

## Report of Assistant Chief Executive (Customer Access and Performance)

### Report to Executive Board

**Date: 9 January 2013**

### Subject: Review of the ALMO Management Agreements

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| Are specific electoral Wards affected?<br>If relevant, name(s) of Ward(s):   | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No |
| Are there implications for equality and diversity and cohesion and integration?  | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No |
| Is the decision eligible for Call-In?  | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            |
| Does the report contain confidential or exempt information?<br>If relevant, Access to Information Procedure Rule number:<br>Appendix number: | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No |

### Summary of main issues

1. Earlier this year a review was initiated to consider whether changes should be proposed in regard to the delivery of housing management services across Leeds. The review covered both the delivery aspect of the service, predominantly provided by the three ALMOs, but also the strategic landlord and other related functions provided by the Environment and Neighbourhoods directorate. The review has involved extensive engagement work with key stakeholders, including ALMO Chief Executives, Elected Members, Staff (both LCC and ALMOs) ALMO Boards, Area Panels and the Leeds Tenants Federation. The Review has concluded that two options for the future delivery of housing management services should be consulted upon before a final decision is taken. The two options being:
  - Move to a single company model (e.g. a single ALMO) with a retained locality delivery structure and strengthened governance arrangements; or
  - Move to all services being integrated within direct council management with a retained locality delivery structure and strengthened governance arrangements to include tenants and independent members.
2. However, a final decision will not be made until the next stage of consultation has been carried out and a full test of tenant opinion has taken place.
3. There is no doubt that housing management and the overall service provided to tenants is in a much better position now than it was 10 years ago and whatever the outcome of the review, there is no desire to return to the old style of housing management that existed pre 2003. Any future model must aim to

retain the strengths of existing arrangements whilst recognising the need to resolve the key operational issues this review has identified, against a backdrop of acute social and economic pressures. Most importantly, tenants and local delivery have to be central to our thinking if we are to offer tenants the best council housing to meet our ambition to be the best city in the UK.

4. Any savings generated from budgets across the ALMOs or council services as an outcome of this review will be reinvested into front-line housing services for the benefit of tenants.
5. An extensive period of public consultation is proposed with tenants, leaseholders and other key stakeholders during January to March 2013. This will include a full test of tenant opinion to ascertain tenants' views, so that they – along with any other feedback which is gathered during the consultation and any further information which becomes available on the options - can be taken into account in making a final decision.
6. The outcome of the second stage of consultation will be reported to Executive Board in Spring 2013 with a decision expected at that time on the arrangements to be adopted for the future management of housing services across Leeds.
7. **Recommendations**

Executive Board is requested to note progress on the review and agree that the following two options to be taken forward to the next stage for consultation:

- i) a move to a single company model (e.g. a single ALMO) with a retained locality delivery structure and strengthened governance arrangements; or
- ii) a move to all services being integrated within direct council control with a retained locality delivery structure and strengthened governance arrangements to include tenants and independent members.

## **1. Purpose of this report**

- 1.1 This report sets out the background to the review of housing management services in Leeds and presents Executive Board with options on the future delivery of housing management in the city with a proposal to consult on two options.

## **2. Background information and Context of the review**

- 2.1 The context within which the ALMOs were formed and developed was significantly different in 2003 than it is now. The previous government made it conditional that to be in receipt of decency funding, councils should either enter a stock transfer arrangement or set up arms-length organisations. Leeds opted for the arms-length model. At that time, the government set a limit on the maximum size of ALMOs at 12000 properties, which was crucial to the original decision to establish six ALMOs within Leeds in February 2003. This allowed Leeds to apply for funding from the government to bring council housing up to the decent homes standard, bringing in an additional £450m as part of an £850m programme of investment.
- 2.2 In 2006 Leeds undertook a review of its housing management arrangements and reduced the number of ALMOs to three. The main drivers for this change were financial viability and falling stock numbers. The housing service in Leeds is, therefore, currently provided by three ALMOs (namely East North East Homes, West North West Homes and Aire Valley Homes) supported by a client and other related services within the Environment and Neighbourhoods directorate. All three ALMOs were judged in 2010 as being 2 star performing under the Audit Commission performance assessment arrangements.
- 2.3 This period saw a step change in housing conditions, moving from 50% of homes meeting the decency standard at the beginning of the period, to over 96% meeting the standard at its completion.
- 2.4 In November 2010, Executive Board agreed to retain the three ALMO model and agreed two key reforms: the creation of a Strategic Governance Board (SGC) – to provide a more coordinated approach to decision making; and, the development of a Shared Service Centre (the ALMO Business Centre Leeds) to maximise efficiencies. These changes have since been implemented and the review aims to build on these improvements to ensure we have the best arrangements in place to meet the changing policy context and the needs of council tenants in 2013 and beyond.
- 2.5 Since the last review, there has been unprecedented change to both the economic and policy context in which we operate. Significant economic and social pressures face public services; we are experiencing ever increasing customer expectations; and, a comprehensive programme of change from the coalition government means the landscape that local government and its partners are operating in is now undergoing rapid change.
- 2.6 The Audit Commission was abolished and the national performance management framework for housing management is no longer in place. Decency funding has also now come to end, being replaced with a new self-sustaining Housing Revenue Account (HRA). The latter reform was not in place when the housing management arrangements were last looked at and

this removes the financial incentive that was previously in place for retaining an ALMO based model.

