

 Derby City Council	COUNCIL CABINET 15 May 2013 Report of the Cabinet Member for Housing and Advice Services	ITEM 12
The Future Arrangements for Council Housing		

SUMMARY

- 1.1 Derby City Council established Derby Homes, its Arms-Length Management Organisation (ALMO) in 2002 so that the Council could apply for government money to bring council homes up to the Decent Homes Standard (DHS). As a result, the Council invested around £97m from the government to carry out decent homes investment in council housing. This was completed in 2006. The Council also invested a further £7m in improvements to communal areas.
- 1.2 The Council renewed its management agreement, under the previous administration, with Derby Homes which runs from 2012 to 2022 with a break clause at year five. The rationale for this was that Derby Homes was a well-performing ALMO and should be allowed to continue.
- 1.3 Since that agreement was renewed there have been four key changes that impact on this 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.
 - (iv) A renewed Right to Buy offer from the national Government with generous discount levels that could have an adverse impact on the HRA Business Plan and result in a net reduction in council housing.
- 1.4 An options appraisal has been 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.

It considered four main options:

- Keep the ALMO as it is
- The "Council-owned housing company" – essentially a revised version of the

ALMO

- Bring the whole operation in house
- Bring housing management in-house but leave the repairs and maintenance function external as a trading company

1.5 In *One Nation Localism – how Labour Councils are delivering fairness in tough times*¹, Labour Councils have shown their determination to find new ways of delivering on our party's enduring values. New challenges require new thinking and this report therefore proposes a new model for council housing that harnesses the best of local government and the ALMO. This option sits between Option 2 (the Council Owned Housing Company) and Option 3 (bring back in-house). This is referred to as the **Partnership model** and the detail of this option is set out in 4.15-4.19 in the main body of this report.

RECOMMENDATION

- 2.1 To adopt, in principle, the Partnership model as the preferred model for the delivery of council housing in Derby.
- 2.2 To agree a comprehensive approach to the integration of support services to maximise efficiencies for the benefit of council tenants and council tax payers.
- 2.3 To place a moratorium on any changes in the current configuration of support services in Derby Homes.
- 2.4 To review the efficacy of the new governance arrangements after six months.
- 2.5 To inform the Secretary of State of the revised arrangements.

REASONS FOR RECOMMENDATION

- 3.1 The Partnership model is the recommended option because:
 - (a) It achieves good value for money in the long term, providing immediate savings to the General Fund and HRA.
 - (b) It offers 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 will be generated through an integrated customer contact function and through an integrated back office

¹ *One National Localism: How Labour Councils are delivering fairness in tough times*. Local Government Labour group, February 2013

- (d) It creates a direct relationship between the Cabinet Member and tenants thereby offering greater accountability.
- (e) Provides opportunities to maintain the level of housing stock



SUPPORTING INFORMATION

- 4.1 In September 2012, the Cabinet Member for Housing and Advice asked for an options appraisal to evaluate the future of council housing arrangements. Within the scope of the appraisal was:
- Housing management
 - Repairs and Maintenance
 - Development and new build
 - Support Services
- 4.2 A strategic review board was established comprised of Cabinet Member, the Chair of Derby Homes; the Strategic Director for Adults, Health and Housing, the Interim Chief Executive of Derby Homes and the Derby Homes Board tenant representative. This strategic group agreed the criteria and methodology for undertaking the options appraisal. The group was keen to strike the right balance between rigor and timeliness. The key aim of the group was to evaluate alternative models of delivery that would merit changing the current arrangements and if so, would those arrangements require formal consultation with tenants.
- As the single shareholder of the ALMO, the Council has the power and authority to choose whatever option it prefers but it is important to consider what is in the best interests of tenants and council tax payers.
- 4.3 The strategic board was supported by an externally appointed independent project manager and officers from the Council and Derby Homes.
- 4.4 The strategic review board agreed that all options should be appraised against the following criteria:
- Impact on customers
 - Tenant and leaseholder engagement
 - Value for money
 - Governance
 - Risk
 - The amount of change required
- 4.5 When considering different delivery models, a stock transfer was automatically ruled out as there is an explicit manifesto commitment to not transfer council housing out of the council's ownership.

Four initial options were considered and they can be summarised as:

- Option One: ALMO "as is"

- Option Two: Council Owned Housing Company – essentially a pared down version of the ALMO
- Option Three: Bring all functions in-house
- Option Four: The “Hybrid” – bring housing management in-house but keep repairs and maintenance external including the ability to build and own new homes

A more detailed description of each option is outlined in Appendix Two. A further option, Option 5, was added later.

