



Committee and Date

Council
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Item

Public

STAR Housing Management Arrangements

Responsible Officer

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1. Synopsis

This report is presented to Council to request approval to extend the Management Agreement between Shropshire Council and Shropshire Towns and Rural Housing ("STAR") for a 10-year term once all necessary works to facilitate this have been completed and any Regulatory consent has been obtained.

2. Executive Summary

- 2.1. In September 2021 Campbell Tickell were commissioned to undertake a Strategic Housing Review of the management arrangements of the Council's retained housing stock, having regards to the arrangements in place between the Council and STAR, the Council's Arm's Length Management Organisation ("the review") The findings and recommendations of which are shown at Appendix A.
- 2.2. STAR was created by Shropshire Council in 2013, to manage its stock of Council Homes. The 10-year Management Agreement comes to an end in March 2023, with the review carried out by Campbell Tickell timed to enable a considered look at the potential options for the management of the homes moving forward.
- 2.3. The findings and recommendations of the review provide an external due diligence of the current service provision and considered four alternative options for the future management of the retained housing stock. 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 Housing Revenue Account (HRA), under the stewardship of STAR, to be in a strong position, providing sufficient resources to meet on-going maintenance requirements and to provide capital for building new homes within the headroom available.

- 2.4. The recommendation of the review is that STAR is retained. However, for this 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 operations and development alignment with Cornovii Developments Limited activity.
- 2.5. The terms of the current Management Agreement allow for a possible extension of up to 5 years. However, in order to fully realise the recommendations of the review it is proposed that the Management Agreement is extended for a term of 10 years. A longer-term period will give certainty to both the Council and STAR, giving over the necessary time to build up the strategic alignment and to develop a partnership-based approach, delivering long-term and sustainable outcomes for Council tenants and the communities in which the Council homes are located.
- 2.6. It is likely that the proposal to enter into a term of 10 years will require approval by the Regulator of Social Housing under section 27 of the Housing Act 1985. Legal advice from Trowers and Hamlin LLP and discussion with the Regulator are on-going to understand the requirements for approval, to enable a 10-year term agreement to be entered into with STAR.

3. Recommendations

- 3.1. Approve that Shropshire Council extend the term of the Management Agreement with STAR for a term of 10 years, incorporating such changes as are needed to give effect to Campbell Tickell's recommendations.
- 3.2. Approve that all actions to facilitate the 10-year extension of the agreement and to respond to points arising in the discussions with STAR are delegated to the Assistant Director of Homes and Communities in consultation with the Portfolio Holder for Physical Infrastructure
- 3.3. That work to develop and agree the Management Agreement and other related documentation between STAR and Shropshire Council is completed and that the authority to approve and complete the Management Agreement is delegated to the Assistant Director

Homes and Communities in consultation with the Portfolio Holder for Physical Infrastructure

- 3.4. Should any changes be required to the Constitution of STAR, the authority to approve those changes is delegated to the Assistant Director Home and Communities in consultation with the Portfolio Holder for Physical Infrastructure
- 3.5. That a future report will be presented to Cabinet prior to March 2023 regarding the future relationship, arrangements, monitoring and governance between STAR and Shropshire Council

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. Through the continuation of housing management services being delivered by STAR there will be no impact on residents who will continue to receive services in-line with the terms of the Management Agreement and in accordance with existing policies and procedures. By extending the term of the Management Agreement with STAR for a term of 10 years, residents should have confidence that the service they received will be uninterrupted. During the course of its tenure STAR has developed strong relationships with partners and community organisations, which will remain unaffected.
- 4.2. Although the proposal to extend the Management Agreement by a further term of 10 years is not intended to impact on services to residents an Equalities, Social Inclusion and Health Impact Assessment will be completed once the changes to the Management Agreement, to incorporate the recommendations from the review have been agreed and tenant consultation has been undertaken. Approval from the Regular of Social Housing will provide a further level of assurance that the proposal to extend the Management Agreement and the changes to be incorporated will not adversely impact tenants.
- 4.3. Current service level agreements in place between STAR and Shropshire Council to cover support services will remain in place and be subject to regular reviews, to ensure value for money is achieved, with any efficiencies being realised by the Housing Revenue Account.
- 4.4. Performance against the terms of the Management Agreement and the Clienting of STAR will continue to be carried out by the Homes and Communities Department through regular engagement and

formal Client Meetings held once a quarter. A refreshed governance structure to support the alignment of STAR and Council and the proposed partnership approach will be developed over the coming months and presented to Cabinet prior to March 2023.

- 4.5. The reframing of the Council's relationship with STAR to take it to a higher strategic level commits to STAR's presence in the Shropshire Social Housing Economy.
- 4.6. The terms of the current Management Agreement does permit the extension of the agreement on current terms for periods of up to 5 years. This however does not provide longer term certainty to STAR or create the time to develop the strategic relations upon which to deliver the recommendations of the review. Should the approval to extend the Management Agreement for a 10 year term not be approved there is a risk that the recommendations from the review are not fully realised.
- 4.7. Should approval to extend the Management Agreement for a further 10-year term be given all risks in relation to the management of the stock by an arms-length management organisation will continue to be monitored by the Homes and Communities team and through the governance structures in place to monitor the performance of STAR and their performance against the terms and obligations contained within the Management Agreement.

