

Report to: Portfolio Holder for Housing

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Title: **Selection of a Housing Association model for a potential Housing Transfer subject to tenant support for this option through a ballot**

Purpose: To provide a report on the New Landlord Selection process and the conclusions of the stakeholder panel in order to inform the recommendation of the Portfolio Holder.

1.0 INTRODUCTION

1.1 Following an extensive options appraisal process, the District Council agreed to consult tenants on a proposed transfer to a new local housing association (a Registered Social Landlord).

1.2 In March 2008, Cabinet approved the establishment of a New Landlord Selection Panel and agreed the process which the Panel would follow in evaluating the models of housing associations. The models to be considered were:

- A new local stand alone housing association
- A new local housing association that would create a new Group structure with an existing housing association
- A new local housing association that would join an existing Group structure

1.3 The selection process spanned a period of approximately three months, commencing in April 2008 and concluding at the end of June 2008. At this point the New Landlord Selection Panel's conclusion on a preferred model is considered by the Portfolio Holder as the recommendation is prepared for Council.

1.4 This paper details the process used by the New Landlord Selection Panel, the criteria for evaluating the models and the justification for the conclusion.

2.0 SUMMARY OF THE CONSULTATION AND CONCLUSION

2.1 The New Landlord Selection Panel concludes that the model of housing association that would best meet local needs, should tenants vote in favour of transfer, is a new local stand alone housing association. Key gains of this model are assessed as:-

- maximisation of local autonomy

- maximisation of local accountability and partnership
- tenant empowerment in service and strategic matters, and
- locally determined service excellence.

2.2 The process to reach this conclusion was iterative. There were opportunities for tenants, staff and members to consider the Selection Panel's criteria, proposed approach and deliberations. All who participated in these opportunities were encouraged to feed views in to the meetings. Sections 3 and 4, together with Appendix Two of this report, provide further detail of the consultation and the feedback received.

2.3 The mechanisms used to engage stakeholders beyond the Selection Panel included:

- Meetings of Transfer Advisory Group (TAG) and the Tenant Participation Group (TPG)
- The staff Communications Group
- Drop in events with exit surveys
- Newsletter detailing the options and reply paid feedback slips
- Staff team meetings
- Member briefing (12th June)

2.4 This Selection Panel's conclusion takes into account the views and priorities of other stakeholders that engaged with the new landlord selection process. The Panel felt that the stand alone model was a good fit with the Selection criteria, and was the most likely of the transfer options to meet the current aspirations of stakeholders.

3.0 THE NEW LANDLORD SELECTION PANEL AND ITS APPROACH TO CONSULTATION

3.1 It was agreed that the New Landlord Selection Panel (the Selection Panel) should consist of a mixture of tenants, Councillors and staff so that a balanced view of all key stakeholders could be taken of the housing association models.

3.2 The Selection Panel consisted of:

- Five Councillors; chosen to reflect political proportionality with 3 members drawn from the Conservative Group, 1 member drawn from the Liberal Democrat Group and 1 member drawn from the Independent Group.
- Five tenants; with 3 individuals elected to represent South, East and West geographical areas respectively, 1 Leaseholder representative and 1 Sheltered Housing representative.
- Four nominated staff members and a nominated union representative.

3.3 The Selection Panel met on five occasions throughout the process and the meetings were facilitated by officers from the Housing Futures Management Team and Savills Consultants; the Council's Lead Advisors in the pre-ballot period.

- 3.4 The Panel also benefitted from the attendance and input of PS Consultants, the Independent Tenants' Adviser.
- 3.5 Records of the meetings were taken and circulated to the Panel. Copies of these are attached at Appendix One.
- 3.6 Verbal reports on the Panel's work were provided to TAG, TPG, and to the staff Communications Group throughout the process. A briefing held on 12th June provided an opportunity for dialogue with Members.
- 3.7 The Selection Panel was keen to receive input from wider stakeholders during the evaluation process. The approach therefore included opportunities for those that may not be engaged in formal mechanisms to find out more about the options and to record their views. The principle mechanisms used in this respect were:-
- A drop in event on 15th May held at the Council's offices and two tenant open events held at Sawston and Histon. Those attending were encouraged to complete a written exit survey.
 - The Housing Futures Newsletter which disseminated information and sought comment via a reply paid postcard.
 - Opportunities to join the visits to exemplar housing associations.

A summary of the feedback received is attached at Appendix Two.

- 3.8 PS Consultants held a number of pre-meeting briefings with the tenant representatives and members of the Selection Panel in order that they had additional information and were well prepared to participate fully in the process.
- 3.9 The Selection Panel attended an initial training event on 17th April at which the criteria were considered and key draft questions were formulated to guide the evaluation. The criteria subsequently confirmed are shown at Appendix Three.
- 3.10 The Housing Corporation was advised of the selection criteria and the process, and Officer comments were invited. The comments received confirm that the Panel's approach to their role meets Corporation expectations for this process and the Panel's conclusion is seen as a reasonable choice. A full copy of the response is shown at Appendix Four.

