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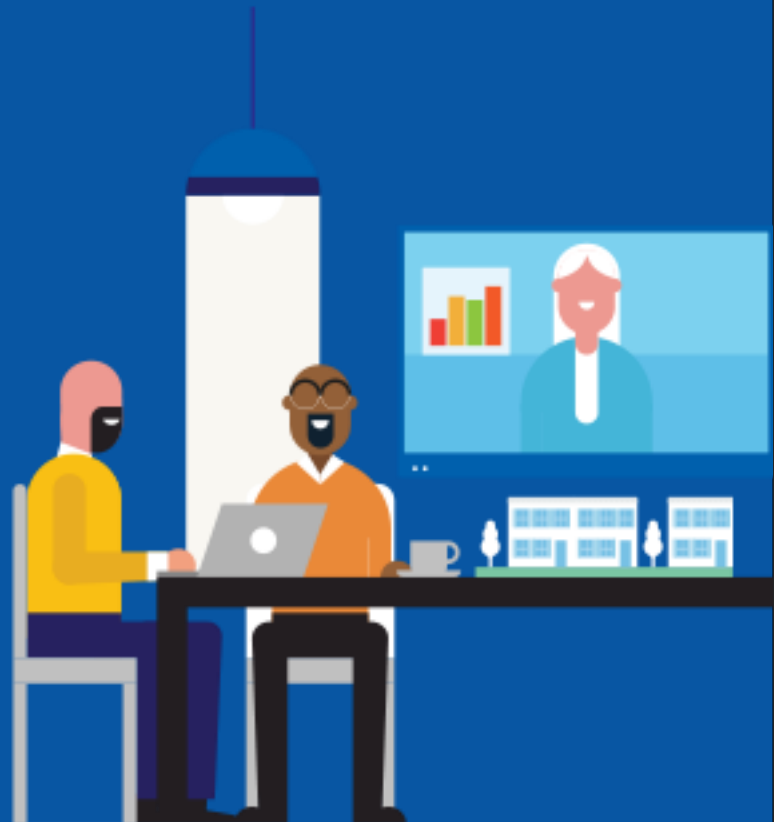


South Tyneside Council

# ALMO (South Tyneside Homes) Review

Final Report

November 2023



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## 1. EXECUTIVE SUMMARY

### *Objectives*

- 1.1 South Tyneside Council (STC) has commissioned Campbell Tickell (CT) to undertake a strategic review of its housing management arrangements, and to consider future options for management of its housing stock and related activities.
- 1.2 STC is operating through a period of unprecedented challenge, in responding to the increasing complexity of need within its operating environment, and in facing direct scrutiny of its management of housing services for the first time, by a significantly empowered housing regulator. Equally however, there are significant opportunities to join-up services across South Tyneside to deliver strategic objectives, and to optimise outcomes for residents. Realignment must also be considered in responding to North East devolution.
- 1.3 STC therefore wishes to review the current arrangements with the specific aims of understanding relevant considerations and making an informed decision about the future of its Arm's Length Housing Management Organisation (ALMO), South Tyneside Homes (STH).

### *Approach*

- 1.4 This review is intended to provide South Tyneside stakeholders with an independent and objective analysis on which to base an informed and considered decision regarding the future management of housing services. It involves a desktop analysis of key strategies, operational and financial performance reporting, and interviews with key stakeholders.

### *Strategic context*

- 1.5 South Tyneside faces significant challenges, particularly relating to post-covid recovery, cost inflation and the cost-of-living crisis. Changes to social housing regulation from April 2024, arising from the Social Housing (Regulation) Act 2023, will place direct responsibility on the Council to demonstrate compliance with the Consumer Standards set by the Regulator of Social Housing (RSH) and that it meets its obligations in areas such as complaints handling, health and safety and domestic abuse.
- 1.6 STC has a clear strategic vision, articulated through the recently published South Tyneside Vision (2023-2043), which recognises that a secure home is central to enabling every resident to be resilient and maximise their life chances and outcomes.
- 1.7 STC is pursuing a holistic approach to delivering strategic outcomes to which the effective delivery of housing (and related) services is critical. This in turn requires organisations delivering those services to be fully aligned with STC's strategies and outcomes. Furthermore, STC must be aligned and ready to realise the benefits of North East devolution.

### *Baseline analysis*

- 1.8 Regardless of the future management option chosen, there is scope for rethinking and better connecting service provision to maximise effectiveness, efficiency and outcomes:

- a) Tenant satisfaction with services is mixed, and declining, and whilst this is broadly in-line with the sector trend, drivers need to be fully understood within the local context by listening to and acting upon tenant's views.
- b) Repairs and property-based service performance is relatively strong, particularly in respect to reported performance in health and safety compliance. However, in line with best practice, stakeholders should seek independent assurance that core performance data can be relied on.
- c) People-based services are fragmented, and whilst the tenure-neutral welfare rights service delivered by STH is highly effective, there is a limited approach to early intervention and prevention, and in supporting those with more complex housing and support needs. A recent restructuring of tenancy services to increase the number of locality-based staff is however a positive response.
- d) Most place-based services delivered by STH have recently been returned to STC control, but a joined-up approach is still needed to deliver tenure-neutral services, that match and meet the specific needs of individual neighbourhoods and communities.
- e) There is no overall strategic vision for housing in South Tyneside and core strategies and policies need refreshing to support whole system outcomes.
- f) Current governance arrangements need strengthening and simplifying, whilst data quality and transparency is a concern for many stakeholders. Clienting is light touch, and there are too many informal or ad-hoc arrangements within the governance structure to provide the level of robust assurance needed to support compliance with the new regulatory regime.
- g) From initial analysis, the HRA is in reasonable health, but the impact of required reinvestment has yet to be fully calculated, and the level of reinvestment made over recent years has been relatively low.

### ***Future service vision***

- 1.9 The operating environment of South Tyneside is complex and challenging, and stakeholders recognise that increasingly difficult choices must be made in directing a wholesale shift away from a one-size fits all, passive consumption of services, towards a model based on increased personal and community resilience, with locally based interventions reducing demand upstream for high-cost crisis interventions. In response to this review, stakeholders have identified a wide range of connections that housing can help make in supporting individuals and families, and in connecting communities through a whole system approach, and in so doing, helping to make best use of resources across South Tyneside.

### ***The imperative - timing and approach***

- 1.10 Immediate action is needed to inject the increased level of pace and scale needed to deliver cross-cutting strategic objectives over the next five years; these objectives cannot wait to be fully initiated, delivered, and realised.

- 1.11 A sharper regulatory focus comes into full effect from April 2024, making STC fully accountable for what is happening on the ground in delivering services to tenants, with clear lines of sight backed by robust assurance and supporting evidence an absolute necessity.
- 1.12 This review confirms the view of South Tyneside stakeholders that ‘doing nothing’ is not an option. A significant perception gap has opened up between what STH is set up to do, what it does now and what it could do. A change of course is required.

### ***Future management options***

- 1.13 Four potential management options have been considered, three that retain the ALMO model in some shape or form, but rethink the role of STH, and a fourth that returns housing services to Council control. Their relative strengths and weaknesses are summarise below:

#### **Option 1: Retain STH within a reset the partnership approach**

- 1.14 An ALMO can provide focus and expertise in housing, and STH has operated effectively on behalf of STC, delivering good quality core services to tenants. However, for STH to be a fully credible delivery vehicle moving forward, its remit must dovetail with the strategic and operational priorities of the Council and help realise wider outcomes for South Tyneside.
- 1.15 This realignment must be framed within a co-produced partnership model, which would reset the management relationship, redefine the governance model, reset performance expectations, and define transformation priorities, with a focus on quick wins and with the programme delivered within 12 months.
- 1.16 The strength of this option is that it maintains continuity and avoids any possible loss of focus, whilst building on the service delivery strengths of STH. However, the risk inherent in the ALMO model is the additional management cost and that the Council is dependent on the effectiveness and quality of the relationship to deliver the change necessary and to achieve key service objectives moving forward, as is essentially dependent on a third (albeit connected) party to comply with regulatory expectations.

#### **Option 2: Retain STH with a role focused on core service delivery**

- 1.17 Based on the same rationale for retaining the ALMO as in Option 1, STH would continue to deliver core housing and asset management services, whilst the non-core services it currently delivers would be returned to STC, enabling the development of a whole-person approach within STC across statutory areas such as homeless prevention, in improving community safety and tackling ASB.
- 1.18 The strength of this option is that it also maintains continuity and would allow STH to focus in particular on delivering stock reinvestment priorities whilst enabling STC to develop broader tenure-neutral approaches needed to deliver corporate objectives. However, the weakness of this option is that there is a residual risk that services do not align correctly, and relationship challenges remain. The management overhead of the ALMO remains, as do the dual strands of governance and assurance, which increase the level of regulatory risk.