5. Financial Implications

- 5.1. The financial arrangements between the Council and STAR are defined in the Management Agreement. In accordance with the terms of the agreement a service fee will remain payable which relates to the operational and management activities of the company and a works fee which relates to the planned maintenance and new development. This separation will continue to ensure that financial decisions relating to operational issues do not directly affect major works and allows the capital programme to remain flexible and able to adapt to future needs.
- 5.2. The Campbell Tickell review found the HRA to be in a strong position, providing sufficient resources to meet on-going maintenance requirements and to provide capital for new homes within the headroom available. However, the anticipated scale, uncertainty of approach and timing, and the level of any government funding to address decarbonisation, introduces a level of risk into the HRA Business Plan, in balancing investment decisions. The future strength and viability of the HRA and the services delivered to Council tenants requires a commitment to not only invest in and improve existing stock but to build and acquire new homes to maintain stock levels, which are reducing due to Right to Buy. The extension of the Management Agreement

reinforces the Council's commitment to this by having a continued dedicated resource focused on Council housing delivery.

6. Climate Change Appraisal

- 6.1 There are no direct Climate Change Implications arising from these recommendations. STAR remain committed to addressing climate change and to the carbon performance of the housing stock. The Asset Management Strategy, will form part of the Management Agreement with performance against the Strategy and investment through the Capital Works Programme, being monitored by the Homes and Communities team and through the governance arrangements in place to oversee the performance of STAR.

7. Background

- 7.1. In March 2013 Shropshire Council entered into a Management Agreement with STAR, Shropshire Council's Arm's Length Management Organisation for an initial term of 10 years with the opportunity to extend the agreement by one or more period(s) of 5 years.
- 7.2. 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. The 10-year Management Agreement with STAR ends in March 2023, and the review has been timed to enable a considered look at the potential options for the HRA moving forward.
- 7.3. 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 services meets both residents and Council expectation, and resources are directed to support those most in need
 - c) Best use is 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
- 7.4. Campbell Tickell undertook a full review of the current service model and considered four options for the future management of the retained Council housing stock:

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

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

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

Option 4: Transfer HRA assets to a Registered Provider through voluntary transfer

7.5. 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

7.6 Having considered each of the options against the criteria the external review has recommended that STAR is retained, but realigned with the objectives of the Council and, that an optimised model is created to align STAR and CDL activity.

7.7 The rationale for this recommendation is based upon the findings 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 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 and through less focused service delivery
- d) Co-ordinated 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

7.8 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.

8. Additional Information

8.1. Subject to approval to enter into a further term, a programme of works to re-refresh and realign the relationship and arrangements with STAR will commence. The outcome of the programme which will be presented to Cabinet prior to March 2023 will encompass the following themes:

- Council and STAR the Strategic relationship
- Development of a Partnership focused on transparency, partnership, communication and co-operation
- Review of objectives and delivery framework
- Business Planning
- Clienting and Performance Monitoring – reviewed against new regulatory requirements
- Operating synergies with CDL
- Ensuring residents are involved in shaping the strategic role of STAR
- Exploring service delivery areas, to include
 - Contribution to Adult Social Care
 - Contribution to Children Services
 - Contribution to Private Rented Sector
 - Management of non HRA assets
 - Role in Anti-Social Behaviour Management

8.2 Trowers and Hamlins LLP are instructed to act on behalf of the Council in reviewing the terms of the Management Agreement to ensure that the outcomes of the review can be achieved within its current form, and for proposing renewed terms where considered necessary to support future aligned working between the Council and STAR.

9. Conclusions

9.1. Council is requested to receive the recommendation from the Campbell Tickell review of the management arrangements of the retained Council housing stock, that STAR is retained and approve an extension to the Management Agreement for a 10-year term once all necessary works to facilitate this have been undertaken and necessary Regulatory approvals are received, and tenant consultation concluded.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

The Future Management of Council Housing. 22 November 2012

Cabinet Member (Portfolio Holder)

Cllr Dean Carroll – Portfolio Holder for Physical Infrastructure

Cllr Simon P Jones – Portfolio Holder for Adult Social Care and Public Health

Local Member

Jeff Anderson, Caroline Bagnall, Nick Bardsley, Joyce Barrow, Bernie Bentick, Ed Bird, Peter Broomhall, Julia Buckley, Steve Charmley, Rosemary Dartnall, Steve Davenport, Mary Davies, Julian Dean, Geoff Elner, Julia Evans, Roger Evans, Nat Green, Katie Halliday, Vince Hunt, Kirstie Hurst-Knight, Mike Isherwood, Duncan Kerr, Dan Thomas, Edward Towers, Christian Lea, Nigel Lumby, Elliot Lynch, Robert Macey, Richard Marshall, Pam Moseley, Kevin Parady, Tony Parsons, John Price, Chris Schofield, Mark T Jones

Appendices

Appendix A: Shropshire Strategic Housing Review. Final Report by Campbell Tickell