4.0 THE SELECTION PANEL EVALUATION PROCESS

- 4.1 The Selection Panel agreed that a number of mechanisms would be used to test the models of housing associations. It was felt that contact with existing housing associations offered the best opportunity to gain good information. This would be augmented by some desktop research and some specific legal and financial advice produced by the Council's Legal Advisers, Trowers and Hamlins, and the Lead Consultant, Savills. Appendix Five shows in tabular form the mechanisms used to test the criteria at each stage during the process. Appendix Six

includes the legal advice and Appendix Seven shows the financial advice received by the Panel.

4.2 It was agreed that the housing associations invited to assist the Selection Panel should not be those that may bid to become a partner in the event that the Council resolved to proceed with a competitive process.

4.3 It was further agreed that the Selection Panel would use a traffic light system to evaluate the models against the criteria. The traffic lights signified as follows:

- Green – fully meets the criteria
- Amber – partially meets the criteria
- Red – does not meet the criteria

The Panel agreed to use this mechanism as a framework to guide their decision making. At the same time the Panel recognised that their conclusions would expand on their reasoning for particular ratings, and identify more subtle differentials between the models.

4.4 The initial stage was for the Selection Panel to receive presentations from the following housing associations:

- Saffron Housing Trust (a stand alone housing association)
- Acclaim Group (a newly created Group structure between two housing associations)
- Longhurst Group (an existing housing association Group structure)

Each Association was invited to bring a tenant, a Board member and staff to the presentation. The format included a short presentation covering four key questions linked to the criteria, followed by a standard question and answer session.

4.5 The presentation session was followed by an Open Event that all tenants, members and staff were invited to attend. It is estimated that around 100 people took up this opportunity and benefitted from the chance to ask questions of each of the model housing associations, to look at key information they produce, and to talk to the Housing Futures project support team. Exit surveys were collected, with results being collated and reported back to the Selection Panel.

4.6 In order to ensure tenants had extra opportunities to find out more about the housing association models, tenant open events were held at the end of May/early June. These promoted housing and other services as part of the Council's wider tenant participation strategy and featured information on the models of new landlord and the Housing Futures process more generally. At these later events the housing association literature was made available and both the ITA and South Cambridgeshire's housing staff were on hand to answer questions. Again exit surveys were collected and used to inform the Selection Panel's work.

4.7 As a reality check, the Selection Panel agreed that visits should be made to the model housing associations. It was not always possible for the same housing associations to participate; nor for all Panel members to join each trip. A core of tenants and staff attended all visits, and there was always a Member presence. Where space permitted, other tenants, staff and councillors were invited to join the visit party. This served as a further opportunity to engage wider stakeholders in the evaluation process.

4.8 Visits were made to the following organisations:

- Wellingborough Homes (a new stand alone association)
- Saffron Housing Trust (an established stand alone association)
- Daventry and District Housing (a new housing association that created a new Group structure, Futures Group, with an existing association)
- Spire Homes (an established member company within the Longhurst Group)

The format of the visits varied, however, on each occasion, stakeholders were able to meet tenants, Board members and staff. There were opportunities to view housing association homes and offices and to talk in an informal way to the housing association representatives.

4.9 The Selection Panel met on 12th June and 27th June to debate its findings and to seek consensus on its conclusion. The technical reports of the consultants referred to at 4.1 above were presented to the first of these meetings. At the second meeting the Panel confirmed its assessment and considered a draft of this report.

5.0 JUSTIFICATION OF CONCLUSION

5.1 Overall, the Panel recognised that each of the models offered a potential transfer organisation strengths and opportunities. The Panel sought to identify the best fit with South Cambridgeshire's needs and the current expectations of the respective stakeholder groups.

5.2 The Panel's evaluation of the models is shown at Appendix Eight. Key features of the assessment are highlighted below.

5.3 Joining an Existing Group

5.3.1 The option of joining an existing Group was the least popular model.. The model was seen to offer strengths in finance and resources and the sustainable future of the local association. It would offer the Council and the new organisation a fair valuation and it could lead to quick wins in the delivery of affordable housing and service excellence. Despite the green light in the area of affordable housing, there were some questions about the extent to which the local association could specify the quality of the homes provided, or whether it would be forced to accept a standard level of quality. In the area of sustainable future, the Panel recognised that there may be an internal market for specific

services and that VAT savings could be made by delivering improvements through partnership.