**Option 3: Retain STH within an integrated Leadership Structure**

- 1.19 Through a second variation of the retained ALMO model, ALMO leadership would become integral to the council leadership team, within in its current form or within a revised structure and could support either of the two ALMO retention options above, preserving the focus on housing delivery through STH, whilst providing STC with full control over the direction and performance of the service.
- 1.20 This approach could potentially resolve the alignment and oversight challenges within the current model, with a shared leadership better able to shape priorities and exercise greater control over performance and assurance. However, there is a risk that the complexity within the current governance model is not fully resolved, and that the arrangement would always feel like a transitional state and not engender the level of buy-in and commitment needed from staff and stakeholders as a viable arrangement.
- 1.21 As an interim arrangement, the model would however help to facilitate the effective transition to a new model and has been used by other councils in some way shape or form.

**Option 4: Return the service to direct STC management**

- 1.22 Returning the ALMO to council control provides STC with direct control of a critical service at a time when it is seeking to transform the way it delivers services and to make best use of scarce resources, and in anticipation of intensified regulatory scrutiny.
- 1.23 An integrated service model will enable STC to create a compelling new vision for housing within a whole-system approach, whilst building upon the role and achievements of STH in delivering a strong and efficient core service. Greater internal alignment of services will also better enable STC to respond to the opportunities of North East devolution.
- 1.24 An evolving delivery structure bringing together functions doing 'similar things' could up the pace and impact of outcomes delivery. Due consideration must however be given to creating the optimum service model, maintaining momentum during a transition period, and driving through the changes within the new model. This will require full staff buy in and culture shift. Equally, tenants must be kept informed and consulted fully through some form of Test of Opinion and must be carried through to the new operating model, with tenants central to the governance process and in setting priorities and scrutinising services.
- 1.25 Bringing the service in-house would remove the majority of the ALMO management overhead and potentially saving in the region of £0.85m p.a., equating to c.£25.5m at current prices over the lifetime of the HRA, with a £1.5m one-off implementation cost estimate to cover legal issues relating to the transfer of the business back to the STC as well as the necessary change management processes.
- 1.26 The strength of returning the service to the Council is that it gives back direct control at a time of considerable operating challenge and would enable STC to realign services more broadly to achieve service objectives. It would enable faster and more responsive decision making and strengthen assurance through a single integrated governance structure. It would also remove the additional layer of operating management overheads.

- 1.27 The main risk of returning the service to Council control is the loss of operational focus achieved by STH, during transition to or within the new operating model, when the service demonstrably needs to step-up and achieve more. Additionally, there is a risk of losing key staff through the change, which will also require significant management input, particularly in securing tenant support. Reputational risk may also come into play if the new service is not able to build upon those delivered by the ALMO.

### **Overall Conclusions**

- 1.28 In assessing the four options against each of the assessment criteria chosen by stakeholders, CT concludes that:

#### **Improve the quality of housing and housing services experienced by residents:**

- 1.29 STH clearly demonstrates strong core housing management strengths, and a focused housing service delivered through an ALMO should be well placed to improve service outcomes, however critical customer journeys and services straddle Council and ALMO functions and are at present being compromised by the split delivery model. Joined-up approaches are needed in providing people-focused services, in empowering communities, and delivering joined-up neighbourhood services. Accomplishing the cross-working and service alignment needed to realise the benefits of North East devolution will also be more effectively realised if the service is brought back in-house.

#### **Contribute to the delivery of the Our South Tyneside vision and wider council strategy:**

- 1.30 A fully aligned ALMO should be capable of delivering a range of objectives and services, through cross-working and partnerships. Whilst STH has contributed to a wide range of initiatives, they have been on a piecemeal basis and the impact limited (with some notable successes however such as financial inclusion), and a step-change in outcomes delivery is required quickly, which would take STH further out of its sphere of expertise. STH has recently restructured its housing management provision to build insight and improve tenancy sustainment. However, wider outcomes may be achievable within a fully scaled and system wide approach to early intervention and prevention.

#### **Deliver best value for tenants, sustaining the HRA and supporting STC's financial plans:**

- 1.31 An integrated approach to financial and investment planning is required. The ALMO relationship is obscuring the strategic thinking needed to define a sustainable HRA business plan, data driven reinvestment programmes and annual budgets, to ensure homes remain Decent Homes compliant, are safe, warm, and adapted appropriately to meet people's needs. Joined-up approaches are needed to meet EPC and decarbonisation commitments and to meet building and fire safety compliance accountabilities.

#### **Provide for robust governance and oversight, ensuring compliance with RSH standards:**

- 1.32 The current governance model will not deliver the level of regulatory assurance that will be required moving forward; it lacks transparency, a shared view of the truth, and is compromising the assessment and mitigation of risk. A strengthened assurance framework with shortened lines of control and direct reporting structures into Cabinet is needed, with tenants at the centre of a new governance model.

**Stakeholder considerations**

- 1.33 The core housing service is strong, the STH brand is well respected, and the STH team has a strong focus and culture, it has served South Tyneside very well for two decades, and its achievements must be recognised in delivering Decent Homes investment and significant outcomes for tenants. However, the world is changing rapidly, and an integrated, whole-system approach is needed to realise the immediate ambitions of South Tyneside.
- 1.34 Whilst the choice of option lies fully with stakeholders, on the basis of the evidence provided and stakeholder engagement undertaken, on balance, relative to the risks and context, our advice to the council would be to formally consider Option 4 to return the service to direct STC management as a matter of urgency and establish a clear implementation programme (in concert with engagement with staff and tenants) early in 2024.
- 1.35 To realise the smooth and timely transition of the service, we also recommend that the council adopt the approach outlined in Option 3 as a transitional arrangement, with shared executive leadership to provide vision and direction for the new service and oversee the transition (supported by a programme manager), with the STH Board remaining in place to ensure continuity of service delivery, and with an oversight board comprised of cabinet members and executive officers, to provide robust governance reflecting regulatory requirements, and in ensuring that the *tenant voice* is central to shaping the new service model.
- 1.36 Housing can become an 'anchor service' within a fully integrated person-centred approach and deliver significant outcomes through joined-up local presence and community enabling. Aligned service access and support pathways can deliver more effective early intervention and prevention, in tackling homelessness, increasing the range of housing solutions available, and supporting long-term tenancy sustainment.
- 1.37 Direct control will improve critical lines of sight for accountable stakeholders and reduce the risk of regulatory compliance failure. Marginal direct savings will be made by removing the ALMO management overhead, which could be reinvested in joined-up service delivery.
- 1.38 A clear vision for housing and strategic approach is needed to underpin this transition, in defining a strategy for reinvestment in the housing stock, in increasing the supply of affordable homes and in creating innovative specialist accommodation solutions.
- 1.39 Delivering this option represents both a strategic opportunity and a significant risk to South Tyneside and should not be undertaken without a clear vision of the new service model or a structured transition plan, agreed and resourced from the outset. Equally, the service transformations recommended throughout this report must be implemented to enable the service to deliver anticipated outcomes. A new delivery model in itself will not deliver additional or improved outcomes.
- 1.40 Stakeholders must create a positive narrative for change, based on the speed and scale of response needed to meet externally driven challenges and pressures, and set out the proposed service model and transition plan for Cabinet approval. This approach needs the basics to be right and to build upon the expertise that STH staff clearly have, it is critical that they are supportive and fully engaged in the change.



- 1.41 Re-seating housing within a whole-system approach is a pragmatic and progressive response to challenging circumstances, building on what has already been achieved by STH; it can represent a point of shared embarkation, not of return.
- 1.42 Ultimately, the Council is accountable to the people of South Tyneside and, in considering the future of STH, specifically to its tenants, act in their best interests, it must also ensure it meets regulatory expectations in keeping tenants safe, and in enabling them to shape services and scrutinise their delivery. We recommend that in proceeding with this review, the opportunity is taken to engage fully and effectively with as many tenants and local stakeholders as possible, seeking to draw people into a debate about the nature of the services delivered and their priorities for the future.