- 4.6 Over December 2012, three workshops were held and based on the themes of housing management, repairs and maintenance and development and new build. The workshops were attended by council officers and Derby Homes employees. Each workshop evaluated the first four options against the criteria (the fifth option being added after the workshops). The pros and cons of each model were considered. Where an opinion on the merit of an option or not was contested, this was flagged. However there was considerable agreement amongst council and Derby Homes staff about the pros and cons and contested views were rare.
- 4.7 A different approach was taken regarding support services as it was agreed that, irrespective of which option was eventually adopted, (with the exception of Option Three which automatically assumes complete integration) that the choice for how integrated or not support services were was not directly linked to the delivery model eventually chosen. For example, the ALMO could be retained but have a completely integrated back office shared with the Council or it could be retained and a “lighter touch” taken to integrated support service functions.

A table top exercise was undertaken in an attempt to put some value to potential back office savings if a fully integrated approach was taken and these are included in the figures quoted for potential savings. However, a more in depth piece of work would need to be undertaken on a function by function basis to fully evaluate potential savings and models of delivery. The figures therefore set out in Appendix 1 represent the minimum amount of savings that can be achieved.

- 4.8 The outcomes of the workshops were circulated to all participants to allow for a further period of comment and then collated. A summary of the pros and cons of each option are set out in Appendix Three of this report.
- 4.9 A separate meeting was held with representatives from DACP (the grass roots tenants’ organisation) and the Board tenant representative to facilitate further comment from a tenant perspective. Thirty nine tenants attended the meeting which took almost three hours. There were general concerns expressed by tenants as to the Council’s motives for undertaking the review and whether the main motive was primarily financial. There was strong support for the point that money should not be the only driver in the review outcome. Key concerns were around maintaining good service delivery, performance and tenant involvement in the process. There was an acknowledgement through the comments that the Council does need to find savings to fund more services for those waiting for homes, i.e. the homeless. There was general agreement that options should be looked at that encouraged new build.

The meeting ended by tenant representatives formally voting on the options. Of the 29 people remaining at the meeting, all 29 voted in favour of Option 1 – the ALMO as is. A further vote was taken to see how many felt Option 2 could be further explored with 13 out of 29 feeling it had some merit. No tenants expressed support for any of the remaining options.

A summary of their views is set out in Appendix Four.

4.10 Issues to consider as part of the analysis

The fact that the Council now controls its Housing Revenue Account as a result of financial reform gives it some genuine opportunities to take a longer term strategic asset management approach to its housing stock. However, HRA reform brings some issues that the Council needs to consider in its approach to developing and building new homes:

- 4.11 The impact of **Right to Buy**: the government has set a maximum national subsidy level for Right to Buy which seems generous when compared to Derby house prices. Right to Buy is only available to people who are **secure** tenants.

There are different discount levels for houses and flats.

For **houses** there is a 35% discount if a person has been a public sector tenant for 5 years. For every extra year they have been a public sector tenant, the discount goes up by 1%, up to a maximum of 60% – or £75,000 (whichever is lower).

For **flats** there is a 50% discount if a person has been a public sector tenant for 5 years. For every extra year they have been a public sector tenant, the discount goes up by 2%, up to a maximum of 70% – or £75,000 (whichever is lower).

A special rule called a cost floor may apply. This is where the discount will be less if the landlord has spent money building or maintaining a home:

- in the last 10 years - if the landlord built or acquired the home before 2 April 2012
- in the last 15 years - if someone is buying their home through Preserved Right to Buy, or if the landlord acquired the home after 2 April 2012

- 4.12 The Council wants to maintain, as much as possible, the size of its housing stock. It can do this by supporting the ALMO to build new homes it would own outright (who would offer **Assured Tenancies**) and/ or by building exempt accommodation or by working with an external housing strategic partner (but under this model the Council would not own the asset).

There is a long list of circumstances when a property would be exempt from Right to Buy but the main reason is because the home is particularly suitable for occupation by elderly people (under paragraph 11 of Schedule 5 to the Housing Act 1985), where there are communal facilities or if the property is particularly suitable for a disabled person.

- 4.13 The ability to build new affordable homes through the HRA is limited by the debt cap set by the HRA financing arrangements. Under Derby City Council's debt cap it can afford to build about 100 new homes per year for the next three years within the existing HRA Business Plan.

