

To help make life better for the people of Stevenage by providing excellent housing services

# Stevenage Homes Limited

## Road Map to Change



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The Board of Stevenage Homes wishes to propose that the Council takes the opportunity to build on the work of the option review in the following way:

- ❖ Retain the ALMO in the short-term enabling the Company to continue to deliver the Improvement Programme up to the end of 2013 (this will coincide with the end of the current funding approved in 2010).
- ❖ Establish a Housing Commission made up of tenants, Councillors, Board Members and Senior Officers to move quickly into 'Stage-two' of the options review to report in September 2012.
- ❖ Consider as part of that Housing Commission the possibility of setting up a cooperative based social enterprise for managing the housing stock based on a mutual or similar model, where both the council and tenants have a stake in the future role of social housing in Stevenage.
- ❖ Use this time to ensure a smooth transition to the new HRA Self Financed system in April 2012 using the final figures due out in November.
- ❖ Define the structure for the Housing Service based on the options being considered by the Housing Commission.
- ❖ Set aside the cost of bringing the service back in-house (circa £500k - £700k) to support the long term strategic vision for housing in Stevenage.

## Message from Roger Gochin, Chair of Stevenage Homes Board

Stevenage Homes Ltd (SHL) are not putting forward a case for or against the delivery of an in-house housing service or the retention of the ALMO. If either option is chosen there is an obvious need to undertake fundamental change to deal with the issues facing Stevenage in the longer term.

Our view is that confining the Housing Options Appraisal to two choices limited a broader debate, especially as since the start of the process both the context of housing and local government finance and strategy have changed. Indeed the Council have indicated their wish to see a "two-stage process" to finalise the most appropriate structure and operational vehicle to deal with these issues and the Board wants to endorse and support this objective.

We advocate an immediate review of all the emerging national options for social enterprises whilst we still have the opportunity to do so. In the short term, we suggest continuing the SBC and SHL arrangement whilst this fundamental review takes place over the next year to 15 months ready for an April 2013 start. This coincides with the completion of the phase one of our Backlog Decent Homes programme.

It does not preclude the Council and the company agreeing the necessary financial savings and the direction of travel, whatever the final structural outcome. It will have the potential advantage of putting Stevenage alongside the most forward thinking and innovative authorities and will enable the Council to develop its co-operative Council objectives quickly.

The Board believes that the Council already faces significant economic and political challenges without diluting attention away from the continued improvement of housing services. We seek to support and encourage the Council to develop a broader strategy for housing in Stevenage using a model for strong community partnership

In pursuit of this, the Board is keen to provide our vision as to the nature and shape of such a partnership. These proposals include the setting up of a Council led Housing Commission to oversee stage-two; they are outline in their nature, as the Board believes that a joint approach to a new partnership is vital, so that we play to each organisation's strengths using our skills and philosophy to enhance the Council's aim to be an exemplar 'Co-operative Council'.



**Roger Gochin, Chair of Stevenage Homes Board**

## Executive Summary

Stevenage Homes Ltd supports the need for a review of the way that housing services are delivered in Stevenage. The Board believes that there is massive scope to take the successes of the existing ALMO model and explore ways to improve and expand the range of services for people in Stevenage. Bringing in new income, expanding existing services into the private sector and driving out duplication and waste are just some of the opportunities which are currently possible.

The Board wishes to stress that it acknowledges the short term proposals are only part of a broader debate, but believes however, that the timing for bringing about wholesale change is not now. This document is a short strategic proposal for a 'Road Map to Change'.

Whilst the Board understands that there are arguments for taking the service back in-house, it also suggests that the arguments which have been presented are limited in their scope, requiring further assessment about risks and rewards and are also silent about any long term vision for Stevenage.

The Board agrees with the Council's own assessment that neither the in-house nor modified ALMO model can offer even a medium term solution to the challenges of the Self Financing Business Plan.

## Introduction to the *Road Map to Change*

Stevenage Borough Council faces some significant challenges in maintaining its housing service and investing in tenants' homes in the coming years especially following the introduction of a new HRA Self Financing Business Plan in 2012.

The Board of Stevenage Homes believes that we can present the Council with a 'home grown' partnership to deliver:

- ❖ A shared passion for making Stevenage a better place to live.
- ❖ Opportunities to work to deliver efficiencies through a partnership whilst maintaining and improving service.
- ❖ A strong track record of improvement.
- ❖ Potential for sustaining future investment in tenants' homes.
- ❖ A structure which empowers tenants in decision making through Board expertise and independent scrutiny.
- ❖ The bridge to a Social Enterprise for Housing.

Our 'two star' journey is now a proud part of our history, but is seen more importantly as a springboard to further improvement involving customers in shaping services for the future. Our organisation's distinct identity plays an important part in staff pride which ultimately drives our company success.

The Board welcomes the proposal to make this Housing Option Review a two-stage process and agrees with the Council that neither the ALMO nor an in-house service can deliver solutions which will flourish in the context of Self Financing but the Board continues to advocate that the ALMO is the best short term vehicle to promote this two-stage process.

The Board also believes that the track record and success of the ALMO also offers the Council the most effective and least risky option given the lack of specific detail about how services would be delivered within the CIH report presented to the steering group in May 2011 to continue to deliver services until more detailed strategy can be developed.

The Tribal Self Financing Report has identified a capital shortfall of circa £110m within the early part of the new Business Plan which cannot be funded because of the cap on borrowing. Re-profiling spending, making savings to revenue costs, maximising income potential and effective treasury management are all components in improving this position, but will not ultimately deliver sufficient benefits to plug this gap.

A joint working group of officers from SBC and SHL has been working on the approach to narrow the gap, but this comes at the expense of a deferred capital improvements programme and residual debt beyond the life of the 30 year plan.

The two-stage process for assessing the strategy and most appropriate way to tackle this borough wide challenge is vital and stands as a demonstration of a commitment to finding a collective solution.

