



**Report Title:** LGR Housing Landlord Function 1 – Briefing Paper

**Purpose:** To provide stakeholders with a brief introduction to the current management arrangements for retained council housing stock in Sedgemoor District Council and Somerset West & Taunton Council

**Authors:** Peter Hatch (CEO, Homes in Sedgemoor), Teresa Harvey (Assistant Director, Community Services, SDC), Dave Baxter, Service Manager SDC) and James Barraah (Deputy Chief Executive & Director of Housing and Communities, SWT)

**Date:** August 2022

## 1. **Introduction**

The new Somerset authority will inherit two areas of retained council housing – one in Somerset West and Taunton Council and the other in Sedgemoor District Council. With a new responsibility for direct management of council housing, we believe it is important for new decision-makers to be informed of the wider context for statutory, regulatory and policy issues across the social housing sector and to ensure that a proper and well thought out process is undertaken in respect of housing management and related opportunities in the future. We also want to convey the importance of the tenant voice in any decision-making process.

## 2. **Context**

### **Provision/history of Council housing across Somerset**

In the late 1980s, many councils began to transfer their social housing into housing association ownership through Large-Scale Voluntary Transfer agreements or Trickle-Transfer agreements. This saw the advent of new housing associations, such as SHAL-Housing, who were given new freedoms to borrow private funding to build new homes, topping up the funding they received from the government.

The Government then announced that all homes in the social housing sector, either owned by Local Authorities or Registered Social Landlords (RSLs), had to comply with the Decent Homes standard by 2010. At the same time, the Government favoured the separation of strategic housing management from the day-to-day management of stock in local authorities. In a 2000 Green Paper, the then Office of the Deputy Prime Minister (ODPM) stated that, "...we strongly favour the separation of authorities' strategic and landlord responsibilities for housing. This will strengthen both roles."

The Government made three funding models available to Local Authorities in pursuit of the Decent Homes target. The options were stock transfer, the creation of an Arm's Length Management Organisation (ALMO), or the creation of a PFI scheme (Private Finance Initiative). All Local Authorities were obliged to carry out a thorough options appraisal and

have it checked and signed off by the Government Regional Office in their area no later than July 2005. A fourth option, namely the retention of their housing stock under Council management, was only a realistic option for authorities who were able to achieve the Decent Homes target without any extra funding.

The second option, creation of an ALMO and transfer of the full management of the Council's housing to this organisation, meant that the Local Authority retained ownership of the stock. This option was only available to Councils which received a two-star (or higher) rating in the Audit Commission's inspections of their housing management. Once established and a minimum of two stars achieved, extra funding for achieving Decent Homes was potentially unlocked.

Local Authorities were obliged to fully engage tenants in the options appraisal process, and the conclusions had to be supported by tenants. There was a balance to achieve between the requirement for a local authority to bring all its homes up to a decent standard with the aspiration to empower tenants to make a choice about what option they wanted.

In Somerset, this process saw stock transfer of council housing to housing associations in South Somerset (South Somerset Homes, then Yarlinton, now Abri), Mendip (Aster) and the then West Somerset (Magna), the formation of an ALMO in Sedgemoor (Homes in Sedgemoor) but the retention of council housing in what was then Taunton Deane (Taunton Housing). Retention of council housing management at Taunton Deane was an outcome from a resounding “no” vote from tenants to stock transfer.

#### **Wider context – the importance of housing to health strategies and outcomes**

The Somerset Integrated Care System (ICS) Operational Plan 2021-22 has a vision for Somerset, “in Somerset we want people to live healthy independent lives, supported by thriving communities with timely and easy access to high quality and efficient public services when they need them.” That means making the most of what other sectors offer in terms of directly influencing health and on reducing demands on NHS and wider public services. The housing sector must be an important partner in this vision.

The evidence that good-quality housing is critical to health is well established (Public Health England 2017). Further, a well-housed population helps to reduce and delay demand for NHS services and allow patients to go home when they are clinically fit to do so.

In the past, the connection between health and housing has often focused on the role that housing organisations, such as Homes in Sedgemoor or Taunton Housing, can play in supporting discharge of older people from hospital where it is relatively straightforward to quantify benefits in terms of the efficiency and outcome measures that NHS organisations are routinely held to account for.