Beyond the HRA limit for new build, the Council could borrow money to increase the owned housing stock via a strategic partner by between 150-300 in the next three years will.

- 4.14 The change in the housing market has meant an increased interest in the rented sector as a genuine investment prospect. The Council has already been approached by two developers, bringing their own investment funds, to build houses for rent including a sizeable portion of housing for affordable rent. Although discussions are at an early stage, it seems feasible that the Council can fulfil its aspiration to build more affordable homes without having to resort to borrowing itself to do so.

4.15 **The Partnership Model**

None of the options previously considered offered a compelling way forward: each having pros and cons. New challenges require new thinking and therefore officers have proposed an entirely new model for council housing that harnesses the best of local government and the ALMO. We have called this the **Partnership model**.

It is a new model of working between Derby City Council and Derby Homes. It is based on the following guiding principles:

- Maximising quality of service and value for money for both tenants, leaseholders and council tax payers
- Harnessing the strengths of both organisations
- Integrating services where it makes sense and can add value
- Ensuring the integrity of the commissioner/ provider relationship

4.16 **The proposal: Governance arrangements**

The 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 but preserve the balance of stakeholders that comprise the Board. Consideration should 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.

The Cabinet Member will transfer his commissioning responsibility for Derby Homes 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.

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.

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

4.17 **Staffing**

The post of Chief Executive of Derby Homes would be deleted and a new post of Director of Derby Homes created and one of the three current Service Directors be designated the Director.

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 would 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.

The consideration of homelessness review requests as part of section 202 of the Housing Act 1996 should 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.

The integration of the housing management/income management functions with Housing Options and Derby Advice would 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.

Derby Advice would retain its branding and independence but would 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.

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. A more in-depth piece of work would need to be undertaken on a function by function basis to fully evaluate potential savings and models of delivery. In the meantime, it would be sensible to place a moratorium on any changes in these functions at Derby Homes until this detail is worked through.

4.18 Accountability

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.

4.19 The benefits of this model are:

- An integrated, holistic housing and advice offer to Derby residents
- Strengthened governance with a greater active role for tenants
- Closer working relationship at Member and officer level
- Opportunities to own a level of Council-owned stock
- As it is not a significant change to services to tenants it would not require formal consultation or a ballot for approval

OTHER OPTIONS CONSIDERED

- 5.1 The Council could consider a stock transfer but this was eliminated as a possible option because of the manifesto commitment to keep council housing with the Council.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Olu Idowu Toni Nash Liz Moore N/A N/A
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For more information contact: Background papers: List of appendices:	Cath Roff 01332 643550 cath.roff@derby.gov.uk None Appendix 1 – Implications Appendix 2 – pen pictures of options considered Appendix 3 – Summary of options appraisal Appendix 4 – Feedback from DACP meeting
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IMPLICATIONS

Financial and Value for Money

- 1.1 Each option was appraised for the Value for Money. Savings were mapped across all five options and whether they fell to the General Fund or HRA. In summary they were:

Option	General Fund £'000s	HRA £'000s
ALMO as is	612	410
Council Housing Co.	612	616
In-house	612	809
Hybrid	612	616
Partnership model	612	620

- 1.2 The Medium Term Financial Strategy has general fund savings targets of £200k and £400K respectively for 2013/14 and 2014/15 attributed to the Council's chosen model for housing management. £195K of the profiled savings relate to aspects of Treasury management and will need consideration by the Strategic Director of Resources as part of the Council's wider Treasury Management strategy.

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.

- 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 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 advised of the changes.

Personnel

- 3.1 The proposal includes possible restructuring and, although likely to be small in number, potential redundancies in either Derby Homes or Derby City Council. This will require full staff consultation with both Derby Homes and Derby City Council staff and there will need to be objective selection criteria agreed by both organisations and Union representatives to ensure that, where numbers need to be reduced, the most appropriate candidates are selected for the remaining positions regardless of the employing organisation.

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 each option 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.

Appendix Two: Pen Pictures of the Options considered

Option One: Retain the ALMO

Operating model – in a nutshell

This would be retaining the current framework for delivery of housing management and maintenance service is through the Arms-Length Management Organisation.

The organisation is split within three Directorates:

*Housing Management & Customer Service
Housing Investment and Regeneration
Finance, IT, Personnel, Performance & Governance Services.*

The current structure has designated support services which work directly alongside and contribute to service delivery outputs.

There is interaction between services within Derby Homes which allows for high service standards in areas such as responsive repairs, management of empty properties and tenant involvement.