However the Board are keen to see these issues considered sooner rather than later, as there is a danger that the useful momentum which has been generated through the Housing Option process will be lost if there is a delay in looking at the next stage.

A strong strategic partnership to sustaining housing in Stevenage will enable the Council to maintain its close links with tenants, protect services and deliver high quality 21<sup>st</sup> century rented homes. The two-stage approach offers the Council the opportunity to forge a true partnership based on mutual respect and benefit by engaging a wide range of tenants, leaseholders and stakeholders in that debate.

Over the past five years since our formation SHL has consistently improved performance, savings to build back up the balances within the HRA, seen staff grow and flourish in an atmosphere of positive challenge and developed a culture which continues to be 'hungry for more improvement', involving tenants in everything we do.

## A Shifting Landscape

Since embarking on the Housing Options appraisal in January 2011, much has happened in the world of housing including greater detail about the proposals to introduce Self Financing, and the very recent publication: *Building on the potential of ALMO's to invest in Local communities* published in late June 2011.

In January 2010, the Council recognised that Self Financing would offer opportunities for the Council to develop long term plans for Housing which to date have been severely limited within the existing Subsidy framework. At the same time, the Council acknowledged that Self Financing would not offer the scope to invest in tenants homes to the level identified within the Stock Condition Survey (SCS). The SCS identifies the need for £457 million investment over the next 30 years, and is a minimum standard of investment which does not include additional finances for remodelling and redevelopment of stock which is economically unviable.

The Asset Management Strategy defines 'unviable' as requiring more investment than income generated over the 30 year life. This viability is even more challenging once the Self Financing debt of approximately £25k is applied to each property.

Finding an innovative and long-term solution to the investment needs of the stock is key. Tenants tell SHL that they want to see their homes maintained to a modern standard, with rents which are affordable, and that they want to see a long term solution which will give certainty. At the time when the Council's Executive considered the Housing Option paper there was less detail available about some of the new thinking about housing models.

This thinking is now much more advanced and as such, offers the Council the opportunity to examine in more detail the impact of Self Financing, alongside these alternative delivery models on the basis that this can now legitimately form part of the 'two-stage process'.

Using this approach, the Council could ensure that potentially expensive choices about changes to the delivery model can be done once rather than making changes to the management agreement, or bringing the service back in-house and then considering further changes which are both disruptive, costly and carry risk.

The *Consult CIH* report suggests costs in the region of £500k - £700k to bring the service back in-house, money which can be set aside to fund changes in the event that a long term in-house solution could be identified within stage-two of the Housing Option review. The Board has reviewed the Consult CIH report and provides a detailed assessment of its content in a separate document called *Stevenage Homes Ltd Observations of Consult CIH's Options Appraisal Analysis*.

In addition, we have provided a précis of our assessment of the risk associated with the limited choice of retaining SHL and bringing the service back in-house.

In the short term, our assessment indicates that there is greater risk in bringing about change prior to doing a full review of all the options. In addition the costs of change identified by Consult CIH wipeout the year 1 savings.

The Council would also be able to involve tenants in a broader debate about how Self Financing will impact upon their services and offer tenant's engagement in line with the Council's stated Cooperative Council objectives.

There is a clear expectation from the Regulator that tenants are actively involved in such decision making, but in order to make this involvement meaningful, time and effort needs to be put into communicating and educating them especially as the topic is complex.

Additionally, CIH Consult have identified the need to broaden and modernise further the local approach to involving tenants and these proposals offer the Council an opportunity to address these issues with FoSTA and other tenants, through a Housing Commission.

We therefore propose:

- ❖ That any decision arising from the Housing options phase-one stage is deferred for one-year.
- ❖ SHL continue to manage the housing service in an interim capacity until April 2013.
- ❖ A Housing Commission is formed by the Council involving SHL, SBC, tenants and other stakeholders.
- ❖ The Housing Commission conducts a one-year enquiry into the range of housing management options now available
- ❖ A preferred option is proposed to Full Council in Autumn 2012
- ❖ A consultation and implementation plan is rolled out for April 2013.

## Partnership Working into the Future

In 2010 Stevenage Borough agreed to adopt the principles to deliver services as a Co-operative Council. Work is ongoing to refresh the Corporate Plan through wider consultation and SHL welcomes these principles as they recognise the right of the community to influence, shape and directly deliver services. These principles resonate strongly with the Values of SHL, especially in relation to having tenants and customers at the heart of what we do.

| Stevenage Borough Council<br>Co-operative Council Principles  | Fit With SHL Current Values                |                                      |   |                                   |   |
|---|--|--------------------------------------|---|-----------------------------------|---|
|   | <i>To be open, honest and professional</i> | <i>To be friendly and supportive</i> | <i>To use modern and original ways of working</i> | <i>To listen to our customers</i> | <i>To include everyone in our work, by promoting equality and valuing diversity</i> |
| The Council as a strong community leader  |  |                                      |   | ✓                                 | ✓   |
| Working together with the community and other agencies to provide services based on needs                               | ✓  | ✓                                    | ✓   | ✓✓                                | ✓✓  |
| Communities empowered to design and deliver services and play an active role in their local community                   | ✓  |                                      | ✓✓  | ✓✓                                | ✓✓  |
| A clear understanding between the Council and our communities - this is what we do, this is what we will help you to do | ✓  | ✓                                    | ✓   | ✓                                 | ✓   |
| Joined up and accessible services that offer value for money and focus on the customer                                  |  |                                      | ✓   | ✓✓                                | ✓✓  |
| <b>Key:</b> Aligned   | ✓  |                                      |   |                                   |   |
| Closely aligned   | ✓✓   |                                      |   |                                   |   |

The Board agrees that the degree of partnership working between SHL and SBC has been challenging, with varying degrees of success. It also believes that the responsibility for improving relationships rests both with the Council and the Board and believes strongly that developing this will require commitment and positive energy in the coming months.

