

The Future Arrangements for Council Housing

SUMMARY

- 1.1 At its meeting on 15 May 2013 Council Cabinet decided to adopt, in principle, the partnership model as the preferred model for the delivery of council housing in Derby and to agree a comprehensive approach to the integration of support services to maximise efficiencies for the benefit of council tenants and council tax payers.
- 1.2 A programme is now underway to implement the Council Cabinet decisions, with three work streams, led by a strategic implementation group. Each workstream includes managers and staff from the Council and from Derby Homes.
- 1.3 The programme is currently in the 'design' stage, working out in detail what the new partnership model might look like in practice. This is 'work in progress' by Council officers and there are not yet proposals that can be shared.

RECOMMENDATION

- 2.1 To note the approach that is being taken to implementing Council Cabinet's decision about the future arrangements for Council housing.

REASONS FOR RECOMMENDATION

- 3.1 To ensure that PHL Board members are aware of the progress that is being made in implementing Council Cabinet's decision about the future arrangements for Council housing.

SUPPORTING INFORMATION

4.1 Background

There are currently three separate arms of Derby City Council's Housing function, each of which delivers a service to customers of all ages:

- Strategic Housing
- Housing Options and Advice
- Derby Homes (an arms-length management organisation or ALMO)

4.2 The retained housing service sits within the Younger Adults and Housing Department, which is part of the Adults, Health & Housing Directorate.

4.3 The Strategic Housing division includes the housing strategy team and the operational teams of private sector housing, housing development and housing initiatives. It is responsible for managing the contract that Derby Homes has with the Council and with monitoring and reporting its financial and performance management.

4.4 The Housing Options and Advice division includes the housing options team, homelessness and housing advice teams and Derby Advice, which is a general welfare advice service.

4.5 Derby Homes is an arms-length management organisation (ALMO). It is a fully owned subsidiary of the Council, established in 2002 so that the Council could apply for government money to bring council homes up to the Decent Homes Standard. Considered to be a well-performing ALMO, the Council renewed its management agreement with Derby Homes in 2012. The current agreement is to 2022, with a break clause at year 5 (2017).

4.6 Rationale for Change

Since the decision in 2012 to renew the Council's agreement with Derby Homes, there have been four key changes that impact on that decision:

- (i) A new arrangement for the financing of council housing with far greater local control and the opportunity to undertake long term investment;
- (ii) A strong ambition by the Council to build new affordable housing in Derby;
- (iii) A worsening financial climate for local government which has prompted the Council to vigorously scrutinise all arrangements to ensure they achieve best value for the council tax payers of Derby; and
- (iv) A renewed Right to Buy offer from the national Government with generous discount levels that could have an adverse impact on the housing revenue account (HRA) business plan and result in a net reduction in council housing.

4.7 These changes prompted a review and a decision by Council Cabinet on 15 May 2013 to change the arrangements for the management of the Council's housing stock and functions in the city by adopting what has been termed the 'partnership model.' This decision was endorsed by the Derby Homes Board on 30 May 2013.

- 4.8 At its meeting on 15 May 2013 Council Cabinet decided:
- a) To adopt, in principle, the partnership model as the preferred model for the delivery of council housing in Derby;
 - b) To agree a comprehensive approach to the integration of support services to maximise efficiencies for the benefit of council tenants and council tax payers;
 - c) To place a moratorium on any changes in the current configuration of support services in Derby Homes;
 - d) To review the efficacy of the new governance arrangements after six months;
 - e) To inform the Secretary of State of the revised arrangements; and
 - f) To request the Monitoring Officer to amend the constitution through the annual meeting process.
- 4.9 Council Cabinet's reasons for making this decision were:
- a) It achieved good value for money in the long term, providing immediate savings to the General Fund and Housing Revenue Account;
 - b) It offered a new model of integration – by integrating the housing functions of the Council and the ALMO there would be a more holistic approach to housing issues for tenants and general residents;
 - c) Further savings would be generated through an integrated customer contact function and through an integrated back office;
 - d) It created a direct relationship between the Cabinet Member and tenants thereby offering greater accountability; and
 - e) It provided opportunities to maintain the level of housing stock.

4.10 **General Design Principles**

The design principles underpinning the approach being taken to implement the partnership model include the Adults, Health & Housing Directorate's *Putting People First in Derby (Values and Principles)*, and the overall one Derby one council principles. (The Putting People First, Transforming Adult Social Care, Values and Principles were approved by Council Cabinet in 2011).

