
Stevenage Borough Council

Housing Futures Project Options Appraisal

FINAL REPORT
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Executive Summary, conclusions and recommendations

Stevenage Borough Council has conducted an appraisal of two options for the management of its housing stock: to continue with its ALMO Stevenage Homes Limited (SHL) or to bring the service back in house. The Steering Group established to oversee the work comprises members of the council, of the SHL board, officers, tenants and leaseholder representatives. The project is one strand of a wider Housing Futures Project which is also considering the implications of the new self financing regime for the HRA business plan from April 2012.

The Steering Group has met on seven occasions and its work has been supported with analyses of financial implications, organisational issues and performance, as well as facilitation of the development of appraisal criteria. Initial work with tenant and leaseholder representatives was also undertaken to inform the development of the criteria. Following the appraisal undertaken by the Steering Group, a wide ranging test of opinion, supported by Independent Tenants Advisor Open Communities, together with other consultative events took place in July and August.

This report covers all of the evidence collected within the project and is intended to provide the Steering Group with the evidence necessary for it to make a clear recommendation to the council at its meeting on 5th September. An Equalities Impact Assessment has been completed and will be presented at the meeting.

Key themes

The options under consideration

The choice before the council is not 'Stevenage Homes as it is now' compared to 'the Housing Department of 2005'. The council and the Steering Group, in making its judgements, should seek to test two alternative future models rather than focus the judgement solely on the performance and development of SHL to date.

The ALMO model in Stevenage has not worked as successfully as in other councils with a number of reasons likely to have had some influence, including the circumstances of SHL's creation, progress towards delivery of improvements, interruptions to leadership, the processes for delegation and the way the relationship with the council has developed more generally.

Key policy developments underpinning the future (enhanced tenant empowerment, more flexible approaches to housing and service delivery and the need for a rigorous and sustainable business plan) are 'givens' in the sense that they will need to be addressed under either option. Consideration must also be given to the flexibility with which future management of the service might develop given the pressures within the business plan.

Both models could work successfully and there are advantages, disadvantages, risks and issues associated with each. In making its judgements, the council must come to a view on the best fit model suited for the Stevenage context and

however it proceeds, the council will need to work hard at ensuring that tenant-focused, improving services are delivered in the context of a viable business plan.

National and local context

The financial context in the period is unique in the run up to the implementation of HRA self financing with Stevenage taking on a large amount of unsubsidised debt in the context of a HRA business plan in which there will be many more options for how resources are prioritised, The option pursued must secure a strengthened governance and financial function fit for purpose for self financing.

New flexible models of tenure, affordable rent and new approaches to housing provision, combined with a large reduction in central grant funding for new social and affordable housing, really place emphasis on the need for a strong strategic housing and enabling role coupled with a landlord service that is able to work positively as partner in delivering the council's overall housing objectives.

The TSA's Involvement and Empowerment Standard makes it essential that however the service develops under whatever model, for the council to demonstrate that tenants are at the heart of decision making, participate actively at all levels of service delivery, procurement and management and play an active role in determining the future strategic direction of the landlord service.

A key risk to the council under either of the models is that it does not develop capacity to deliver on enhanced empowerment within new governance structures.

There is a primary need for increased capacity around business planning and financial management; the council may consider that this strategic planning function should be part of the overall corporate finance function of the council.

There are a range of financial options open to the council to help manage future capital shortfalls, including alternative approaches to the management of debt and adoption of different detailed approaches to asset management. However the plan is developed, there will be a clear need for ongoing revenue and service efficiencies.

Initial feedback from tenants and leaseholders

There was some consensus around the following general views:

- Services have improved compared to the council and there is no appetite to return to the 'old' Housing Department
- Tenants have had more opportunities to participate in service delivery and this needs to be built on in the future
- Tenants would want to see a strengthening of their role in governance in line with the TSA's Empowerment Standard
- There is concern from tenants around the use of resources between the HRA and other services, especially given the overall financial position of the council.

Financial implications

If services are brought back in house, annual savings of between £635k and £861k might be realised from elimination of duplication, independent governance and support service related rationalisation. The reason for the range is related to the decisions that would need to be taken around senior structures within the council (number of senior managers and their pay rates for example).

The one off cost of effecting such a change is estimated at between £390k and £590k including legal and TUPE costs. The reason for the range is primarily related to possible redundancies.

Depending on the precise approach taken to future provision of support services, there may be scope to realise further savings in the General Fund up to £199k.

Other financial considerations include the view to be taken about the ability to generate future efficiencies and the treatment of the reserves built up within SHL as a company since inception.

Organisational issues

An in depth organisational review of structures that includes the Council's corporate structure, efficiency and shared services programmes, people strategy and culture as well as the frontline housing customer facing roles is needed as part of the implementation of the chosen option.

The in-house option would require strengthened governance and scrutiny and the ALMO option would need to take account of the changed rationale and purpose from the point at which Stevenage Homes was originally established. The main report includes suggested governance approaches for both.

The Council's objectives for housing include the need for effective and efficient governance of the housing service, with scrutiny arrangements that would improve local accountability, tenant involvement and scrutiny whilst ensuring robust strategic financial management in line with self financing.

If the option to bring the housing service back in house is pursued, success will rest on the council's desire and leadership capability to run the service backed up by clear strategic and political priorities for delivery. It should be recognised that running the service under the self financing model will require the council to make business decisions with an eye to the long term that may be difficult in such an environment.

The options must also be considered in the context of the Council's overall strategy for the sort of council it wants to be – for example does it see itself as directly delivering a range of services or does it see its role as a strategic enabler and commissioner of services, or some other model.

Outcome of the appraisal

Arriving at the Steering Group proposal out to tenants

The outcome of the appraisal scoring exercise was close and reflected a balance in the advantages and disadvantages of each of the options. In order to reflect the closeness of the scoring, as well as the general nature of some of the overall risks and advantages of the options, the Group agreed that the differential outcomes should be summarised in the following three statements which would form part of the material distributed to tenants for the Test of Opinion.

1. There is the potential for an in house service to release more resources for the Housing Revenue Account business plan for an equivalent service base.
2. Conversely, there is a feeling that an ALMO model locks tenant empowerment into decision making in a more explicit way.
3. An in house service gives more opportunity to contribute via partnerships, financially and strategically towards meeting Council objectives.

On balance therefore, the conclusion of the Steering Group's evaluation was to pursue the in house model for housing services and to carry out a test of opinion on this option.

Consultative activities and the Tests of Opinion

A strong sense from the ITA report is that there remains considerable room for improvement in service delivery as well as resident involvement and this reinforces the findings elsewhere within this report.

There is a clear need to review the basis for tenant empowerment and resident involvement more widely in Stevenage and a specific recommendation is provided to this effect in the ITA report.

1,106 questionnaires from tenants (13.5%) were returned with 104 from leaseholders (8.1%). Our sense is that this is at the upper end of expectations around returns in a large self selecting survey conducted with council tenants.

- 63% of respondents tended to agree or strongly agreed with the proposal to bring the service back in house (61% of tenants and 76% of leaseholders).
- 14% of respondents tended to or strongly opposed the proposal (15% of tenants and 8% of leaseholders).
- 23% of respondents did not express an opinion either way.

1,413 telephone interviews were completed (17%).