Delivering Co-operative Council principles requires a shift in the balance of authority between elected representatives and the community. It challenges Councils to ‘let go’ of directly delivering services so that others can do this on the Council’s behalf by sharing control. It also recognises and allows councils to deliver services where there is strong evidence that they are best placed to do so.

SHL is well placed to help the Council deliver strategic objectives as it is an established company with a primary focus on Stevenage. As a key stakeholder with a Board made up of local people, SHL can be a true partner in a range of ways which complement the Council’s principle of being a ‘strong community leader’.



SHL view our stake in the community as being much more than that of simply maintaining 'bricks and mortar'. We possess the scale and presence to offer the Council support to deliver its wider community regeneration objectives. We already lead on Family Intervention and Support Services for Older People and we have been, and are, developing further skills training for tenants. We see these factors as part of a menu of services upon which to build for the future. We can clearly demonstrate how our activities support those of the Council and So Stevenage, as set out within Appendix 1.

In particular, SHL possess the skills in asset management to offer the Council a ready made structure against which to align its 'Social Enterprise' objectives. For example, it would be useful to explore the opportunity to establish a social enterprise to maintain community assets alongside training young people in a variety of practical maintenance skills through apprenticeships.

SBC is showing leadership in the way that the Council is embracing *Working Together* and there is a precedent for partnership working with other organisations such as Stevenage Leisure Ltd and other Local Authorities.

The challenges faced by the town are significant. The 'New Town' factor of homes and community buildings ageing together will become more and more obvious in the next few years. Finding innovative solutions to deal with these challenges should not be only the responsibility of the Council. The Board of SHL believes strongly that we are well placed to support the Council in developing a solution to these issues.

## **Being a single focus for Housing**

The Board believes that our strength rests in our single focus on Housing. We believe that we could further enhance this single focus by exploring opportunities to manage other elements of service delivery in the short term on the basis that this can offer efficiencies to both the HRA and the General Fund. Examples might include a full Housing Options service including enhanced advice and homelessness support.

In addition we can deliver enhanced landlord services in the private sector by offering repairs, lettings and responses to ASB using our skills to generate income to offset overheads.

Investing in new services for tenants is another area where there are opportunities to develop social enterprises using their resource as a training opportunity. We believe that our track record shows that we are able to deliver support to vulnerable people by bringing together the skills of staff and working with other organisations such as the Citizen Advice Bureau and the Police, if the Council were to delegate service delivery of these front line services we could offer significant savings.

In doing this it would help the Council to release resources into the strategic aspects of the Housing Service without the need for duplicated costs to the HRA and General Fund. There are many examples of where this delegation has been successfully delivered by ALMO's and stock transfers.

We can also offer expertise and capacity to manage and increase resources into the Customer Service Centre (CSC) as this is an area of mutually beneficial activity to the Council's customers and tenants. This would drive efficiency and save costs, especially given that some 50% of calls into the CSC relate to housing in one form or another. Currently the Council spend significant time and money training new staff and by deploying resources differently, we could streamline and enhance the customer experience.

## **Driving the Efficiency Agenda**

### **The story so far (2007/08 – 2011/12)**

SHL is proud of its track record for delivering value for money, having made a total of £3.7m of efficiency savings since 2007/08 and real reductions in management fees year on year.

In 2010/11 our Value for Money strategy achieved over £1.3m of cashable savings. Revenue savings, mostly employee costs, were over £804k with a further £514k of capital savings on major works contracts. In addition, £706k in 2009/10 and a further £215k in 2010/11 was obtained in grant funded loft and cavity wall insulation work freeing up our own resources for other priorities (a further £1.2m of grant funding has been obtained in 2011/12).

### **The story moving forward from 2011 - 2014**

SHL recognises the need for further savings to be made and as part of our Value for Money Strategy are proposing efficiency savings of £750,000 in 2012/13 and £250,000 in 2013/14 (see table below).

These savings require a reduction of 7.5% in employee costs, overheads and Service Level Agreement recharges, and we will work with SBC to reduce the retained HRA budget costs of £4m by just over 6%. This will reduce the potential impact on front line services which have already come under severe pressure due to the robust approach to efficiency savings adopted by SHL.

| <b>Breakdown of SHL's proposed efficiency savings</b>   |                 |                          |
|---|-----------------|--------------------------|
| <b>Proposed saving</b>  | <b>Balance</b>  | <b>Total</b>             |
| <i>Service Level Agreement (SLA) duplication: Salary savings on Resources support functions</i>   | <b>£42,000</b>  |                          |
| <i>Service duplication: Salary savings on Organisational support functions</i>  | <b>£155,000</b> |                          |
| <i>Senior Management (support): Salary saving Executive admin support</i>   | <b>£24,000</b>  |                          |
| <i>Savings target on SLA's @ 7.5% Reduction in Council recharges (through negotiation)</i>  | <b>£160,000</b> |                          |
| <i>Staffing savings target through Shifting Gear project @ 7.5% of staffing costs, achieved through rationalisation of business support and customer services: .</i>                | <b>£258,000</b> |                          |
| <i>Staffing saving target through reduction in Operational admin support £111,000</i>   | <b>£111,000</b> |                          |
| <i><u>Total 2012/13</u></i>   |                 | <b><u>£750,000</u></b>   |
| <i>Savings target on Retained HRA budgets @ 6% approx (2012/13), achieved through better partnership working creating savings in monitoring and service justification activity.</i> | <b>£250,000</b> |                          |
| <i><u>Total 2013/14</u></i>   |                 | <b><u>£250,000</u></b>   |
| <b><u>Total</u></b>   |                 | <b><u>£1,000,000</u></b> |

### **The Housing Revenue Account (HRA) Business Plan**

The Board acknowledges the difficulties identified in the CIH analysis of the current joint management arrangement of the HRA, and believes it would be best managed through a single point of responsibility.

The benefits of the Council and SHL working together have been demonstrated in the Joint Housing Finance Reforms Project Group set up to produce a new Business Plan for Self Financing purposes. This group comprises of senior management from both organisations.