- 2.7 The current management agreements have not been through a fundamental review since they were introduced in 2003 and are out of date in parts. The lack of clarity around roles and responsibilities identified in the management agreement has, in some part, contributed to the current confusion around accountability. The management agreement will need to be fully reviewed if the outcome of this review, following consultation, is to retain an arms-length approach to housing management.
- 2.8 Executive Board, at its meeting on 17 October 2012, agreed an extension to the existing management agreements of up to one year (i.e. up to January 2014) in order to allow a full review to take place. A decision needs to be made in early 2013 about how Council housing is to be delivered and managed from 2013/14 onwards.
- 2.9 While the Belle Isle Tenant Management Organisation (BITMO) does not fall within the scope of this review, there could potentially be an impact in terms of the support they receive from the current ALMO arrangements. This support would need to be built into any new arrangements to ensure there will be no impact on BITMO service delivery.

### **3. What does this mean for the people of Leeds?**

- 3.1 The council is landlord to 70,000 tenants in 58,000 homes. Additionally there are 1724 leaseholders.<sup>1</sup> Overall, council housing accounts for 18% of the city's housing stock. Council housing represents one of the council's largest assets, and it is very important for the council and tenants that these assets are managed and maintained effectively. The end of the decent homes programme, alongside a climate of ever reducing public sector finances, means that there is now even more pressure on the council to ensure that we have the most suitable arrangements in place to make best use of our limited resources to enable the delivery of the best possible service for Leeds tenants.
- 3.2 If we are to maximise investment in the housing stock for tenants then we need to look at where savings can be realised elsewhere in our housing management arrangements in order to reinvest such savings in our stock and broader housing management service to tenants.
- 3.3 An important finding of the review is to ensure tenants are central to any new provision of housing management in the city. It is important that tenants lie at the heart of any future model, and the excellent work developed by the ALMOs in engaging and involving their tenants' needs to be retained in whatever future model is adopted. Tenants will be involved throughout the process, and the Leeds Tenants Federation has been involved in the Project Board from the outset to ensure their views are taken on board.

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<sup>1</sup> 1697 in ALMO properties and 27 in BITMO properties.

#### **4. Aims of the Review/Outcomes for tenants**

- 4.1 The outcome of the review is to ensure the most effective management arrangements are in place to deliver a high quality, efficient service that offers value for money to customers particularly given the current economic and social pressures facing public services. There are a number of key drivers behind the review:
- a need for clarity around decision making, governance and accountability arrangements;
  - a need to offer a consistent and improved service for tenants;
  - the end of government decency funding and the move to a self-funding HRA places even more importance on having a cost effective/value for money service in order to maximise investment in the city's housing stock, and;
  - the current management agreement is outdated and needs to be reviewed.
- 4.2 A significant aspect of the review was to consider the effectiveness of current governance and accountability arrangements. The review has also focused on outcomes for customers and the requirement to ensure customer focused service delivery and tenant satisfaction. Value for money is also a key consideration, particularly how we can continue to invest in the housing stock following the end of the decent homes programme and how we best respond to the financial challenges facing the public sector more generally.
- 4.3 The aims of the review are, therefore, to secure:
- clear accountability and governance;
  - improved service/outcomes for customers (increased tenant satisfaction);
  - value for money;
  - contribution to wider council objectives/priorities, and;
  - a core offer for tenants i.e. consistency of service/ maintenance/ management etc.
- 4.4 These key aims have been used as the criteria in relation to considering and evaluating potential options for change.

#### **5. What do we want to see in a future housing management offer**

- 5.1 There can be no doubt that whatever the outcome of the review, there is no desire to return to the old style of housing management service that existed pre 2003. The introduction of the ALMO model has successfully enabled significant investment in the Council's housing stock and the delivery of the government's decent homes standard; we have also seen improved responsiveness to local issues; increased the involvement of tenants in the decisions of the business; improved overall performance in areas such as rent collection and untenanted properties; led to agreement with tenants about service standards; enabled improved environmental standards on estates; and have secured increased tenant satisfaction. There is no doubt that housing management and the overall service provided to tenants is in a much better

position now than it was 10 years ago. Any future model must aim to retain the strengths of existing arrangements whilst recognising the need to resolve the main operational issues this review has identified, against a backdrop of acute social and economic pressures.

## **5.2 Principles for housing management**

5.2.1 With this in mind, the potential options for how we structurally arrange our future housing management offer are explored in section 7. However, there are a number of agreed principles and outcomes that we would wish to see in place whichever model is chosen. These being:

- a) the best quality housing service should be delivered to all Council tenants;
- b) there should be clear accountability in decision making;
- c) services should provide value for money;
- d) services should be informed by, and be responsive to, local need;
- e) there should be consistency in policy direction;
- f) there should be no or minimal duplication of front line services;
- g) services should draw on the best expertise available.

5.2.2 The need to ensure tenants remain at the heart of what we do is vital in any future arrangements, and echoes the general direction of travel across the council towards a more locality focused approach to service delivery where possible.

5.2.3 The council's approach to locality working has been developed over time as we have striven to be more local in our understanding, thinking, decision making and service delivery arrangements. In 2011, new locality working arrangements were introduced which brought about changes to area management teams, with the appointment of three Area Leaders and Area Leadership Teams and the creation of new area-based support teams. This is also echoed in the national policy context, where government is driving its localism agenda. The council would therefore be keen to ensure housing management continued to be delivered on a local basis whichever model is chosen by this review.

5.2.4 Any savings generated from budgets across the ALMOs or council services as an outcome of this review will be reinvested into front-line housing services for the benefit of tenants.