- 42% of interviewees tended to or expressed strong support for the proposal to bring services in house.
- 11% of interviewees tended to or expressed strong opposition to the proposal.
- 47% therefore expressed no feelings either way or were 'don't know'.

Taking into account both the questionnaire survey and the telephone survey, it is possible to conclude that around four fifths of tenants and leaseholders

expressing a preference have supported the proposal to bring the service back in house.

In our view, this places the council in a strong position to infer the views of tenants following the detailed work involved in the appraisal project.

Key overall conclusions

1. The outcome of the tests of opinion show clear majority support for a proposal to bring the service back in house. The council therefore has an appropriate mandate from tenants to implement that decision as a result of the work undertaken in this project.
2. The savings potentially identified from winding up the ALMO, if realised, would make a contribution to the overall HRA business plan but our understanding is that this would still not 'balance' the sustainability of the plan in the short to medium term. The council will therefore need to deliver further efficiencies and more proactive asset management in order to secure a viable plan.
3. There is a clear need to strengthen the finance function around the HRA now and a further need for effective governance and financial management of the HRA business plan under self financing.
4. The council requires an effective governance and leadership capability to run the landlord service backed up by clear strategic and political priorities for delivery. The role of tenants and tenant scrutiny is critical to future success and there needs to be a sea change in the approach to resident involvement, engagement and empowerment. We concur with the ITA's conclusion that a fundamental review of resident engagement is required and that care should be exercised to ensure that existing active tenants and leaseholders can play an effective future role.
5. An in depth organisational review is required of landlord services structure that includes the council's corporate structure, efficiency and shared services programmes, people strategy and culture as well as the frontline housing customer facing roles, as part of the process to implement the option.

Recommendations

1. Having completed the project and to avoid decision-drift, the council should develop a project plan to effect the implementation of the preferred option as soon as possible.
2. The council should develop a financial plan with specific targets around the achievement of the savings that have been identified as potentially deliverable, measure against these and report these to tenants on an ongoing basis, which should include explicit information about how these savings have been reinvested for the benefit of tenants.

3. Immediate steps to strengthen the finance function for the HRA should be taken, including potentially making variations to the current management agreement.
4. The council should consider the options for ensuring tenants are placed at the heart of the governance and scrutiny process within the council and develop a governance structure which is in line with best practice within the retained-management sector.
5. The council should undertake a fundamental review of tenant and resident involvement with a focus on developing real and meaningful empowerment in line with national standards. Immediate steps to encourage active participation by those currently engaged in resident involvement should be taken.
6. The council should undertake a fundamental review of the management and delivery structures within the landlord service, taken together with other community and housing services; we believe there may be scope to rationalise structures further to achieve efficiencies and that work can begin quickly to test the options.
7. There are alternative models being pursued by other ALMO authorities linked to business planning need as well as management options. The council should keep these emerging models under review in the context of the business plan challenges for the HRA at Stevenage.

1 Introduction

1.1 Background and methodology

ConsultCIH was appointed to facilitate and support an appraisal of future options for the management and maintenance of the council housing stock in Stevenage.

The project has looked at two options: continue with the council's Arms Length Management Organisation (ALMO) Stevenage Homes Limited (SHL), or bring the service back in-house to be run directly by the council.

The appraisal has taken place as part of a wider Housing Futures Project which is also considering the HRA business plan for self financing, due to be implemented April 2012. Options for addressing business planning issues will be considered in a second phase appraisal.

The appraisal project has been led by a Steering Group of council officers, members, Stevenage Homes' board members, tenants and leaseholder representatives. The Steering Group has met seven times to consider different aspects of the appraisal and review the evidence supporting the case for each of the options. The meetings considered the following:

- Initial project planning and establishment
- Introduction to the appraisal and policy environment
- Draft financial analysis
- Draft organisational analysis
- Appraisal of the options
- Review of test of opinion
- Finalisation of recommendation to the council.

The Group established objectives and criteria which formed the basis of the appraisal of the two options and provided the council with a recommendation upon which to carry out a Test of Opinion of all tenants.

A communications plan was adopted and regular engagement and consultation took place with tenants groups and other stakeholders in the run up to the Steering Group making its recommendation to tenants (the end of May).

An Independent Tenants Advisor (ITA - Open Communities) was appointed to support FoSTA (the Federation of Stevenage Tenants Associations) and tenants generally through the Test of Opinion process and an intensive consultative process undertaken during July and August gathering views around the options and identifying opinion about the preferred option. Questionnaires were distributed to all tenants and leaseholders.

The Steering Group's preferred option was also put to tenants via telephone survey of a large and stratified sample of tenants, which took place during August.

The outcomes of the work of the ITA and the Test of Opinion were reported to Steering Group on 31st August and on 5th September, the group will come to a

final recommendation on its preferred option to make to a full meeting of Stevenage Borough Council on 22nd September.

Our final report summarises the process that has been undertaken, sets out the main issues and conclusions taking into account the evidence that has been collected and provides a series of recommendations to the Steering Group for consideration in making its recommendations to the council.

1.2 Introduction to this overall report

During the project, a great deal of work has been undertaken in a range of areas. We wish to thank all that have been involved in providing data and intelligence within this analysis.

This report represents an overall summary of all of the analyses and activities that have been undertaken as at 31st August and is intended to present the overall picture to the Steering Group so that it can conclude its views and make recommendations to the council. This report therefore represents our final report to the Steering Group on the outcome of the process to determine its preferred option.

This report covers the following areas:

- A summary of the proposition before the Steering Group
- A brief discussion of the key policy contexts in which the appraisal is taking place
- A summary of the consultation activities undertaken to inform the initial appraisal of options by the Steering Group
- A summary of the financial appraisal undertaken to test the implications of the two options
- A summary of a review of organisational options and issues relating to the two options
- A brief review of performance and service improvements delivered by Stevenage Homes
- A commentary of the appraisal process undertaken by the Steering Group and the rationale for its recommendation to tenants
- A summary of the outcomes of the Tests of Opinion and their implications for the project.
- An overall commentary setting out our conclusions and recommendations based on the evidence from the project.

Reports for each of the substantive areas of this appraisal have discussed by the Steering Group. These are available as supporting information to this main report. An overall Equalities Impact Assessment has been prepared and will be submitted separately to the Steering Group for consideration.

This report should be read in conjunction with a number of other reports developed during the process, including:

- The final report from the ITA setting out the consultative work during July and August and the detailed outcomes of the two surveys which are included therein.
- A series of documents from Stevenage Homes, in particular '*Stevenage Homes, Partners to a Better Future for Stevenage, objectives 2011-2021*' presented to the Steering Group on 26th May.

2 The options under consideration

The council is considering the two options: continuing with the ALMO or bringing the service back in house.

A consideration for the Steering Group is the extent to which their considerations are made based on the current model of SHL contrasted with how alternative future models might develop. To an extent, therefore, judgements are required on how the two models might develop in the future, rather than the way the ALMO is operating now. This is an important consideration given the findings within our reports.

During the course of this appraisal, it has become clear to us that the ALMO model in Stevenage has not worked as successfully as in other similar sized and placed councils. There are a number of reasons that have been presented to us and it is likely that all have had some influence: the circumstances and timing when SHL was created, the progress towards the delivery of service improvements, interruptions to the leadership of the ALMO as a company at both board and director/executive level, the processes for delegation of procurement and the way in which the relationship with the council has developed more generally. Perceptions locally around the ALMO model are therefore affected by the way in which SHL has developed.