There is also a wealth of evidence that shows how important good housing is to health across the life-course. Economic modelling has estimated that reducing excess cold in homes to an acceptable level would save the NHS £848 million per annum and reducing all falls in the home could save the service £435 million (BRE 2015).

There is a well-recognised shortage of housing, which needs to be addressed. But it is not just the number of homes that is important; in the longer term good-quality housing is also likely to lead to better health through its indirect impact on other factors including

improved outcomes in the early years, better employment prospects and strong community resilience and wellbeing, which are all associated with good health.

Children are particularly affected by living in poor-quality housing and unintentional injuries in the home are a leading cause of morbidity and mortality. There are well-documented impacts of bad housing on health and wellbeing: prevalence of asthma is associated with air quality and dampness, while overcrowding and cold have been shown to be associated with physical illnesses including heart disease and hypothermia. Overcrowding increases rates of infectious diseases and is linked with poor mental health. Finally, improvements relating to cold homes and to reducing falls among older people are the initiatives that bring the quickest returns.

The Somerset Housing Strategy 2018 – 2023, commissioned by the Somerset Strategic Housing Group, sets out a housing vision for Somerset that emphasises the importance of housing to health and social outcomes. The county-wide housing strategy sets out three themes and associated objectives:

***Housing and the Economy*** - maximise the number of affordable homes.

***Housing and Health*** - maximise positive health impacts through housing development and the lived environment.

***Housing and Society*** - reduce Homelessness and Rough Sleeping, create and sustain thriving communities.

### **3. Features of the council housing stock**

The combined council housing stock across Sedgemoor and Somerset West & Taunton provides c.10,000 affordable homes (approximately 9% of the total housing stock across both areas). HiS manages c.4100 homes on behalf of SDC and SWT owns and manages c.6100. Combined, the two organisations also manage 2600 garages.

Looking at Somerset in total (c.250,000 homes), the retained council housing within the new authority equates to approximately 4% of total housing stock. The stock is primarily social rent (general needs and sheltered) but also includes homes for shared ownership and leasehold. There are a small number of 'affordable rent' homes too. Most of the stock was constructed in the middle of the last century and consists primarily of 1, 2 and 3 bedroom homes, some of which are now approaching their centenary.

### **4. Governance Arrangements**

SWT and HiS have different governance arrangements as follows:

SWT governance is via the Council democratic political process. The Council has a Housing Portfolio Holder who works with senior managers on operational matters and decision making. Further decisions and performance reporting take place via Executive and Full Council, with many reports also passing via Community Scrutiny Committee. Some HRA matters also feature in reports to the Councils Audit and Governance Committee. Lastly the Council operates many tenant representative groups, with the Tenants Strategic Group being the key one for involvement in reporting, scrutiny and decision-making processes.

Established in 2007, HiS is a fully fledged company with the sole shareholder being SDC. It has a formally constituted Board of 9 non-executive directors. The composition of the Board is enshrined within the Articles of Association and is composed of 3 customers, 3 councillors (nominated by the local authority) and 3 independents. The Board is supported by an Audit & Risk Committee and the Sedgemoor Tenants Assurance Committee (STAC) – a customer committee accountable directly to the Board. Responsibility for delivering housing services to an agreed level is via a detailed management agreement (last reviewed in 2021 and lasting for a period of 30 years albeit with provisions to break). The management agreement determines the annual fee that HiS receives to undertake its duties.

## 5. Customer profiles and demographics

The combined council stock houses approximately 18000 constituents, roughly 60% of which are female. The demographics of occupants ranges from 18 to over 100 with the age groups between 31 and 70 constituting the largest cohorts. A significant proportion of occupants are in receipt of some form of benefit and approximately 26% (Sedgemoor) and 19% (SWT) of the stock resides in areas of severe deprivation according to the indices of deprivation data.

Both landlords house customers with a diverse range of vulnerabilities and disabilities. For example, HiS have 2600 recorded vulnerabilities (within this number some may have multiple vulnerabilities) and SWT records indicate c.25% of customers declaring a disability. Tailoring services to these customers is a core part of our housing management.