One of the key concerns for the Board is that whilst work is ongoing to gain greater understanding of the impact of the final HRA Self Financing, further detail due out in September, there is a risk that the financial assessment of the savings possible by bringing the service back in-house are overstated. The forecast financial position based on Self Financing under each option:

| <b>Affects on the 30-year Business Plan under each option</b> |                    |               |
|---|--------------------|---------------|
| <b>Projections</b>  | <b>SBC</b>         | <b>SHL **</b> |
| <i>Efficiency savings over 30 years</i>                       | <b>£18m - £25m</b> | <b>£28m</b>   |
| <i>Shortfall in capital funding</i>                           | <b>£ 46m*</b>      | <b>£ 45m</b>  |
| <i>Year debt starts to be paid off</i>                        | <b>Yr 16</b>       | <b>Yr 16</b>  |
| <i>Residual debt at year 30</i>                               | <b>£ 38m*</b>      | <b>£ 36m</b>  |
| <i>Revenue balance at year 30</i>                             | <b>£ 4.6m</b>      | <b>£ 4.6m</b> |

*\*\*Source: the Joint Housing Finance Reforms Project Group's Business Plan model 1<sup>st</sup> August 2011, membership is Strategic Directors SBC, Head of Finance SBC, Director of Resources SHL and Director of Property SHL.*

*\*Assumes £25m saving achieved (resulting in adding £1m to capital shortfall and £2m to residual debt)*

### **Assumptions**

This table is based on the assumptions made in the most recent Business Plan model for a managed debt scenario as at 1 August 2011. Managed debt recognises the need to carry a degree of debt in order to 'live within our means' once the Council has full control over its HRA finances from April 2012.

The efficiency savings are based on those already proposed by SHL of £750k from 2012/13 onwards plus an additional £250k from 2013/14 onwards. The efficiency savings proposed by SBC are based on those suggested in the Test of Opinion *Consult CIH* document.

We have used these figures in order to give a direct comparison of the numbers currently being discussed in the working group, but we recognise that these figures continue to change as the numbers are refined further. However these figures serve as a useful comparison of the minimal differences achievable by each option.

It is this similarity which is a key indicator of the inability of **either option** to sustain the necessary investment within the stock in the coming years. On this basis the Board feels that choosing two ineffective options limits finding suitable solutions to the longer term funding issues.

### **Risk associated with each option**

As seen from the table above, the difference in savings offered by each option shows SHL is slightly more favourable, but this advantage is marginal when compared to challenges within the overall 30-year Business Plan.

However, it's worth noting the inherent risk with the SBC option as savings are predicated on the assumption that SHL services can be subsumed within the Council at little or no cost. This appears ambitious unless there is currently lots of spare capacity residing within SBC (this is unlikely as SBC has just been through its own wave of Government induced spending cuts).

Whereas SHL has a proven track record of delivering efficiencies (£3.8m since 2007/8) and is clear about how it can achieve these savings through staffing and partnership efficiencies.

Retaining SHL avoids the serious threat that disruptive change to the provision of services arising from the restructuring necessary to take the service back in-house.

### **Where are the efficiencies?**

SHL is confident that it can reduce its staffing costs by an estimated £500k through rationalisation and integration of some of its existing services. As part of our agreed Delivery Plan objectives we have a project to do this called Shifting Gear. This includes a review of how we provide business support functions and customer service activities. Alongside these savings, SHL is confident that with the support of the Council it could offer other services to generate income, offsetting costs further.

Other savings would be achieved through jointly working with SBC to achieve greater synergies within the partnership. Areas of focus would include the service level agreements (SLA) and specifically the CSC, IT support and office accommodation arrangements.

Adhering to the principle of mutual benefit, any proposals for savings would be scrutinised to establish the affect on both the General Fund and the HRA. Building greater trust into the partnership would allow for savings to be realised within the retained HRA budgets, which currently stand at over £4m per annum. An important point worth noting is that currently SHL does not manage this expenditure. We believe savings could be achieved by reducing SBC's compliance and monitoring activity, and rationalising the housing strategy and policy functions.

As a separate company there is opportunity to seek external funding via a range of mechanisms not open to the Council. Taking the service back clearly limits SHL's ability to seek such funding.

### **SHL's Observations of Consult CIH's Options appraisal analysis**

Reflecting on the three reports produced by Consult CIH, SHL have extracted the common themes arising from; the Financial Evaluation, the paper on Organisational Issues and the Overall Options Appraisal Report; our observations can be found in the separate document called *Stevenage Homes' Observations of Consult CIH's Options Appraisal Analysis* which will be submitted to the steering group.

To put these potential savings referred to in the Options Appraisal into perspective, these savings equate to a maximum of £2 per property per week, whereas, the forecast capital shortfall is estimated at £8.50 per property per week.

Rather than focussing on driving in efficiencies by improving the partnership, the reports steer the reader toward how much money could potentially be saved by breaking the partnership up. It is our assertion that adopting a strategy of focussing on marginal savings misses the point and we challenge this frame of reference.

A negative impact on the quality of service, should the ALMO be disbanded and returned to SBC, is also a significant risk which is not addressed. Furthermore, the appraisal is silent on the hidden intangible costs of such a disruptive course of action, specifically:

- ❖ Reputational damage
- ❖ Organisational inertia
- ❖ The negative affect on staff
- ❖ The risk that savings won't be realised
- ❖ The true cost of transition
- ❖ The impact on other major initiatives
- ❖ The loss of opportunity

### **Self Financing**

Is it really necessary to act now before the start of Self Financing in April 2012? Work on preparing a 30-year Business Plan is already underway and it is acknowledged through the modelling that due to the fact that SHL is committed to achieving the same level of savings as proposed by going back in-house. There is no financial advantage to the Business Plan in disbanding SHL. However; SHL acknowledges that the ALMO model is not the long term solution along with the in-house model.