## 2. INTRODUCTION

- 2.1 South Tyneside Council (STC) has commissioned Campbell Tickell (CT) to undertake a strategic review of its housing management arrangements, and to consider future options for the management of its housing stock and related activities.
- 2.2 The South Tyneside housing stock (18,000 homes) is currently managed by its wholly owned Arm's Length Management Organisation (ALMO), South Tyneside Homes (STH), which had its management contract renewed in 2021 for a period of five years.
- 2.3 STC is entering a period of unprecedented change with significant budgetary constraints necessitating a rethink of service delivery models, whilst responding effectively to a strengthened regulatory regime introduced by the Social Housing (Regulation) Act 2023, which including an updated set of consumer standards, regular inspection of landlord services, and the introduction of Tenant Satisfaction Measures against which social landlords must publish their performance. For the first time, local authorities are fully accountable for what happens with their housing service, regardless of the delivery model.
- 2.4 This context prompts a need to think very differently, about how STC aligns resource, creates greater synergy between investment programmes, effectively delivers services with a stretched budget and removes duplication. In addition, the changes to social housing regulation act as a firm reminder that the responsibility lies firmly with the ultimate landlord, South Tyneside Council, to ensure that homes and services are of sufficient quality and that consumer standards are being met; this has resulted in the need for additional governance and monitoring of STH in order for STC to gain this assurance in these areas.
- 2.5 In addition, STH undertakes several wider tenure-blind services on behalf of the council, such as its Welfare Support Service, Anti-Social Behaviour Service and Statutory Homelessness Service. The delivery model for these services was questioned in a Local Government Association Peer Review undertaken in 2022, as well as how these services fit into the wider strategic aims and services of the council. The review also found there to be:
- a) A lack of clarity about the role, function, and governance of South Tyneside Homes (STH) and its relationship with the council.
  - b) Different interpretations of STH's role, how its performance should be managed and its role in delivering wider services than housing, and its contribution to delivering efficiency savings and effectiveness for the council.
- 2.6 The review concluded that whilst a wholly owned business of the council, STH appears to be neither arms-length nor a contractor with more freedom to deliver under a typical contract. The review recommended that these issues be explored and resolved, to ensure that the right operating model is in place for the benefit of residents.
- 2.7 STC therefore wishes to review the current arrangements, performance and the future of ALMO to inform future decisions on service delivery, based on a review of the:
- a) Overall benefit of the ALMO in the current regulative and financial climate, against the national agenda under the Social Housing (Regulation) Act 2023.

- b) Added value of the ALMO and the value for money that the current structure is achieving, the financial viability of STH and any implications this may have on services.
- c) Current governance arrangement and the relationship between the Council and STH, taking into account the breath of services delivered and their 'strategic fit'.
- d) Performance of the company, the delivery of services and assurances over meeting consumer standards and other statutory services, such as homelessness.

2.8 The review will enable STC to understand how it can secure greater control over council housing and options for the future management and maintenance of council housing and the axillary services that are currently being provided via the ALMO.

2.9 The review explores the format and relative strengths and weaknesses of four potential future management options:

**Retain STH within a reset partnership approach** capable of supporting delivery of wider objectives across South Tyneside.

**Retain STH with a role refocused on core service delivery** centred around its core competencies housing and asset management.

**Retain STH within an integrated STC leadership structure** as an enduring or transitional arrangement, to enable closer control and oversight.

**Return the service to direct STC management** and realign housing services within a whole system approach across South Tyneside.

2.10 To enable stakeholders to make a balanced and evidence-led decision on the future management option for the service, it is proposed that a concise set of review criteria are adopted to support a transparent assessment of the ability of each potential option to:

1. Contribute to the delivery of the *Our South Tyneside* vision and wider council strategy.
2. Improve the quality of housing and housing services experienced by tenants.
3. Deliver best value, sustain the HRA, and contribute to the Council's financial plan.
4. Provide for robust governance and oversight, ensuring compliance with RSH standards.

2.11 The review will examine the relative strengths and weaknesses of each option against each of the review criteria, also considering future opportunities and inherent risks. An estimate of transformation costs and efficiencies will be made and the approach to implementation outlined.

### 3. METHOD

#### ***Objectives***

- 3.1 This review is intended to provide South Tyneside stakeholders with an independent and objective analysis on which to base an informed and considered decision regarding the future management of housing services. Whatever decision is made, the intention is that it should secure long-term sustainability, high-quality services to tenants, and wider added value that will help deliver the objectives of STC's corporate strategy.

#### ***Desktop review***

- 3.2 Though a desktop review of key strategic and operational documents, CT has sought to establish the operating context of the service, the service objectives set for it, and its current level of performance, as reported to the Council. These documents include: STC and STH business plans and strategies, service performance reports, tenant satisfaction surveys and benchmarking comparisons; governance, clienting and service level managements reporting; and. Housing Revenue Account (HRA) and General Fund business plans, budgets, and returns. A full list of the documents reviewed is set out in Appendix 1.

#### ***Stakeholder Consultation***

- 3.3 Senior stakeholders including South Tyneside Cabinet Members, the STH Board, STC and STH executive team members and senior service leads have been interviewed to enable a broad assessment of the current service model and aspirations for the housing service moving forward. A full list of stakeholders consulted is set out in Appendix 2.

#### ***Financial Analysis***

- 3.4 An analysis of the current Housing Revenue Account (HRA) position has been undertaken to validate the assumptions and the existing model for STC's housing stock. This model is the baseline model, from which to understand the impact of the investment requirements to deliver existing commitments to maintaining the Decent Homes Standard, in decarbonising the stock, and in making resources available to deliver new affordable rental homes. It has also been used to understand the potential implications of any changes to the underlying assumptions, such as changes to the existing management arrangements.

#### ***Presentation of findings***

- 3.5 This report presents the findings of the review, providing:
- A review of the operating and regulatory context that shapes the review.
  - An analysis of the current delivery model, based on document review and stakeholder interviews.
  - A vision for future service provision based on stakeholder engagement.
  - An analysis of each future option against the chosen assessment criteria.

A set of conclusions and considerations to support an informed stakeholder decision.

## 4. STRATEGIC CONTEXT

4.1 In assessing the effectiveness of current management arrangement and in considering future options, it is important to understand STC's own strategic priorities alongside such challenges posed by the wider operating environment. Equally, it is important to understand what is driving the investment needs in maintaining homes to a high standard, and the regulatory environment that governs the way services are delivered. This will ensure that the management arrangement selected can best respond to needs and shape services in the most effective, sustainable and compliant way.

### *Operating context*

4.2 In common with every local authority, the impact of Covid and the 'cost of living crisis' has carved out a new operating reality for public services in South Tyneside, with its impact on people's lives, in terms of health, wellbeing and prosperity, and consequently the increased demand that this will place on public services will be experienced for many years to come, exacerbating existing levels of demand for social housing and support. In particular:

- a) The index of Multiple Deprivation 2019 ranks South Tyneside as the 27th most deprived local authority area in England (out of 317) and the 3rd most deprived borough overall in the Northeast region.
- b) 39.1% of under 16's are living in poverty and 27.1% of children in the borough are eligible for free school meals.
- c) STC supports 3,000 'in need' children and young people (including children in care, on a child protection plan, or care leavers).
- d) STC responds to 21,000 adult social care contacts a year, and, one in five South Tyneside residents (aged 16+) suffer from depression or anxiety.
- e) There were 3,558 incidents of domestic abuse reported in South Tyneside in 2021.

### *Strategic framework*

4.3 The **South Tyneside Vision (2023-2043)** sets out five clear ambitions to guide every aspect of the council's services:

**Financially secure:** Residents will be financially secure and have what they need for a good standard of living.

**Healthy and well:** Residents will enjoy good mental wellbeing and physical health throughout their lives. They will have the best start in life and be able to live and age well.

**Connected to jobs:** Residents will have access to good quality jobs, skills, and learning. They will have the skills and confidence to apply for a wide range of quality local jobs. These jobs will be in key and growing areas of employment and will benefit all of our borough.

**Part of strong communities:** Residents will live in clean, green, and connected communities where they feel safe.

**Targeting support to make things fairer:** STC will target support at the residents and parts of its borough that need it the most, reducing inequalities and making things fairer.

