

ROTHERHAM BOROUGH COUNCIL - REPORT TO MEMBERS

1.	Meeting	Sustainable Communities Scrutiny Panel
2.	Date	9 December 2010
3.	Title	The Future Management of Rotherham's Council Housing
4.	Directorate	Neighbourhoods and Adult Services

5. Summary

This report outlines the reasons behind the Cabinet's decision to undertake consultation on the proposal to return to RMBC the direct management of council house landlord functions. A second report will be taken to Cabinet late February/early March when the outcomes of a comprehensive consultation programme will be shared.

The report notes that the ALMO was set up and chosen as an option by tenants because of a strong economic argument. Now that Decent Homes funding is coming to an end this economic argument no longer exists and that there are compelling economic arguments supporting the return of direct housing management to the council.

6. Recommendations

That Scrutiny notes the rationale behind the proposed return in house of landlord functions, and endorses the proposals.

7. Proposals and Details

Background

In 2001 local authorities were tasked by Government with drawing down much needed investment funds for improving council housing stock to 'decency' standard through either:

- full/partial stock transfer
- private finance initiative (PFI) or
- the creation of an arms length management organisation (ALMO)

Following two tenant ballots and initial opposition, 2010 Rotherham Ltd was established in 2005, as one of around 70 ALMOs created to manage and deliver improvements to council homes.

The decent homes programme is coming to an end and the initial rationale for establishing the ALMO no longer exists. Against a backdrop of significant cuts to public sector finance, (the impact of which, according to the Institute of Fiscal Studies, will disproportionately effect vulnerable communities with greater dependence upon the public sector for support) and following the outcome of a detailed, independent financial options appraisal, it is proposed that it is in the best interests of the Borough's tenants and residents to return the service in house.

Rotherham's Option Appraisal

In August 2010, PriceWaterhouse Cooper (PWC) was commissioned to carry out an independent financial assessment to determine the best means of managing and maintaining council housing in future years. PWC submitted their findings on 15 October 2010 and concluded that, 'In view of the potential savings that could be achieved, there is a sound case for returning the management service to the Council at the end of the current contract'. Whilst the PWC report primarily focussed on the economic issues, there are a range of other factors which lead to the view that a return in house is in the best interests of tenants, residents and vulnerable communities.

7a) The Economic Reasons

To offer the best services for tenants from what are increasingly limited resources, local authorities need to deliver services that are as lean as possible and any duplication and unnecessary bureaucracy need to be removed.

- 2010 Rotherham Ltd has been successful in delivering the £315m decent homes programme (this includes funds contributed by the Council) and now that money has been spent, and there is no further Decency funding available to Rotherham (through either the council or the ALMO), there is no financial advantage to keeping the ALMO.
- Establishing and maintaining a separate company such as the ALMO inevitably requires a range of management and support functions with associated overhead costs which duplicate those that exist within the council. Significant savings could be made in reducing such duplication.

- As Housing Revenue Account (HRA) funds are tightly ring fenced (80% of HRA funding has to be spent on 'affordable housing activity') efficiency savings will be ringfenced to support housing related activities which benefit Rotherham's poorer communities.
- Further savings could be made through economies of scale.
- The estimated savings of returning the direct management of housing to the council are in the region of £1m per annum.
- Whilst both the council and 2010 Rotherham Ltd face difficult economic times, the ALMO has endured a difficult financial history requiring financial support and guarantees from the Council. The ALMO has made great strides in addressing this but nonetheless the future economic viability of the ALMO is challenging.