### **Proposal for an Interim Governance Structure**

Following the close of the Test of Opinion, the Board proposes that the Council establish a Housing Commission as below. This group could be made up of SBC Councillors, tenants and leaseholders and SHL Board members. With a mandate to investigate the ability of Self Financing to fund the investment needs of tenants' homes, deliver new homes and maintain services; the Commission could explore and make recommendations about the best model to achieve this objective for Stevenage.

This would also aid in the management of the latest development of FoSTA seeking to pursue an option appraisal for a whole stock Tenant Management Organisation (TMO) offering an opportunity to build bridges through an even more inclusive approach designed to draw them back into the debate.

Drawing together the work of the Housing Option review and the group considering Self Financing is a key activity at this stage as this would benefit from a rounded consideration of the opportunities that the new models offer. The Housing Commission would be well placed to consider these issues.

Work has been on-going to consider the 30 year Business Plan implications of the debt allocation and good practice would suggest that this needs to be fed into the wider Council review at an early stage rather than later in the process.

This would also allow the implementation timetable for Self Financing and the next round of budget setting to consider how the Council would cope with Self Financing in the event that an in-house model was the eventual conclusion. The current work to consider the Business Plan would fit well into the timetable.

Self Financing will follow the published implementation timetable irrespective of the choices made by Stevenage in relation to Housing Options.

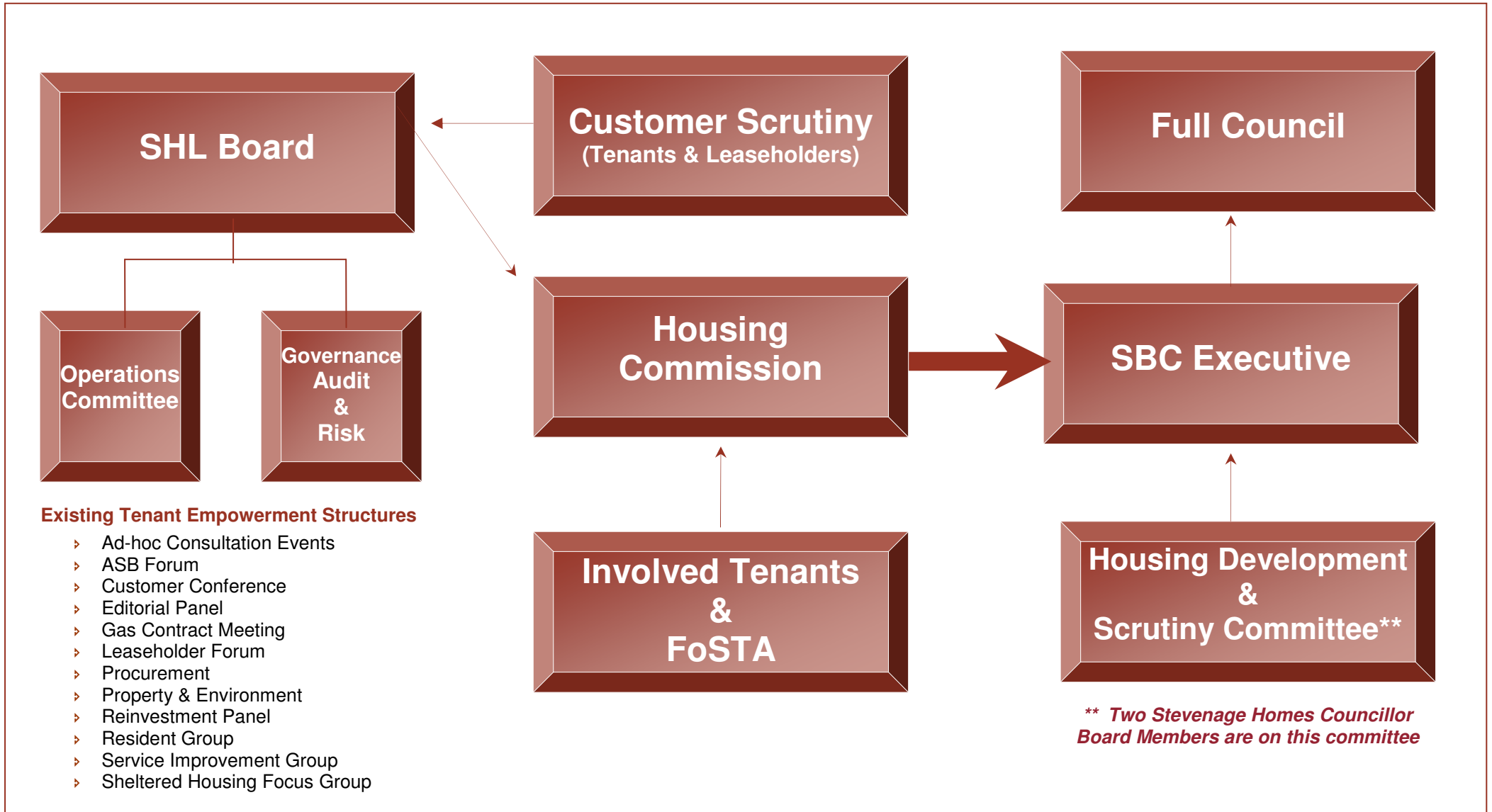
Trying to bring about major organisational change with all its risks requires more detailed analysis than that has already been carried out. Undertaking a well scoped review is a moral imperative when facing severe financial challenges, Self Financing allows the Council an opportunity to do this.

The key risk in making changes to bring the service back or indeed to extend the management agreement should only be made in the light of Self Financing and not in advance of the final figures.

Housing Options risks isolating this decision making process. Seeking to investigate the medium and long term implications of changes to the service should be included in the overall strategic stage-two assessment. A more fully developed risk map is appended to this report at Appendix 2.

Setting staffing structures, budgets and investment priorities alongside the complexity of trying to define the long term future, risks being more confusing; and by taking time to define the service and to explore opportunities presented by these different models, more clarity is possible, along with greater analysis of the financial strengths and weaknesses of Self Financing.