- 4.4 The strategy recognises that a secure home is central to enabling every resident to be resilient and maximise their life chances and outcomes. A number of cross-cutting commitments are in the strategy that have an explicit or implied housing element:
- a) Providing early help and support.
  - b) Delivering a 'Living Better Lives' Strategy to enable people to live in the place they call home.
  - c) Working closely with local communities to shape future services and in supporting increased community power and action.
  - d) Creation of the multi-agency Poverty Group, which takes a targeted approach based on the five key themes of supporting communities.
  - e) Enhancing access to services by an online platform to share information amongst partners.
  - f) Establishing Family Hubs and a youth offer to engage more young people.
  - g) Delivering a Loneliness and Social Isolation Strategy.
  - h) Working with partners to establish a Domestic Abuse Strategy.
- 4.5 The **South Tyneside Integrated Housing Strategy (2019)** sets out the strategic priorities for providing and managing housing and tackling homelessness:
- a) Prevent homelessness wherever possible and to address repeat homelessness.
  - b) Meet the needs of an aging population through providing appropriate accommodation and promote independence.
  - c) Improve the quality, choice and sustainability of the private rented sector.
  - d) Effectively support the ambitions of the Council's Economic Strategy.
- 4.6 The strategy recognises the significant challenge of an increase in repeat homeless cases; these cases often have complex needs, are single transient people and it is difficult to find suitable and sustainable accommodation. Key elements are to:
- a) Implement a new service delivery model through the development of a Multi-Agency Safeguarding Response team, with professionals from a range of services working together for the benefit of the individual and the community.
  - b) Work with Adult Social Care and Public Health to establish a blueprint for Older Persons housing and support.
  - c) Actively engage with PRS landlords to reduce the number of failed tenancies and reduce homelessness wherever possible.
  - d) Consider estate regeneration or remodelling of accommodation where appropriate.
- 4.7 The five-year vision and strategy for **Adult Social Care and Commissioning - Living Better Lives (2022)** sets the vision for people to be given the best opportunity possible to lead healthy and independent lives, by changing the way the council works, focusing on outcomes, what people want to achieve, how they want to live, and by working with neighbourhoods and communities differently. Three of the strategy's core objectives will clearly be underpinned in part by the appropriateness and quality of housing and support services:

**Prevention and Early Intervention:** Help people to stay well and independent for as long as possible, within accommodation that help them make the most of their strengths and resources.

**Keeping people at risk of harm and abuse safe and well:** Keep people safe by building a community, who share a collective responsibility for ensuring people are safe.

**Support people to remain in control:** Provide genuine choice to improve quality of life and to promote independence and wellbeing.

4.8 The **Joint Health and Wellbeing Strategy for South Tyneside (2022)**, sets out a whole system plan for supporting those who live, learn, work, and play in the borough to live healthy and happy lives. The strategy recognises that building a healthy environment is critical in enabling people to take control over their lives and improve their health, which as a pre-requisite, requires affordable, energy-efficient housing and safe outdoor spaces. There are number of themes drawn out within the strategy that drive health and wellbeing outcomes directly related to housing or the services provided by STH:

- a) Domestic abuse-related incidents.
- b) Social isolation and loneliness.
- c) Financial hardship or fuel poverty.
- d) Anti-social behaviour.
- e) Temporary accommodation placement.

4.9 More broadly, the Devolution Plan for the North East announced by the Government in 2022 will establish a new Mayoral Combined Authority covering seven councils and replacing the two existing combined authorities in the region, NECA (which includes the areas of Durham, Gateshead, South Tyneside and Sunderland) and NTCA (which includes the areas of Newcastle, North Tyneside and Northumberland). This restructuring is intended to enable inclusive growth, and to provide £4.2 billion of additional investment to the region over 30 years, including a £1.4bn investment fund, alongside significant funding for transport, education and skills, housing, and regeneration.

### ***Financial Context***

#### **Medium-Term Financial Plan - MTFP (2023-28)**

4.10 The South Tyneside MTFP reflects the challenging financial landscape and the need to deliver a considerable level of service efficiency over the next five years:

|                      | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|----------------------|---------|---------|---------|---------|---------|
| Service Efficiencies | £3.6m   | £9.0m   | £9.0m   | £3.5m   | £3.5m   |

4.11 The Plan sets out a number of cross-cutting ways in which this will be achieved, including:

- Implementing more agile ways of delivering services.
- Focusing on prevention.
- Investing in Community Area Forums (CAFs), to provide a proactive service within local areas such as clean streets, fly tipping, anti-social behaviour and tenancy related issues.

- Strengthening ways of working through the 'Our Council' change programme.
- Leveraging funding opportunities to bring forward transformational projects.
- Redesigning service delivery in co-production with residents.

4.12 The Plan commits to the delivery of a housing capital programme to ensure that homes are safe for the tenants within them and that they are compliant with all regulations whilst ensuring sustainability across the borough. It also commits to the development of specialist accommodation including for adults with learning disabilities and/or autism and for new extra care schemes all support our commitment for people to remain a part of their communities.

### **Housing Revenue Account**

4.13 Extracts from the HRA model are shown in the table below. These highlight the proposed expenditure in each of these important areas, along with the forecast balances on the account.

| HRA Summary                  | 2023/24      | 2024/25      | 2025/26      | 2026/27      | 2027/28      |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Management costs             | £22.4m       | £23.0m       | £23.4m       | £23.9m       | £24.4m       |
| Repairs & maintenance costs  | £17.1m       | £17.6m       | £18.0m       | £18.3m       | £18.7m       |
| Capital programme investment | £28.2m       | £28.4m       | £28.4m       | £28.5m       | £28.5m       |
| <b>(Surplus)/deficit</b>     | <b>£5.7m</b> | <b>£2.6m</b> | <b>£3.5m</b> | <b>£2.8m</b> | <b>£2.2m</b> |

4.14 The Housing Revenue Account (HRA) is intended to record expenditure and income on running a council's own housing stock and closely related services or facilities, which are provided primarily for the benefit of the Council's own tenants. HRA resources may be used to fund either revenue or capital activity, with the two provisos that the HRA is not permitted to go into a deficit position, and that once resources have been transferred to capital then they cannot be reverted to revenue. Decisions on spending are a matter for the Council, in conjunction and consultation with residents. It is necessary to balance the needs of the service against desirable, though potentially conflicting, outcomes to best meet the Council's objectives. This could mean that there may be differences of opinion in respect of the priorities of residents versus those of the Council.

4.15 Whilst HRA balances are only for HRA use, they are not necessarily solely for the benefit of existing tenants and leaseholders, and it may be desirable to use balances to help fund new affordable housing for the benefit of future tenants. Additionally, there may be instances where expenditure within the HRA on areas such as anti-social behaviour would provide benefits to the wider community rather than just existing tenants and leaseholders. Both examples would still be in line with the concept of the ring-fenced HRA.

4.16 The role of the 30-year HRA Business Plan is to identify, estimate and phase investment decisions to reduce risk and ensure affordability, when considered against projected income and access to capital investment.

4.17 In 2018 the debt cap on the Housing Revenue Account (HRA) was abolished for local authorities. Prior to this, the total amount of HRA borrowing was capped, in most cases at the amount of the self-financing debt cap, which was deemed to represent the "affordable" amount of debt for each authority. In practice, many HRAs have outperformed the



assumptions used to calculate the self-financing debt settlement (introduced in 2012), and as a result are able to service additional borrowing. The removal of the debt cap effectively permits additional borrowing as long as it is on a "prudential" basis, and as a result many authorities are now using or considering using new borrowing to help fund the development of additional affordable or social housing.

### ***Regulatory Context***

- 4.18 The regulatory environment applicable to every social housing landlord has been significantly reinforced, in particular through the enactment of the **Social Housing (Regulation) Act (2023)**, which has empowered the Regulator of Social Housing (RSH) to, for the first time in respect of local authorities, protect tenants through:
- a) Proactive assessments of compliance with the RSH Consumer Standards. As the landlord, STC is responsible for ensuring these standards are met.
  - b) Use of enforcement powers in relation to the consumer standards without the need for it to be satisfied that there is a potential risk of significant detriment to tenants.
  - c) Enforcement of strict time limits to address any health and safety hazards reported by tenants, such as damp and mould, and to rehouse tenants where appropriate.
  - d) Intervention where landlords are performing poorly and to guarantee timely action where the regulator has concerns about the decency of a home.
  - e) Performance Improvement Plans to rectify breaches of the standards, with compensation for tenants, and unlimited fines for non-compliant landlords.
  - f) Transparency of landlord performance measured by Tenant Satisfaction Measures (fully implemented from April 2024).
- 4.19 The Act also requires a local authority to designate a health and safety lead, which in the case of South Tyneside, operating under an executive arrangement with a leader and cabinet, can be: (i) the executive leader, (ii) another member of the executive, or (iii) an employee of the authority. The function of the health and safety lead is to monitor compliance with health and safety requirements, assess risks of failure, and to notify the responsible body of the provider (the executive) of risks of material failure, to report material failures, and to advise on how these will be addressed to restore compliance.
- 4.20 The **Housing Ombudsman** is also taking a highly proactive and interventionist approach, with a greater focus placed on sharing maladministration findings and publishing examples of best practice and lessons learned. Landlords are also expected to comply with the revised Complaints Handling Code, which sets out clear expectations with regard to handling housing complaints, with failure orders issued for non-compliance. Landlords are expected to self-assess against the Code to ensure that their complaint handling process is accessible, consistent and enables the timely progression of complaints on behalf of tenants. The Ombudsman's approach has been particularly prominent regarding sector-wide issues concerning damp and mould.
- 4.21 Issues of social housing quality are at the forefront of national policy, with the likely introduction of a new and revised Decent Homes Standard which may also come with higher expectations around energy efficiency of homes.

