

 <p><b>Brent</b></p>	<p><b>Cabinet</b> 15 November 2016</p> <p><b>Report from the Strategic Director, Community Wellbeing</b></p>
For Action	Wards affected: All
<p><b>Housing Management Options Review</b></p>	

## 1. Summary

- 1.2 This report sets out the results of a review of options to provide housing management services to the Council's tenants and leaseholders undertaken over the past four months.
- 1.3 Cabinet commissioned the review because of the challenges presented by the government's housing and welfare reforms and in light of concerns with BHP's performance.
- 1.4 As part of the review the views of a sample of tenants and leaseholders were obtained on current services and priorities for improvement. Members were engaged through briefing sessions and BHP's Board, senior leadership team and staff were also engaged and briefed.
- 1.5 Three options have been assessed through the review:
  1. To continue with BHP on a reformed basis
  2. To bring the service in-house
  3. To enter into partnership with another organisation to provide the service
- 1.6 Common principles have informed the design of each of the options to address current weaknesses and to take account of new and leading models of modern service delivery in the social housing sector. The options have all been optimised in their design.
- 1.7 There is scope under all the options for further integration with the Council in the areas of public realm management, dealing with anti-social behaviour and to reform customer service arrangements. There is a high degree of similarity between the arrangements for the In-house and Reformed BHP options but more difference for the Partnership option. A key difference between the options is that of governance.
- 1.8 The options have been evaluated against criteria based on those agreed by Cabinet. It is apparent that each of the options could work but there are key

differences in relation to control, leadership and the complexity and timing of implementation. A key consideration is the contribution each makes to the financial savings required to sustain the Council's housing finances over the longer-term. The BHP Reformed option only generates modest savings but the Partnership and In-house options realise more significant savings, though further savings will need to be made through changes to service delivery and efficiency.

- 1.9 In light of the evaluation it is concluded that the In-house option offers the best prospect of achieving the service transformation to deliver high-quality services at significantly reduced costs, benefitting from the Council's wider experience in doing so in recent years. Accordingly, this report recommends to Cabinet that the In-house option be the preferred option. If agreed consultation will then be undertaken with all tenants and leaseholders and the results of this will be reported to Cabinet for a final decision.

## **2. Recommendations**

That Cabinet:

- 2.1 Agree that the preferred option for future housing management service provision to the Council's tenants and leaseholders is Option 2, an In-house service, subject to consultation;
- 2.2 Authorise officers to undertake consultation with Council tenants and leaseholders on the preferred option as set out in paragraph 2.1 and to then provide a further report to Cabinet on the responses to that consultation to inform a final decision on future housing management service arrangements.
- 2.3 Instructs officers to report further on appropriate arrangements to provide for effective oversight and scrutiny by members and residents of the housing management service should the final decision be that the service be provided in-house.

## **3. Detail**

- 3.1 In June 2016, the Cabinet decided to undertake a formal review of how to deliver housing management services for its housing stock. The review has now been completed. The findings and conclusions are set out in full in the attached Review of Housing Management Options Report. A summary of these is provided in the following sections:

- Background to the Review
- Brent Context: The housing stock and its management
- BHP Performance
- The Options
- The Evaluation Criteria, Evaluation of the Options and Implementation
- Conclusion on the Preferred Option

### **Background**

- 3.2 Cabinet decided in June to undertake a review of Housing Management options for its housing stock. This was prompted by two main considerations.
- 3.3 Firstly, the government's Housing and Planning Act (2016) and other measures will have a significant impact on the Council's housing stock including on its future size, financial performance and management over coming years. The prescribed reduction in rents between 2016 and 2020 will significantly reduce

rental income to fund services and the government's other reforms are likely to reduce the size of the Council's stock and further reduce income and undermine economies of scale. It was therefore appropriate to consider the implications for housing management services and how these could best be developed and delivered in the context of these challenges.

- 3.4 The second consideration was the performance of BHP, the Council's existing Arms-Length Management Organisation (ALMO). The Council entered into a new 10 year Management Agreement with Brent Housing Partnership (BHP) in April 2013 for the management of the Council's housing stock. This required BHP to provide services and achieve performance in accordance with an annually agreed Delivery Plan. In 2015/16 BHP failed to achieve the required outcomes and performance standards in a number of respects. In January 2016 BHP put a recovery plan in place to address the areas of concern over the period by the end of October 2016.
- 3.5 In view of both the challenges presented by the government's reforms and the issues of concern in respect of BHP's performance the Cabinet concluded it was necessary to consider afresh the most appropriate arrangements for the management of the Council's stock.
- 3.6 In June 2016 Cabinet therefore commissioned a formal review of Housing Management Options for the Council's Housing stock, with the options to be considered being:
  1. To continue with BHP on a reformed basis
  2. To bring the service in-house
  3. To enter into partnership with another organisation to provide the service
- 3.7 The review has been undertaken over the period from July to October 2016. It has been led by the housing service and been informed by a cross Council group with representation from all Council departments and been guided by the Council's Corporate Management Team. The review has also been supported by external consultants who have provided additional expertise and experience from across the social housing sector. The review process is set out in detail in the Review report which accompanies this document.

#### **Brent Context: The Housing stock and its current Management**

- 3.8 The Council's Housing Stock comprises almost 11,500 homes, of which approximately 7,700 are tenanted and 3,700 are leasehold, and is concentrated in the South-east of the borough. Homes are primarily flats on small and medium-sized estates but with a significant minority of street properties, mainly converted to flats.
- 3.9 Average occupancy for tenanted and leasehold properties is 3.3 and 4.8 persons respectively, with the latter in part reflecting the extent of private letting of leasehold properties, giving a total of around 43,000 residents or over 1 in 8 of Brent's population. Around a third of tenants are over 60 years old. 4% of tenants have a disability and 8% have a vulnerability.
- 3.10 The Council is responsible as a landlord under the tenancy and leasehold agreements with each household to provide housing management and maintenance services. The Council's relationship with its tenants and leaseholders is therefore a different one from that with other borough residents as it is primarily a contractual one under which these households pay rent or service charges in exchange for specific services.