Governance

Derby Homes is a wholly owned by Derby City Council, the formal relationship is set out in the Management Agreement.

Derby Homes has a Board of 15 members who are legal directors of the company. Four board members are elected by tenants, one by leaseholders. Five members are nominated by the Council and five independent board members are recruited by the Board and approved by the Council.

The role of the board is to set the strategy of Derby Homes and to monitor the delivery of our priorities and to oversee the work of the Executive Team.

Beneath the board there is the Resources, Remuneration and Regeneration Committee and Audit Committee.

The City Board consists of a majority of tenant and leaseholder members and main board members. The main role of the City Board is to make key decision on front line services, monitoring day to day performance plus agreeing improvement of housing services across the city.

Tenant Engagement

A comprehensive structure of tenant involvement runs through from localised Housing Focus Groups, City Board and Main Board structures into which Service Managers across the business interact with tenants and leaseholders on service improvement proposals.

Service delivery: housing management

Delivery of the housing management function remains decentralised through a network of local housing offices and surgery locations across the city ensuring that the housing service remains accessible for customers and also employees who work remotely 'in the field'.

The dedicated housing enquiry centre provides a specialist single focus operation dealing with first point of contact enquiries from customers aiming to deal with 80%+ of all enquiries at the point of contact. Telephony systems provide for an automated options menu routing repairs calls to our dedicated team of repairs specialists based alongside the repairs team at London Road. We have incorporated processes alongside the 'scheduling' team to achieve improvements in service standards. Balancing performance standards are achieved by a two-way overflow between the generic team and specialist repairs teams at peak times.

Service delivery: repairs and maintenance

Management of empty properties and allocations are also combined processes within the Repairs Team and Housing Management Team.

Through the current structure Derby Homes contributes to the Council's neighbourhood management framework by funding 5 Housing/Neighbourhood Managers and 3 Community Safety & Engagement Officers. These operate neighbourhood management within 5 wards and enable DCC to meet the expectations of this agenda.

Option Two: Council Owned Housing Company

Operating model – in a nutshell

Derby Homes would remain an arms-length housing company but with revised governance. It could take on further housing management functions such as Housing Options but the main strength of this proposal is the suggestion it can generate loan payments from savings made on the management fee for housing management and maintenance services. By using this facility Derby Homes could borrow money to build new homes that would remain a Council asset and be owned directly by Derby Homes.

Governance

The existing governance arrangements can be reviewed and revised to allow for more direct control and less duplication.

Such as

- Smaller Board, to include Executive lead member/Council officer
- Retention within council control and ownership/no stock transfer
- Review delegated powers to bring decision making into line with Council processes.
- Review Executive team structure

- Retain/strengthen City Board arrangements – to increase involvement and influence of tenants and leaseholders
- Increasing direct involvement of ward members, eg, through Neighbourhood Structure
- Maximising in-house delivery of services

Model for tenant engagement

A comprehensive structure of tenant involvement runs through from localised Housing Focus Groups, City Board and Main Board structures into which Service Managers across the business interact with tenants and leaseholders on service improvement proposals.

Housing management

Delivery of the housing management function remains decentralised through a network of local housing offices and surgery locations across the city ensuring that the housing service remains accessible for customers and also employees who work remotely 'in the field'.

The dedicated housing enquiry centre provides a specialist single focus operation dealing with first point of contact enquiries from customers aiming to deal with 80%+ of all enquiries at the point of contact. Telephony systems provide for an automated options menu routing repairs calls to a dedicated team of repairs specialists based alongside the repairs team at London Road. Processes alongside the 'scheduling' team have been incorporated to achieve improvements in service standards. Balancing performance standards are achieved by a two-way overflow between the generic team and specialist repairs teams at peak times.

Repairs and maintenance

Management of empty properties and allocations are combined processes within the Repairs Team and Housing Management Team. The repairs and maintenance function will seek to continue to trade and win external contracts, subject to the Council's approval.

Option Three: bring back in-house

Operating model -in a nutshell

Under this option all the current functions of Derby Homes would be brought back in-house. There would be two main options for how it would be structured within the Council: either put in the Adults, Health and Housing Directorate in its entirety or the housing management function would sit in Adults, Health and Housing and the repairs and maintenance function within Neighbourhoods. The back office functions would be totally integrated.