- 4.22 The **Fire Safety Act (2021)** introduced regulation to protect residents through rolling fire risk assessments and remedial action programmes. The Building Safety Act (2022) also places significant duties on those who procure, plan, manage and undertake building work, with safety considered at every stage of a building's lifetime, ensuring that residents are safe and feel safe, with Regulatory powers to act against landlords who are found to be underperforming.
- 4.23 The **Domestic Abuse Act (2021)** requires councils to assess the need for accommodation-based support for survivors of domestic abuse (DA) and their children. The Act also requires the granting of automatic priority housing need for survivors made homeless due to DA and an expectation that survivors be granted a new secure tenancy when fleeing abuse in the social housing sector. Such new duties have been introduced at a time of rising levels of DA, considerably increasing pressure on the supply of rented accommodation, and ongoing pressures to council finances. There are domestic abuse related requirements in the new Consumer Standards published in draft form by the Regulator of Social Housing.
- 4.24 To navigate this developing legislative and regulatory framework successfully, local authorities must ensure that there is absolute clarity about assurance arrangements, underpinned by the accessibility and quality of their supporting evidence base. Enhanced lines of sight will be needed to ensure that performance and customer experience are well understood at the most senior levels of the Council, by the Cabinet and Chief Executive, and in this context the additional layer of reporting and assurance inherent in the ALMO model could be seen as an additional and potentially breakable link in the assurance chain.
- 4.25 Ultimately, South Tyneside must be equipped to answer, and confident in doing so, two straightforward lines of questioning posed by the Regulator "How are you assured that....", and "Can you demonstrate that it is happening on the ground"?
- 4.26 To ensure the answer to both questions is a well evidenced "yes", South Tyneside must ensure that accountable stakeholders are provided with fully evidenced assurance of what is happening on the ground, through a robust framework, with the smallest number of breakable linkages and moving parts supportable.
- 4.27 In building a comprehensive assurance framework, a 'Three Lines of Defence' model is a useful tool for members to evaluate the ways in which they receive assurance across the full range of compliance strands:
- 1st Line (operational):** Gained from information gathered from operational staff and frontline managers, business systems, internal controls, and performance reporting.
- 2nd Line (internal assurance):** Gained from internal oversight functions, quality oversight, specialist staff, executive and governance oversight, and analysis of tenant complaints.
- 3rd Line (external assurance):** Gained from internal audit, independent oversight reports by external advisors, benchmarking, through external auditors and specialist audits.
- 4.28 Members must 'own' an embedded compliance culture, understand it, and work with and through senior executive and service leads to create a culture based on a willingness to listen to, and act upon, the voices of tenants and front-line staff, as a vital line of defence.

## 5. Baseline Analysis

5.1 This section of the report sets out our assessment of current service performance as received and perceived by tenants. Our sources include an independent Tenant Satisfaction Measure (TSM) Survey (2023) conducted by ARP Research; key performance indicators reported in the Strategic Scorecard (2023/24 April-June) prepared by STH; and some interviews with stakeholders. We then go on to consider the alignment, governance and financial effectiveness of the current operating model.

### **Overall tenant satisfaction with services**

5.2 The table below presents the headline result of the 2023 TSM survey. The red shading in the *STH 2023* column indicates where tenants are less satisfied with services than they were in 2022, and the shading in the *Benchmark* column indicates how STH performs relative to its peers:

| <b>STH TSM Survey 2023</b>            |                 |                 |                  |
|---------------------------------------|-----------------|-----------------|------------------|
| <b>TSM Headline Measure</b>           | <b>STH 2022</b> | <b>STH 2023</b> | <b>Benchmark</b> |
| Satisfaction overall                  | 78%             | 68%             | 71%              |
| Home is safe                          | N/A             | 71%             | 72%              |
| Home is well maintained               | N/A             | 68%             | 67%              |
| Communal areas clean and maintained   | 63%             | 55%             | 58%              |
| Time taken to complete repair         | 68%             | 65%             | 65%              |
| Listens to views and acts on them     | 67%             | 61%             | 57%              |
| Being kept informed                   | 67%             | 60%             | 61%              |
| Treated fairly and with respect       | 81%             | 71%             | 72%              |
| Approach to handling complaints       | N/A             | 30%             | 33%              |
| Makes a positive contribution to area | 63%             | 52%             | 58%              |
| Approach to handling ASB              | 58%             | 52%             | 52%              |

Note: Survey company benchmark against 14 similar landlords (including 7 local authorities and 3 ALMOs).

5.3 The survey analysis observes that overall, STH's performance is consistent with sector wide trends, as satisfaction scores have been significantly impacted by the pandemic, the cost-of-living crisis, inflationary rent increases and shortages in labour and materials. However, it would be a mistake for stakeholders to overplay external factors as the main drivers for a decline in tenant satisfaction, particularly as listening to tenant's views and acting upon them is the most significant predictor of tenant satisfaction (as reported by the survey) and is fully within the control of STH.

### Customer contact

5.4 The ease of contacting the service and quality of response was not a major driver of dissatisfaction within the TSM survey, even though contact demand is high with 207,000 calls, 15,000 emails and 9,500 live chats handled by the service in 2022/23, totalling 232,000 contacts at an equivalent of over 12 contacts per tenant per year, an unsustainable level of

demand. In spite of this, the service resolved 78% of calls at the first point of contact. The introduction of a customer portal in 2022/23 (MyHome), must be used to drive up the level of self-service, in which the service is somewhat behind the curve, as only 1,664 tenants are reported as using self-service in August 2023.

### ***Regulatory compliance***

- 5.5 Progress in meeting the requirements of the four RSH Consumer standards is presented below, with reference to the STH annual compliance self-assessment (2022/23).

#### Home Standard

- 5.6 The Home standard sets the expectation to provide tenants with quality accommodation and a cost-effective repairs and maintenance service.

#### *Repairs*

- 5.7 The standard sets the expectation of a cost-effective repairs and maintenance service to homes and communal areas that responds to the needs of, and offers choices to, tenants, and has the objective of completing repairs and improvements right first time.
- 5.8 As reported through the 2023 tenant survey, 73% of tenants report that they are satisfied with the repairs service over the last twelve months, and 68% tenants state that their home is well maintained.
- 5.9 In 2022/23, STH undertook 73,000 repairs (a 14% spike in demand on the previous year), which equates to 4.6 repairs per property per year, well above the sector benchmark of 3 per property per year.
- 5.10 STH report that in the year-to-date 2023/24, 99% of emergency repairs have been completed on time and 97% of repairs were undertaken within the 20-day turnaround target. 86% of repairs were completed right first time (96% of heating repairs are completed first time), with 5% of repairs requiring follow-on work. STH is reporting strong repairs performance, but triangulation with tenant feedback and independent review is critical. For example, only 65% of tenants are satisfied with the time taken to complete their last repair.

#### *Void management*

- 5.11 88 vacated properties per month on average were returned to STH in 2022/23, however void turnaround performance (repair and letting), is not reported as a strategic KPI. However, the value of rent loss against empty homes (on the rent roll) in Quarter 1 2023/24 was £216k, against a target of £180k. This is a critical service area and satisfaction driver for establishing sustainable tenancies and of service performance, it should be reported transparently to stakeholders.

#### *Quality of home*

- 5.12 68% of tenants are satisfied that their home is well maintained. However, stakeholders must be aware that landlord response to damp, mould and condensation is now a critical effectiveness measure for the Regulator, as a proxy for the overall quality of insight, effectiveness of engagement and management response a service can deliver.