## **5.3 Closer integration versus core service delivery**

5.3.1 Over recent years the services provided by the three ALMOs have diversified and been developed to take a local lead to develop holistic services within communities through a partnership approach rather than delivering only the traditional core housing management services such as tenancy management and repairs and maintenance management. ALMOs therefore now deliver a range of services beyond the core remit of housing management, much of which has made a strong contribution to the quality of life within the area. This approach has been strongly advocated in the submission to the review from the ALMOs, with any new arms-length arrangements being tasked with running more services and integrating them with existing delivery. The ALMOs

believe such an approach will deliver savings and greater efficiency while improving service standards.

- 5.3.2 The alternative to greater integration of ALMO and council services is for council services to come together, allowing housing management teams to focus only on core activities, such as good quality lettings; tenancy management and support; resident involvement; the management of repairs; improvements and adaptations; void management; and rent collection and arrears management. This is advocated in the Environment and Neighbourhoods submission to the review team. It is felt that this approach will ensure that tenants receive the best possible service in terms of how their housing is managed, while at the same time delivering cost savings and greater efficiencies.
- 5.3.3 These are two very different approaches which will need to be considered as part of the further work whichever model is adopted. Further work will be done to consider this issue before reporting back to Executive Board in the Spring of 2013.

## **6. Findings of the Review / Key issues identified**

### **6.1 Stakeholder Feedback**

- 6.1.1 There has been extensive interaction with a range of stakeholders through participation in workshops, face-to-face discussion, telephone conversations and use of questionnaires.
- 6.1.2 As part of the engagement phase we invited key stakeholders to make a submission to the review team detailing their thoughts on how future housing management should be delivered. Two Formal submissions were received, a joint proposal from the ALMO Chief Executives/Chairs, and one from Environment and Neighbourhoods. There was significant agreement between the proposals in both submissions around what characterises a successful housing management operation - notably around retaining 3 strong local delivery elements, having a single and clear governance structure, and retaining a mixed provision of in-house and external repairs and maintenance services – but also some clear differences, most importantly around whether in-house or arm's length management offered the best method or giving tenants the best possible service. A full summary is available as a background document.
- 6.1.3 Valuable feedback concerning strengths, weaknesses and best practice has come from these interactions and has been taken into account in the formulation of this report.
- 6.1.4 While there was a range of opinions expressed as to what a future housing management service should look like and how it should function, there was a clear sense from the majority of stakeholders that the status quo (i.e. the retention of a 3 ALMO model) was not considered a sustainable option for the future and that change was indeed necessary.
- 6.1.5 From analysis of the outcomes from the stakeholder engagement phase, formal submissions made to the team, and research undertaken by the review team, including analysis of performance indicators, a number of strengths

have been identified which need to be recognised, and weaknesses highlighted which need to be addressed.

## **6.2 Strengths and areas that should be retained in any future model**

6.2.1 There has been a clear improvement in both housing decency and tenant involvement since the introduction of the ALMO model in 2003, and there are a number of key successes that have been demonstrated. They include:

- a) Delivery of an £850m decency programme;
- b) Reduced the number of properties that didn't meet the national decent homes standard from 50% to 3.9%, and;
- c) Improved performance in a number of areas including rent collection, reducing arrears, and reducing the number of untenanted properties.

6.2.2 Under the old Audit Commission inspection regime, all 3 ALMOs were judged to be 2 star out of a possible 3 and were deemed to have promising prospects for improvement. However, with the abolition of the Audit Commission and associated inspection regime, coupled with the end of decency funding and associated HRA reforms as well as significant changes to the economic and policy context in which we operate, the relevance of existing arrangements have to be brought into question.

6.2.3 Our findings suggest a number of key areas that any future housing management model should include:

- a) A local delivery focus to ensure services are responsive to tenant needs. The original campaign to move housing management to the ALMOs was entitled 'Going Local' and in part, acknowledged the shortcomings in a centrally run, unresponsive system of an old style housing management department. Any future model of housing management should therefore seek to preserve and strengthen locally responsive services that reflect the diverse nature of the city;
- b) Effective services tend to be those developed locally in response to local needs and reflecting the local conditions in which those needs arise. It is extremely important that any future delivery model retains the capacity to respond to and reflect the diverse conditions across the different areas of the city.
- c) Engagement – ALMOs have been successful in engaging with tenants. Area Panels are seen as a positive way of engaging with tenants and general opinion was that they should stay in any future model. The ALMO Board structure includes independent members, elected members and tenants, which opens up the decision making structure and is a positive development that should be retained. There is a high level of satisfaction in the Area Panel model – although it needs to be recognised that this is inconsistent across the 3 areas.
- d) Innovation and creativity emerges locally and should be harnessed to inform/improve services. Any model must retain the freedom, flexibility and capacity to respond to and reflect the diverse local conditions across the city; and build on the creativity and local knowledge of tenants and other stakeholders.



- e) From a customer point of view “easy access to people that know and people you trust” is important and should be retained in any future model.

### **6.3 Weaknesses/Issues raised**

There are also a number of weaknesses that have been identified during the review process, and a number of issues that need to be addressed by any proposed changes:

#### **6.3.1 Governance and Accountability:**

- a) Current arrangements are imprecise – presenting a risk and possible reputational issue to both LCC and to the ALMOs. There is sometimes a lack of clarity concerning who takes responsibility when there is a service failure and sometimes strategic direction and prioritisation is not always as clear as it might be. This is of particular concern where the reputation of the council is at stake.
- b) While changes over the last few years, notably the introduction of a Strategic Governance Board – to provide the ALMOs with connectivity into the council and enable the council to influence ALMO decision making – have seen improvements, they have not been as successful as originally envisaged.
- c) This has led to a number of ambiguities and confusion in the role of the ALMOs and council. The ALMO Boards make decisions on contracts, which Leeds City Council is largely accountable for, as well as the council being responsible for advising on and supporting some procurement arrangements. These unclear responsibilities and accountabilities contributed to the problems we have faced in respect to some contractual arrangements, most notably around repairs and maintenance.
- d) If Executive Board chooses ultimately to retain an arm’s length model, any management agreement should seek to clarify these roles more clearly than they currently are.