## 6. A snapshot of local housing demand

In keeping with the general picture for the South West region, both SWT and SDC have sizable demand for affordable housing with almost 6000 applicants currently registered on the pan-Somerset Homefinder scheme seeking homes in either of the two areas. A break down of the demand is provided in Table 1 below:

Table 1: Affordable housing demand as at July 2022

<b>Housing Demand (on register)</b>	<b>Sedgemoor</b>	<b>SWT</b>
<i>Requirement</i>		
1 Bed	1220	1756
2 Bed	765	802
3 Bed	424	469
4 Bed	105	138
5 Bed	19	20
6 Bed	1	5
7 Bed	1	0
	<b>2535</b>	<b>3190</b>
<i>Banding</i>		
Emergency	3	6
Gold	176	323

Silver	1000	1193
Bronze	1356	1668
	<b>2535</b>	<b>3190</b>
<i>Age band</i>		
Under 18	3	0
18-24	263	237
25-29	348	358
30-34	382	427
35-39	334	403
40-44	236	324
45-49	180	263
50-54	192	225
55-59	145	206
60-64	137	181
65 and Over	315	566
	<b>2535</b>	<b>3190</b>

To outline the scale of the housing challenge, in terms of vacancies, over a four-year average between 18/19 and 21/22 HiS and SWT have had approximately 280 and 350 vacancies per annum respectively.

## **7. Responsibilities and Services**

### **Tenancy Services**

Common core tenancy services include Estate Management, Grounds Maintenance (in house contracts), Anti-Social Behaviour, Lettings, Rent Recovery, Leaseholder, Right to Buy sales. However, there are also some discretionary services provided to provide greater support to tenants, including grant funding, debt and benefit advice, commissioned additional support e.g., from Mind for Mental Health Support, CCTV, CAB funded referral routes and One Teams that ensure enhanced support for our tenants.

### **Repairs and Maintenance**

This is considered the most important service to customers and constitutes a large area of spend. Currently, models for delivery vary with HiS contracting with the MD group and SWT using an in-house workforce. There is of course no right answer to which approach is better and there are pros and cons of each but clearly an important task will be to design a suitable model with opportunities for a hybrid approach or wholly owned company approach.

Landlord safety compliance checks, servicing and remedials form a large and growing part of the services provided to ensure our homes are safe, with tens of thousands of individual checks required. Following the Grenfell tragedy in 2017 property compliance has received considerable attention from the Regulator of Social Housing (RSH) and will form a key part of the government's Building Safety Act and the RSH's new approach to regulation (see Section 9).

In addition, extensive long term capital programmes are undertaken to provide cyclical replacement of components, kitchens, bathroom, roofs etc.

### **Regeneration and Development**

Both Councils have active new build programmes, with for example 100 low carbon homes currently on site in SWT. These new homes help offset the continual loss of stock through Right to Buy sales.

There is also extensive regeneration activity underway for example to replace non-traditional construction properties which have reached the end of their useful life.

### **Associated services – Homelessness**

Both Landlords work closely with the respective Homeless and Rough Sleeping teams at the Councils and support this General Fund duty by the provision of temporary accommodation and the opportunity to add new provision by the addition of new stock for example, via Government Rough Sleeping funding.

## **8. Financial Planning & Management**

Both SWT and SDC manage legally ringfenced Housing Revenue Accounts (HRA's). This is done by the management of rolling 30-year business plans. The housing sector context, the economic position and challenging operating environment have all increased the financial pressure and relative risks associated with HRA's. In addition, there is internal pressure on the HRA by effectively sitting inside of the wider and separately funded LA, as the size of the whole organisation changes over time, the HRA's share of operating overheads changes, creating substantial swings in costs to the HRA even though the benefit derived remains constant. This can have the effect of appearing to inflate management costs against a sector benchmark.

The combined HRA's currently have substantial borrowing (c.£160M) to service. Growth plans arising from current and future new build homes development and regeneration will require further borrowing, therefore treasury management issues are significant for the new authority. A significant 'product' within the LGR Housing Landlord 1 sub stream is the production of a single combined Housing Revenue Account and associated Business Plan.