- 5.3.2 Three of the criteria assessed as most important locally received only amber lights; these were local autonomy, local accountability and partnership, and tenant empowerment. Here the assessment was that the Group is required by the Housing Corporation to have the ultimate right of control for its member organisations. The Panel felt that, whilst the right of control could be constrained to specific circumstances in the Intra Group Agreement, South Cambridgeshire would inevitably be joining any partner under core pre-existing terms set by others. Local accountability and partnership with the District Council could be weaker in this model, depending on the Group's focus on other localities. There were concerns that tenants would not be empowered to have an effective say in the strategic direction of an existing Group.
- 5.3.3 In addition, some members were concerned that staff may only experience additional opportunities if the Group was located in reasonable travel distance. Although a Group with a compatible culture and ethos could perhaps be identified through a competitive process, the future culture could change radically and may not be strongly influenced by South Cambridgeshire. For this reason, the criteria on culture and ethos was assessed as a red light.

5.4 Creation of a New Group Structure

- 5.4.1 The creation of a new Group structure with an existing association was assessed as a potentially attractive option. Here, the Panel perceived there would be more influence for South Cambridgeshire than with an existing Group, as it could be an equal partner in negotiation about how the new parent company should be established. This would include the governance and control arrangements and the services that should be provided to member companies. It should be possible to identify a partner that placed similar weight on tenant empowerment and that would enshrine this principle constitutionally.
- 5.4.2 The Panel recognised that there could be advantages of working with a partner that understood Housing Corporation requirements and their expertise could be helpful in the early delivery of service improvements and efficiencies. If a local partner were chosen then there could be additional opportunities for staff to work within or across the Group, or to sell services such as those of the DLO. The latter would depend on geographic proximity.
- 5.4.3 Two exceptions to the positive assessment were the criteria on local accountability and partnership, and culture and ethos. These were both rated as amber. As in the existing Group model, there were concerns that the focus on South Cambridgeshire's needs could be diluted by a Group that worked more widely. The extent of influence over the culture and ethos of a new Group was assessed as amber rather than red, reflecting the stronger potential role for South Cambridgeshire in establishing the new entity. Nonetheless, the Panel felt that an existing association could have more influence because of its experience in the housing association sector. Some members identified this issue from

the visit to and discussion with the new transfer organisation exemplars within the new Group category.

5.5 The Stand Alone Model

- 5.5.1 The stand alone model received the most positive assessment of the three models and it was felt to be a good fit with the agreed criteria.
- 5.5.2 The Panel recognised that short term, if tenants voted in favour of transfer, then any new association would have to work hard to meet Housing Corporation requirements and to ensure the early delivery of the Promises. However, it was felt that, given adequate resources, the medium and long term gains of this model for all local stakeholders outweighed the short term advantage offered by Group structures.
- 5.5.3 The stand alone model was seen to be very strong in delivering local autonomy, ensuring that local people would take local decisions on all aspects from service delivery to forward strategy. In the same way only local people would have influence over the culture and ethos of a stand alone organisation.
- 5.5.4 It would be key for any new stand alone organisation to forge a strong relationship with its sponsoring District Council and therefore accountable partnership would be crucial.
- 5.5.5 Clearly, tenant empowerment is a principle to which the stakeholders in South Cambridgeshire are committed. It would be possible to incorporate Community Gateway principles into the local stand alone model to ensure tenants are able to effectively influence services and the direction of the whole organisation.
- 5.5.6 In turn, the strength of tenant influence combined with the commitment of staff to the stand alone model, should mean that service excellence would be a core driver for any new association.
- 5.5.7 Given the Council's position on seeking a fair valuation that would support two viable organisations (the Council and any new association) going forward, then the stand alone model could be assessed as green for finance and resources.
- 5.5.8 The Panel considered carefully the criteria around opportunities for staff, and the sustainable future of any new association. In the former area the Panel concluded that a new organisation may be able to create additional specialist posts. An acceptable training budget would be included within the Business Plan. Negative subsidy would no longer apply and therefore more resource would be available within the Business Plan. The Panel considered the experience of Saffron Housing Trust and felt that partnerships with existing associations offered a route to efficiency savings in procurement, development of additional affordable homes and potentially the sale of services.
- 5.5.9 The amber light applicable in this model was a reflection that development of affordable housing may be more limited in scale until any new association passed "peak debt". Some development was felt to be achievable and there would be real influence over the quality

standard. In addition, the Panel believed that the focus of any new organisation should be on delivering the transfer Promises and service excellence rather than on immediate growth.

6.0 Conclusion

6.1 In conclusion, the Panel felt that the stand alone model was the best fit with the agreed criteria. Based on the wider feedback received during the process it is also assessed as the most likely of the transfer options to meet the current aspirations of stakeholders. It retains flexibility for the future, with tenants able to influence any future proposed changes.

6.2 The Panel approves this report on its work and conclusions and submits its report to the Portfolio Holder for consideration.