#### **6.3.2 Lack of Consistency – across the 3 ALMOs**

- a) There is a need to have a more consistent housing management service across the city, either through a single delivery model, or a sustained effort for joint working and exchange of best practice across the three ALMOs – and with other service providers.
- b) The 2010 review of ALMOs noted significant duplication across the three organisations and variation in service standards and service priorities across the city. This has been emphasised during the stakeholder engagement. On the whole the level of service experienced by tenants is very much dependent on which ALMO area you live in. In the current context this is increasingly difficult to justify. It has made it very difficult to agree a common standard of service and can be a source of frustration, particularly to members, but also staff and tenants, and other service providers. The establishment of a Strategic Governance Board has assisted in the sharing of best practice and collaboration across the 3 ALMOs, but the lack of decision making powers means problems remain. In any new model, a balance needs to be struck between ensuring minimum

citywide standards with the need to retain a locality focus to deliver locally responsive services.

- c) Inconsistency in decision making has also emerged as a key weakness of the current model. The 3 ALMOs have different approaches to decision making, with the level of delegation from the Board varying significantly.
- d) There has also been inconsistency in the approaches taken to investment decisions across the 3 ALMOs, resulting in the lack of an overarching asset management strategy for the whole stock. With the changes to a self-funding HRA this will become even more critical in the future.
- e) Practices and procedures to address these issues must be central to any new model which will need to determine a Leeds model for core standards whilst allowing for variation in delivery to accommodate the views of different communities.

### **6.3.3 Duplication of costs**

- a) A key criticism of those consulted about current arrangements relates to not only the perceived duplication of staff between the ALMOs but also the need for the council to also have staff employed on the client side. Some of the duplication in the support services functions across the ALMOs has already been addressed through the creation of a single ALMO Business Centre (ABCL), which has realised savings in the region of £1.6m. Nevertheless there continues to be some double handling, particularly in the area of property services, and there is a suggestion that more savings can and should be derived from support services as part of any future work. There also remain three sets of senior management and headquarters costs. A decision will need to be made on the cost-benefit of having 3 separate companies and the associated costs.
- b) There has also been an issue raised with duplication of resources and overlap between council services and the ALMO activities, including for example, work on antisocial behaviour, environmental services and health and wellbeing initiatives.

### **6.3.4 Delivery of wider council objectives**

Council desired outcomes are defined in the Performance Framework; but individual ALMOs are responsible for service delivery – and there appears to be three differential set of services. Formal arrangements put in place to link ALMOs into the council strategy and policy development functions have not been as successful as envisaged. These arrangements lead to differential engagement with the council's strategic vision and plans, thereby losing the opportunity to influence and play a key role on the creation of strong, healthy communities. This can also lead to tensions between city aspirations and local decision making.

### **6.3.5 Provision of Leeds City Council Services**

The ALMOs currently operate a range of Service Level Agreements (SLA) with LCC services. As a result there is unnecessary time and cost incurred through separately negotiating and managing SLAs (e.g. Health & Safety; Customer Contact Centre arrangements).

### 6.3.6 Repairs and Maintenance

Perceived failures in service delivery created by issues in specification, procurement, contract transition and contract management. The overwhelming message from the engagement work undertaken was one of dissatisfaction with the current arrangements in Aire Valley Homes and West North West Homes and the perception that tenants were getting a poor level of service. Whilst in reality performance figures are on the rise, the deep reputational distrust of the contractor amongst tenants may be difficult to recover from. This is sharply contrasted in ENEH where satisfaction with maintenance/repairs was high and staff/area panels spoke extremely positively of their in-house team. Any future option needs to address this issue.

## 7. Options Appraisal

7.1 During the review process we tested a number of potential models against the aims of the review with a view to making a recommendation on the most appropriate model to ensure the city has the right arrangements in place to deliver a high quality, efficient service that offers value for money to Leeds Council tenants. The following options were considered:

- The continuation of current the 3 ALMO model;
- A move to a single company model with a retained locality delivery structure and strengthened governance arrangements;
- A move to all services being brought in-house with a retained locality delivery structure and strengthened governance arrangements to include tenants and independent members, and;
- Full or partial stock transfer.

7.2 It is important to note that these are high level strategic options for delivery of housing management. Within each option there are a number of possible methods for how they are structured (i.e. cooperative arrangements) which will need to be explored during the design phase of any future model.

7.3 An initial options appraisal exercise has been made undertaken using an assessment against the following criteria:

- Clear Accountability and Governance arrangements;
- Improved service/outcomes for customers;
- Value for Money (and financial viability);
- Ability to contribute to wider council objectives/priorities;
- Core offer. I.e. consistency of service/ maintenance/ management etc.

7.4 The assessment of the four options are summarised below.

## **7.5 Option 1: Maintain the current 3 ALMO model**

### **Key features of the model:**

#### **7.5.1 Governance**

- a) Three distinct delivery organisations established as 3 separate companies, with 3 Chief Executives and Boards/Chairs responsible for decision making within respective their areas.
- b) Strategic Governance Board - an advisory body chaired by the Executive Member with responsibility for Housing charged with agreeing key high level strategies and agreeing policy framework and direction. This Board also offers a formal arrangement through which the ALMOs are able to meet with the Council to discuss the development of key Council strategies such as the Housing Strategy.
- c) Management agreement (2003) [in need of fundamental review to strengthen clarity around respective roles and responsibilities].
- d) Below the ALMO Board are a number of Area Panels. The ALMO Boards delegate some responsibilities and resources to these Panels and receive feedback from the Panels on preferences for the future direction of services.