## **9. Statutory and Regulatory Environment**

Three roles, the Regulator of Social Housing (RSH), The Building Safety Regulator, and the Housing Ombudsman (HO), have different functions but work together. The RSH focuses on Economic and Consumer Standards (with objectives to explicitly include safety and mandatory KPIs). The HO focuses on tenants, with a new Complaints Code and new 'name and shame' after maladministration findings. A Memorandum of Understanding sets out how the HO informs the Regulator of potential systemic issues relating to compliance with the Regulator's standards.

The RSH promotes a viable, efficient, and well-governed social housing sector able to deliver and maintain homes of appropriate quality that meet a range of needs. The RSH's approach

to the changing of consumer regulations will be measured across six themes: safety, quality, neighbourhood, transparency, engagement and accountability, and tenancies.

### **RSH/Building Safety/Consumers**

The Building Safety Act 2022 introduces new and more stringent requirements for residential buildings after the Grenfell Tower tragedy in 2017.

The Act creates the independent Building Safety Regulator established by the Health and Safety Executive (HSE). The Building Safety Regulator oversees the design, construction and occupation of high-risk buildings and will give advice to local regulators, landlords and building owners, the construction and building design industry as well as to building occupants.

A new 'Gateway' regime (the 'golden thread') will ensure that building safety risks are considered at each stage of a building's planning and design, construction, and pre-occupation.

The Act introduces new roles for building safety management once it is occupied. An 'Accountable Person' is defined as the duty holder of a building during its occupation and their responsibilities include:

- Registering a building with the Building Safety Regulator.
- Applying for a Building Assurance Certificate, which is issued when the Building Safety Regulator is satisfied the Accountable Person is complying with their duties under the Bill.
- Assessing (and revising as necessary) building safety risks and taking all reasonable steps to prevent the occurrence, and control the impact of, a major incident arising from building safety risks in or around the building.
- Preparing (and revising as necessary) a safety case report for a building which contains their assessment of the building safety risks and the steps that have been taken to prevent a major incident.
- Keeping information on a building and ensuring it is up to date, and
- Developing systems for investigating complaints and for Mandatory Occurrence Reporting.

## **10. Decarbonisation agenda and challenge**

The overwhelming priority is to make sure all our homes are safe. However, in addition to this a forthcoming new Decent Homes programme will also look to improve the quality of our social homes over the next decade.

We are also aware of the scale of need for more affordable homes. There were 10,697 households registered with Homefinder Somerset on 1 July 2022, an increase of 1,119 households (12%) from 1 April 2022. 236 homes (40%) advertised during the last quarter received over 100 bids. The highest number of bids received was 415, for a 1 bed house in Bridgwater.

In addition to both improving safety within our homes and increasing the supply of new homes, the government's commitment to delivering a zero-carbon economy by 2050 will have far-reaching implications for the housing sector. We will need to virtually eliminate the carbon emissions of all homes over the next 30 years. Addressing the need to reduce emissions while investing in building safety, quality of home and services and continuing to

build new homes at scale is a daunting task, especially given the current challenges around skills, supply chains and costs.

The government's £3.8bn Social Housing Decarbonisation Fund is aimed at accelerating the decarbonisation of the social housing stock. The fund finances a 'fabric first' principle to maximise the dwelling's suitability for low carbon heating. The scheme allows any measure that is eligible with SAP (Standard Assessment Procedure) except for fossil fuel heating systems. Low Carbon Heating can be installed where a fabric first approach is taken, and all new heating systems must reduce bills in isolation compared to the existing system.

The decarbonisation agenda presents arguably the biggest strategic challenge to the social housing sector. Doing the right works for the long term and engaging effectively with customers are imperative to long term success.

## **11. Customer voice**

The government's Social Housing White Paper sets out the regulator's approach to consumer regulations, which will be measured across six themes: safety, quality, neighbourhood, transparency, engagement and accountability, and tenancies. The White Paper says landlords should keep properties in good repair, maintain the safety of buildings, handle tenants' complaints effectively, engage with tenants helpfully and with respect, and take a responsible role in managing their neighbourhood. It is vitally important that tenants know how to report repairs, have a range of ways to access services, and have confidence that when they do so, appropriate, and effective action will be taken.

Ensuring that customers have a strong voice is paramount to both organisations with various well established customer groups are in existence to monitor and improve service performance.

