to bringing delivery in-house and it was questioned whether improvements could be made within the current model, given that the ALMO was a wholly owned subsidiary and the Council could exercise control as if it were an internal department of the Council. It was also noted that synergies would not automatically happen if brought back-in house.
- 12.20 In considering the evidence presented, there was a differing of views during the Panel's considerations as to whether a compelling case had been made for either model. A view was expressed that the evidence presented did demonstrate that the in-house model would be most appropriate, citing the opportunities for synergy and alignment, with both strategy and other Council services such as social services, cleansing and waste.
- 12.21 Reference was also made to the potential of the in-house model to provide a seamless service, particularly in relation to vulnerable tenants, as well as opportunities for efficiencies and savings. However, it was acknowledged that further consideration would need to be given to how the voice of the tenant would be heard within an in-house model.

- 12.22 In deliberating the pros and cons of both the in-house and ALMO models, the Panel concluded that there were positive elements within both models and resolved that consideration should be given as to how these could be combined into an appropriate structure that could deliver the best outcomes for tenants.
- 12.23 The Panel therefore determined that the 'form follows function' approach outlined by TPAS should be taken to the development of housing delivery, with the desired aims and outcomes identified at the outset and appropriate arrangements put in place to achieve them, rather than the choice of model being the starting point for discussion.
- 12.24 The Panel felt that it was crucial to involve tenants in the development of key outcomes and that this should be done at the earliest opportunity, so that they could have input into the model without a decision already being made.
- 12.25 In terms of key outcomes, the Panel referred to good and transparent governance, effective risk management and compliance, meaningful tenant involvement and housing that was fit for the for the twenty first century.

## **13 Recommendations**

- 13.1 A 'form follows function' approach should be taken to the development of the housing delivery service, with the desired aims and outcomes identified at the outset and appropriate arrangements put in place to achieve them.
- 13.2 The Panel recommends that key outcomes be developed in conjunction with tenants at the earliest opportunity, so that they have input into the model without a decision being already made and asks that those key outcomes include good and transparent governance, compliance and the voice of the tenant.
- 13.3 Within the time constraints set, evidence considered by the Panel indicated that there were 'pros and cons' to both the in-house and ALMO models. The Panel therefore recommends that consideration be given as to how the positive elements of both models can be combined into an appropriate structure in order to deliver the best outcomes for tenants.
- 13.4 Requirements for compliance and risk should be examined and strengthened as a priority by both the Council and ALMO in partnership regardless of housing delivery model, as post Grenfell, a status quo position in relation to compliance and responsibility is not an option.
- 13.5 Strong consideration should be given to the establishment of an Assurance Board to focus on compliance and risk across both the Council and ALMO.
- 13.6 The voice of the tenant is central and the Panel recommended that tenants be consulted on any proposals for change on the housing delivery model at an early stage and in a meaningful way. This should be in-line with the good practice outlined by TPAS in Section 10 and the government guidance referenced in Section 8 of this report.
- 13.7 Any tenant consultation on the future model should be used as an opportunity to seek views on how tenants would wish to be engaged moving forward at the same time, in order to inform future engagement strategies.
- 13.8 If there is a change to the housing delivery model, then there must be a renewed focus on tenant satisfaction to ensure that levels of satisfaction do not drop as a result of the changes.
- 13.9 The potential approaches to tenant engagement and involvement in the decision making process considered by the Panel were unclear as to how the tenants' voice would be heard within an in-house delivery model, particularly in relation to decision making. In light of this, the Panel recommends that a clear process, which places tenants at the heart, be developed in order to ensure that their voice is protected and not lost, if a decision is made to bring delivery back in-house.



- 13.10 The Panel recognised the work of the TLP and that they felt fully involved in the current model. However, the Panel also heard evidence which suggested a potential disconnect between engagement at strategic and grass roots levels. Whilst outside the terms of reference, given the evidence heard, the Panel recommends that an examination of current tenant engagement approaches be carried out in order to identify and address any such disconnect.
- 13.11 A strengthened council/client relationship with clearly defined roles and responsibilities is required if the current model is to remain in place.
- 13.12 If an in-house delivery model was proposed, then due diligence should be carried out as to the ALMOs commercial activities and contractual obligations.
- 13.13 That the Scrutiny Ad Hoc Panel has oversight of the implementation of all the recommendations and of the process going forward and the Chair of the Economy and Neighbourhoods Scrutiny Panel be invited to attend any future meetings.