Governance

The housing management and repairs function would be governed through the current system for other Council services, i.e. with policy and strategy being set by Cabinet and implemented by Council officers

Model for tenant engagement

The Council regards it as essential that it continues to work in partnership with tenants and would continue to support an on-going participatory model of tenant and leaseholder engagement through elected representatives sitting on a Housing Board co-chaired by the Cabinet Member for Housing and Advice Services and a tenant representative. The Board members would work together on the strategic priorities for the HRA Business Plan and wider issues that are important to tenants.

Housing management

Under this option customer enquiries will be integrated within Derby Direct. Housing management and Housing Options and Derby Advice would operate as an integrated service.

Repairs and maintenance

This would continue to function as it currently does and will also lead on building new houses. Housing development will be integrated into one team in the Council with an over view on all developments including affordable housing. We would wish to see it continuing to trade in order to bring in additional income.

Option 4: The Hybrid Option

Operating model – in a nutshell

This option considers splitting the management and maintenance functions of Derby Homes. Housing management would move back into the Council within the Adults, Health and Housing Directorate. The Maintenance team of Derby Homes would continue to operate as a separate limited company of some form e.g. ALMO or other. Housing development and new build would be delivered by the external service.

- **Governance arrangements**
 - funded through fee income for services
 - Will need a (small) board
 - Requires accounts, audit etc
 - Revised memorandum and articles will be required
 - Links back to DCC reporting performance etc
- **Model for tenant engagement**
 - Role of tenants on the Board
 - Consider working with existing groups City Board, HFG's, Neighbourhood networks
 - Tenant scrutiny of the maintenance service
 - Does this option give new opportunities for tenant engagement
 - How will tenant engagement help improve the service
- **Housing management** (delivered from within the Council)

- Linkage and interfaces with maintenance processes e.g. enquiry centre support
- Ensuring close working on a day to day basis to maintain service standards and control costs
- **Repairs and maintenance** (delivered as a separate entity)
 - Continued progress to improve the quality and efficiency of the service
 - In-house delivery of most services
 - Investment planning functions
 - Procurement of specialist maintenance work and supplies
 - Trading/profit ability on external work and contracts

Option 5: The Partnership Model

Operating model – in a nutshell

This option would retain a slimmed down version of the ALMO. The Council and the ALMO would enter into a Partnership Agreement which committed both parties to an integrated approach that delivers better value and improved services for people. Housing Options and Derby Advice would integrate with Derby Homes housing management function whilst retaining the Council as employer. There would be an integrated customer contact service with Derby Direct and integrated support service functions (ie. Human Resources, Communications, Finance, Performance, Customer Contact, Information Technology).

Governance

The governing Board will be slimmed down to 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 but preserve the balance of stakeholders that comprise the Board. The Cabinet Member for Housing and Advice services will transfer his commissioning responsibility for Derby Homes to the Leader of the Council (or other designated Cabinet Member). In doing so, he removes a potential conflict of interest and can now be one of the Council's Board nominees. The resources sub-committee will be abolished and its business considered at the main Board.

The post of Chief Executive of Derby Homes will be deleted and a new post of Director will be created and one of the three current Derby Homes' Service Directors be designated the Director.

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 of Derby Homes to account for the day to day running of the Housing Options Service and Derby Advice and this 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.

Model for tenant engagement

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

needs revitalising. Greater use will be made of the City Board with devolved decision-making on some issues directly to tenant representatives.

Housing management

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.

The benefits of integration of the customer contact and the back office functions will be considered and acted on where there are clear customer benefits and efficiency savings to be made.

Repairs and maintenance

This would remain as it currently is. It could continue to trade to bring in extra income. Derby Homes could directly own council housing.