Our view is that the current basis for the operation of SHL and its relationship with the council would need to change in order for the ALMO model to become more successful at Stevenage, to meet the challenges of the new policy agenda, reduced resources and difficult business plan prospects. We have therefore developed thinking around how the model might be developed in order for it to deliver against the new agenda.

At the same time, there is consensus among all stakeholders that as services have improved, there is no real appetite to go 'back' to the previous traditional 'housing department' model. Things have moved on and local government is in a different place compared to when SHL was established. We have therefore developed thinking around how an in-house model might be established.

The advice to the council and the Steering Group in making its judgements is therefore to aim to test two alternative future models rather than focus the judgement solely on the performance and development of SHL to date.

Many of the policy developments underpinning the future (eg enhanced tenant empowerment, more flexible approaches to housing and service delivery and the need for a rigorous and sustainable business plan) are 'given' in the sense that

the council will need to address these irrespective of the option for management of the stock. At the same time, consideration must be given to the flexibility with which future management of the service might develop given the pressures within the business plan.

It is clear that both models could work successfully and there are advantages, disadvantages, risks and issues associated with each. In making its judgements, the council must come to a view on the best fit model suited for the Stevenage context and however it proceeds, the council will need to work hard at ensuring that tenant-focused, improving services are delivered in the context of a viable business plan.

In summary, the choice before the council is not therefore Stevenage Homes as it is now compared to the Housing Department of 2005. The choice is about a developed and enhanced ALMO model against a newly established in-house service, both with a greater degree of tenant empowerment locked in.

3 Summary policy context

3.1 National policy and financial trends and issues for Stevenage

The key backdrop issues are as follows.

The financial climate in which ALMOs operate has changed. What were previously financial and service advantages associated with the ALMO option have been removed. The ALMO movement has recognised that its 'USP' is changing and has undertaken research around how the ALMO model might develop. Self financing applies for all local authorities with stock.

For Stevenage, the practical implications are in the receipt of decent homes backlog funding, which is no longer dependent upon having an ALMO, and in the potential development of new build housing where there is no longer any financial or grant advantage to bidding via an ALMO.

The focus therefore for ALMOs is likely to be around developing what they perceive to be a more successful record of tenant engagement and empowerment than in-house services, stronger governance and advantages around procurement and decision making. Operational independence has been associated with better performing services and a key issue for councils bringing their ALMOs back in house is around protecting the service delivery advantages that have been delivered.

The financial context is a mix of challenges and opportunities unique to the period in the run up to the implementation of self financing. Whilst local government as a whole is characterised by reducing budgets and major financial challenges, self financing will deliver more revenue resources for the housing stock, especially over the medium to longer term.

For Stevenage, taking on a large amount of unsubsidised debt in the context of a HRA business plan in which there will be many more options for how resources

are prioritised, this has significant implications for *how* business planning in the borough is carried out. All councils are considering the appropriate approach for governance of the business plan in the future, both at the member level and in terms of the senior officer/director input to the planning process.

The implementation of self financing has implications for the operation of the HRA finance function at Stevenage. There is a need for considerable strengthening of the function given a history of uncertainties which have resulted in a breakdown in confidence in the way the function is operating. Many authorities are taking the opportunity to strengthen the skills and capacity available to support the new business planning process and focus these in areas which can be maximise the financial opportunities available. Even when the ALMO nominally manages the HRA, many ALMO authorities are also strengthening their in-house role.

The policy environment towards new flexible models of tenure, affordable rent and new approaches to housing provision, combined with a large reduction in central grant funding for new social and affordable housing, really place emphasis on the need for a strong strategic housing and enabling role coupled with a landlord service that is able to work positively as partner in delivering the council's overall housing objectives. Necessarily, ALMOs have been focused on the landlord operational role, securing 2 stars then delivering decent homes.

The more forward thinking ALMOs have already begun to broaden their offer around making a greater contribution to wider corporate and housing objectives, by for example taking on a wider range of services or absorbing new initiatives within existing structures. Strengthening of the ALMO model in this way rests upon a positive and forward thinking partnership with the council underpinned by a relationship built on trust and confidence. Stevenage Homes may not yet be at the point where it has been in a strong position to consider this broader 'offer' given the focus on decent homes delivery.

The abolition of the Audit Commission and the scaling back of the Tenant Services Authority has implications for regulation of service delivery and the drivers for performance and service improvement. Nevertheless, the Empowerment Standard places a statutory requirement on authorities to develop appropriate Tenant Scrutiny and other arrangements to support a more consumer-focused regulatory approach. A traditional weakness of 'in-house' models of management has been a perception that the council retains the sovereignty in all decision making, even day to day procurement and service management. However the service develops under whatever model, it will be essential for the council to demonstrate that tenants are at the heart of decision making, participate actively at all levels of service delivery, procurement and management and play an active role in determining the future strategic direction of the landlord service.

For Stevenage, a key consideration is how such an approach can be developed either under an ALMO model which the evidence on balance suggests has not as yet delivered significantly on enhanced empowerment in Stevenage, or under a return to in-house management and a weakening of operational independence in the landlord service. A key risk to the council under either of the models is that it

does not develop capacity to deliver on enhanced empowerment within the governance structures.

3.2 The local business planning context

The work on the business plan is taking place in parallel to this appraisal. We understand that a working group of officers from the council and SHL are part of an overall team looking at the financial and asset management issues with a view to developing a business plan for approval in the autumn.

During the course of this project, we were made aware of the main financial outputs of the modelling work undertaken up to the end of May, generally identified as significant challenges over the short term (meeting decent homes), the medium term (as elements come up for renewal within timing driven by new town status) and the long term.

Whilst we have not conducted a detailed review of the business planning work, we do note the following points:

- The plan appeared to include provision for 'real' (ie above) inflation increases in some costs of services and capital investment. This is an important assumption given that there is no funding within the settlement for above inflation increases in costs. Whatever option is chosen, costs will need to be controlled to inflation or below-inflation increases in order to deliver more resources for investment and this therefore could affect the requirement for service efficiencies going forward.
- The plan did not appear to include a scenario around deferral of early years investment requirements to future years, and the implications of such an approach; given no change in the ownership of the stock, decent homes funding and the circumstances of the debt settlement, this is in fact the 'least change' medium term strategy likely to be pursued by the council. It could be considered that plans to address capital shortfalls might have been more advanced in terms of options than has become apparent to us during the course of this appraisal.

There is a primary need for increased capacity around business planning and financial management; it is likely that the council will take the view, as others have, that this strategic planning function should be part of the overall corporate finance function of the council.

There are a range of financial options open to the council to help manage future capital shortfalls, including alternative approaches to the management of debt and adoption of different detailed approaches to asset management. However the plan is developed, there are two important considerations for the Steering Group in coming to its recommendation:

1. There will be a clear need for ongoing revenue and service efficiencies and a view therefore about which of the options might put the council in the best position to deliver savings.

2. There will be a need for a proactive and shared (in particular between 'finance' and 'housing') approach to developing a more rigorous and challenging asset management strategy; again of consideration to the group is a view around which of the options places the council in the strongest position to deliver on what are likely to be difficult choices.

4 Summary of consultation activities informing the initial appraisal

The Steering Group adopted a Communications Strategy involving regular publicity, meetings and opportunities to feed back views.