#### **7.5.2 Local Delivery**

- a) Three local service delivery vehicles that enable flexibility of local service delivery and is responsive to the needs of individuals and local communities.
- b) A local infrastructure of face-to-face service outlets within the three ALMOs providing an access point for customers.
- c) Area Panels represent a forum where local residents make decisions that affect the services and conditions in their area. Each Area Panel is made up of tenants, some of which will be members of a Tenants, Residents or Community group, a Board Member and Ward Councillors. Each has an annual budget for environmental and improvement projects and a budget to support activities that benefit the tenants and/or the community in which they live. They also monitor performance and are consulted on new policies and practices before they become part of the service.

#### **7.5.3 Support Services:**

- a) ALMO Business Centre Leeds (ABCL) implemented June 2012 to deliver efficiencies and savings and reduce duplication in delivery of back office functions including HR, Finance, Marketing & Communications and Performance, Improvement and Governance, Asset Management services and Housing Services.

#### **7.5.4 Benefits of this model:**

- a) Provides a strong, local delivery structure;
- b) Increased tenant involvement in decision making;
- c) ALMOs are responsive to local needs;

d) Overall performance has improved since creation of ALMOs – though this has levelled off in recent times and there are issues particularly around maintenance and repairs.

#### **7.5.5 Disadvantages/possible risks with this model:**

a) There is a lack of clarity around governance and accountability which is of concern to the council. Overall governance controls have not been sufficiently effective.

b) Inconsistency in service provided to tenants across the three organisations;

c) Duplication of costs with council services i.e. around antisocial behaviour, environmental services etc;

d) May not be sustainable in the longer term if stock levels reduce further through right to buy initiatives;

e) Was not supported by vast majority of stakeholders engaged throughout the review.

7.5.6 It should also be noted that Housemark data produced in Sept 2012 shows that comparatively the current ALMO model for delivering housing services offers value for money across a range of comparators within a peer group of ALMOs. Other evidence referenced in the HRA Business Plan 2012 indicates that comparative cost benchmarking identified Leeds to be an average spender on management functions but low spending on direct revenue maintenance.

#### **7.6 Option 2: Moving to a single arm's length organisation.**

7.6.1 The option to develop a single arm's length organisation will build on some of the arrangements ALMOs have already put in place and offers a number of advantages. This option builds on a number of aspects raised in the Environment and Neighbourhoods, and joint ALMO submissions to the review team, and moves towards addressing issues around governance and consistency in service provision, as well as delivering cost savings and efficiencies over the existing 3 ALMO structures. The key to making this model work is the retention of a strong local service delivery model which was advocated by both the ALMO submission and the Environment and Neighbourhoods submission.

7.6.2 In addition to efficiencies delivered through removing duplication between the existing ALMO functions and the council, this model would make cost savings by reducing senior management costs. 2 chief executive posts would be lost along with a number of senior management positions across the 3 ALMOs. These savings would be partially offset by the need to strengthen local housing management in the 3 areas. The Housing partnerships function within Environment and Neighbourhoods would also be retained in its current format.

#### **Key features of the model:**

##### **7.6.3 Governance**

a) Establishment of a single arms-length management organisation with a single Chief Executive and Board. This would set strategic policy direction for the management of council housing, agree investment plans and

oversee performance. This allows a single conversation between council and ALMO.

- b) Establishment of a new Housing Management Advisory Board between the Council and the new organisation, building on the success of the Strategic Governance Board to help agree the policy and operating framework and set strategic direction for the service. This would enable the council to set a consistent policy direction to ensure consistency of service across the city where this was considered appropriate.
- c) Area Panel functions would be retained and strengthened to ensure that tenants remain fully involved and engaged in the work of the single ALMO, and in turn allow the organisation to be responsive to local needs.
- d) A new management agreement would be agreed that set clear roles and responsibilities to ensure greater accountability.

#### **7.6.4 Local Delivery**

- a) The strong focus on tenant engagement and involvement in housing management created by the current ALMOs would be retained and strengthened.
- b) Continue with three locally based housing management delivery teams that mirror existing ALMO arrangements reporting to a single Chief Executive and Board. This would minimise impact on frontline housing services and allow services to remain locally responsive.
- c) The new ALMO could retain an in-house repairs/maintenance capacity, based around the model developed within East North East Homes, but balanced with a more mixed provision. How this is configured and managed will need to be reviewed in implementation phase. The problems experienced with current contractual arrangements, have supported the argument for having more in-house capacity available in this model. Whichever model is chosen, more work will be needed at the implementation stage to develop the best model for repairs/maintenance provision moving forward.
- d) Creation of a forum to agree a citywide tenant engagement strategy and deliver an effective partnership between the new ALMO and Leeds Tenant Federation.
- e) Further work is needed to explore how wider services beyond core housing management activity (including environmental services, work on anti-social behaviour etc) could best be delivered within any new arrangements. The joint ALMO submission favours a model where the arm's length organisation would take on a wider range of services to be integrated into existing delivery; the submission from Environment and Neighbourhoods looks at the opposite approach whereby the housing management teams focus efforts on core activities to enable the focus to be on improving our housing management, with other services being delivered through council resources. These are two very different approaches which will need to be considered as part of the further work whichever model is adopted.