### Proposal for an Interim Governance Structure





## A Road Map to Change

The Council faces significant challenges as a result of a number of factors. Reductions in government funding, macro economic pressures and major changes in legislation are just some of the problems which require innovative local solutions. It is also facing a strategic bottleneck with key projects due to converge simultaneously in April 2012.

### A Strategic Bottleneck

A major change project would be needed for SBC to integrate a new housing structure back into existing council structures. It has a number of existing major projects which have potential to complicate and dilute its ability to deal with a major reintegration project including:

- ❖ Housing Options Appraisal
- ❖ Self Financing
- ❖ Major Works Procurement
- ❖ Single Status
- ❖ Job Evaluation (JE)
- ❖ Sheltered Housing Review
- ❖ Working Together Programme

The timescale for JE is already proving to be a challenge. There is also risk attached to making changes to staff pay and conditions flowing from JE and this may be compounded further by introducing TUPE into the project.

The time is right to consider the challenges of the next 12 months and take a measured view on the long term options. SHL propose working with the Council to fully explore the emerging opportunities that cooperative, mutual and tenant lead social enterprises have to offer.

In order to do this, we propose that the Housing Commission as set out above, oversees this enquiry and make its findings to the Council. The following chart provides the key milestones and an indicative time-frame for this road map to change:

| Task   | Key dates |     |     |      |     |     |     |     |     |     |     |     |     |     |     |     |     |      |     |     |
|--|-----------|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|
|  | 2011      |     |     | 2012 |     |     |     |     |     |     |     |     |     |     |     |     |     | 2013 |     |     |
|  | Sep       | Oct | Nov | Dec  | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb  | Mar | Apr |
| Set up Joint Housing Commission agree terms of ref         |           |     |     |      |     |     |     |     |     |     |     |     |     |     |     |     |     |      |     |     |
| Consider options and agree scoping                         |           |     |     |      |     |     |     |     |     |     |     |     |     |     |     |     |     |      |     |     |
| Undertake review   |           |     |     |      |     |     |     |     |     |     |     |     |     |     |     |     |     |      |     |     |
| Consult with stakeholders                                  |           |     |     |      |     |     |     |     |     |     |     |     |     |     |     |     |     |      |     |     |
| Decide on preferred option                                 |           |     |     |      |     |     |     |     |     |     |     |     |     |     |     |     |     |      |     |     |
| Conduct further test of opinion as appropriate             |           |     |     |      |     |     |     |     |     |     |     |     |     |     |     |     |     |      |     |     |
| Decision on preferred option and make recommendation       |           |     |     |      |     |     |     |     |     |     |     |     |     |     |     |     |     |      |     |     |
| Report produced by Housing Commission. Decision by Council |           |     |     |      |     |     |     |     |     |     |     |     |     |     |     |     |     |      |     |     |
| Mobilisation and implementation stage-two                  |           |     |     |      |     |     |     |     |     |     |     |     |     |     |     |     |     |      |     |     |
| Implementation   |           |     |     |      |     |     |     |     |     |     |     |     |     |     |     |     |     |      |     |     |

## Conclusion

When the original timetable was set for delivering the Housing Option Review there were a number of key variables which were less well defined. The delay in the timetable has presented the Council with the opportunity to broaden the scope of the project to capitalise on the knowledge gained through this part of the option appraisal.

Not only has the thinking within the wider housing sector moved on, but there are other agendas which have also expanded; not least those of Local Authorities which are now looking to advance mutualism (Rochdale Boroughwide Housing has received Ministerial consent to pursue a tenant and staff led mutual Housing CoCo) and Cooperative Council principles. The Board feels that there is an exciting opportunity to explore these models in more detail.

Stevenage has the opportunity to exploit such thinking by expanding the scope of the project to incorporate stage-two into stage-one, such a chance should be explored in order to give Stevenage Council greater choice in the way that it can meet the challenges of Self Financing and as importantly, tenant expectations.