A web link and email address has been established though utilisation was very limited and comments relating only to service matters were received.

Feedback was received from a series of meetings undertaken with FoSTA and a Focus Group of tenants which took place on 4th May. Briefings have also been provided regularly to the Leaseholder Panel.

During the course of the project, members of the Steering Group visited Derby (as an example of an authority which has given its ALMO a new 10 year management agreement and more functions to take on) and Cambridge (as an example of an authority which has developed nationally-recognised tenant participation arrangements in the context of in-house management). A planned visit to Hillingdon (an example of an authority which has brought their ALMO in house) was not carried out due to scheduling difficulties.

4.1 Summary feedback from FoSTA meetings

Views were sought on the proposed assessment criteria against which the options would be appraised.

- There was general agreement to the assessment criteria (see later section) and that they covered all the areas that are of concern to FoSTA.
- The assessment criteria weightings were in agreement to the issues of most importance to group.

Continued tenant involvement in decision making was seen as an important area to sustain in any change to the management arrangements.

Views were sought on approaches to the Test of Opinion and these were accepted into the process when the actual surveys were undertaken:

- There was some concern about a sample survey not being representative – appropriate reassurances were offered.
- Additional communication methods were suggested
 - Notices/leaflets in the customer service centre and offices etc., where tenants go.
 - All staff briefed so they can answer questions especially in the customer service centre.

The need was identified for more briefings on the changes to the HRA from April 2012 and the impact on SHL, services and investment in their homes. A

subsequent briefing on the business plan was undertaken by the council's Director of Finance.

4.2 Summary feedback from Focus Group

Outline of the Focus Group

Twelve tenants were invited to take part in the focus group. They were reasonably representative of the profile of tenants overall. The session was run by CIH and attended by officers from the council and SHL who helped facilitate the event.

The sessions in the evening covered views on the options under consideration, the criteria for assessing the options, how the test of opinion should be carried out and the communication arrangements in general. This was a lively event with all taking the opportunity to express their opinions.

Views on the options being appraised

There is an appreciation that SHL has made improvements to the services delivered since it came into being. There is however seen to be areas where further improvements are needed to ensure a consistent service quality and deliver decent homes for all tenants. SHL has:

- Improved services – now two star
- A more customer focused approach
- Involved tenants much more in decision making from the Board to tenants groups,
- Improved two way communications and dialogue
- A more agile decision making process compared to the 'old' housing department.

The main concerns with the option of direct management by SBC are:

- Lack of accountability to tenants
- Service quality deteriorating
- Lack of responsiveness to tenants priorities
- Lack of consultation with tenants on resource allocation
- Be more bureaucratic.

It was recognised that there were advantages to having the monies managed in one place rather than by the current two organisations.

View on assessment criteria

The **weightings** given to the assessment criteria were as follows:

Equal first

- Quality services
- Investment in maintaining their homes

Then

- Delivering value for money
- Tenant Empowerment and Governance

These four were seen as higher priorities compared to the other criteria.

- More affordable homes
- Opportunities for partnerships
- Helping the Councils financial position
- Meeting the Councils wider objectives

The **assessment criteria** was discussed in detail

The following were the key *Points to address* and these were adopted by the Steering Group in undertaking its appraisal.

- The weightings given to the assessment criteria by the focus group
- Tenant empowerment and governance to be separate criteria not as one
- Separating value for money into customer satisfaction and cost reduction – the value to the customer then being considered as well as value to the company

Other key issues included:

- Should the service be directly managed by SBC, what guarantees have the tenants that housing surpluses will be ring fenced to housing services and not used to assist with the council's financial position without any consultation with tenants?
- How will tenants be involved in future resource allocation decisions if the service is taken back in-house?

Views on the Test of Opinion

There was almost unanimous support for the test of opinion to be a sample survey with opportunities for the every one to have their say. There were also a great many ideas as to the methods that could be adopted for everyone to have their say, many of which were included in the work of the ITA during the Test of Opinion period.

4.3 Summary evidence from initial consultation events

It is recognised that participation and engagement to date has been focused into small groups of active tenants and leaseholders. However there is a degree of consistency in findings that suggest that the views summarised above are reasonably representative of wider tenant opinion sufficient to inform a judgement around recommended future options.

The main issues therefore considered by the Steering Group in making its appraisal assessment were:

- Services have improved compared to the council and there is no appetite to return to the 'old' Housing Department
- Tenants have had more opportunities to participate in service delivery and this needs to be built on in the future
- Tenants would want to see a strengthening of their role in governance in line with the TSA's Empowerment Standard.

- There is concern from tenants around the use of resources between the HRA and other services, especially given the overall financial position of the council.

5 Financial Analysis

We have prepared a detailed financial analysis of the two options which was presented to the Steering Group. The findings are summarised below. The work has been focused on the financial implications of the two options: to either continue with Stevenage Homes as an ALMO managing the stock or to bring the service back in-house, and was not extended to any wider consideration of the financial position of the HRA or the business plan under self financing.

Throughout the analysis, we sought to separate the financial issues associated with whether there is an ALMO or not from those associated with improving efficiency from delivering services in a different way. Service based efficiencies can be delivered in either context, therefore are not a consideration within this appraisal report. This part of report is focused only on the financial differences between retaining an ALMO or direct management.

The analysis was undertaken through a desk top review of the costs and implications of both options using salary, direct and support costs within Stevenage Homes and the Housing Revenue Account as the basis.

5.1 Maintaining Stevenage Homes

Work has been undertaken on the long term business plan for the HRA under self-financing. Whilst the final outcomes will not be known until April 2012 and the actual value for the settlement, efficiencies in service operations will be required to assist in delivering sustained investment.

The Council is able through utilising levers within the Management Agreement arrangements, as stock owner and as the 100% shareholder of Stevenage Homes, to enforce the delivery of service efficiencies and there could be scope to review back office functions to secure some of the savings and eliminate the duplications identified.

There may be advantages to the council requiring the ALMO to make efficiencies in this way as the responsibility and accountability for delivering efficiencies would be delegated to the SHL board and therefore not involve the council directly in potentially complex and time consuming service efficiency negotiations.

5.2 Revenue savings from bringing the service back in house

The estimate of the level of potential revenue savings to the HRA from bringing the housing management service back in-house would be in the range of £635k - £861k as set out in the table below.

Summary Table of Potential Cost Reductions

Area	Detail	Potential Amount
Senior Management	Reduction and redesignation of the senior posts and their administrative support	£181k - £233k
Service Level Agreements	Saving on management costs from the re-integration of services	£55k - £82k
Duplication of Service	Finance and Business Improvement functions	£177k - £307k
Council's Client Function	Performance and Policy	£94k
ALMO Governance	Change in governance structures	£0k - £18k
ALMO Compliance	No need for external audit	£23k
Other Costs	Reduction in divisional support and overheads	£104k
Total		£635k - £861k

This range is dependent on the approach to the strategic management of the service which would be taken within the Council, the rationalisation of support services currently delivered through Service Level Agreements (SLAs) and how the service duplications might be reorganised.

It is difficult to be precise about what the exact post changes would be, however it is likely that the current four senior managers in Stevenage Homes would reduce by at least two, with scope for the strategic duties for services and finance being undertaken by existing officers within the Council and restructuring of the Community Directorate at a reduced cost to the HRA (see also the section on organisational issues below). If the grades of the remaining posts are brought into line with similar posts in the Council then larger reductions might be made. There are similar options for the approach to Executive Support reducing by up to one. Savings are in the range £181k to £233k.