- 3.11 Since 2002 the Council has delegated responsibility for both management and maintenance services to a wholly-owned arms-length management company, Brent Housing Partnership (BHP) through a Management Agreement. The current management agreement was entered into in April 2013 for a 10 year term.
- 3.12 Under the Management Agreement the Council sets the strategic direction and priorities for the service, and the required budgets, and BHP is operationally responsible for the delivery of these services. A delivery plan is agreed annually between the Council and BHP which sets out priorities for service improvement and delivery and corresponding targets.
- 3.13 BHP is a separate legal entity as a company and is governed by a Board of 13 directors comprising residents, Councillors and independent persons with an independent chair. Its Managing Director and Executive team are responsible to the Board.
- 3.14 BHP provides the full set of landlord services, either directly or by contract management of relevant contractors. The main services are:
- Tenancy Management – tenancy agreement compliance, lettings, rent collection, resident engagement, dealing with anti-social behaviour; RTB application; and client responsibility for two Tenant Management Organisations and for the management contract for the Travellers site at Lynton Close.
  - Leaseholder Management – All lease issues; service charges and consultation and charging for major works.
  - Property services – Communal cleaning, estates management, grounds maintenance (through the Council's public realm contractor), responsive repairs, health and safety compliance, planned maintenance and major works. Since 2014 repairs and maintenance have been provided mainly through an Asset Management contractor, Wates.
  - Development services – the delivery of a new-build programme on existing estates
- 3.15 BHP operates a call-centre handling around 83,000 calls per annum, the majority of which relate to repairs. It is responsible for dealing with Stage 1 complaints and member enquiries and has a small communications team, a finance team, governance and HR resources.
- 3.16 The Council provides under SLAs a number of support services to BHP including accommodation at the Civic Centre, IT, payroll and legal support.

### **BHP Performance**

- 3.17 In response to a number of performance concerns a Recovery Plan was put in place by BHP to run from January to October 2016. The Recovery Plan set out specific actions and outcomes required in response to the main areas of concern and some key performance targets. A formal notice of breach was also served under the Management Agreement in respect of specific concerns, requiring that they be remedied by the same deadline.
- 3.18 Performance and progress over the period has been assessed as part of the Review and the findings are set out in more detail in the Review report. Most

actions and outcomes required under the Recovery Plan have been completed and achieved and significant progress has been made in a number of areas.

- 3.19 A key concern was the performance of the planned maintenance programme in 2015/16 which was substantially under-delivered, with significant contract management weaknesses identified through an audit investigation. These issues have been addressed and there is a good level of confidence that this year's programme will be delivered to time and budget and advance planning is already underway for next year's programme.
- 3.20 The timeliness of response to complaints and member enquiries was another area of concern and this has been addressed with response times being met. A significant proportion of complaints relate to repairs but overall complaint levels are comparable with other housing organisations, though higher than for the best service providers.
- 3.21 Customer service response has improved with a very high percentage of calls answered over the last quarter and waiting times significantly reduced though these remain longer than the corporate standard.
- 3.22 There remain, however, areas of continuing concern which are reflected in levels of customer satisfaction in particular with repairs, resident involvement and with the service overall.
- 3.23 To inform the review, the views of tenants and leaseholders about current service performance and priorities for improvement were sought through a telephone survey of 600 residents and through a set of focus groups. This research identified three areas of greatest concern and priority for improvement: repairs and maintenance, anti-social behaviour and the quality of homes.
- 3.24 Over the last 18 months satisfaction with repairs has not improved and remains unacceptably low with a third of tenants and two-thirds of leaseholders not satisfied with the service. The primary concerns are outstanding repair works and the failure to complete repairs on the first visit. Progress in this area depend on the contractor making a number of key service changes, and these are due to be introduced and become effective over the next two months. It is clear, regardless of the future housing management option chosen, that improvements to the repairs service is both urgent and of the highest priority.
- 3.25 The recent survey identified a low level of satisfaction with how anti-social behaviour is managed. Similarly, around half of residents were not satisfied with opportunities for resident involvement.
- 3.26 BHP have regularly monitored overall satisfaction levels with the service over the last 18 months. There has been little appreciable increase in satisfaction levels over this period (and no increase at all over the Recovery Plan period). With barely half of leaseholders and two-thirds of tenants being satisfied with the service, BHP ranks well below the strongest providers in the sector, but it is recognised that there is a time lag between the introduction of service improvements and their expression in randomised satisfaction survey results.
- 3.27 As part of the review a benchmarking exercise has also been carried out to compare key performance indicators for council housing services, ALMOs and Housing Associations in London, with each other and with BHP over the last 3 years. This found a mixed picture with ALMOs performing relatively well, as do council services (particularly in respect of cost where they perform best) and housing associations relatively strong and weak in different areas. BHP's performance was similarly mixed: good or improving in some areas but in others showing relative decline compared with other comparators.