## **14 Appendices**

**Appendix 1** - Document review

**Appendix 2** - Glossary

**Appendix 3** - Scrutiny Action Plan

### Document Review

- Council Housing in Kirklees Overview
- Models and Potential Fit
- Cabinet Report 9 February 2016 - Future Delivery of Housing Functions and Services
- Cabinet Report 18 December 2018 - Review of Kirklees Neighbourhood Housing
- Cabinet Report 29 August 2018 - Housing Delivery Plan
- Cabinet Report 12 November 2019 – Peer Challenge Feedback Report and Action Plan
- Kirklees Housing Strategy 2018-2023
- What is the Housing Revenue Account?
- Housing Revenue Account Budget Summary
- Kirklees Neighbourhood Housing - Governance and Accountability
- Kirklees Neighbourhood Housing Annual Report 2018/19
- Tenant Data
- Stock Data
- Report to Scrutiny 14 November 2019 - Leaseholder/Tenant Involvement and Engagement Strategy
- Report to Scrutiny 31 October 2018 - A New Deal for Social Housing Consultation and the Hackett Review
- Green Paper - A New Deal for Social Housing
- Council Housing Tenant Involvement Implications 2019
- Social Housing Green Paper 2020
- Housing Models and Approaches Feedback 2019
- Housing Governance Arrangements Comparison 2019
- Risk and Corporate Structures
- HouseMark 2018/19 End of Year Analysis
- Financial Implications Review
- Potential Approach to Creating a Co-Produced Tenant Engagement Model
- Approaches to Establishing Tenant Involvement in the Decision Making Process
- KNH's STAR Survey Results - Further Information
- Comparison with HouseMark 2018-19 End of Year Analysis
- Information re: Customer Senate
- Form Follows Function, Housing Quality Network
- Updated Guidance for Councils Considering the Future of their ALMO Housing Management Services, December 2011

## Glossary

<b>ALMO</b>	Arm's Length Management Organisation
<b>KNH</b>	Kirklees Neighbourhood Housing
<b>HRA</b>	Housing Revenue Account
<b>LA</b>	Local Authority
<b>RSH</b>	Regulator for Social Housing
<b>RP</b>	Registered Provider (Housing Association)
<b>TLP</b>	Tenant and Leaseholder Panel
<b>TRAs</b>	Tenant and Resident Associations
<b>TUPE</b>	Transfer of Undertakings (Protection of Employment)

## SCRUTINY ACTION PLAN

### Recommendations of the Scrutiny Ad Hoc Panel - Future Arrangements for the Council's Residential Housing Stock

Lead Scrutiny Officer: Carol Tague

		FOR COMPLETION			
Recommendation	Directorate and Cabinet Member(s) or organisation asked to coordinate the response to the recommendation	Do you agree with the recommendation? If no, please explain why.	How will this be implemented?	Who will be responsible for implementation?	What is the estimated timescale for implementation?
1. A 'form follows function' approach should be taken to the development of the housing delivery service, with the desired aims and outcomes identified at the outset and appropriate arrangements put in place to achieve them.	Adults & Health Directorate  Cabinet Member for Housing & Democracy	Yes	Consideration of, the current assessment of options taken together with the Ad Hoc Scrutiny process and the independent review conducted by Tony Reeves Consulting Ltd.	Strategic Director for Adults and Health	At the Cabinet meeting - 24 March 2020
2. That key outcomes be developed in conjunction with tenants at the earliest opportunity, so that they have input into the model without a decision being already made and asks that those key outcomes include good and transparent governance, compliance and the voice of the tenant.	Adults & Health Directorate  Cabinet Member for Housing & Democracy	Yes, however, an in-principle decision on the preferred model will have been made	Engagement with tenants as citizens will take place from June – August inclusive in order to identify what is important to people. Tenant reps as well as the broader tenant community will be engaged and part of the team to be established to plan and implement the tenant engagement using the Place Standard Tool.	Strategic Director for Adults and Health/ Director for Growth & Housing	Plan engagement – April & May  Implementation - June to August  Analysis & Report – Sept 2020

		<b>FOR COMPLETION</b>			
<b>Recommendation</b>	<b>Directorate and Cabinet Member(s) or organisation asked to coordinate the response to the recommendation</b>	<b>Do you agree with the recommendation? If no, please explain why.</b>	<b>How will this be implemented?</b>	<b>Who will be responsible for implementation?</b>	<b>What is the estimated timescale for implementation?</b>
3. Consideration be given as to how the positive elements of both models can be combined into an appropriate structure in order to deliver the best outcomes for tenants.	Adults & Health Directorate  Cabinet Member for Housing & Democracy	Yes	Joint positive elements articulated and combined with results of engagement to inform an appropriate structure.	Strategic Director for Adults and Health/Service Director for Strategy, Intelligence & Performance	Feedback in September 2020
4. Requirements for compliance and risk should be examined and strengthened as a priority by both the Council and ALMO in partnership regardless of housing delivery model, as post Grenfell, a status quo position in relation to compliance and responsibility is not an option.	Adults & Health Directorate  Cabinet Member for Housing & Democracy	Agree that greater clarity between roles and responsibilities needed and because 'a status quo is not an option, fire safety arrangements have been examined and strengthened post-Grenfell to ensure residents are safe.	The Hackitt Review Board established post - Grenfell and revised and strengthened the Fire Safety Policy in 2018 across both organisations. In addition see below which will support clarification of roles.	Strategic Director for Adults and Health / Chief Operating Officer, KNH	See below for recommendation 5