Savings through the reintegration of support services through the elimination of some management costs could potentially deliver cost reductions of between £55k and £82k. The removal of duplicated work which appears to be taking place in finance and business improvement through the reintegration of services could potentially deliver £177k to £307k cost reductions. The achievement of some of these reductions is dependent on the approach to be taken to the investment in continuous improvement in service performance.

There is the potential for further cost reductions from the client function, £94k, governance and compliance of £23k to £41k and overheads of £104k.

Consideration of the allocations, lettings and homelessness service did not reveal duplications of effort, neither was there any highlighted in the areas of asset management or procurement.

5.3 One off costs

Offset against these savings would be one-off costs associated with the transfer of the service back to the council. These are estimated to be £115k for legal fees,

publicity, the costs of integration of IT and any additional work needed to assist with the change. Redundancy costs are more difficult to forecast as these are dependent on the pay, length of service and age of employees subject to redundancy. The average is of the order of £60k for every £100k of pay costs. This gives a range of circa £390k to circa £590k. A more detailed evaluation would be necessary should the council decide to bring the service back in house.

5.4 Impact on General Fund

The current charging for services to the HRA, and consequential income to General Fund would need to change to reflect a new way of managing the housing service and revised organisational structure. This could potentially generate savings to General Fund through more efficient use of resources. This is dependent on absorbing the additional activity without increase in costs. The potential is for between £120k - £199k reduction in costs depending on the approach taken to support service provision.

5.5 Other financial considerations

Efficiency and value for money is a key consideration in assessment of the two options. HouseMark benchmarking overall shows there is a small improvement in the measures of value for money since SHL came into operation with fewer indicators in the low quartile performance for cost and quality than in the early period of its operations. The option which is chosen will need to be able to deliver continued improvements in indicators of performance and efficiency/value for money.

Currently there are variations in the terms and conditions of staff working in Stevenage Homes to staff working for the Council. There would potentially be a cost to harmonisation.

Should the service be brought back in-house then the current Stevenage Homes accumulated reserves of circa £400k would be returned to the HRA.

6 Organisational issues

6.1 Introduction and summary of organisational issues

We have prepared a report on the key organisational issues facing the council in taking its decision on future options forward. The findings are summarised below.

The decision to be made by council, taking into account tenants views, must be based on two options that provide a blueprint for the housing service in Stevenage that enables it to meet future challenges. It is unlikely that the current ALMO model as it has operated in Stevenage nor a return to the 'old' housing service can be sustained in the current and future policy and financial context.

We have presented an overview of organisational issues and picked up on key themes that emerged during the appraisal process. Examples of potential structures for the housing service are included within our report and are

summarised below. An in depth organisational review of structures that includes the Council's corporate structure, efficiency and shared services programmes, people strategy and culture as well as the frontline housing customer facing roles is needed as part of the implementation of the chosen option.

We have set out an in house option with strengthened governance and scrutiny and an ALMO option that takes account of the changed rationale and purpose from the point at which Stevenage Homes was originally established. There are examples of potential housing management structures that could sit beneath this.

The council is clear in its objectives for housing, set at the outset of this process, that effective and efficient governance of the housing service is required. We have therefore put forward for consideration by the council and Steering Group arrangements that would improve local accountability, tenant involvement and scrutiny whilst ensuring robust strategic financial management in line with the requirements of self financing.

It is evident that the current arrangements are not achieving true partnership working in a way that maximises the contribution of the ALMO in achieving the corporate ambitions and priorities of Council.

Neither are current ways of working sufficient for strategic financial management to the standard required for self financing. This is a concern as there is significant work to be done to deliver a business plan that can meet investment and service needs at the very least for the first 5-10 years.

This question of how to deliver investment in the stock over the longer term is key to the decisions made now about how the service is delivered and more importantly the strategic management of the business plan and asset management.

A strong argument has been set out nationally for the benefits of a dedicated focus on performance and improved services by ALMOs. In many cases ALMOs have delivered an enhanced role as a strong and effective partner supporting the Council to deliver its corporate objectives in areas linked to housing including regeneration, repairs and maintenance, health and anti social behaviour. There are options for extending the role of ALMOs beyond managing the current stock for the council and this might deliver additional financial benefits if managed appropriately.

The key is whether more can be achieved in the local context by creating a strong partner by a focused improved housing service or by integrating services. The financial differences that can be made are a crucial part of the decision but must be informed by the ability of each option to deliver on the objectives set by members and tenants as well as the risks attached to each option.

The options must also be considered in the context of the Council's overall strategy for the sort of council it wants to be – for example does it see itself as directly delivering a range of services or does it see its role as a strategic enabler and commissioner of services, or some other model.

The option to bring the housing service back in house may make sense on a number of fronts. However, if that is the outcome, in our view success will only be achieved if the council has a strong desire and leadership capability to run the service backed up by clear strategic and political priorities for delivery. It should be recognised that running the service under the self financing model will require the Council to make business decisions with an eye to the long term that may be difficult in such an environment.

6.2 Options fit for the future: governance

Option 1 - A housing service with enhanced governance and scrutiny

Bringing the service back in house would have to be on the basis of having a clear way forward agreed to strengthen governance, strategic management and enhanced scrutiny by tenants.

In considering the organisational and financial issues that face Stevenage, the changing external challenges and existing models elsewhere including the Cambridge model looked at as part of this process, the following provides the basis for a potential model for housing should the in house option be taken forward.

Scrutiny Overview Committee

**Executive
panel**

Tenant scrutiny

Housing Advisory Board

This example provides for a strengthened strategic focus for housing, the closer involvement of tenants in the continual review and improvement of services and supports the scrutiny overview committee of the Council.

The *Housing Advisory Board membership* consists of councillors, tenants and independents with regard to good governance practice in relation to no more than 10 or 12 members in total. The options for appointment of chair are either by Council or by the housing advisory board and can be from any of the 3 groups of members. For tenant and leasehold members the starting point is open election with any tenant and leaseholder able to stand and vote. A decision on any element of recruitment and/or selection will depend on the current structure and robustness of resident involvement in the service. The tenant scrutiny panel will nominate a panel member to sit on the Housing Advisory Board.

Terms of reference could include:

- Advice to Executive on issues relating to the housing policy framework including in depth analysis of policy issues.
- Oversee and co-ordinate the performance and policy review work required to ensure tenants and leaseholders have significant influence on future decisions
- Pre scrutiny and detailed investigation of proposals

- In year performance and finance monitoring
- The tenant members of the housing advisory board will nominate co-optees for the Scrutiny Overview Committee

The aim of the *Tenant Scrutiny Panel* is to provide a key role for tenants in reviewing housing services. This is in line with the current regulatory requirements for housing and as preparation for the changes to regulation, reform of the Ombudsman service and proposed introduction of a democratic filter for housing. The *membership* of the Tenant Scrutiny Panel consists of Stevenage tenants and leaseholders, tenant from another housing provider and an independent expert (if required), open recruitment from all tenants and leaseholders of the Council with final appointment on the basis of person and role specification based on an independent robust process.