APPENDIX 3: Summary of Options Appraisal

No.	Summary of model	Pros	Cons
1	ALMO “as is”: This would keep Derby Homes as is currently is	<ul style="list-style-type: none"> • Currently well performing • Single focus • Formal tenant involvement in the Board • Can build 100-150 new houses within HRA debt cap • Some General fund and HRA savings achievable 	<ul style="list-style-type: none"> • Achievement of savings on General Fund constrained if no integration of support services achieved • No protection on RTB but cost floor protection for 10-15 years on new build
2	“Council Owned Housing Company”: This would significantly reduce the size of the Board, make the Cabinet Member the Chair of the Board and the Strategic Director of AHH the Chief Officer across both organisations. A “surplus” from the management fee would help cover the costs of borrowing to build new homes which would be owned by Derby Homes. Housing Options and Derby Advice could also transfer to Derby Homes.	<ul style="list-style-type: none"> • Strengths as above • Potential efficiencies if housing management, Housing Options and Derby Advice integrated • Protection against Right to Buy for new build built through Council lending Derby Homes the money through prudential borrowing • (un-tested) mechanism to build additional 100-300 homes in addition to HRA build 	<ul style="list-style-type: none"> • Legal advice is that proposed governance model breaches statutory guidance so can’t do • Arguably weakens governance • Mechanism for creating “surplus” to cover the costs of borrowing untested • Reduces tenant involvement on the Board
3	a) Bring in-house This would bring the whole function directly back under Council control with integrated functions across housing management and support services. Savings in the management fee could fund the	<ul style="list-style-type: none"> • No reason to believe an excellent service would not be retained as current staff would transfer across • Benefits of housing management integration with Housing Options and Derby Advice but Council retains direct control 	<ul style="list-style-type: none"> • Potential risk of service performance dipping but difficult to see why • May be opposed by some tenants committed to the ALMO model • Would require new tenant engagement model

No.	Summary of model	Pros	Cons
	<p>building of new council homes b) Bring in-house but set up a shell company</p> <p>A shell company would protect newly built council houses from right to buy acquisition</p>	<ul style="list-style-type: none"> • Savings in the management fee would increase the number of homes that could be built within the HRA debt cap • Repairs and maintenance could make a trading surplus that could fund the cost of borrowing to build additional (100-300) homes outside of the debt cap • Set up governance model for tenants with direct relationship with Members • Would achieve the greatest General Fund and HRA savings through integrated support services and customer enquiry function • Shell company gives council ability to protect new build from RTB • Faster decision-making 	
4	<p>The “Hybrid”: bring housing management in-house and keep repairs and maintenance out</p>	<ul style="list-style-type: none"> • Savings through integrated approach • Benefits similar to those described in (3) 	<ul style="list-style-type: none"> • More expensive as retain two sets of governance and infrastructure • Potential protection against RTB • Splits commissioner and contract relationship which is considered to be less efficient
5	<p>The Partnership model</p>	<ul style="list-style-type: none"> • Improved service offer to tenants • Valued services such as housing management and repairs remain the same and under the direct control of Derby Homes • Devolved decision-making to tenants on 	<ul style="list-style-type: none"> • Not optimum model for achieving savings to the HRA (optimum model is to bring in-house) • Model may not be supported by affected staff

No.	Summary of model	Pros	Cons
		<p>designated issues</p> <ul style="list-style-type: none"> • Focus on rejuvenating grass roots tenants involvement • Slimmed down Board saves money to HRA • Closer working at a strategic and policy level achieved by Housing Cabinet member sitting on the Board • Revised governance strengthens partnership working with statutory agencies • Integrated service offer to tenants • Potential for Derby Advice to have greater reach into neighbourhoods which fits in with Council's wider neighbourhood management policy • Maximum savings achieved through integrated support services • Greater synergy with Council services achieved by Director of Derby Homes becoming a member of the Adults, Health and Housing Directorate Leadership Team 	

Appendix 4: Feedback from DACP consultation meeting

Option 1

Positives for retaining AS IS	Negatives for AS IS
"Derby Homes listens better than the council used to."	None raised.
"Derby Homes show greater respect".	
"Derby Homes call centre offers superior service".	
"DCC should integrate its services into Derby Homes not vice versa".	
"Derby Homes key strength is the focus it gives to tenants".	
"Derby Homes Board provides strong supervision for HRA spending, the Board provides checks and balances".	
"Derby Homes have a track record of delivering savings".	

Option 2

Positives	Negatives
"Some merit providing Chair of City Board is a tenant".	Tenants may still be confused if a council or derby homes tenant.
"City Board should include expertise from independents".	Risk of losing independent board members.

Option 3

Positives	Negatives
Derby Homes aren't perfect.	High risk of drop in performance, particularly in relation to repairs service and enquiry centre and tenant consultation. DACP concerned that they would lose influence.
Acknowledgement that this would result in highest savings	Concern that savings might not be worth possible risk of reduced service/satisfaction
	"Didn't want to be tarnished with the same brush as the council".
	Current governance provides a buffer against political change/influence – this could be lost.
	Concern about effect of fragmentation if services split up within the council.
	Rolling Derby Homes back in would be a

Positives	Negatives
	backward step
	Tenants felt strongly that they feared the passion of tenants would be lost.

Option 4

Positives	Negatives
	A negative to split the core service areas of management and maintenance.
	A fear that HRA may be used for non HRA or inappropriate services/uses.