		<b>FOR COMPLETION</b>			
<b>Recommendation</b>	<b>Directorate and Cabinet Member(s) or organisation asked to coordinate the response to the recommendation</b>	<b>Do you agree with the recommendation? If no, please explain why.</b>	<b>How will this be implemented?</b>	<b>Who will be responsible for implementation?</b>	<b>What is the estimated timescale for implementation?</b>
5. Strong consideration should be given to the establishment of an Assurance Board to focus on compliance and risk across both the Council and ALMO.	Adults & Health Directorate  Cabinet Member for Housing & Democracy	Yes	Hackitt Review Board will extend its reach to cover the 6 areas of Building Compliance across all council assets.	Chief Executive/ Chief Operating Officer, KNH	May/June 2020
6. Tenants be consulted on any proposals for change on the housing delivery model at an early stage and in a meaningful way. This should be in-line with the good practice outlined by TPAS in Section 10 and the government guidance referenced in Section 8 of this report.	Adults & Health Directorate  Cabinet Member for Housing & Democracy	Yes	This will be covered in the approach outlined in recommendations 1 and 2 of this report.	Director for Growth & Housing/Head of Governance/ Head of Partnerships, KNH	Plan engagement – April & May  Implementation - June to August  Analysis & Report – Sept 2020
7. Any tenant consultation on the future model should be used as an opportunity to seek views on how tenants would wish to be engaged moving forward at the same, in order to inform future engagement strategies.	Adults & Health Directorate  Cabinet Member for Housing & Democracy	Yes	This will form part of the engagement set out in recommendations 1, 2 and 6 of this report.	Director for Growth & Housing/Head of Governance/ Head of Partnerships, KNH	As above
8. If there is a change to the housing delivery model, then there must be a renewed focus on tenant satisfaction to ensure that levels of satisfaction do not	Adults & Health Directorate  Cabinet Member for Housing & Democracy	Yes	Keeping tenants at the heart is a key facet of the proposed place- based approach. This acknowledges the wider variables that can impact on	Strategic Director, Adults & Health	Constant

		<b>FOR COMPLETION</b>			
<b>Recommendation</b>	<b>Directorate and Cabinet Member(s) or organisation asked to coordinate the response to the recommendation</b>	<b>Do you agree with the recommendation? If no, please explain why.</b>	<b>How will this be implemented?</b>	<b>Who will be responsible for implementation?</b>	<b>What is the estimated timescale for implementation?</b>
drop as a result of the changes.			satisfaction and will focus on the delivery of the positive opportunities this change can bring for tenants and residents.		
9. A clear process, which places tenants at the heart, be developed in order to ensure that their voice is protected and not lost, if a decision is made to bring delivery back in-house.	Adults & Health Directorate  Cabinet Member for Housing & Democracy	Yes	This will be informed by the engagement outlined over the summer of 2020 as mentioned above which will help shape the process.	Director for Growth & Housing/Head of Governance/ Head of Partnerships, KNH	Plan process – April & May Implementation - June to August Analysis & Report – Sept 2020
10. An examination of current tenant engagement approaches be carried out in order to identify and address any such disconnect.	Adults & Health Directorate  Cabinet Member for Housing & Democracy	Yes	Workstream to be established to review.	Director for Growth & Housing/Head of Governance/ Head of Partnerships, KNH	Analysis and report September 2020
11. A strengthened council/client relationship with clearly defined roles and responsibilities is required if the current model is to remain in place.	Adults & Health Directorate  Cabinet Member for Housing & Democracy	Yes	Roles and responsibilities are articulated as part of section 21 of the contract between the Council and KNH. These will be reviewed and enhanced where required.	Strategic Director for Adults and Health/ Director for Growth & Housing	Completed by 30/06/21



		<b>FOR COMPLETION</b>			
<b>Recommendation</b>	<b>Directorate and Cabinet Member(s) or organisation asked to coordinate the response to the recommendation</b>	<b>Do you agree with the recommendation? If no, please explain why.</b>	<b>How will this be implemented?</b>	<b>Who will be responsible for implementation?</b>	<b>What is the estimated timescale for implementation?</b>
12. If an in-house delivery model was proposed, then due diligence should be carried out as to the ALMOs commercial activities and contractual obligations.	Adults & Health Directorate  Cabinet Member for Housing & Democracy	Yes	Workstream established, legal engaged, actions confirmed and delivered.	Strategic Director, Adults & Health/ Service Director, Strategy, Intelligence and Performance	Completed by Sep 2020
13. That the Scrutiny Ad Hoc Panel has the oversight of the implementation of all the recommendations and of the process going forward and the Chair of the Economy and Neighbourhoods Scrutiny Panel be invited to attend any future meetings.	Adults & Health Directorate  Cabinet Member for Housing & Democracy	Yes, all recommendations agreed by the Cabinet. However, the Cabinet will have oversight and would welcome the support and involvement of the Ad Hoc Scrutiny panel around the process of engagement.	Scope out revised terms of reference and agree with Panel chair  Invite Chair of E&N Scrutiny Panel to become a standing member of the Panel  Agree forward plan of meetings and areas for discussion.	Strategic Director for Adults and Health/ Director for Growth & Housing	May 2020 – December 2021