## The Options

- 3.28 The options are set out in detail in the accompanying Review report. It should be noted that, whilst there are necessarily differences between the options they each need to respond to the contextual challenges and changes most of which are common to all options.
- 3.29 Firstly, each option needs to respond to the areas of evident weakness in the current services and enable a significant improvement in service quality and customer satisfaction and do so while generating significant efficiencies and savings to respond to the financial pressures arising from the government's reforms.
- 3.30 Each option also needs to catch-up with wider changes across the social housing sector, which are accelerating in response to common financial challenges. Central to these is harnessing digital technologies to enable customers to interact and transact with services online, and to use data to drive continuing service design and development. The current service is traditional in nature and each of the options needs to enable this transformation.
- 3.31 The options also need to respond to Brent's local housing context and Housing Strategy priorities which are:
- Housing Supply – re-confirming the ambition set out in the original target of 5,000 affordable homes by 2019, refining this focus to ensure we get the right affordable housing, and signalling the need to adopt a wider range of delivery mechanisms if we are to deliver that target
  - Housing and wellbeing (rather than housing and employment) – employment will still have a key role as this will recognise the importance of employment to sustaining housing and wellbeing
  - Private Sector – building on the success of the licensing scheme and the work of the Housing OBR to deepen our relationship with the private sector to ensure that we are improving standards and doing everything possible to help residents, particularly the most vulnerable residents, find PRS accommodation
  - Homelessness – the TA reform plan has been developed since the original housing strategy was written, therefore the revised strategy will update in line with the TA reform plan
  - Social Housing Improvement – the focus in the original strategy was improving the Council's stock and this is one of the key areas that BHP has failed in. The revised strategy will re-confirm the objectives in terms of the Council's own stock, while also creating a clearer focus on the working with all social housing providers to not only improve housing quality, but also to deliver wide objectives for place and people.
- 3.32 The leadership and management of the new service also needs to change and a positive service culture needs to be inculcated that raises morale and is focussed on customer's experiences.
- 3.33 Each option has been designed in order to meet the above requirements and to maximise its potential. Wherever appropriate duplication has been removed to streamline service delivery and, where possible, reduce cost:
- Public Realm – Existing grounds maintenance – there are issues of duplication and demarcation between two contractors which are capable of resolution.

- Anti-social behaviour – Integration with the Council’s corporate community safety service, but working in close liaison with the housing management service.
  - Customer service – repairs reporting could be made directly to the contractor, with the service monitoring performance and resolving problems but this can only materialise if there is confidence that the performance of the contractor at a satisfactory level can be realised and maintained. There may be scope to integrate the rest of the call-centre function with the Council’s corporate service under the BHP reformed and in-house options, or with the partner’s corporate service as relevant.
  - Financial Inclusion – This should be provided by the corporately commissioned service available to borough residents.
  - Adaptations – this could be provided by a single service, rather than as now by both BHP and the Council but this needs further evaluation.
- 3.34 In addition to the common requirements and changes, there are some changes specific to each option.
- 3.35 The option to continue with a **Reformed BHP** is emphatically not maintenance of the status quo. Transformational change in the way in which services are delivered will be needed, as well as the further integration outlined above.
- 3.36 Governance will be reformed moving to a smaller skills-based board, and a strengthened client-side function within the Council will be required. Enhanced customer engagement and resident involvement would be needed. A new restructured leadership team will be recruited.
- 3.37 An **In-house service** will provide for full integration with the Council and other services. Governance and accountability will flow through the Council’s corporate management to Cabinet. With the loss of the board it will be critical to provide alternative arrangements that provide for oversight and scrutiny by residents and Members, drawing on exemplars in other Councils.
- 3.38 While the Reformed BHP and In-house options, and changes required under each, are quite similar, the **Partnership option** is more different. The approach has been informed by informal discussions with a number of Housing Associations active in Brent with a clear preference for a form of Joint Venture or housing services company, rather than a contract. There is of course more uncertainty about how this option would be structured and operate as it would depend on the partner selected. Broadly it is expected that a number of key functions would be provided by the Partner’s wider organisation including support services (instead of the Council as at present) and customer contact services. The frontline service integration with the Council in respect of public realm, ASB, etc. would, however, still apply.
- 3.39 Governance would be through a joint board and it is unlikely this would provide for resident representation. A customer oversight and scrutiny function would be required.

### Evaluation of the Options

- 3.40 The options have been evaluated against criteria drawn from those set out in the June 2016 Cabinet report and assesses the extent to which each option:

1. Assures provision of modern, high-quality and continuously improving housing management services
  2. Achieves significant efficiencies and savings to contribute to the financial sustainability of the Council's housing revenue account
  3. Maximises the value and performance of the Council's housing stock through active asset management
  4. Contributes to improved outcomes for tenants including in respect of people and place outcomes the Council is seeking to achieve
  5. Contributes to the delivery of the Council's priorities
- 3.41 The evaluation findings are detailed and summarised in the Review report identifying the relative strengths and weaknesses of each option in respect of each criteria.
- 3.42 It is apparent that each option has the potential to successfully meet the Council's criteria, but importantly each has relative strengths and weaknesses in different areas. This is to be expected: The numerous examples of highly-performing Council and ALMO housing services (and of weaker performing services of each type) show that the option or model itself is not the main determinant. The Partnership Joint Venture option is itself innovative and there are few if any comparative examples but there are numerous examples of high-performing housing associations who would be the prospective partner under this option.
- 3.43 One significant difference is in respect of the potential financial savings arising from the adoption of each option. The financial assessment undertaken through the Review indicates that only modest savings would be realised through the BHP Reformed option but more significant savings could be realised under the In-house and Partnership options.
- 3.44 Another key difference relates to the issue of control. This relates both to the degree of control the Council has to direct the changes and improvements required and to the ability to direct the housing service's contribution to the delivery of the Council's priorities more generally. Under the BHP reformed option the Council has strategic control but delegates operational control to the ALMO. Under the Partnership option control is essentially shared. The In-house option provides for direct strategic and operational control.
- 3.45 Leadership will be crucial to achieving the full potential of each option. The current BHP leadership team is interim so under each of the options there will be new leadership. Independent recruitment advice, however, is that the Partnership option and to a slightly lesser extent the BHP Reformed option may more readily attract the strongest candidates because of the degree of autonomy such senior managers would enjoy (with responsibility for leading a housing services company of one type or another) whereas the in-house option may be less attractive to some potential candidates as it provides less autonomy within the Council's corporate setting. This may, however, be countered by the opportunity to work across a wider range of housing functions within the Council. All the options have the potential to attract a strong leadership team, as is evidenced in the social housing sector, but under the in-house option the leadership roles would need to be positioned with care to attract the strongest field.