Terms of Reference could include:

- Assist in the scrutiny and overview of housing performance by supporting the Housing Advisory Board in its work.
- Commission and review scrutiny activities for the purpose of continually reviewing and improving services.
- Make recommendations to Senior Management Team for the housing service and to the Housing Advisory Board on action plans for improvement but also including on the policy framework and development.
- Monitor and review agreed action plans arising from its work.
- Provide a coordinating role for tenant led housing service scrutiny activities.

Other issues for consideration include:

- In its role to advise Council in the future direction in policy development *Scrutiny Overview Committee* may wish to seek advice from the Housing Advisory Board.
- The role of the Housing Advisory Board should be considered alongside the existing use of time limited Topic Groups whose chairs are appointed by Council.
- The appointment of tenants as non voting co-optees on the Scrutiny Overview Committee is an option.
- Linking and/or coordinating the work programme with the Housing Advisory Group.
- A time limited officer project group as detailed in the ALMO option below could also be considered as part of the strengthening of strategic capacity for transition to self financing for the housing service.
- How new arrangements for housing will support the current review of scrutiny overview and its remit improving efficiency, transparency and accountability. Also in the direction of travel nationally towards citizen insight and engaging with communities and in a way that encourages significant influence on future direction and decisions.

Option 2 – Retaining the ALMO on the basis of strengthened direction

A key issue when looking at ALMO governance and structural arrangements is the need to be able to demonstrate full control for procurement purposes whilst

having a degree of autonomy that satisfies the requirements of the Secretary of State section 27 Housing Act 1985 (as amended).

ALMOs are increasingly making significant contributions to delivering their Council's corporate ambitions including making efficiency savings and developing income generation activities. Strengthening business planning will provide rigour and governance for self financing. Considering this and examples from elsewhere including the Derby model already looked at as part of this process, the following provides the basis for a potential model that achieves a greater degree of assurance for the Council in terms of a stronger partnership should they choose to retain the Stevenage Homes.

Strategic Partnership Board

Executive

Project Group (time limited)

Stevenage Homes Board

The *Strategic Partnership Board* would be focused at providing the strengthened governance and effective partnership working that will be required to meet the new risk profile and requirements of self financing. Membership consists of

- Councillors including executive members for housing and finance and ALMO board members.
- Independent members with relevant expertise and skills.

The *terms of reference* could be:

- To provide strategic overview and planning within the governance structure to provide strong direction to the ALMO.
- To gain assurance in the performance and continuous service improvement in key areas and that improved outcomes are achieved for tenants.
- To review and ensure the approach taken in key areas such as asset management, regeneration and strategic financial management maximises the contribution the ALMO makes to the corporate priorities of the Council.
- To consider and make recommendations on options for delivering a sustainable business plan
- To identify business development opportunities that generate additional income, do not impact on the performance of core services and fit with the Council's corporate priorities.

The time limited *Project Group* would be focused on implementation of self financing including delivering a sustainable business plan. Membership would reflect key officers from the Council and ALMO and include:

- Stevenage Homes chief executive, the Strategic Directors and lead officers responsible for finance and asset management for both ALMO and Council, the Head of Housing, Partnerships and Communications and the Council's s151 officer.

- Consideration could be given to including a peer officer from a well performing ALMO that is successfully pursuing a new direction following completion of decent homes and is no longer in receipt of ALMO decent homes funding.

The *terms of reference* for the group would be relatively narrow:

- To support the strategic partnership board in its work to review the approach taken to asset management, regeneration and self financed business planning.
- To undertake an appraisal of the business opportunities for the ALMO and draw conclusions on the approach, resources and work required to maximize opportunity for income generation.
- To provide expert advice and support to the Strategic Housing Partnership on these key areas and to make recommendations on the way forward.

What is clear from the focus on organisational issues within the project is that although the intention is there for the ALMO to be at the heart of delivering the council's corporate priorities there has not been a culture of effective partnership working between the ALMO and the Council overall. What other Council's with ALMOs have sought to do is to re balance the 3 key areas in which councils oversee ALMOs:

- Steering the strategic direction of the ALMO;
- Monitoring; and
- Control including taking corrective action when needed.

Giving direction requires a strengthened strategic input from the Council and an option for delivering this would be through:

- Additional Councillor executive members on the board;
- Possibly reducing the number of members on the board to a 3,3,3 but with an appointed chair based on joint appointment by the ALMO and Council with clear requirements around leadership, principles of partnership working and focus on the business plan;
- Co-opting officers onto the ALMO board who Members have confidence in to work in true partnership to ensure that the direction of the ALMO is in line with Council and Members ambitions and priorities; and
- Setting up a time limited task group to carry out a governance review and oversee implementation looking at:
 - A review of ALMO strategic objectives to have a better fit with the Councils ambitions and priorities;
 - A review of the skills profile for the board, the process for recruitment and nomination to the board as well overseeing the work to agree updated articles of association, member and management agreement;
 - Identify and eliminate areas of duplication and clarify areas of accountability; and
 - Shortening lines of communication and review delegations to make sure the balance is better than is currently the case.

Issues around conflict of interest would need to be addressed and the Member responsible for commissioning the service and holding it to account (usually the Portfolio Holder) would not be able to be the Council's nominee to the board.

However the Portfolio Holder is should be able to, by virtue of the management agreement, exercise the Council's voting rights at the AGM. The Council would follow its own constitutional arrangements in respect of nominations to external bodies.

ALMO board members must fulfil 3 roles:

- A stewardship role – safeguarding the interests of the ALMOs owners (the council) and the public;
- A strategic / managerial role – acting as partners of management at the top of the ALMO;
- A democratic role – representing the interests of tenants and leaseholders.¹

Retaining the ALMO with a new focus will require an open discussion about how existing board skills and experience match with the new vision for the ALMO but also how these 3 roles are delivered by all board members individually and by the board as a collective.

There are a number of powers available to local authorities including the 'well being power' that enable it to do things that are for reasons other than purely making financial savings. A clear rationale for governance changes in order to achieve wider benefits to the tenants, leaseholders and wider residents of Stevenage should be documented as well as legal advice to ensure that the balance between autonomy and control fulfils requirements.

If the vision for the ALMO is around widening its activities and developing opportunities for income generation and new business then legal advice should be sought in regard to changes needed to its constitution and articles.

6.3 Organisational structures

Strategic capacity and resources were put in place to turnaround the service following the setting up of Stevenage Homes to deliver the required performance and access funding. The 2009 Audit Commission inspection report attributed the improvement in the service to strong leadership and clear customer focus.

To sustain the quality of the service to at least a 2 star level with a positive direction of travel the strategic capacity of the service must be preserved in either option. In addition thought needs to be given to the radical changes social housing is going through as well as the continuing challenge of economic and fiscal conditions.

Any final structure, regardless of option, should include:

- A senior strategic resource to provide the expertise and skills in housing to meet the increased risk and new way of working that self financing will bring;
- A robust, transparent and accountable governance structure that is based on an enhanced scrutiny role for tenants and sits within the overall corporate scrutiny arrangements for the council;

¹ Audit Commission National Housing Report 'Learning lessons from the first Housing ALMOs' 2003

- Investment to sustain service improvement;
- The resources required to ensure the service is a wholly customer focused one including knowing and understanding the profile and needs of its tenants, designing and delivering services that are right first time and adapting its approach in light of customer feedback and satisfaction; and
- The right approach to maximise the role that the housing service will play in achieving corporate ambitions and priorities in future.