The RSH will assess how well social housing landlords in England are doing at providing good quality homes and services. The system will involve a set of tenant satisfaction measures that social housing landlords must report on. These measures should let tenants see how well their landlord is doing and give an idea of what landlords might need to do to improve things for their tenants.

Any changes to service provision will require full engagement with tenants and leaseholders. The move to a unitary authority does not require statutory consultation with customers but we recognise the importance of effective communication with customers of the changes from vesting day. This forms part of our product list and an early action was to form a customer group to help guide our communications.

More substantial changes to the delivery model of the housing will most likely trigger the duty to consult with tenants, this will be a key workstream and the importance of this for tenant engagement, involvement and support for decision making cannot be underestimated.

## **12. LGR**



HiS, SDC and Somerset West & Taunton (SWT) are responsible for the Housing 1 - 'Housing Landlord Function' workstream which is designed to ensure that all directly provided housing services remain 'safe and legal' on vesting day next year. Our sub-workstream consists of the following 8 'products' which are to be delivered ahead of vesting day:

1. Production of a new single 30-year business plan and medium-term financial plan to be incorporated in the new, single Housing Revenue Account (HRA).
2. Tenant Engagement in the changes.
3. Review of Service Standards and Key Policy Alignment (where necessary).
4. Contractor Novation/Transfer.
5. Timeline for an Options Appraisal for the future structure of service delivery.
6. Governance Review.
7. Scope of Service Review.
8. Business Continuity Planning.

A well-established process is now in place to manage all 8 products with joint leads across HiS/SDC/SWT. Strong project support is now being provided by the central project team.

### **13. Unitary Opportunities**

The new authority will inherit two well established and successful models for the delivery of housing management. The two delivery models for in house management of stock does provide opportunity to sit these services alongside other relevant services to explore synergy and cross over for example homelessness, housing strategy and enabling and community services as is the case with SWT. In the Unitary context where there may be a renewed opportunity to deliver "one system" approach to vulnerable people, these overlaps across services which in future could include current SCC services, e.g., Adult Social Care, Mental Health who all provide support to vulnerable members of our community could delivery significant benefits. This issue was a key learning and success during Covid response.

Conversely the opportunity for a housing business to have a more single focus, possibly more autonomy to drive performance and efficiency also could be attractive and this is where the ALMO model has advantages.

A Unitary model to combine both sets of stock to create a landlord of c10K homes would provide greater scale, potentially more sustainable and resilient whilst removing some duplication and generating efficiencies by some economies of scale. A new larger landlord could have greater influence and buying power, especially in areas like new home development and major capital expenditure.

### **14. Future Options - New Authority Choices and potential timeline for change**

Operationally, post vesting day there will be two delivery arrangements for stock management - in house and Arm's Length contracted. The new authority will have a few choices as to what it does operationally: -

- Move all housing management to new reformed ALMO
- Cease ALMO and move all operations to In House model
- Operate two tier arrangements for an undefined period

- Do something else

Any change process would require sufficient resources to limit the impact on day-to-day service delivery for 10K tenants and ensure that it does not undermine or delay the respective services improvement plans which will be subject to increased scrutiny and regulation as set out above.

A timeline for change will need to be scoped but it will take at least 1 year end to end, turning this around in a year would only be possible if sufficient resources are applied to the process. There are 5 potential stages: -

- 1-Agree to start, agree options to be reviewed, agree process, agree objectives for new service, agree resources
- 2-Options appraisal agree a preferred option, agree consultation questions and approach.
- 3-Consultation with Tenants
- 4-Final report and decision
- 5-Implementation

As landlords, our immediate priority is to ensure we meet the forthcoming statutory requirements for safety and to provide the highest level of assurance in this area. Effective joint working between all three organisations is already well advanced in this area. Beyond safety, ensuring a sustainable HRA and providing good customer service remain paramount.

## **15. Conclusions**

The purpose of this briefing paper was to provide a high-level overview of the management arrangements for the council housing stock inherited by the new authority. Whilst recognising the challenges ahead for the new authority, we very much hope that this briefing paper has informed stakeholders and provides a platform for further knowledge gathering and discussion.