## **Implementation**

- 3.46 While each option could work, a central consideration is the confidence which the Council can have that the optimised version of the option can be delivered. This partly relates to the issue of control but also to the degree of difficulty, complexity and risk attendant on implementation, and over what time period this would be achieved.



- 3.47 The Reformed ALMO is the most straightforward option to implement. No consultation is required after Cabinet in November, and a new management team could be in place by April 2017. Therefore, by April 2017 the implementation of wider transformation should commence and be well advanced over the first half of 2017-18.
- 3.48 The In-House option is the middle ranked option in terms of complexity. There will need to be a consultation (test of opinion) running from December to February before coming back to Cabinet in March. If in light of the consultation, the Council then decides to proceed with this option, there will need to be a process to transfer the service to the Council and the permanent recruitment of a new leadership team by October 2017.
- 3.49 The Partnership or Joint Venture option is the most complex option to setup. The first step would be to undertake consultation over 12 weeks on this preferred option and then report to full Council in March 2017. If Cabinet then decided to proceed with this option the process towards selecting a partner and implementing the new JV would follow. There is a degree of uncertainty about whether a suitable high-performing partner can be found and the terms of a partnership negotiated and agreed. Assuming these tests were met the new Partnership company could be established by April 2018.

### **Conclusion on the Preferred Option**

- 3.50 Detailed consideration of the issues covered by this review is an important first stage in charting the course to be taken by Brent's housing stock and the 12,000 households who live in the properties over the years to come. In considering the best option, the issues with BHP's performance are less important than the landscape in which the chosen option will have to operate.
- 3.51 Each option has been optimised. The question is not how well each option would perform the role fulfilled by BHP now but instead how each option could be configured to best deliver the outcomes required from the housing service for tenants and leaseholders, and for the Council. Each option is a significant departure and development from current arrangements. In essence this gives three different approaches:
- Reformed ALMO: Strong focus on the housing service.
  - In-House: Strong focus on the housing service and the contribution that the housing business unit can make to the Council's wider strategic agenda.
  - Joint Venture: Strong focus on the housing service with the added benefit of the expertise of the JV partner.
- 3.52 All the options inherit the same starting position, the same buildings, residents and staff (via TUPE). Each of these are significant issues in their own right. Each option has been reviewed against the five individual criteria, including the financial assessment, and in respect of control and implementation or deliverability. No aspect of the evaluation categorically rules out any particular option. All options could work.
- 3.53 Every option has a mixture of strengths and weaknesses, so picking the best option is a matter of judgement about the weighting given to issues, benefits and risks.

- 3.54 There is a decision to be made about how the housing service fits in with the wider Council. The current position is clear, a standalone housing service, formed to provide a strong focus on housing management. This approach produced good outcomes for a long period, less good outcomes recently. Another approach is to view the housing service as an important sub-set within the wider Council and to seek to maximise the role played by the housing service in improving outcomes for 12,000 households across wellbeing, employment and other issues as well as core housing management. If significant weight is given to this approach then the In-House Option is clearly the strongest option in this regard. This is not without risk. The biggest risk with this option is that there is a dilution of focus on the housing service which causes performance to worsen.
- 3.55 Turning next to the financial assessment. In assuring the sustainability of the Council's finances there are many variables that the Council cannot control such as the rate of inflation and government direction on rent increases. There are only a small number of variables that the Council can control such as staffing costs (employ more or less staff) and levels of investment (in the existing stock and in building new stock).
- 3.56 The financial model sets out a very tough financial landscape. This is primarily due to three variables: The governments rent policy (currently CPI -1%); the likely impact of the sale of high value void properties to fund the RTB for housing association tenants and the profile of stock investment required to bring homes up to standard. The financial landscape is equally tough for all the options with savings required of circa £3.6m from core management expenditure of £12.5m. The ability of an option to significantly reduce operating costs is a key factor.
- 3.57 It is the In-House option that, by a wide margin, best interacts with the requirement to make significant savings. The Council has a track record of successfully delivering large budget reductions whilst carefully managing the impact on services and residents over recent years. These experiences will be directly relevant to, and can be directly applied to, an in-house option. In contrast BHP will find it harder to achieve the savings potentially required due to being 'arms length' with the associated costs this structure carries. The Joint Venture will take time and money to implement and in any case becomes difficult, if not impossible, to engineer as the cost reduction requirement increases.
- 3.58 Control is another important factor. The In-House option gives the highest level of strategic and operational control. The Reformed ALMO and Joint Venture options offer good levels of strategic control (though the ability to change course operates more slowly) and lower levels of operational control.
- 3.59 Leadership is another key consideration. Here the In-House option faces challenges. Of the three options, the In-House option may find it hardest to attract high quality housing expertise. However, the In-House service will have access to the Council's expertise in cost reduction and this is an important consideration. Consideration of the salary and positioning of the senior roles in the In-House Housing Business Unit will be of key importance in maximising the quality of the field of candidates. Although both other options potentially bring better leadership to bear, their inherent weaknesses, particularly in relation to the financial aspects, are more important as matters for comparative consideration.
- 3.60 Governance and resident engagement are important issues also. Irrespective of the option chosen the existing Board structure within the ALMO is likely to change due to the strong trend towards skills-based Boards as opposed to Boards with members representing constituencies (e.g. Members and residents). The option which will have to be most imaginative in how it addresses Member and resident engagement is the In-House option. But this issue is not

insurmountable and is one other councils have successfully addressed on bringing the service in-house. For example a Members and residents committee may overcome the loss of the ALMO Board under the In-House option.