### 7.6.5 Support Services

There are 2 options for how support services could be configured under this option:

- a) The ABCL be retained and integrated into the new arm's length organisation, but the council, through the management agreement and Housing Management Advisory Board, would seek to drive further efficiencies and cost savings. This could also include taking on additional roles to achieve better value for money.
- b) The ABCL and support services within Environment and Neighbourhoods be combined to provide a single support service which would be provided to the newly constituted ALMO through a SLA. This option would deliver savings over and above those that can be delivered by a single arm's length organisation alone.

Creating an in-house support services function which would then be bought in by the new ALMO would help address the issue of duplication of resources with the Authority.

### 7.6.6 Benefits of the Single company model:

- A single Board and Chief Executive allowing a consistent service, single management agreement and clear governance;
- Offers ability to set city wide policy standards with a locality focus where required;
- Offers cost savings over retaining status quo;
- Provides a single conversation between council and ALMO;
- Would retain a local focus through strengthened local management and area panels based around existing arrangements.
- Retaining a company structure could allow the organisation to explore new and innovative ways of delivering services, including trading both within and outside the council;
- More sustainable in the longer term. Whilst the number of council houses sold through right to buy has stagnated in recent years, future incentives resulting in an increase in stock being sold could make the current 3 ALMO model financially unviable.

### 7.6.7 Disadvantages/possible risks with this model

- With the retention of a separate company structure there could still be issues re: accountability;
- Will involve set up costs in creating new organisation and branding, although these could be kept to a minimum;
- Retains potential for duplication of services and limits scope for efficiencies and further cost savings;
- Could be perceived by tenants as losing local delivery focus – though this is mitigated through retaining local service delivery arrangements. Will need to be carefully communicated to tenants if this option is pursued.

- Potential upheaval in service delivery while changes are being implemented. Again this should be mitigated through retaining local delivery arrangements. Particular concern needs to be paid to implementation of changes during time when impact of welfare reforms will be felt by tenants.
- 7.6.8 If option 2 is chosen, consideration should be given to establishing a longer term management agreement to provide continuity of service and allow the new organisation a reasonable length of time to achieve the aims set out in this review.
- 7.7 Option 3: Direct delivery – integrate housing management within council’s Environment and Neighbourhoods directorate.**
- 7.7.1 In this model Leeds City Council would dissolve the existing ALMOs and integrate the management of its housing stock within direct council control. Leeds City Council would be the sole landlord for its housing stock, taking over responsibility for all ALMO functions, including overall management, engagement with tenants and responsibility for any repair work needed (although all or aspects of this this could still be contracted out.)
- 7.7.2 It is important to note that this option does not suggest a return to the pre-ALMO model of housing management. There is a general recognition that housing management is in a much better position now that pre 2003. This option would therefore build on the strengths and successes of the ALMO model and its evolution and would be based on the agreed principles.
- 7.7.3 This option addresses most of the issues raised throughout the review, notably around governance and accountability, inconsistency in service provision, avoiding duplication, and creating a better fit with wider council objectives.
- 7.7.4 In addition to efficiencies delivered through removing duplication between the existing ALMO functions and the council, this model would make cost savings by reducing senior management costs in both the ALMOs and within the council.
- 7.7.5 In this option the council would look to amalgamate support services from ALMOs/ABCL and Environment and Neighbourhoods to deliver cost savings and increased efficiencies. By applying similar ratios to back office services as currently applied within the council there would be a significant cost saving. There would be an additional cost saving of around £500,000 above and beyond Option 2 through not having to maintain the company arrangements and related client function. Further financial analysis is needed to explore any further savings that could be made in this regard.

### **Key features of the model**

#### **7.7.6 Governance:**

- a) Establishment of a new Housing Management Board chaired by the Executive Member with responsibility for housing. This would set strategic direction for the management of council housing, agree investment plans and oversee performance. This would retain a mix of political, independent and tenant members.



- b) Decision making on all housing functions would be delegated to the Director of Environment and Neighbourhoods. The Housing Service would likely consist of 2 elements – Statutory Housing and Council Housing, with a chief officer role for both areas.
- c) A Chief Council Housing Officer would be responsible for the whole management of council housing. This would also mean that there would be no need for a separate strategic landlord function, creating further efficiencies.
- d) Area Panel functions would be retained and strengthened to ensure that tenants remain fully involved and engaged in the work of the ALMO, and in turn allow the ALMO to be responsive to local needs. They would also be linked into Area Committees to offer a greater role for elected members.

#### **7.7.7 Local Delivery**

- a) The strong focus on tenant engagement and involvement in housing management created by the ALMOs would be retained and strengthened;
- b) Continue with three locally based housing management delivery teams that mirror existing ALMO arrangements managed by three senior officers reporting directly to the Chief Council Housing Officer. This would minimise impact on frontline housing services and maintain ability to be responsive to local needs. Close interaction with Area Panels and Area Committees will be developed.
- c) Local housing management will focus on core activities. Interagency arrangements for tackling antisocial behaviour will be retained. Other key functions could transfer to other parts of the authority. E.g. environmental management.
- d) The council will retain some in-house repairs/maintenance capacity, based around the model developed within East North East Homes, but balanced with a more mixed provision. How this is configured and managed will need to be reviewed in implementation phase. The problems experienced with the current contractual arrangements, have supported the argument for having more in-house capacity available in this model. Whichever model is chosen, more work will be needed at the implementation stage to develop the best model for repairs/maintenance provision moving forward.
- e) The council would look to provide better joined up working with other key council services, including adult social care and children's services.
- f) Creation of a forum to agree a tenant engagement strategy and deliver an effective partnership between the council and Leeds Tenant Federation;
- g) Further work is needed to explore how wider services beyond core housing management activity (including environmental services, work on anti-social behaviour etc) could best be delivered within any new arrangements. The joint ALMO submission favours a model where the arm's length organisation would take on a wider range of services to be integrated into existing delivery; the submission from Environment and Neighbourhoods looks at the opposite approach whereby the housing management teams focus efforts on core activities to enable the focus to be on improving our

housing management, with other services being delivered through council resources. These are two very different approaches which will need to be considered as part of the further work whichever model is adopted.

