



Communities Overview
Committee

23 March 2022

Item

Public

Findings and Recommendation from the Strategic Housing Review of the Housing Revenue Account Management Function.

**Responsible Officer
email**

1. Synopsis

- 1.1 The purpose of this paper is to present Campbell Tickell's report from their review into the Housing Revenue Account Management function. This paper describes the scope and the remit of the review undertaken and sets out Campbell Tickell's recommendation as to the future arrangements for the management of the council's retained stock and Housing Revenue Account setting out also how the recommendations are to be implemented.

2. Executive Summary

- 2.1. Shropshire Council commissioned Campbell Tickell to undertake a strategic review of its Housing Revenue Account management function, undertaken currently by Shropshire Towns and Rural Housing (STAR), the Council's Arm's Length Management Organisation. As part of this commission Campbell Tickell were also asked to consider the alignment of STAR with the Council's Housing Development Company, Cornovii Developments Limited (CDL).
- 2.2. The findings and recommendations of the review provide an external due diligence of the current service provision and considers four options for the future management of the HRA. The scope of the commission included a Financial Review, Strategic Alignment and Governance Review, Asset Investment and Development Review and an Operational Performance Review. The review concluded that STAR has operated effectively within the terms of its Management Agreement since 2013, it has delivered Decent Homes, delivers high quality services and has developed valued community connections. Furthermore, the review found the HRA, under the stewardship of STAR, to be in a relatively strong position, providing

sufficient resources to meet on-going maintenance requirements and to provide capital for building new homes within the headroom available.

- 2.3. The recommendation of Campbell Tickell is that STAR is retained, but that for it to be a viable option moving forward the Company's remit needs to be re-aligned with and clearly delivered against the Council's priorities, through a refreshed partnership-based approach, with closer strategic, operational and development alignment.

3. Recommendations

- 3.1. Members are asked to:

- note Campbell Tickell's report on the strategic review of the Housing Revenue Account
- note the proposal of Campbell Tickell that STAR is retained, and for a delivery model which optimises and aligns STAR and CDL to be developed
- Provide feedback on the recommendation of the report and proposals for closer alignment between the activities of STAR and the strategic aims of the Council

REPORT

4. Introduction

- 4.1. In September 2021 Campbell Tickell (CT) were commissioned to undertake a Strategic Review of the Housing Revenue Account (HRA) management function, having regards to the existing arrangements between the Council and STAR, with further consideration given to the alignment with CDL. The ten-year Management Agreement with STAR comes to an end in March 2023, the review has been timed to enable a considered look at the potential options for the HRA moving forward. The report which includes the full options appraisal, findings and recommendations is shown at Appendix I.

- 4.2. The remit of the review was to ensure that:

- a) The current and any future model is aligned with and best placed to realise the Council's strategic objectives for housing and support those aligned service areas

- b) The responsiveness and quality of service meets both residents and Council expectations, and resources are directed to support those most in need
- c) Best use is being made of HRA resources and that the HRA business plan is optimised to deliver both long term sustainability and opportunities for growth
- d) Governance and scrutiny are effective in ensuring compliance, whilst driving ambition

4.3. CT undertook a full review of the current service model and considered four options for the future management of the HRA:

Option 1: Extending the Council/ALMO partnership and associated management agreement, whilst exploring opportunities to strengthen and maximise the benefits of the partnership

Option 2: Return the HRA Housing Function in-house to be fully integrated into the Council

Option 3: Develop an optimised model to maximise the benefits of having both an ALMO and a Housing Company, to make the best use of the skills within Shropshire Council's family of companies

Option 4: Transfer HRA assets to a Registered Provider through Voluntary Transfer

4.4. The assessment of each option included:

- a) A high-level analysis of costs, savings, benefits and legal implications
- b) An analysis of the strengths and weaknesses of each option, in terms of their ability to sustain and deliver a cost-effective service, their ability to generate surpluses through which new affordable homes can be provided, and their ability to support the strategic direction of the Council, balancing service quality, value, cost and risk

5. Recommendations of the Review

5.1. Having considered each of the options against the assessment criteria CT recommended that, STAR is retained, but realigned with the objectives of the Council and, that an optimised delivery model is created to align STAR and CDL activity

5.2. The rationale for this recommendation is based upon the finding from the review which concluded that:

- a) STAR delivers on the ground, is trusted by tenants, and has a local operational presence in which to build innovative new services
- b) The realignment process can be achieved relatively quickly, with minimal distraction, if there is shared commitment, and the right governance and oversight in place
- c) Whilst potentially realising a small saving, returning STAR to the Council control would be a significant inward distraction at a time when outward focus is needed, and at a risk of losing tenant support, through a failed ballot, or through less well focused service delivery
- d) Coordinated oversight within the Council is a necessity and will result in accelerated outcomes for both STAR and CDL, as a single clear picture of prioritised needs and objectives emerges.

5.3. The review concluded that the HRA is in a relatively strong position, and that STAR has been an effective steward, also finding that STAR is a lean and cost-effective organisation, delivering services which perform well against the performance targets set by Shropshire Council, and benchmarking consistently in top quartile when compared with its peers.

6. Future Working with STAR

- 6.1. The recommendation from CT is that STAR is retained, but realigned with the objectives of the Council and, that an optimised delivery model is created to align STAR and CDL activity.
- 6.2. To realise the realignment the Council and STAR will first embark on a process of reviewing and renegotiating the terms of the Management Agreement. Further to securing the new Management Agreement, a review of the STAR Constitution, Governance Framework, ability to enter into other contracts with the Council, along with its ability to engage in other activity to support the aims of the Council will be undertaken. A Partnership Agreement shaping the relationship between the Council and STAR, which will be focused on shared aims will be agreed and will form the basis upon which the parties will engage over the term of the Management Agreement. The detail of STAR's activities in support of wider Council goals will be captured in annual Business Plans for the HRA.
- 6.3. A work plan detailing the activity the Council is requiring STAR to concentrate on is being agreed upon, but is likely to include the following workstreams:
 - Decarbonisation of the Housing Stock
 - Support with Temporary Accommodation and Homelessness
 - Social Lettings Agency and PRS Management
 - Landlord for all Shropshire Council Residential Accommodation

- Home Improvement Agency, to include housing help for hospital patients
- Enhanced ASB and Community Safety Services
- Development of new homes
- Operating synergies with CDL
- Value for Money for Customers – enhancing the Digital Offer
- Responding to the new regulatory environment
- Governance and Assurance measures

6.4. The work plan is to be developed over the coming months with confirmation on how each workstream will be carried forward by STAR agreed throughout a programme of workshops.

7. Conclusions

- 7.1. This report presents the findings and recommendation from review into the Housing Revenue Account Management function. The recommendation from the review conducted by Campbell Tickell is that STAR Housing is retained, but that arrangements between the Council and STAR are re-set to ensure that the management of the housing stock is optimised to support the Council meet its strategic aims and to enable the continued delivery of high standards of service to those living in Council owned homes.
- 7.2. The Communities Overview Scrutiny Committee is asked to note the outcome of the review and provide feedback on the report’s recommendations and the proposals for future alignment of STAR with the strategic objectives of the Council.

List of Background Papers
Cabinet Member Portfolio Holder for Adult Social Care and Public Health Portfolio Holder for Physical Infrastructure
Local Member All
Appendices Appendix I: Shropshire Strategic Housing Review. Final Report by Campbell Tickell