- 3.61 In conclusion, taking into account the challenging financial landscape, and all other factors outlined above, it is recommended that the In-House option is chosen. Moreover, the In-House option offers the opportunity to re-position the housing service within the Council with the aim of improving a broad range of outcomes for almost 12,000 households. This is not the lift and shift of a self-contained housing service into the Council's structure. This is the engagement of the housing service with the Council's wider agendas in order to secure improved outcomes for residents and to enable the Council's expertise in cost reduction to be brought to bear. However there are two areas for particular consideration within the planning for the In-House option and these are identification and mitigation of the key risks arising from the new position of the housing service within the Council's wider business and providing effective arrangements for resident and Member oversight and scrutiny.

### **Scrutiny**

- 3.62 Cabinet agreed a report on 27 June 2016 to review the options for the management of housing, which is presently delivered by Brent Housing Partnership. The three options, as set out, were for the Council to continue with provision by Brent Housing Partnership (BHP) on a reformed basis, for Brent Council to directly provide housing management in-house, or to enter into a partnership arrangement with another organisation to manage those services.
- 3.63 The Community and Wellbeing Scrutiny Committee requested a report to update it about the progress of the Housing Management Options review and this was discussed at a special meeting of the committee on 19 October 2016. This was attended by the Cabinet Member for Housing and Welfare Reform, the Strategic Director for Community Wellbeing and the Operational Director for Housing and Culture.
- 3.64 In addition, members of the Community and Wellbeing Scrutiny Committee also visited the housing service which is currently managed by Brent Housing Partnership, before the meeting was held to better understand the issues in the review.
- 3.65 The report presented to the Committee included data about residents' opinions of the existing service, which was commissioned as part of the review process; a description of the existing service, detail about the housing management options, and an initial evaluation of the options.
- 3.66 Committee Members discussed the importance of resident involvement and participation to contributing to successful housing management, and made recommendations 1 and 4 below in order to strengthen residents' engagement
- 3.67 The in-house option was discussed in-depth by the Committee, which looked at the many different implications of a service directly managed and operated by the Council. Members agreed recommendation 4 below after this discussion.
- 3.68 Members, officers and the Cabinet Member for Housing and Welfare Reform discussed the advantages and disadvantages of the joint venture option. While Members of the Committee acknowledged the strengths as set out in the initial evaluation they highlighted the issue of stock transfer and oversight of any such arrangement. As such Members made two recommendations relating to that option, set out as recommendations 2 and 5 below, including that any future

arrangement or contract with a partner is returned to the scrutiny committee meeting before it is implemented.

3.69 The recommendations of the committee were as follows:

1. There be a dedicated scrutiny sub-committee established to review and provide oversight to housing services management and wider housing issues. This sub-committee would contain co-opted members from appropriate resident associations (should the “in-house” option be chosen).
2. If Cabinet was to agree on the joint venture option, there be appropriate checks and balances in place to ensure that this arrangement does not lead to stock transfer.
3. If Cabinet was to agree on the in-house option, that there be complete transparency of the Housing Revenue Account, complete with a business plan to ensure that the Housing Revenue Account is ring-fenced.
4. There be an effective communications strategy drawn up by the Council to ensure resident engagement and to also articulate with clear evidence why Cabinet has chosen its preferred option for housing management going forward.
5. If Cabinet was to agree on the joint venture option, that any future arrangement or contract between the Council and its partner be considered by a Scrutiny Committee meeting before it is implemented.

3.70 These recommendations of the Scrutiny Committee have been taken into account in this report. In particular Recommendation 1. is addressed in the recommendation to Cabinet in paragraph 2.3 of this report and the details will need to be worked out regarding establishing an scrutiny sub-committee. Recommendation 4. will be followed in the planning and implementation of the consultation required, and Recommendation 3. will be addressed in HRA business planning and budget-setting and further reports to Cabinet in respect of these. Recommendations 2. and 5. will not apply if the JV option is not chosen.

### **Consultation**

3.71 If the recommendation in 2.1 is approved the Council will carry out consultation with all Council tenants and leaseholders who will be invited to comment on the preferred option. In the consultation process, it will be explained what other options were considered and why they were not preferred. It is anticipated that this consultation will take place over a 12 week period from November 2016 to February 2017. The results of the consultation will then be reported to Cabinet for consideration and final recommendation to full Council so that the future housing management arrangements can be implemented.

## **4.0 Financial Implications**

4.1 The Housing Revenue Account (HRA) budget is £56.9m and is used for the management and maintenance of the HRA stock and for the repayment of the HRA debt. The HRA is a ring fenced account. The BHP Management Fee for the current year is £7.5m. This fee is for managing and maintaining the HRA properties on behalf of the Council. Core management costs, including this fee are £12.5m per annum.