- 5.13 To ensure compliance with the Home Standard and to minimise disrepair costs, a comprehensive knowledge of the stock base is required, matched against the health risks of the tenants living in them, supported by regular property inspections, a fast-track response to damp mould and condensation, appropriate monitors, and treatment kits, with comprehensive performance tracking.
- 5.14 In 2022/23 STH received 2,725 reports of damp, mould and condensation and is progressing the remedial work needed, overseen by a recently created Healthy Homes Manager role. Data mapping is being used to identify homes in property archetypes susceptible to damp and mould, but where no reports of such have been received, to initiate a proactive check.

#### *Adaptations*

- 5.15 STH undertakes adaptations on behalf of STC, but the service is struggling to meet demand, as the need for more extensive works (families with complex needs), leading to extended wait times. Records of adapted properties are poor, which means that resources are not managed or allocated effectively.
- 5.16 The service undertook 405 major and minor adaptations in 2022/23 (an average of 8 per week). However, the service is also perceived to be expensive by stakeholders, with an estimated 20-30% premium over work that could be commissioned externally. Annually, £2m is being spent on adaptations, against a budget of £900k. A review is currently underway but reflects the need to better understand the housing stock and the needs of residents, with a joined-up and cost-effective response.

#### *Health and safety compliance*

- 5.17 The Home standard expects that all applicable statutory requirements that provide for the health and safety of the occupants in their homes are met.
- 5.18 Stakeholders recognise that STH has built a strong professional service knowledge and compliance culture, which is central to effective assurance and must continue to be fostered moving forward.
- 5.19 STH reports a very strong track record in delivering compliance against landlord health and safety responsibilities with regard to gas, electrical installation, lift and water hygiene safety checks, and fire, building and asbestos safety risk assessments. As reported in August 2023, the only exception to 100% compliance across each strand of compliance was a missed lift service.
- 5.20 There are robust checks of the compliance regime in place, with external checks and audits in place for each strand of compliance. Internal governance reporting is direct to the STH Managing Director and Board. However, stakeholders reflect that the current governance structures are not clear and leave Members unsighted on compliance, resulting in a 'credibility gap', between what is happening on the ground and what is reported. Stakeholders must be assured through second and third lines of defence that the data provide and processes in place are robust.

### *Asset management*

- 5.21 The *Home* standard expects every home to meet and be maintained at the Decent Homes Standard.
- 5.22 STH is currently reporting that 100% of STC managed stock complies with the Decent Homes Standard, following the completion of a capital investment programme in 2016. The Five-Year Housing Capital Programme (2023-28) prepared by STH, shows that the capital programme between 2017 and 2022 invested £12m per year in homes, at an average of £760 per property per year, which by STH's own comparison was significantly lower than in neighbouring boroughs, the capital budget for 2022/23 was £22m.
- 5.23 STH is in the process of updating stock condition data (with 14,000 out of 17,000 homes surveyed), to reflect the level of investment needed to maintain the STC stock at the Decent Homes standard, and to achieve EPC Band C (57% of the STC stock is currently below this level and will require an addition investment of £24m by 2027/28, over and above decent homes investment funding) and to tackle Housing Health and Safety (HHSRS) hazards.
- 5.24 The current five-year investment programme (2023/4-2027/8) required to maintain housing assets is estimated to be £298m, but there is potential for costs to increase considerably, as stock condition data is incorporated into the reinvestment model.
- 5.25 STC is landlord of four registered high-rise residential buildings (of at least 7 floors will be subject to external inspection from April 2024. STC has designated a senior member of the asset management function as its *Principal Accountable Person* under the Building Safety Act (2022). These buildings are currently being modelled, and materials quantified, to create a 'digital twin' of each within an accessible software package (Twinned It), with the aim of providing residents with a real-time view of building health and safety. Compliance assurance is overseen by a High-Rise Group, which reports into the Strategic Housing Board and the accountable Cabinet Member, with investment requirements for remedial works considered by a Capital Investment Group.

### Tenant involvement and empowerment standard

- 5.26 The Tenant Involvement and Empowerment standard sets out the expectation to provide choice, information and communication that is appropriate to the diverse needs of tenants, with a wide range of opportunities for them to have influence and be involved.
- 5.27 The 2023 tenant survey reports that 79% of tenants feel that they are treated fairly and with respect (81% in 2022), 60% of tenants believe they are kept informed (67% in 2022), and 61% of tenants feel that their views are being listened to and acted upon.
- 5.28 The STH Annual report 2022/23 highlights a range of channels through which tenants are empowered to shape and scrutinise services, with almost 1,000 tenants engaging with STH in some shape of form to provide their views:
- The Tenant Talk Facebook page has well over 200 followers who provide feedback on service delivery.
  - 150 tenants provided customer survey feedback on issues such as damp and mould and ASB.

- The STH Annual Report is produced by a group of 12 tenants.
- 13 Customer Experience Projects have enabled the experience of 75 tenants to shape improvement across a range of services including repairs, health and safety, and income management.
- 517 tenants have taken part in neighbourhood and community engagement initiatives covering energy efficiency, high rise building safety, and community outreach.
- A Check and Challenge Group checks whether STH is learning from complaints and has made a number of recommendations for improving the response to ASB and supporting those in abusive relationships.
- The Tenant Scrutiny Panel undertakes quarterly performance challenges with the STH leadership team and undertake deep dives of service response, such as to damp and mould, which has resulted in 34 recommended actions being implemented by STH. The level analysis the Panel delivers is of the highest quality, and their approach to scrutiny is rigorous.

5.29 STH has put an involvement framework in place with input from involved groups and service standards have been developed and agreed with tenants as local offers. 'Involved Customer' panels are regularly involved in the development of policies, including for damp and mould. Customers were also involved in the development of the Corporate Plan (2022/26).

5.30 The Scrutiny Panel reviews the STH performance scorecard and holds quarterly performance challenges with Heads of Service. The Annual Report includes significant customer involvement to scrutinise performance.

5.31 A 'check and challenge' is used to scrutinise specific elements of the repairs service.

#### *Complaints handling*

5.32 The standard expects that a complaints process is clear, simple, and accessible, and ensures that complaints are resolved promptly, politely, and fairly.

5.33 STH operates a two-stage complaints policy that complies with the Housing Ombudsman Code, and is reviewed annually with tenant input, along with supporting procedures. In 2022/23, STH received 739 formal complaints (713 in 2021/22), were not of which 89 were not resolved at Stage 1 and escalated to Stage 2. 11 complaints were escalated to the Housing Ombudsman.

5.34 The Housing Ombudsman report (2022/23) for South Tyneside Council (STC is the accountable body) states that STC performed *Very Well* when compared to similar landlords by size and type, with a maladministration rate of 28%, (resulting in compensation of £1,275 being awarded), compared with the national rate for LAs and ALMOs of 62%.

5.35 Of the 260 people responding to the tenant survey who said they had made a formal complaint to STH in 2022/23, 49% were unhappy with the STH approach to handling their complaint. It should be noted that a significant proportion of complaints upheld by the Housing Ombudsman relate to a failure of the complaints process rather than the original service failure. Equally, STH must demonstrate that it is learning from complaints, and that residents have a formal role in scrutinising the process.



- 5.36 To ensure compliance, a system-wide approach is needed to ensure complaints are used as learning opportunities and processes are complaint with regulation, covering:
- Customer focus:* Services are delivered to clear standards, underpinned by accessible policies and processes, with staff focused on ensuring equality of access and equity of outcomes.
- Open and accountable, fair, and proportionate:* Complaints are dealt with in a transparent, impartial, and evidenced-based way, with complainants respected, and responses tailored appropriately to circumstances.
- Get it right:* Processes and systems provide a real-time status of every interaction and trigger interventions and escalations where service levels are at risk.
- Put it right:* Everyone is responsible for the quality of customer service and resolving situations as they arise, minimising the necessity for a complaint to be made, or escalated.
- No repeat:* Complaints are used as a learning opportunity and the impact of changes made evidenced, to build confidence in the complaints process, and to drive a culture of continuous improvement where everyone is accountable for performance.
- Oversight and assurance:* Robust governance processes are in place that evidence compliance and learning, though internal and external reassurance reviews.