Working to Support the Council's Housing Related Strategic Objectives

| SoStevenage Community Strategy                                      | Corporate Ambitions and Priorities                     |  | Housing Strategy   | Stevenage Homes  |                  |           |     |      |        |      |               |        |            |      |          |        |                    |      |             |      |
|---|--|--|--|--|------------------|-----------|-----|------|--------|------|---------------|--------|------------|------|----------|--------|--------------------|------|-------------|------|
| Priority Themes   | Ambition   | Priorities   | Linked Strategic Priority/Objectives   | Strategic Objectives   |                  |           |     |      |        |      |               |        |            |      |          |        |                    |      |             |      |
| Economy, Enterprise and Environment                                 | Regenerate Stevenage                                   | Have a growing town and economy<br>Develop a modern, vibrant town centre<br>Revitalise neighbourhood centres                               | <b>Future Homes &amp; Sustainable Development</b><br><ul style="list-style-type: none"> <li>Provide good quality homes in clean safe and well maintained neighbourhoods</li> </ul>   | <ul style="list-style-type: none"> <li>Support SO-Stevenage Economic Task Force</li> <li>Role as a large employer in the town - 230 FTE</li> <li>Supported jobs and skills fair</li> <li>Strong partnership working with other agencies in the town SLA with CAB deliver debt advice</li> <li>Working with the Regeneration team on the Archer Road, Glebe and Hyde projects.</li> <li>Delivery major investment through the multi-million pounds decent homes programme</li> </ul>  |                  |           |     |      |        |      |               |        |            |      |          |        |                    |      |             |      |
| Safer and Stronger Communities                                      | Create Sustainable Communities and Shape our Community | Provide quality, affordable housing<br><br>Keep the town safe<br><br>Focus on neighbourhoods<br><br>Maintain a clean and green environment | <b>Understanding our Housing Market</b> <ul style="list-style-type: none"> <li>Assess and plan for housing needs across all tenures.</li> <li>Make best use of existing stock</li> </ul> <b>Strengthen the private sector</b> <ul style="list-style-type: none"> <li>Develop a strategic approach to private sector housing.</li> <li>Help tackle poor housing conditions in the private sector</li> </ul> | <b>Contribution to provide quality, affordable housing:</b> <ul style="list-style-type: none"> <li>Cleared the following temporary accommodation sites which have been used by the Council to provide affordable housing:;                             <ul style="list-style-type: none"> <li>Peartree Way and Longmeadow Green.</li> <li>North Road and Carterf sites are awaiting redevelopment</li> </ul> </li> </ul> <b>Provide Value for Money services that focus on customer needs</b> <ul style="list-style-type: none"> <li>Value for Money strategy informed by customer feedback 2010/11. Achieved £515,000 capital efficiencies and £804,000 revenue savings</li> <li>Increased satisfaction levels for landlord services 77-79%</li> <li>Achieved 2 stars in Audit Commission inspection 2009</li> <li>Service standards developed with customers and in place for all services</li> <li>Complaints Service accredited 2010 by CIH HouseMark.</li> <li>Choice Based Lettings Consortium achieved £35,000 savings 2010/11</li> </ul> <b>Be a learning organisation which encourages staff to do their best and achieve their potential</b> <ul style="list-style-type: none"> <li>In-house management development training launched 2010.</li> <li>Achieved silver Investors in People</li> <li><b>Involve customers in all that we do: Priorities for SHL set at Annual Customer Conference</b></li> <li>Developed a customer scrutiny panel</li> <li>Range of options to engage customers: customer pool, focus groups, service panels.</li> <li>Consultation Board</li> <li>Spruce Up week: part of our corporate social responsibility activity</li> <li>Support for FoSTA, Tenant Resident Groups, Leasehold and sheltered housing forums</li> <li>Supported the Step Ahead project and Community Café</li> </ul> <b>To help Develop Communities that people are proud of</b> <ul style="list-style-type: none"> <li>Part of SoSafe - Community Safety Partnership</li> <li>Manage Councils Anti-Social Behaviour (ASB) casework</li> <li>Delivered good practice seminar on ASB for Social Landlords in Stevenage</li> <li>Deliver a raft of diversionary activities to deter ASB</li> </ul> |                  |           |     |      |        |      |               |        |            |      |          |        |                    |      |             |      |
|   | Move Towards Excellence                                | Use resources effectively<br><br>Maintain customer focus<br><br>Promote Equality<br><br>Support and develop our people                     | The Housing Strategy is committed to deliver the Audit Commission's cross cutting themes: <ul style="list-style-type: none"> <li>Access customer care and user focus</li> <li>Diversity</li> <li>Value for money</li> </ul>  | <ul style="list-style-type: none"> <li>Established Disability Advisory Panel to develop and improve services</li> <li>Customer census data collated by diversity strand. <b>Used within each service area within SHL</b></li> </ul> <table border="1" data-bbox="1721 1575 2226 1827"> <thead> <tr> <th>Diversity Strand</th> <th>2010/2011</th> </tr> </thead> <tbody> <tr> <td>Age</td> <td>100%</td> </tr> <tr> <td>Gender</td> <td>100%</td> </tr> <tr> <td>Ethnic Origin</td> <td>81.5%*</td> </tr> <tr> <td>Disability</td> <td>70%*</td> </tr> <tr> <td>Religion</td> <td>70.5%*</td> </tr> <tr> <td>Sexual Orientation</td> <td>70%*</td> </tr> <tr> <td>Transgender</td> <td>70%*</td> </tr> </tbody> </table>  | Diversity Strand | 2010/2011 | Age | 100% | Gender | 100% | Ethnic Origin | 81.5%* | Disability | 70%* | Religion | 70.5%* | Sexual Orientation | 70%* | Transgender | 70%* |
| Diversity Strand  | 2010/2011  |  |  |  |                  |           |     |      |        |      |               |        |            |      |          |        |                    |      |             |      |
| Age   | 100%   |  |  |  |                  |           |     |      |        |      |               |        |            |      |          |        |                    |      |             |      |
| Gender  | 100%   |  |  |  |                  |           |     |      |        |      |               |        |            |      |          |        |                    |      |             |      |
| Ethnic Origin   | 81.5%*   |  |  |  |                  |           |     |      |        |      |               |        |            |      |          |        |                    |      |             |      |
| Disability  | 70%*   |  |  |  |                  |           |     |      |        |      |               |        |            |      |          |        |                    |      |             |      |
| Religion  | 70.5%*   |  |  |  |                  |           |     |      |        |      |               |        |            |      |          |        |                    |      |             |      |
| Sexual Orientation  | 70%*   |  |  |  |                  |           |     |      |        |      |               |        |            |      |          |        |                    |      |             |      |
| Transgender   | 70%*   |  |  |  |                  |           |     |      |        |      |               |        |            |      |          |        |                    |      |             |      |
| Healthier Communities and Older People<br>Children and Young People | Create Sustainable Communities                         | Help provide leisure and health service  | <i>This priority theme is largely supported by other strategies and partner organisations including the Primary Care Trust and Hertfordshire County Council</i>  | <ul style="list-style-type: none"> <li>Encouraging a healthy life style for staff in well being events</li> <li>Activities within Sheltered Schemes for example, WII Olympics and articles in Housing for You</li> </ul>   |                  |           |     |      |        |      |               |        |            |      |          |        |                    |      |             |      |