- 4.3 The Housing and Planning Act 2016 will have a significant impact on Brent's Council housing and its financial position in coming years. The implications for which are currently being scoped with more comprehensive analysis to follow once the details are published by Government.
- 4.4 The three options evaluated in this report for the management of the Council's stock will each have differing implications in terms of the impact on the HRA. However, it should be noted that all of the options will result in an initial cost of change, which will need to be factored into each of the appraisals.
- 4.5 The consultancy firm, Campbell Tickell working with the Council's finance team, have reviewed the HRA Business Plan and completed the evaluation of the financial impact of the options.
- 4.6 Based on current assumptions and changes in the Housing and Planning Act, an efficiency savings target of circa £3.6m is required to cover the financial gap in the HRA over the next three years. The decision on the option to adopt on the housing management will not affect the savings target.
- 4.7 The savings that each of the options could achieve upon initial implementation are estimated as follows:
- Reformed BHP – circa. £350k
  - In-House – circa. £1m
  - Joint venture – circa. £800k
- 4.8 These are provisional figures and will be refined as planning for the implementation of the selected option is progressed.
- 4.9 None of the options would generate sufficient savings to cover the gap without wider transformation. This, then, reinforces the need for further transformation in all options as none of the options gets close to dealing with this financial gap.
- 4.10 It is important to state that the financial model needs further work in two areas. Firstly, it is not yet known what regulations the government will set relating to the sale of high value voids and the use of the funds arising. LBB have made prudent assumptions about this and these assumptions have impacted on the financial model. Secondly LBB and BHP are currently relying on 6-year-old stock condition data and have relatively low confidence in the current data and the programming/costs of major work that flow from it. It is possible that a better long-term position may arise when these variables are refined but the position may also worsen. In any case it is clear that reducing operating costs will be of key importance to maintaining the financial sustainability of the Council's housing finances over the longer-term.

## **5.0 Legal Implications**

- 5.1 Consultation with secure tenants is covered under section 105 of the Housing Act 1985 ("the 1985 Act") which states that a local authority landlord has to maintain arrangements it considers are appropriate to enable its secure tenants who are likely to be substantially affected by housing management matters that are specified in section 105 of the 1985 Act (which includes the management of dwelling houses let by the Council under secure tenancies) to be informed of the local authority's proposals and to make their views known within a specified period. A local authority landlord needs to take into account any representations made under these arrangements before making a final decision.

- 5.2 As for the general requirements of consultation, they are set out in the case of *R v Brent LBC ex parte Gunning* (1986) 84 LGR 168, which has been approved by the Court of Appeal and the Supreme Court, and they are as follows: (i) consultation must be at a time when proposals are at a formative stage; (ii) that the proposer must give sufficient reasons for any proposal to permit intelligent consideration and response; (iii) adequate time must be given for consideration and response; and (iv) the product of consultation must be conscientiously taken into account in finalising any statutory proposals.
- 5.3 Delegation of housing management functions by a local authority requires consent from the Secretary of State under section 27 of the 1985 Act. In 2009, the Secretary of State issued a general consent which sets out circumstances in which delegation of housing management functions can be carried out without specific consent from the Secretary of State.
- 5.4 BHP is a subsidiary company of the Council. BHP's Constitution is made up of its Articles of Association and Memorandum of Association. BHP is a limited company, without share capital, which operates on a not-for-profit basis and the Council is the sole guarantor member.
- 5.5 The Council entered into the Management Agreement with BHP in April 2013 which expires after ten years with a review mechanism after seven years. There are provisions in the Management Agreement which enable the Council to notify BHP of any material breaches and give BHP a reasonable period of time to remedy such material breaches. There are provisions which allow the Council to vary the terms of the Management Agreement.
- 5.6 In April 2011, BHP was granted Registered Provider status by the Tenants Services Authority. BHP has gradually been developing its role as a provider of housing in addition to being a housing management organisation. BHP owns a number of properties in its own right and grants its own tenancies in respect of properties it owns since BHP acquired Granville New Homes from the Council in 2009 with the assistance of loan funding from the Council and acquired properties under the Settled Homes Initiative to provide housing to homeless households (with the assistance of grant funding from the Homes and Communities Agency and loan funding from the Council) and small-scale developments such as Aldbury Avenue and Ander Close with the assistance of grant funding from the Homes and Communities Agency.
- 5.7 If a decision is to be made to bring the housing management services in-house, there will be staff transfer and TUPE implications. BHP is also a Registered Provider with its own small housing stock. Further legal advice will be provided as and when necessary in regard to these matters. Guidance given by the Department for Communities and Local Government ("DCLG") in December 2011 advises that consultation on proposing to bring the housing management functions from the Arms Length Management Organisation ("ALMO"), which is BHP in this case, back to the Council should be as comprehensive as that undertaken when deciding to transfer those functions from the Council to an ALMO. Although DCLG would need to be notified, formal section 27 consent would not be required as this involves a decision to return the Council's housing management functions back to the Council.
- 5.8 As BHP is a limited company, it enters contracts as a separate corporate entity to the Council. Therefore, if a decision is made to bring housing management services in-house or indeed if the Council were to pursue the Partnership option, there would be a need for contracts entered into by BHP to be novated or assigned to the Council or to the jointly owned housing management company as appropriate. This would require BHP contracts either to contain provision allowing BHP to novate/assign the contract as of right or else for BHP

and the Council/ jointly owned housing management company to negotiate with contractors the novation /assignment of contracts. During the consultation period, full details of BHP contracts should be collated to establish novation/assignment provisions and to understand the liabilities under the contracts that would transfer to the Council/ jointly owned housing management company.

- 5.9 If the Council were to pursue the Partnership option the Council could directly select a suitable partner and enter into necessary legal arrangements with them to establish a jointly owned housing management company. Where such an approach is adopted, it will be necessary to ensure that any jointly owned management company is established and operated in compliance with Regulation 12 of the Public Contracts Regulations 2016.
- 5.10 Other legal implications are included within the body of the report.