#### **7.7.8 Support Services**

The ABCL and support services within Environment and Neighbourhoods will be combined to provide a single support service across the directorate based on the existing ratios applied within the council.

#### **7.7.9 Benefits of this model**

- Removes issues around governance and accountability;
- Much clearer and simpler decision making process;
- Allows the development of a single set of city wide standards offering a consistent service to all tenants;
- Offers cost savings over retaining status quo;
- Offers savings in the region of £500,000 above and beyond Option 2 (from both council and ALMO budgets);
- Retains a local focus through strengthened local management and area panels and through developing closer links with councils well developed locality management approach;
- Avoids duplication of resources;
- More sustainable in the longer term. Whilst the number of council houses sold through right to buy has stagnated in recent years, future incentives resulting in an increase in stock being sold could make the current 3 ALMO model financially unviable.

#### **7.7.10 Disadvantages/possible risks with this model:**

- Could be perceived by tenants as losing local delivery focus – though this is mitigated through retaining local service delivery arrangements. Will need to be carefully communicated to tenants if this option is pursued.
- Potential upheaval in service delivery while changes are being implemented. Again this should be mitigated through retaining local delivery arrangements. Particular concern needs to be paid to implementation of changes during time when impact of welfare reforms will be felt by tenants;
- Will result in implementation costs in year 1 which needs to be balanced against potential savings.

### **7.8 Option 4: Full/Partial Stock transfer**

7.8.1 Housing stock transfer to a registered social landlord is a well-established process of achieving high levels of investment in a local authority's housing stock.

7.8.2 The value, or purchase price, of the housing stock is known as the tenanted market valuation (TMV) which is based upon 30 year projections of income from rents and service charges, together with spending on management, services, repairs, major works and improvements. These projections are then

discounted to their net present values, reflecting the value of money over time, to provide the final valuation.

- 7.8.3 Transfer of the Leeds stock is not a viable option for Leeds because the TMV is likely to be negative. This would require a substantial dowry from the government for a whole stock transfer to succeed, as the investment and management cost over 30 years cannot be funded from rental income generated.
- 7.8.4 This view, that stock transfer is not a viable option, is supported by the following:
- a) CLG funding for stock transfer dowries, known as gap funding, is no longer available and whole stock transfer would be unaffordable without it.
  - b) CLG grant for councils to repay the HRA debt is likely to be less generous in the future.
  - c) The previous Government's consultation paper on the reform of the HRA suggested that overhanging debt will be left with an Authority after the transfer of its housing stock, making the transfer of housing stock not financially viable, as the Council would be left having to resource residual housing debt but without a revenue stream to fund this. We are currently awaiting guidance from Government in respect of stock transfer but there is no indication that their position will change significantly.
  - d) Additional disadvantages are that the Council would lose strategic control over the use of the stock and would not be able to exercise any influence in the governance of the transferred organisation to ensure that policies and strategies match council priorities.

## **8. Financial Implications**

- 8.1 An important driver for the review was the extent to which any changes could deliver financial savings in back office or overhead costs from council, housing service, ABCL and ALMO budgets to free up resources that could be reinvested in front-line services for council tenants or investment in the council's housing stock.
- 8.2 Looking at the options considered, savings arise from three principal areas:
- A reduction in senior management costs moving away from three separate organisations to one (whether that is a single arms-length body or integration into the council). Such savings arising are estimated to be up to £600k and would apply to both options 2 and 3.
  - A reduction in support costs building on the £1.6m savings already achieved through the development of the ALMO Business Centre Leeds (ABCL). Estimated additional savings could be between £1.4m and £2.4m depending on the support services model ultimately agreed. Further work is necessary to test the assumptions made in reaching these figures. The greater savings would be made through integrating the ABCL with existing support services in Environment and Neighbourhoods thus reducing managerial overheads – as indicated in the report this could apply for options 1, 2 and 3.

- If option 3 is adopted, additional savings would accrue from the removal of costs associated with maintaining a separate company arrangement as well as additional savings in not requiring a client side function. The estimated savings in this regard are estimated at around £500k.

8.3 Members should note that all of the above estimated savings are indicative and based on a number of assumptions which will need to be tested further, and are as such subject to further analysis and due diligence. When the outcome of the consultation is reported back to Executive Board, the report will include a clear and full financial analysis. Any savings generated from budgets across the ALMOs or council services as an outcome of this review will be reinvested into front-line housing services for the benefit of tenants. Implementation will be a major project and savings will need to be delivered over a 2/3 year period.

## **9. Next Steps**

9.1 Once Executive Board have taken a view on how they wish to proceed during the consultation stage consideration will need to be given to a wide range of other issues including, but not limited to:

- Issues around staff effected – particularly around costs of reducing staff and terms and conditions etc.
- Ensuring minimal impact on frontline services, particularly given timing of impact of welfare changes;
- Further work to assess cost of implementation;
- Further work on projected savings, particularly in light of budget plus work and to ensure we are not double counting etc;
- Further work to ensure we optimise links with other services (i.e. Children’s services and adult social care.);
- Explore further opportunities for greater integration and efficiencies;
- Further work around which services the new arrangements will be responsible for delivering.
- Equality impact assessment on new model;
- Rationalisation of assets;
- Support currently provided by ALMOs to BITMO will need to be designed into any future arrangements;
- Other matters as identified.