- 4.11 Taking a customer based approach is an underpinning principle. It is therefore important to have an understanding of customer preferences and wishes. The following statements about customer preferences are not based on formal research but on informal soundings locally and through professional knowledge and experience and are our understanding of what customers have told the Council and Derby Homes:
- Being clear what the Council and Derby Homes can and cannot offer and making this information available as soon as possible;
 - If a service is needed and the Council or Derby Homes are to provide this, to put the service in place as quickly as possible;
 - Having to give basic information only once (or as infrequently as possible);
 - Talking to someone who has some knowledge of the customer and their circumstances;
 - The attitude of the member of staff - treating the customer with respect, positive, helpful (but clear what the Council and Derby Homes can and cannot do) - good communicator.

4.12 The Partnership Model: Governance arrangements

Within the partnership model the Derby Homes governing board will be slimmed down from five to three of each of the following: tenants/leaseholders, City Council representatives and independent representatives. The reasoning behind this is to reduce the cost of the board governance whilst preserving the balance of stakeholders that comprise the board. Consideration will also be given to encouraging the Council's key strategic partners such as the Police and NHS to take up the independent representative places thereby promoting greater integrated working with those agencies.

4.13 The Cabinet Member will transfer his responsibility for Derby Homes back to the Leader of the Council (or other designated Cabinet Member). In doing so, he will remove a potential conflict of interest and can now be one of the Council's board nominees. This will strengthen joint working between the Council and Derby Homes at Member level.

4.14 The model for grass roots involvement of tenants will be refreshed as, beyond the few involved in the City Board and DACP, genuine tenant involvement is modest and need revitalising.

4.15 The Derby Homes resources sub-committee will be abolished and its business considered at the main board. Greater use will be made of the City Board with devolved decision making on issues directly given to tenant representatives.

4.16 The Partnership Model: Staffing

Within the partnership model the post of Chief Executive of Derby Homes will be deleted and a new post of Director of Derby Homes created, with one of the three current Service Directors designated the Director.

4.17 The Council and Derby Homes will enter into a formal partnership agreement using the well-being powers within the Local Government Act 2000. The Council will integrate its Housing Options service and Derby Advice with Derby Homes' Housing Management Service. Council staff will retain their employment status with the Council but come under the day-to-day direction of Derby Homes' managers through the terms of a formal partnership agreement. This will deliver efficiency savings and offer a holistic housing and advice service.

4.18 The consideration of homelessness review requests as part of section 202 of the Housing Act 1996 will be retained by the Council to ensure sufficient separation between the Council as a statutory provider and Derby Homes as a potential recipient of such a request. This could be accommodated by re-locating the appropriate staff to the strategic housing function.

- 4.19 The integration of the housing management/income management functions with Housing Options and Derby Advice will provide the opportunity for improved customer facing services and also efficiencies which will maximise opportunities for dealing with increased demand around these service areas. We are confident of having a structure which provides more clarity for existing and prospective tenants.
- 4.20 Derby Advice will retain its branding and independence but will work alongside Derby Homes Income Management and Welfare Reform Teams. A more joined up approach - and use of Derby Homes' remote offices - will provide for improved service access, greater access to advice at a neighbourhood level and greater effectiveness through combined working.
- 4.21 There is a clear expectation that public sector services should be looking to achieve savings by combining and integrating support service functions such as Human Resources, Finance, Information Technology, Performance, Communications and Customer Contact. Given that Derby Homes is now situated in the Council House alongside Council colleagues, it makes sense to integrate these functions and make savings while sustaining or improving current performance. Obviously any savings made in the delivery of the contracted management function is ring-fenced to the Housing Revenue Account and re-invested in services that benefit Council tenants. In-depth work is being undertaken on a function by function basis to fully evaluate potential savings and potential models of delivery. In the meantime, a moratorium has been placed on any changes in these functions at Derby Homes.

4.22 **The Partnership Model: Accountability**

Within the partnership model the Strategic Director for Adults, Health and Housing Services will act as commissioner for the Derby Homes' service and hold the Director and Board to account in their discharge of the management agreement. The Strategic Director will hold the Director to account for the day to day running of those Housing Options and Derby Advice services deemed appropriate to devolve and this accountability will be discharged by the Director being a partner officer and member of the Directorate's Leadership Team with a reporting line to the Strategic Director.