7b) Less Confusion, More Accountability

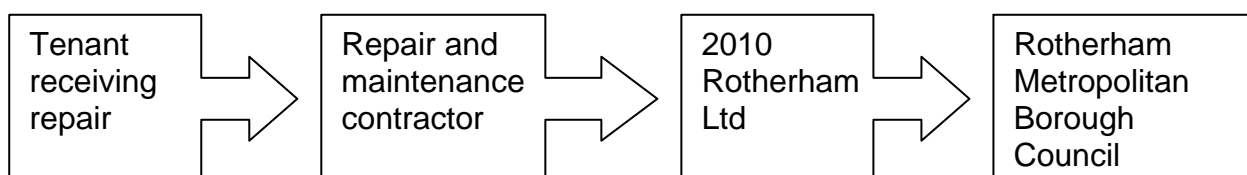
A number of tenants are confused about the ALMO's roles and responsibilities and RMBC's roles and responsibilities. This is evidenced for example, by RMBC regularly forwarding enquiries to 2010 Rotherham Ltd and vice versa. A return to in-house housing management provides an opportunity to address this. In addition:

- Aligning services would bring about smoother delivery of a number of services, for example, tackling antisocial behaviour, a function which is current split across RMBC and 2010 Rotherham Ltd.
- There would be a clearer, unified approach to communication with tenants, leaseholders and residents.
- As the majority of 2010 Rotherham Ltd's Board of Directors are unelected, returning the housing management function to the Council could improve democratic accountability and governance.
- In future, there is an opportunity to build on the strengths of the Area Housing Panel's, by seeking a closer alignment with other governance structures such as Area Coordination Groups and this Scrutiny Committee.

7c) Performance

Shortly after 2010 Rotherham Ltd was established in 2005 it was inspected and awarded a rating of '2 Star – Good with uncertain prospects' by the Audit Commission. 5 years on, 2010 Rotherham Ltd is still a 2 Star ALMO, with good to uncertain prospects.

There is nothing intrinsic in Arms Length Management Organisations which mean they perform better, in fact, there is a good deal of duplication across the performance management function with RMBC monitoring 2010 Rotherham Ltd's performance. Now the repairs and maintenance functions have been outsourced the relationship between tenants and the council is more distant:



To enable the council to make a decision about the future of the ALMO in light of all the facts, a tenant consultation programme will run from November 2010 to the middle of February 2011.

The consultation programme will include a range of opportunities for tenants and leaseholders to express their views. Including:

- Newsletter and questionnaire sent to every tenant and leaseholder
- A series of Tenant Roadshows
- A telephone survey of approximately 15% of tenants and leaseholders
- Opportunities to make verbal and written submissions

A report detailing the outcomes of the consultation programme will be submitted to Cabinet at the end of February 2011.

It is anticipated, on the back of the major improvement work to properties delivered through the Decent Homes programme that tenants will be highly satisfied with the services they have received through 2010 Rotherham Ltd. However, it is important to consider council housing's future and how best to secure the continuing improvement to housing services in the current financial climate.

8. Financial implications

PWC's independent financial appraisal identified potential savings of around £1m per annum, not accounting for exit costs. Much of this saving would stem from elimination of duplication across the two organisations when services return.

9. Risks and uncertainties

Financial risks include;

- indicative expected efficiencies of £1m are subject to further detailed scrutiny
- associated implementation costs in the first year will be subject to a range of variances, for example determined by which employees leave the organisation.

Legal risks include;

- challenges from staff from RMBC and 2010 Rotherham Ltd, about the process or pay equalisation issues
- in principle notice being given to the ALMO, pending the outcome of the consultation process – it may be necessary to consider a short term extension

The outcome of the tenant consultation programme is unknown.

As the Coalition Government is currently proposing many changes to housing policy, housing finance and housing management, there is a small risk that funding may become available which could be accessed by ALMOs but not by local authorities. This is highly unlikely since the announcement of the Decent Homes Backlog Fund has already been made as has the detail of HRA reform.

10. Policy and performance agenda implications

Links to 3 of RMBC's Corporate Priorities:

1. Making sure no community is left behind.
4. Helping to create safe and healthy communities.
5. Improving the environment.

11. Background papers and consultation

- Options Appraisal for the Management of Council Housing in Rotherham, PriceWaterhouse Cooper LLP, October 2010
- 2010 Rotherham Ltd Management Agreement
- Formation of the Arms Length Management Organisation (ALMO), 2010 Rotherham Ltd, February 2005
- Proposals Around the Future Shape of Social Housing, September 2010

12. Contact Details

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