Further details of suggested approaches for consideration in management structures are included in our Organisational Report and are available to the council to be utilised to inform plans for the implementation of the agreed option.

7 Performance summary

We have prepared a summary report on performance and inspection achievements by SHL which was considered by the Steering Group. The main themes are as summarised below.

Since 2002 when the first ALMOs came into being and the housing services were assessed under inspections, ALMOs have been seen as a successful model for delivering service improvements and customer satisfaction. The National Federation of ALMO's identifies *"of the 64 ALMOs inspected by the Audit Commission, 60 have been classified as excellent (21 3 star) or good (39 2 star) on performance and service delivery. No traditional local authority and only three housing associations have achieved three stars in the last three years."*

Experiences do however differ around the country and we have undertaken a brief and high level review of performance of Stevenage Homes since its establishment to provide additional context for consideration by the Steering Group.

The current suite of performance indicators utilised by the council and SHL has been used for some time and is currently under review. We note in passing the absence of cost comparators providing the means to make summary judgements around value for money.

Although SHL has mainly increased its performance over the last three years, this improvement has only meant that SHL has kept pace with the improvements in the sector generally. It has to be recognised that the 'bar' is being raised on performance over time.

There is widespread acknowledgement within Stevenage that there is room for improvement in the costs of service delivery within SHL. It is noted also that the element of 'residual' HRA costs (ie that element not paid over to the ALMO in management fee) is on the low side compared to other authorities. We understand that plans are in place to deliver step change efficiencies in SHL – the *Shifting Gear* initiative - and have reviewed at a high level these plans, both as contained within the Delivery Plan for 2011/12 and in the course of this project.

Whilst ambitious, in our view the plans could benefit from more tangible objectives around future efficiency and value for money. The need for efficiencies is potentially heightened by the likely financial position within the business plan.

The performance and improvement summary reinforces the sense that, whilst the ALMO model has delivered in Stevenage, it has not delivered as much as the ALMO model elsewhere. A range of reasons have been put to us during the course of this review. It is likely that some or all of these have had an impact on the capacity and capability for the service to be improved.

8 Summary of advantages and risks

The table below has been extracted from our Organisational Review work to summarise the main advantages and risks associated with pursuing the alternative options. Both options could be successful and both could offer a basis for efficiencies in service costs to be delivered.

Option	Advantages	Risks
Bringing the service back in house	<ul style="list-style-type: none"> • The significant area where there is an advantage to this option is in the financial differences between the options. There is the potential to save £635k - £861k. • The opportunity can be taken to reshape services and direction to achieve greater coordination and integration with other council services. 	<ul style="list-style-type: none"> • The cost of bringing the service back in house is considered within the financial appraisal with an estimated broad cost range of £540k - £740k for legal, integration and redundancy costs. Further analysis and due diligence needs to be carried out to clarify these costs. • A key consideration for the council in making its decision is around the reputational risk posed by a scenario where the service is taken back in house and quality deteriorates with the impact felt very directly by customers. • If tenants are not fully supportive of the decision on options then the Council's work corporately around engaging communities and promoting mutualism could be impacted. • Bringing the landlord service back in house has the potential to take focus away from the Council's strategic housing role. This may be an

		<p>increased risk if additional functions are co located with strategic housing (eg, performance management framework and compliance as well as leading on tenant involvement and scrutiny linked to governance)</p>
Retaining the ALMO	<ul style="list-style-type: none"> • Focus is not diverted to managing transition and structural change and can be targeted at increasing efficiency, developing more effective ways of working as well as income generation. • If there is an appetite to be innovative, maximise opportunities and have a broader reach for housing then the ALMO model can support this. • The Council is able through utilising levers within the Management Agreement arrangements, as stock owner and as the 100% shareholder of Stevenage Homes, to enforce the delivery of service efficiencies. There may be advantages to the council requiring the ALMO to make efficiencies in this way. 	<ul style="list-style-type: none"> • If tenants are not fully supportive of the decision on options then the Council's work corporately around engaging communities and promoting mutualism could be impacted. • The relationship between the Council and Stevenage Homes to date has not been such that the maximum benefit has been gained from the arrangements. This would need to change substantially. • An ALMO with a wider focus and expanding its operation will require a review of the management agreement and careful consideration of the range of delegation around decision making. There will need to be a balance between enabling the ALMO to be competitive in the market place and take on more responsibility for a wider range of services and the Council feeling it can have confidence in it delivering positive outcomes and savings on their behalf.

9 Appraisal of the Options

9.1 Introduction

Taking into account the evidence collected as at 24th May including primarily the consultative, financial, organisational, performance reports and general contextual backdrop to the project, the Steering Group assessed the two options against the eight criteria that were developed by the Group using the weightings proposed by the tenants Focus Group, which were also reinforced separately at meetings with FoSTA and of the Steering Group.

A tag line was adopted for each of the criteria to describe in simple terms what is being measured to assist the Steering Group in undertaking the discussion. The agreed methodology was as follows and was carried through at the meeting on 26th May.

- To weight the criteria on the basis that some are of critical importance
- To make judgements around the capability of the options to deliver very well (high), as expected (medium) or less well (low) against each of the criteria – this approach avoids unnecessary numerical scoring which in our view does not add value to the appraisal process.

A summary of the key issues highlighted within the discussion are presented at appendix 1 to this report in order to demonstrate the very wide ranging and detailed consideration that was given to the advantages and disadvantages, strengths and weaknesses of the options against each of the criteria.

9.2 Overall appraisal

The results of the appraisal are set out in the table below.

Weighting	Criteria	Scoring	
		ALMO	In House
High	Quality Services	High	High
High	Resources to maintain the homes	Medium	High
High	Deliver efficiencies	High	High
High	Tenants at the heart	High	Medium
Normal	Deliver more affordable homes	Low	Low
Normal	Partnership working	Medium	Medium+
Normal	Helping SBC financial position	Low	Medium
Normal	Meeting SBC wider objectives	Medium+	High

The outcome of the appraisal scoring exercise was therefore very close and reflected a balance in the advantages and disadvantages of each of the options. In order to reflect the closeness of the scoring, as well as the general nature of some of the overall risks and advantages of the options, the Group agreed that the differential outcomes should be summarised in the following three statements

which would form part of the material distributed to tenants for the Test of Opinion.

1. There is the potential for an in house service to release more resources for the Housing Revenue Account business plan for an equivalent service base.
2. Conversely, there is a feeling that an ALMO model locks tenant empowerment into decision making in a more explicit way.
3. An in house service gives more opportunity to contribute via partnerships, financially and strategically towards meeting Council objectives.

On balance therefore, the conclusion of the Steering Group's evaluation was to pursue the in house model for housing services and to carry out a test of opinion on this option.

10 Consultation and the Test of Opinion

10.1 Introduction

Following to the Steering Group's appraisal decision, the council, together with FoSTA appointed an Independent Tenants Adviser (ITA) to assist with the undertaking of the Test of Opinion. A detailed report of the activities undertaken together with the outcomes of the two surveys conducted with tenants has been presented to the Steering Group and will form part of the reports to the council to inform its final decision.

It is not necessary for us to repeat in detail the outcomes of the ITA work in this report, rather to summarise the main themes, issues and outcomes for the benefit of the Steering Group in making its final recommendations to the council.