## **6.0 Diversity Implications**

- 6.1 A high level Equality Analysis has been completed and is available in Appendix 1. No major equality related concerns have been identified to date based on the evaluation of the three options and the feedback from the consultations carried out as part of the review. The preferred option for housing management arrangements agreed by Cabinet will be the subject of consultation with all affected stakeholders and a full Equality Analysis will be undertaken to help inform the final Cabinet decision.

## **7.0 Staffing/Accommodation Implications**

- 7.1 There are potentially significant staffing implications for the Council in the event that the service was brought in-house. Further consideration will be given in advance of Cabinet decision on the final option.

## **Appendices**

Appendix 1 – Equality Analysis

## **Accompanying Document**

Review of Housing Management Options Report and Appendices

## **Background Papers**

None

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## Appendix 1: High level Equality Analysis on the Housing Management Options Review

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The scope of this high level Equality Analysis (EA) does not cover employees, although Brent Housing Partnership (BHP) staff were engaged in the Housing Management Options review process. If the preferred option agreed by Cabinet is likely to affect staff, a separate EA will be carried out to assess the impact on employees with protected characteristics.

### Stage 1 Screening Data

#### 1. What are the objectives and expected outcomes of your proposal? Why is it needed? Make sure you highlight any proposed changes.

In June 2016 the Cabinet decided to commission a formal review of Housing Management options for its housing stock, which was prompted by two main considerations:

Firstly, the government's Housing and Planning Act (2016) and other measures will have a significant impact on the council's housing stock including on its future size, financial performance and management over coming years. It was therefore appropriate to consider the implications for housing management services and how these could best be developed and delivered in the context of these challenges, while at the same time ensuring that the quality of service for Council's tenants and leaseholders is improved.

The second consideration was the performance of BHP, the Council's existing Arms Length Management Organisation (ALMO). The details of the performance issues and concerns raised by the Council and its tenants and leaseholders via a number of telephone and face-to-face surveys and focus groups are set out in the Review of Housing Management Options report which accompanies this Cabinet report. In view of both the challenges presented by the government's reforms and the issues of concern in respect of BHP's performance the Cabinet concluded it was necessary to consider afresh the most appropriate arrangements for the management of the Council's stock.

The purpose of the review was to examine how best to provide housing management services to the Council's tenants and leaseholders and to identify the option that most effectively meets the agreed objectives to::

- Assure the provision of modern, high-quality and continuously improving housing management services to tenants and leaseholders
- Achieve significant efficiencies and savings to contribute to the financial sustainability of the Council's Housing Revenue Account (HRA)
- Maximise the value of the Council's housing stock through active asset management and the development of new affordable homes
- Contribute to improved outcomes for Council tenants, particularly the most vulnerable individuals and households, in respect of education, employment and training, health and wellbeing and tenancy sustainment.
- Help to deliver the Council's strategies and objectives.

The options which the Cabinet agreed in June should be examined are:

- i. To continue with BHP on a reformed basis
- ii. To bring the service in-house and directly provide housing management services
- iii. To enter into a partnership with another organisation to provide these services



These options are described and evaluated in detail within the Review of Housing Management Options report included as Appendix 1 to the Cabinet report.

Overall, while there are a number of differences between the three options, each of them is anticipated to achieve significant improvements and positive outcomes for tenants and leaseholders such as:

- Delivering significant improvement in service quality and customer satisfaction while generating efficiencies and savings to respond to the financial pressures arising from the government's reforms.
- Harnessing digital technologies to enable customers to interact and transact with services online.
- Supporting residents' increased wellbeing through the quality of housing and management services and making links to other services.
- Improving customer insight and using data to drive continuing service design and development.
- Enhancing resident involvement and engagement.

There is also a scope under all the options for further integration with the council in the areas of public realm management, dealing with anti-social behaviour and improving customer service arrangements – areas that both tenants and leaseholders believe require improvements. Financial inclusion and adaptations are the other two areas where stakeholders have identified the need for a more streamlined and joined up approach, regardless of the selected option.

## **2. Who is affected by the proposal?**

The Council owns approximately 8,000 homes which are tenanted, and the freehold of a further 4,000 homes which are held by leaseholders on long leaseholds. In addition BHP, which is wholly owned by the Council, owns a further 333 homes. The following stakeholders are likely to be affected by the review but the impact will vary depending on the preferred option:

- a. The tenants, leaseholders and the households of the BHP owned properties – the residents; and
- b. The employees of BHP (approximately 177 persons) – employees are not in the scope of this EA; a separate EA will be carried out if the preferred option is likely to have an impact on staff.

### **3.1 Could the proposal impact on people in different ways because of their equality characteristics?**

It is anticipated that the review will result in improvements of outcomes and quality of services delivered to Council's tenants and leaseholders across all protected characteristics. When looking into the Council's tenants' diversity profile, however, it is notable that:

- 67% are non-white, which is 7% higher than the Brent population as a whole. There is a significantly higher proportion of black tenants and lower proportion of Asian tenants when compared to Brent's population as a whole.
- The religious profile tends to reflect the ethnicity of tenants, with a higher proportion of Christianity and notably lower proportion of Hinduism. There are slightly more Muslims amongst the tenant base but this is not marked – 23% compared to 20% in the Borough.
- The two biggest age groups in the tenant profile are 40-49 and 50-59 year olds but over one third (34%) of tenants are over 60 years old.
- 59% of tenants are women which means that female tenants are slightly over-represented in the tenants' profile compared to the Borough average. Interestingly, although there are slightly more elderly women than men the difference is not marked, whereas in the age groups 30-60 women outnumber men by almost half as many again. This might suggest an increasing

preponderance of female tenants in future years, though without analysis of trends in allocations data this is only speculative.