## **10. Corporate Considerations**

### **10.1 Consultation and Engagement**

10.1.1 The Communities and Local Government Department (CLG) published updated guidance for Councils considering the future of their ALMO housing management services in December 2011. The guidance suggests that in making any changes to their housing management arrangements, councils must take a proportionate approach to that which they took in taking the

original decision to move to ALMOs. In Leeds, the decision to create the 6 ALMOs in 2003 followed a full test of tenant opinion. This was also repeated in the move to 3 ALMOs in 2006. The Review has concluded that two options for the future delivery of housing management services should be consulted upon before a final decision is taken. The two options being:

- A move to a single company model (e.g. a single ALMO) with a retained locality delivery structure and strengthened governance arrangements; or
- A move to all services being integrated within direct council control with a retained locality delivery structure and strengthened governance arrangements to include tenants and independent members.

10.1.2 As both of these options propose significant change to existing arrangements, a full test of tenant opinion will be undertaken prior to that decision being made final.

10.1.3 It is important to note that the test of tenant opinion is not binding on the council. The final decision on the future of housing management arrangements will be taken by Executive Board. However, the purpose of the consultation is to test tenant opinion on the preferred options so that they - along with feedback from other stakeholder groups, financial and performance information, and any further information which becomes available – can be considered in making the final decision.

10.1.4 While we will aim to keep the costs as low as possible, the consultation process is expected to cost up to £50,000.

10.1.5 During the first stage of the review we have sought to engage with key stakeholders through ALMO Boards, Area Panels and consultation sessions with elected members and staff. The views from this work have helped shape the options that have been developed. In Stage 2 of this review (January-March 2013) we will engage more widely on the option(s) developed and come to a preferred option, with particular focus on tenants and residents. A full consultation plan is attached at Appendix 1.

10.1.6 Consultation will seek to test the opinions of major stakeholders:

- Tenants, both as individuals and from representative groups
- ALMO boards;
- ALMO staff;
- Relevant Leeds City Council staff;
- Support services / contractors;
- Elected members;
- Trade Unions.

10.1.7 Communications over a major decision would be in the following phases:

- January 2012 - Announce Executive Board decision and publicise arrangements for consultation;
- Jan – March – Eight week public consultation period.

- March – April - Analyse and reflect on results. Write outcome of consultation and firm up final recommendations for Executive Board. Share results and Executive Board recommendation. Provide feedback to all stakeholders. Announce outcome. Inform stakeholders of decision and how their opinions informed it.

## **10.2 Equality and Diversity / Cohesion and Integration**

- 10.2.1 Following the decision by Executive Board equality screening will be undertaken on the options chosen to take forward, and if necessary a full impact assessment will be completed.
- 10.2.2 The Council will ensure that the consultation phase will be carried out in a fair, inclusive and effective way. This will be monitored by the Project Board and Consultation Sub-Group.
- 10.2.3 A further Equalities Impact Assessment will need to be carried out as part of the implementation/service design stage

## **10.3 Council policies and City Priorities**

- 10.3.1 Any outcomes from this review will need to meet the council's ambitions and priorities in the City Priority Plan, particularly those set out in the "best city to live in" section.

## **10.4 Resources and value for money**

- 10.4.1 The review aims to ensure Leeds has the right arrangements in place to deliver high quality, efficient services that offer value for money to Leeds' taxpayers and tenants.

## **10.5 Legal Implications, Access to Information and Call In**

- 10.5.1 This review and the recommendations being put forward take full account of the updated guidance for Councils considering the future of their ALMO housing management services published by the Communities and Local Government Department (CLG) in December 2011.

## **10.6 Risk Management**

- 10.6.1 A full risk analysis for this stage of the project has been completed. Further work will be needed at implementation stage. Particular focus will need to be placed upon mitigating the impact of any change at the same time as challenges posed by the implementation of welfare reforms.

## **11. Conclusions**

- 11.1 After assessing all of the available options against the set criteria listed in section 4, along with feedback from stakeholders and analysis of the potential cost savings identified the Review has concluded that options 2 and 3 for the future delivery of housing management services should be consulted upon in stage 2 of the review before a final decision is taken. In reaching this conclusion we have ruled out both status quo and stock transfer. Retention of the three ALMO model fails to address the majority of issues that have remained outstanding since the 2010 review of services,

and which prompted the current review. While a number of changes have been proposed through the review process, we are not satisfied that they will address issues/concerns to the same extent as Options 2 or 3. Full/partial stock transfer is not considered to be a financially viable option for the reasons detailed above.

- 11.2 Having a single structure, whether that be in-house or via a single company offers the strongest model most likely to address the outstanding issues that have emerged. It is important in whichever model is chosen, that we retain the local delivery arrangements in the existing areas. This will help mitigate any disruption to service delivery during implementation and retain a locally responsive service. A number of issues, such as delivery of maintenance and repairs, and whether the new structure adopts a wider delivery role or a focus on core activity will need to be explored further during the implementation phase.

## **12. Recommendations**

Executive Board is requested to note progress on the review and agree that the following two options be taken forward to the next stage for consultation:

- Move to a single company model (e.g. a single ALMO) with a retained locality delivery structure and strengthened governance arrangements; or
- Move to all services being integrated within direct council management with a retained locality delivery structure and strengthened governance arrangements to include tenants and independent members.

## **13. Background documents<sup>2</sup>**

- ALMO Review Terms of Reference
- Stakeholder Feedback

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<sup>2</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