10.2 ITA activities with tenants and leaseholders

A series of events with the ITA took place including attendance at a customer conference, meetings with key stakeholders, running drop in sessions and meetings with FoSTA, and the operation of a free phone advice service.

Necessarily, the engagement of different people results in a wide range of views expressed around the process, project, consultation undertaken, as well as the current service and issues associated with the two options themselves. From the perspective of the overall appraisal, the key themes we would seek to highlight are as follows.

There is a mixed picture of opinion around the current services provided by Stevenage Homes but these do appear to almost universally acknowledge that services have improved compared to the previous council service.

A strong sense from the ITA report is that there remains considerable room for improvement in service delivery as well as resident involvement and this reinforces our findings from engagement with tenants earlier in the process and in our Organisational Review.

There is a clear need to review the basis for tenant empowerment and resident involvement more widely in Stevenage and a specific recommendation is provided to this effect in the ITA report.

There is a stronger positive feeling towards SHL from those tenants and leaseholders that have become more actively involved compared to those with less history of active involvement. Individual members of FoSTA might therefore need to consider how its role could develop to increase the effectiveness with which it represents the views, opinions and needs of tenants.

10.3 Test of Opinion: Questionnaire and responses

The ITA also operated the questionnaire/return process on behalf of the council in order to demonstrate that the process was fair and independent.

Around the time of the appointment of the ITA, there was a robust debate around the wording of the leaflet and other publicity material together with the Test of Opinion questions upon which the views of tenants were sought. We are aware that the ITA had a strong input into the material, in particular to ensure greater accessibility for tenants and leaseholders as well as to strike an appropriate balance between presenting facts and figures in as neutral a way as possible given that the council was consulting on a specific proposal to bring the service back in house.

We understand that controversy around the wording of the questionnaire remains and this has affected the way in which some members of FoSTA continue to engage with the process following receipt of the results.

In our view, the questions that were asked in the questionnaire (and in the telephone survey) were of an appropriate balance given that the council is able to consult its tenants on a proposal which has been arrived at following a detailed appraisal process. We were keen that the council avoided some of the more blatant attempts that have been seen in some councils looking to unduly influence the views of tenants around similar decisions and were content to rely on the advice of the ITA in assisting the council in refining the material.

The results of the Survey are included in detail in the ITA report together with equalities information; they are summarised below.

1,106 questionnaires from tenants (13.5%) were returned with 104 from leaseholders (8.1%). Our sense is that this is at the upper end of expectations around returns in a large self selecting survey conducted with council tenants.

Nearly 85% of respondents said that they understood very well or fairly well the changes that were being proposed.

63% of respondents tended to agree or strongly agreed with the proposal to bring the service back in house (61% of tenants and 76% of leaseholders).

14% of respondents tended to or strongly opposed the proposal (15% of tenants and 8% of leaseholders).

23% of respondents did not express an opinion either way.

Of those expressing an opinion, there was therefore a 4:1 ratio in favour of the proposal.

Given the population of tenants, a random sample size of around 550 would give 95% confidence that the results were within +/- 4% of the outcome. A random sample of 900 would give 95% confidence of results +/- 3%. The response rate was greater although self selecting and therefore not strictly random. However, from a statistical perspective, there can be sufficient confidence in the outcome given the ratio in favour.

10.4 Test of Opinion: Telephone Sample

A telephone sample survey which included questions from the questionnaire sent to all tenants was undertaken by sampling company Voluntas during August. Their report was presented to the Steering Group on 31st August. In order to ensure that a fair representation of all tenants' views were obtained, the survey sample was stratified to the extent that target interviews were collated according to a range of criteria, including general needs/sheltered tenants, men/women, age range.

The results of the Survey are included in detail in the ITA report together with equalities information; they are summarised below.

1,413 interviews were completed (17%), a greater number than general questionnaires received back from tenants and leaseholders.

Given the population of households, this represents 95% confidence that the results are within +/- 2.4% of the actual overall opinion.

64% of interviewees had read the leaflet.

67% of interviewees said that they understood the proposed changes very well or fairly well.

42% of interviewees tended to or expressed strong support for the proposal to bring services in house.

11% of interviewees tended to or expressed strong opposition to the proposal.

47% therefore expressed no feelings either way or were 'don't know'.

Of those expressing an opinion, there was therefore a 4:1 ratio in favour of the proposal.

Taking into account the size of the sample, which is large compared to what would otherwise have been required to establish usual confidence limits, it is therefore possible to state that:

10.5 Tests of Opinion: Conclusions

Taking into account both the questionnaire survey and the telephone survey, it is possible to conclude that around four fifths of tenants and leaseholders expressing a preference have supported the proposal to bring the service back in house.

In our view, this places the council in a strong position to infer the views of tenants following the detailed work involved in the appraisal project.

There are also potentially wider implications for FoSTA and resident involvement in general and these can be considered if the council agrees to undertake a fundamental review of its arrangements as part of the next stage of the process.

Appendix 1 – Summary discussions on the evidence presented to Steering Group 26th May

Quality Services

- Can't ignore the track record of SHL
- Could the ALMO protect the quality of service, could it “survive” requirement for efficiencies
- Substantial/fundamental changes needed in SHL
 - Efficiencies
 - service improvement
- SHL has the experience, capacity and know how
- Efficiencies have been driven by fee reduction
- SHL – focus is on management and maintenance of the stock
- SBC – Could have also done as well with additional resources
- A stronger focus – drives quality improvement
- Services/quality – driven by quality of the home
- Focus on customer – either model can deliver
- Reactive quality of service – jointly provided e.g. customer service centre
- Service Quality is determined by
 - Leadership
 - People providing the service
 - Customers

Maintain Homes

- Provided that the service efficiencies and quality improvements are delivered by both models equally, the in house model would have greater resources
- SHL could deliver greater resources from outside sources
- The ALMO model no longer creates a financial advantage
- ALMO model possible start to a two stage process to getting long term sustainable investment
- ALMO might/SBC would deliver investment

Delivering Efficiencies

- Trend now to outsourcing which has the advantages of
 - Economies of scale
 - Core focus of business
 - Access to specialists
- How does the Council see itself? - Enablers/commissioners or service deliverers?
- Opportunistic in nature
- SBC – direct/integration
- SHL – direct through management agreement
- Track record important

- SHL – Has “got a handle” on efficiencies – not standing still

More affordable Homes

- Both models equally able to deliver affordable homes

Tenants at the Heart

- Opportunity to review tenant empowerment in either approach
- Extended by SHL since 2006 – on board, greater involvement
- Democratic accountability
- Commitment of members important
- Important to design role re FoSTA empowerment

Partnerships

- SBC has a range of business partnerships for shared services delivering greater efficiencies
- SBC more likely to be strategic lead bringing more to the table financially
- ALMO partnerships greater elsewhere
 - Issue for SHL is capability
 - Delivers innovation
- Has the Council encouraged SHL in partnerships?

Contribution to Corporate Priorities

- Corporate priorities in 2011/2, most involve housing
 - Regeneration
 - Community safety
 - Community engagement
 - Affordable housing
- Opportunities for synergy
- SBC has a track record of empowering groups to deliver self help and meet the wider council objectives
- Council needs support from partners/groups – core council objective
- Risk if taken in house verses core community empowerment culture of Council
- Part of rejuvenated ALMO relationship
- Level of “Brand” recognition – in 5 years it could be different
- Flexibility v control
- Would require step change / “leap of faith” re SHL