- Amongst all tenants, around 4% have declared a disability. Amongst tenants aged 60, disability is roughly double that rate. The declared percentages, however, are significantly lower than the proportion of residents declaring disability in the borough (over 14%).
- Almost 8% of tenants are classified as vulnerable, over half of home are older tenants.
- Across the borough, unemployment is higher than the national average at 7%, with over 10% of Brent residents in receipt of out of work benefits.
- 31% of employees living in Brent are low paid, the second highest of any London borough and ten percentage points higher than average. ONS data at the end of 2015 showed that the median salary of a Brent resident is £25,203.
- 84% of tenants and 43% of leaseholders claim Housing Benefit

The rights and responsibilities of Council's tenants and leaseholders will NOT change through the outcome of the review, regardless of the selected option. However, the outcomes for residents with protected characteristics, including those living in BHP owned properties may vary depending on the preferred option agreed by Cabinet and therefore a full Equality Analysis will be carried out to help inform the final decision. This will also ensure that the equality outcomes for protected groups are optimised, where there is an opportunity to do so.

### **3.2 Could the proposal have a disproportionate impact on some equality groups?**

**If you answered 'Yes' please indicate which equality characteristic(s) are impacted**

Due to their significant representation in the tenants' diversity profile, the individuals and groups that are more likely to be affected by and/or benefit from the preferred option, and therefore should be given full consideration when assessing the impact of the preferred option, are:

- tenants from black and minority ethnic groups, particularly black tenants
- tenants of working age, particularly the 40-49 and the 50-59 age groups, but also tenants over 60.
- vulnerable tenants due to disability, older age and/or another type of vulnerability - while the disability rate of tenants is lower than the borough average, it is known that disability is usually under-reported. There is also a link between disability and older age, which is often linked to other types of vulnerability. Of those tenants who are considered to be vulnerable, over half are residents tenants aged 60 and over.
- socio-economic groups – while socio-economic status is not a protected characteristic on its own, we know that a great proportion of residents live on low incomes (e.g. 31% earn less than the LLW) and that socio-economic disadvantage has a huge impact on their quality of life and exposure to vulnerability. It is notable that 84% of tenants and 43% of leaseholders claim Housing Benefit, which suggests that the majority of Council's tenants and a great proportion of Council's leaseholders are affected by socio-economic disadvantage. Financial inclusion is therefore a key priority for the Council in relation to its tenants/leaseholders and the wider population.

To help inform the review, the Council commissioned an independent research company to undertake opinion survey and a qualitative examination of residents using focus groups and in-depth interviews, in addition to the regular BHP surveys carried out over the past 18 months. Some of the targeted groups that were consulted as part of this research were: older tenants, tenants with disabilities and

young people with known vulnerabilities. The engagement activities carried out did not identify specific equality related concerns, apart from questions related to the Community Fund, BHP Academy and financial inclusion. Detailed information on the methodology and findings is available in the accompanying Review Report.

### **3.3 Would the proposal change or remove services used by vulnerable groups of people?**

The outcome of the review should, as set out in section 1 above identify the option which, in the opinion of the Council best:

1. Assures modern, high-quality services
2. Achieves significant efficiencies and savings
3. Maximises the value and performance of the housing stock and new build homes
4. Contributes to better outcomes for tenants, particularly the most vulnerable households (e.g. health, employment & skills, wellbeing, tenancy sustainment)
5. Helps to deliver the Council's strategies and objectives

Therefore it is expected that all three options will deliver an improvement of the services for all of those who are affected, particularly the most vulnerable groups. The changes should not result in the removal of services which are used by vulnerable groups but it is acknowledged that when assessing the impact from the preferred option, due consideration must be given to ensure that the work and good practice around financial inclusion, communication and engagement with vulnerable groups (including people with disabilities and older people) is retained and further improved.

### **3.4 Does the proposal relate to an area with known inequalities?**

Yes. Please refer to section 3.2 above.

### **3.5 Is the proposal likely to be sensitive or important for some people because of their equality characteristics?**

Yes, as some persons could view changes as having the potential to reduce or in some other way affect their access to services. This will be dealt with in the full Equality Analysis if the Cabinet adopts the proposed recommendation.

### **3.6 Does the proposal relate to one of Brent's equality objectives?**

There are 5 Brent equality objectives – which are:

1. To know and understand all of our communities
2. To involve our communities effectively
3. To demonstrate leadership in equalities and human rights, both within the council and amongst partners, and organisational commitment to excellence
4. To ensure that local public services are responsive to different needs and treat users with dignity and respect
5. To develop and sustain a skilled and committed workforce able to meet the needs of all local people.

The review relates particularly to objectives 2, 4 and 5.

### **Recommend this EA for Full Analysis?**

Yes, depending on the preferred option agreed by Cabinet.

**4. Use the comments box below to give brief details of what further information you will need to complete a Full Equality Analysis.**

After the preferred option is agreed by Cabinet, all tenants and leaseholders will be invited to comment on it and will also be provided with information on what other options were considered and why they were discarded. Older tenants, disabled people and people of other vulnerable groups should be provided with easy to understand and accessible information so that they can make an informed decision. They should also be provided with alternative ways to feed back their views, if they cannot use the mainstream consultation channels. The findings of the consultation and the detailed analysis of the impact of the preferred option on individuals and groups with protected characteristics will be reported to Cabinet for consideration and final decision on the future housing management arrangements to be implemented.