4.23 **Project Management**

A Strategic Implementation Group (SIG) has been set up to manage these changes, chaired by Brian Frisby, Director of Younger Adults & Housing, who reports to Cath Roff, Strategic Director, Adults, Health & Housing. The membership is drawn from managers and HR, finance and legal services representatives from both the Council and Derby Homes.

4.24 A formal project management approach is being taken with three broad work streams, working concurrently:

- The integration of the management of Housing Options & Derby Advice with the management of Derby Homes, led by Lisa Callow, Head of Housing Options & Advice;
- The review of support services (across both DCC and DH), led by Roger Kershaw, Strategic Director, Resources;
- Governance, David Enticott, DH Company Secretary.

4.25 The programme is working to the following timetable:

Achieving change in Housing Management	Start Date	Finish Date	Current Stage
Project initiation	06/06/13		Completed
PIDlets completed	06/06/13	16/08/13	Completed
Options appraisals & engagement with staff and trade unions.	19/08/13	Start of formal consultation	Ongoing
Staff and trade union consultation, if required	TBC	TBC	
Implementation of new structures	TBC	31/03/14	

OTHER OPTIONS CONSIDERED

5.1 An options appraisal was undertaken involving Council officers and Derby Homes representatives to consider the merits of different models for providing the housing management, repairs and maintenance and development of new council houses. Four options were originally identified and considered, but eventually an approach was selected that sat between a completely separate Council owned housing company and bringing all housing management functions back in-house. This is referred to as the partnership model.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Service Director(s) Other(s)	Olu Idowu Toni Nash Liz Moore Brian Frisby Cath Roff
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IMPLICATIONS

Financial and Value for Money

- 1.1 The partnership model has been appraised for value for money and estimated to deliver £612k savings to the General Fund and £620k to the HRA.

Legal

- 2.1 The Council has a duty under section 105 of the Housing Act 1985 to consult its secure tenants when they are likely to be substantially affected by certain matters of housing management, including arrangements for the management of its housing stock. The consultation must include arrangements for tenants to be informed of the Council's proposals and to make their views known and the Council must consider any representations made to it before making any decision on the matter. Although there is no prescribed form of consultation, where changes are substantial", there is an obligation to at least mirror the consultation process adopted when the ALMO was first created. Subject to that proviso, the Council may adopt whatever arrangements it thinks is appropriate.
- 2.2 As required under the Housing Act 1985, the Secretary of State's approval was sought before entering into the management agreement and approval was given in 2002. The Council is required to seek the Secretary of State's further approval to vary a provision in the agreement if it is specified, or of a description specified, in the original approval. The terms of that approval require the Secretary of State to be given notice of any proposed changes to the terms of the agreement and for comments by him to be taken into account before determining whether and how to proceed with the changes. A decision will therefore need to be made about the most optimal time to notify the Secretary of State.
- 2.3 Counsel's advice has been sought on the legality of the Partnership model. The advice is that the model is lawful but that the 'commissioning' role at Member level would be better delegated by the Leader to another Cabinet Member than retain the role himself. Consultation would only be required if the changes were deemed to have a significant impact on tenants. Given that the Board structure remains in place and the service provider is unchanged, it is officers' view that the proposals do not amount to a significant change and therefore the Secretary of State need only be notified of the changes.

Personnel

- 3.1 Consultation with staff potentially affected by any proposals that might be developed and with the trade unions will need to take place. A timescale for proposals to be developed is being worked on and any consultation required is not likely to commence before the autumn. The relevant organisational HR policies and processes will be followed as they apply currently to Derby City Council staff and Derby Homes staff. The HR services in both Derby City Council and Derby Homes are developing guidance and information.

Equalities Impact

- 4.1 None specific.

Health and Safety

- 5.1 None specific.

Environmental Sustainability

- 6.1 None specific.

Asset Management

- 7.1 Derby Homes currently has an asset management plan which would be adopted by the Council if brought back in-house.

Risk Management

- 8.1 The risks associated with the partnership model were considered and documented as part of the detailed appraisal process.

Corporate objectives and priorities for change

- 9.1 The Council is committed to increasing affordable housing within the city and supporting sustainable developments.