### Comparative Risk Analysis of the Two Housing Options

| Risk  | Probability SHL | Probability SBC | Impact SHL & SBC | Score SHL | Score SBC | Comments to Explain Probability Scores  |
|---|-----------------|-----------------|------------------|-----------|-----------|---|
| Not enough funding for stock investment (CIH) | 9               | 10              | 8                | 72        | 80        | Neither solution addresses this risk. The probability is slightly lower for SH because of the opportunity to generate income and lever in private finance. Self Financing creates a new risk for the Council which requires more innovative solutions than just considering taking the service back in-house.   |
| Service structure not fit for purpose         | 6               | 8               | 8                | 48        | 64        | Information lacking from the CIH reports as to how housing will be delivered under the in-house model. With both options there is a risk that savings targets will restrict ability to respond to changing legislation and reforms. There are a number of general comments which suggest SBC has existing capacity to absorb services whilst cutting costs. Further work would be needed to confirm this.<br><br>In the event that such capacity exists there is a risk that costs will transfer from the general fund where posts are currently wholly funded via this route. Savings to the HRA will be diminished if this is the approach thereby limiting the savings to the Landlord account.  |
| Transitional risk - loss of focus (CIH)       | 5               | 8               | 8                | 40        | 64        | SH would only require a new management agreement and is already planning for the introduction of a new structure.<br><br>A major change project would be needed for SBC to integrate a new housing structure back into existing council structures. The Council has a number of existing major projects which have potential to dilute their ability to deal with a major reintegration including 'Working Together', 'Job Evaluation (JE) and Single Status' and the timescale for JE is already proving a challenge. There is also risk attached to making changes to staff pay and conditions flowing from JE and this may be compounded further by introducing TUPE into the project. This is not reflected in the Councils approach to risk. |
| Quality of service deteriorates (CIH)         | 4               | 8               | 8                | 32        | 64        | SHL staff is likely to be disaffected by cuts and major change again. Weakening of performance management through a loss of focus is likely. There is also a loss of capability and capacity in the SBC option creating a major reputational risk. Maintaining focus on service delivery requires significant management and Board effort.  |
| Disenfranchise customers (CIH)                | 3               | 8               | 8                | 24        | 64        | Tenants on the Board lose decision making voting rights as they can only make recommendations based on the proposed governance structures for SBC. This will require a shift in the legal structures within SBC to maintain the current levels of tenant involvement and voting rights.<br><br>Failure to appoint an Independent Tenant Advisor at the beginning of the process has weakened the influence of tenants within the steering group and in the wider tenant body which is reflected in the proposals.   |

|   |   |   |   |            |            |  |
|---|---|---|---|------------|------------|--|
| Loss of opportunity to long term solutions (CIH)        | 5 | 8 | 7 | 35         | 56         | SH could transform into another type of organisation to increase contribution to the community strategy etc, SBC planning set in the context of a political time table, and limits the opportunity to consider a broader range of solutions. The report needs to cost out the additional cost of a two-stage process based on the possibility of the need to seek an alternative solution to the funding shortfall introduced with Self Financing.<br><br>SHL could be set up with possibilities to establish community enterprises, access additional charitable funding exploiting a range of funding opportunities traditionally denied to Local Authorities. |
| Savings impact on front line services                   | 7 | 7 | 7 | 49         | 49         | Same in both options as both organisations would aim to minimise effect.   |
| Negative impact on staff morale                         | 6 | 8 | 6 | 36         | 48         | SHL staff disaffected by TUPE transfer back to SBC. There have also been changes to the senior terms and conditions which would pose challenges to the JE project. SBC figure higher because all teams would be affected.  |
| Lack of clarity between HRA and GF                      | 6 | 9 | 5 | 30         | 45         | SH has some understanding of apportionment of costs to HRA and GF. An SBC centralised finance team would lead on apportionment of costs to GF. The clarity afforded to tenants and leaseholders in this arrangement is reduced.  |
| Loss of strategic capability                            | 4 | 8 | 6 | 24         | 48         | SH structures and specialist housing knowledge in place. SBC based on dilution of structures and reduced focus on housing in a large portfolio of services. This is a major risk.  |
| Transitional savings not achieved                       | 3 | 6 | 6 | 18         | 36         | SBC's risk is higher as structure and model of service has not been properly worked up or costed prior to the steering group selecting a preferred option.   |
| Tension between strategic and operational housing (CIH) | 2 | 7 | 4 | 8          | 28         | Likely to arise where both functions are in the same organisation.   |
| <b>Total Score</b>                                      |   |   |   | <b>416</b> | <b>646</b> | <b>High overall risk under the integration back into the SBC housing option.</b>   |

**CIH - risk identified in CIH's report.**

|                |          |                  |         |
|----------------|----------|------------------|---------|
| Low risk       | up to 14 | Medium low risk  | 30 - 44 |
| Upper low risk | 15-29    | Medium high risk | 45 - 59 |
|                |          | High risk        | 60+     |



## Our five Year Vision and Objectives

The job we have got to do over the next five years is:

### ***1. To be a high performing, financially secure, customer focussed organisation.***

- ❖ Deliver top quartile performance satisfaction based on customer defined priorities.
- ❖ Deliver top quartile performance at median quartile costs.
- ❖ Invest surpluses in tenant's homes and services annually.
- ❖ Be recognised for providing excellent services through external accreditation enhancing the reputation of Stevenage in Hertfordshire and beyond.

### ***2. To be a competent organisation with a social conscience which manages assets effectively***

- ❖ Deliver all the Council's 2009 decent homes promises by 2015 within the new Self Financing funding regime
- ❖ To work with the Council to support the redevelopment of neighbourhood services using our skills and resources to supplement their funding.
- ❖ Develop a tenant led estate based approach to regeneration and improvement.

### ***3. To engage customers in shaping services.***

- ❖ Offer customers a wide range of ways to get involved using modern technologies alongside traditional approaches.
- ❖ Support other community organisations to gauge views from people within the community about housing.
- ❖ Have a well trained Board which is made up of Customers, Tenants, Councillors and Independent Directors chosen for their complementary skills, experience and values.
- ❖ Using our excellent knowledge of customers through our profiling work develop innovative ways to engage them in shaping services to meet local needs

### ***4. To be a key partner in delivering the Council's objectives for housing.***

- ❖ Work in partnership with SBC collaboratively to develop solutions to the housing shortage.
- ❖ Work with SBC to develop innovative ways to fund the capital shortfall in housing finance following the introduction of Self Financing.
- ❖ Work with the Council to develop an innovative 'Stevenage' approach to building and managing new homes.

# Stevenage Homes Limited

## Road Map to Change



September 2011