#### Tenancy Standard

- 5.37 The Tenancy standard requires that homes are let in a fair, transparent and efficient way, take into account the housing needs and aspirations of tenants, and provide assistance with homelessness duties.
- 5.38 The STH managed homelessness service prevented 364 families and individuals from becoming homeless in 2023/24, and a further 422 families had their homelessness relieved through access to temporary accommodation. The homelessness service is under severe budgetary pressure, due to a strong increased demand, which has also caused a casework backlog. Stakeholders point to a lack of join-up with other services with regard to identifying need (hospital discharge for example), the need to join-up support and pool funds to increase prevention, and to broaden the pool of move-on accommodation and support.
- 5.39 As of November 2023, the service has yet to provide statutory homeless data for 2021/22 or 2022/23 to the Department for Levelling Up, Housing & Communities, preventing service comparison and the service improvement potential of insight gained.
- 5.40 A pre-tenancy support team is in place to support vulnerable applicants through the allocations and lettings process.
- 5.41 To underpin a more proactive, risk-based approach to tenancy management, STH has recently restructured its tenancy management function to reduce patch sizes to 400 homes per housing officer, with the team of 45 officers expected to spend 80% of their time out in the field, with the aim of getting behind every front door on an annual basis, to identify sustainment needs, to check stock condition, and for damp and mould.
- 5.42 A complex case team is also being created, to provide additional support in sustaining tenancies. This approach however must however integrate with the Council's approach to early intervention and prevention, in particular, through cross-working with the Family Hubs.



- 5.43 Rent collection performance is strong, with the proportion of rent collected in 2022/23, just over 100% and in the first quarter of 2023/24, against a target collection rate of 99%. During 2022/23, the value of outstanding arrears fell from £2.4m to £1.9m. In addition, the STH Welfare Support Team, which includes four social navigator roles, secured over £6m on behalf of vulnerable tenants in 2022/23,

#### Neighbourhood and community standard

- 5.44 The Neighbourhood and Community standard sets the expectation to keep neighbourhood and communal areas associated with homes clean and safe, to co-operate with relevant partners to promote the wellbeing of the local area, and to help prevent and tackle anti-social behaviour.
- 5.45 Whilst STC tenants are broadly satisfied with the services that maintain their communal spaces, only 55% are satisfied that communal areas are clean and well maintained (58% in 2022), and only 52% of tenants believe that STH makes a positive contribution to the neighbourhood (63% in 2022). This also reflects the picture formed by stakeholders (Councillors, STC and STH staff) on a recent set of estate walkabouts, who found a number of issues, including the management or future use of poorly maintained 'dead spaces'.
- 5.46 Stakeholders are concerned that there is a disconnect between Council and ALMO locality-based services, which requires further review, following the decision to transfer area management services (caretaking, abandoned vehicles, waste and graffiti removal) back into STC earlier in 2023. In particular, a joined-up approach to enforcement is needed, through a tenure-neutral approach, with services and agencies joining forces to make a bigger impact. Community Area Forums are clearly components in building connectivity with communities, and the housing service must be fully embedded with this approach. The recruitment of a new Director for Place and Communities with responsibility for place and delivering physical transformation, will provide a new point of focus for a tenure neutral approach.
- 5.47 To meet both tenant and regulatory expectations, a strong locality-based offer is now needed, the new model should seek to evolve from a traditional, one-size fits all approach, to tailor services within communities based on insight and awareness as to what is needed within each community, through place-shaping and co-produced action plans, the prioritisation of resources, and shared oversight of neighbourhoods through networks of estate champions/custodians. The model should seek to maximise the visibility of its local presence, and provide flexible service access, with proactive support to the most vulnerable, with frontline staff backed by comprehensive mobile working capability.

#### *ASB*

- 5.48 With respect to tackling ASB, which STH delivers as a tenure-neutral service on behalf of the Council across South Tyneside, satisfaction with the service is also patchy, with only 52% of tenants satisfied with the way STH handles ASB (down from 58% in 2022). This is however somewhat at odds with the services own performance metrics that report 99% of ASB cases were resolved successfully in 2022/23, against a target of 95%. The STH annual report demonstrates little in terms of preventative action or outcomes achieved.

- 5.49 Stakeholders are concerned that there is a lack of join-up with community safety services delivered by STC, and that a STH delivered service may not be as accessible for non-STH residents. There is a strong case to be made for relocating a tenure neutral ASB service within STC, that can support and intervene effectively across the whole community, to:
- a) Respond appropriately and in a flexible way to deter and detect ASB when it is most likely to occur, through a 24-hour service offer.
  - b) Ensure the response to low level ASB is proportionate, and makes best use of resources, with the onus placed equally on individual residents and communities to resolve issues.
  - c) Tailor approaches to tackling ASB based on locality-based partnerships, which enable communities to regain control of their local environment, to design out crime, to improve security, and to ensure neighbourhoods are well cared for.
  - d) Deploy specialist expertise (within or accessible to the service) to deal with serious ASB and ensure that enforcement pathways and remedies are clear.
  - e) Ensure robust assurance processes and evidence bases underpin compliance with Regulatory reporting standards, and that demonstrate the value-add of the service in keeping tenants safe, and that they feel safe.

### ***Strategic alignment***

- 5.50 There is always an inherent tension within an arm's length operating model between the relative levels of autonomy and control, and so to be successful the benefits of operating within the model, with its potentially greater level of focus and flexibility, must outweigh the additional management and clienting overheads required. Regardless of the level of autonomy afforded, however, the council is the sole shareholder and the ALMO is a managing agent, and the nature of this relationship is paramount. Through reviews of documentation and the interviews conducted, we have found that:
- a) There is no clear vision for housing in South Tyneside, both housing and homelessness strategies need refreshing, and policies including the allocations policy are not delivering intended outcomes.
  - b) STH has set its direction of travel and operates to its own plan, with distinct values and ways of working. While the STH Delivery Plan (2023) is structured to reflect both STC corporate ambitions and regulatory requirements, there are few definitive actions to describe how partnership working is to be achieved.
  - c) Stakeholders consider that the current model has a limited strategic impact, and that is not currently promoting the broader cross-tenure, cross-community, cross-service approach that is increasingly needed.
  - d) Strategic and business planning processes are not well aligned, with little co-production, which increases the likelihood of duplication rather than effective coordination.
  - e) There is an 'additionality of service based on a commensurate increase in funding' mantra prevalent within the model which does not fully recognise the operational reality facing South Tyneside and how to respond appropriately to it.



Board is not kept full abreast of operational performance or concerns, and that key information does not always reach senior STC leadership and Cabinet. For example, the Cabinet Member for Housing was not informed of the new patch-based model before it was adopted. However the decision to return place-based services to the Council was not consulted upon with STH.

- 5.55 There is no formal communication channel between the Cabinet and the STH Board, and they have met only once. Many contacts at senior stakeholder level tend to be informal, and not recorded, which poses a significant risk to auditable decision making.
- 5.56 If the council wished to retain the ALMO model, it would be beneficial for there to be a review of the governance structure with a view to simplifying and streamlining it. This should include a review of the flow of information through the structure, the delegated decision-making framework, and the levels of assurance being provided to the STH Board and the Strategic Housing Board.

### **Clienting**

- 5.57 Clienting arrangements for STH have evolved to become 'light touch' over the years, reflecting the autonomy and trust placed in STH to deliver core housing services. Over time, a number of bi-lateral clienting channels between executive teams and with Cabinet members have developed, and while they may have been effective in conducting business and resolving issues, they lack the structure, appropriate balance of risk, and transparency demanded by the new regulatory standards.
- 5.58 To support the upgraded regulatory model, STC will need to invest in and build capacity into the ALMO clienting function (a clienting officer role has already been put in place) to ensure it has the level of assurance and oversight it needs; this however raises a question as to whether an arms-length model is still the best fit, if additional resources are needed to maintain it.

### ***Resource management***

- 5.59 The existing Housing Revenue Account business plan presents a healthy position on the basis of the current assumptions, with the HRA able to meet capital financing costs on outstanding borrowing and surpluses being maintained throughout the life of the model. Within the model however, future rent increases are being assumed at CPI +1% throughout the period of the model, which is possibly an optimistic assumption as the existing 10-year rent guarantee period is due to end in 2024/25.
- 5.60 From our discussions, we understand that the existing model does not take account of the new stock condition survey information, and that (anecdotally) this is likely to result in increased cost levels within the HRA as a result of the increased investment required to maintain existing properties and to make any necessary improvements to ensure the council can meet its net zero carbon targets. It will be necessary for STC to test the impact of the new stock condition survey information through the HRA in order to confirm HRA viability going forward.
- 5.61 Further work will be undertaken to assess the potential impact on the HRA of any changes to the existing management arrangements once the options have been firmed up and agreed.

**Summary findings**

- 5.62 Regardless of any future management option, there is scope for rethinking and better connecting service provision to maximise service effectiveness, efficiency and outcomes for tenants, communities and STC:
- a) Tenant satisfaction with services is mixed, and declining, and whilst this is broadly in-line with the sector trend, satisfaction drivers need to be fully understood within the local context by listening to and acting upon tenant's views.
  - b) High level analysis shows that core repairs and property-based service performance is strong, particularly in respect to reported performance in health and safety compliance. In line with best practice, Stakeholders should seek independent re-assurance of core performance data. However, other services such as voids and adaptations are not receiving the oversight and scrutiny they need.
  - c) People-based services are fragmented, and whilst the tenure-neutral welfare rights service delivered by STH is highly effective, there is a limited approach to early intervention and prevention and supporting those with more complex housing and support needs.
  - d) Most place-based services delivered by STH have recently been returned to STC control, but a joined-up approach is still needed to deliver joined-up, tenure neutral services, that meet the specific needs of individual neighbourhoods.
  - e) There is no overall strategic vision for housing in South Tyneside and core strategies and policies need refreshing to support whole system outcomes.
  - f) Current governance arrangements need strengthening and simplifying, clienting is light touch, and there are too many informal or ad-hoc arrangements within the governance framework to provide the level of robust assurance to comply with the new regulatory regime.
  - g) As evidenced by the failure to produce statutory homelessness returns, there is an understandable concern with regard to overall data quality and reporting of critical performance information.
  - h) The HRA is in reasonable health, but the impact of required reinvestment has yet to be fully calculated, and the level of reinvestment over recent years has been relatively low.
- 5.63 STH has clearly focused and built its skill set around the robust management and regeneration of the assets under its management, but STC is now necessarily equally focused on a wider people-based regeneration, that requires an inclusive, tenure neutral., and partnership approach. Housing services in all their forms are critical components in achieving this. The following sections explore what is required moving forward, and the potential management options for housing services in helping achieve this shift.

## 6. FUTURE SERVICE VISION

- 6.1 The operating environment of South Tyneside is complex and challenging, with service priorities focused on tackling poverty, improving health, and ending multi-generational deprivation. In response, and in common with every local authority, STC is re-evaluating its operating model to ensure it can deliver a sustainable level of service. Increasingly difficult choices must be made in directing a wholesale shift away from a one-size fits all, passive consumption of services, towards a model based on increased personal and community resilience, with locally based interventions reducing demand upstream for high-cost crisis intervention later on.
- 6.2 Local authorities are increasingly adopting a whole-system approach to understanding need and in developing sustainable responses, often with underpinning principles, such as being:
- **Insight based:** Using demographic data, deficit and inequality mapping, and an understanding of crisis intervention and service demand drivers, complemented by community engagement, and the lived experiences of residents, service users and frontline service, to inform decisions regarding the shaping of services where they need to be focused.
  - **Inclusive:** Understanding different community needs, to act to tackle inequality, discrimination, and disparities, to delivery equality access and equity of outcomes.
  - **Asset based:** Enabling individuals and communities to develop solutions based on their own strengths, resources, and relationships, to shape neighbourhood solutions, lead decision making and resources prioritisation, and to take ownership and build a sense of pride in the place where they live.
  - **Partnership led:** Through necessity, shifting the relationship between individuals and communities with core service provision, from one of consumption to co-production, based on partnership, trust and shared expectations, and in so doing, reducing the impact of negative behaviours on communities, and reducing unsustainable service demand.
  - **Whole-life driven:** Understanding the whole life cost and impact of not acting or intervening, or correspondingly the long-term benefits of intervention and sustainment activity, whether supporting re-ablement, preventing homelessness, or staying an eviction, to target resource allocation more effectively across the public purse.
- 6.3 Stakeholders engaged in conducting this review recognise that housing is pivotal to delivering the wider ambitions of South Tyneside, but that currently there is no strategy for how this can be realised, and with limited join-up currently across services.
- 6.4 Regardless of the future management model, a strategic approach for housing is therefore required, clearly articulated within an integrated housing strategy, aligned with the South Tyneside Vision, Ambitions, Corporate Strategy and Action Plan, properly evidenced and informed by need, and addressing the housing and accommodation ‘asks’ of every corporate strategy, including for example:
- Accommodation strategy.
  - Domestic Abuse strategy.

- Living Better Lives strategy.
- Fuel Poverty strategy.
- Learning difficulties strategy.
- Loneliness and Isolation Strategy, and the Suicide Prevention strategy.

6.5 The service must be fully embedded in delivering a person-centred approach, with housing specialists providing expertise and playing a full and active role on strategic Boards and Panels (Safeguarding Panels, for example), in participating in joint needs assessments and developing commissioning strategies.

6.6 Stakeholders have identified a wide range of connections that housing can help make in supporting individuals and families and connecting communities through a whole system approach, and in so doing, helping to make best use of resources across the council and wider public services, to:

- a) Create a single front door for accessing housing and support services, with coordinated triage and assessment.
- b) Improve the quality and effectiveness of commissioned accommodation and support pathways, through a partnership approach and commissioning strategy
- c) Better support care leavers and young persons with accommodation and support.
- d) Better coordinate housing and support response for people with multiple and complex needs (supporting people with learning difficulties, autism, and dementia for example).
- e) Adopt an integrated approach to early intervention and prevention, tenancy sustainment and safeguarding that will prevent homelessness.
- f) Tackle hidden safeguarding risks, to stop people falling 'between the cracks', particularly if their need falls below the threshold of the Care Act, to support ASC case reviews, and work within multiagency responses.
- g) Make better use of assets and their configuration to meet specific needs (larger adapted family units for example) and identify how can this be sourced most cost-effectively whilst avoiding out of borough placement.
- h) Develop a range of housing options based on an informed view of need covering emergency and assessment units, specialist provision, and move-on accommodation to offer increasingly sustainable tenancy options, with appropriate wraparound support.
- i) Make upstream investment in making homes work for people, through adaptation and the target provision of housing assistance payments.
- j) Ensure homes are adapted to support life-long living and increase the provision of innovative schemes to meet particular pressures (Thomas Bell House for example).
- k) Provide safe homes and sanctuaries for people experiencing harassment and fleeing domestic abuse.
- l) Embed housing services fully within the emerging locality-based model, within Family and Autism Hubs, social navigator schemes, Community Area Forums and anti-poverty coordination.

- m) Use local lettings plans and sensitive lets to support the placement of people with challenging behaviours whilst safeguarding communities.
- n) Work within a joined-up neighbourhood approach to increase the impact of enforcement, adopting restorative approaches though working with the youth justice system.
- o) Enable case and data sharing to join up service response across multiple functions and service partnerships (such as the Active Inclusion Partnership approach used in Newcastle).

6.7 The North East Mayoral Combined Authority (CA) offers a range of opportunities for the region, specifically in terms of aligning strategic priorities in order to achieve greater investment in the region and more positive outcomes for residents. One of objectives of the CA, and a priority workstream for the future, is around housing and land and how as a region we can work together to maximise prospects of the region to deliver new homes, unlock difficult development sites, environmental improvements and creation of additional affordable homes. In addition to this, two key trailblazers are focused on homelessness and the private rented sector, for which working at a regional level brings significant benefits.

6.8 To ensure that South Tyneside can attain and contribute effectively to this agenda a clear borough-wide housing vision is essential, supporting a significantly more ambitious level of cross-working and alignment between services than is the case at present.



## 7. FUTURE MANAGEMENT OPTIONS

7.1 Drawing together all of the above, it is clear that maintaining the status quo in the management of housing services and the relationship between STC and its ALMO is not an option. The rapidly evolving nature of the operating environment, regulatory environment and strategic direction of STC necessitates new thinking and a step-change in outcomes and oversight. The current delivery model, which has served South Tyneside well over the years, cannot deliver what is required.

7.2 This section sets out four potential management approaches, explores their relative strengths and weaknesses, the risks and benefits, and financial impact of adopting them and how this would be achieved:

**Option 1: Retain STH within a reset partnership approach** capable of supporting delivery of wider objectives across South Tyneside.

**Option 2: Retain STH with role refocused on core services** centred around its core competencies housing and asset management.

**Option 3: Retain STH within the STC leadership structure** as an enduring or transitional arrangement, to enable closer control and oversight.

7.3 **Option 4: Return the service to direct STC management** and realign housing services within a whole system approach across South Tyneside.

7.4 Each option is assessed against the following criteria, agreed with stakeholders, to establish the extent to which it will:

1. Improve the quality of housing and housing services experienced by tenants.
2. Contribute to the delivery of the *Our South Tyneside* vision and wider council strategy.
3. Deliver best value, sustain the HRA, and contribute to the Council's financial plans.
4. Provide for robust governance and oversight, ensuring regulatory compliance.

### **Option 1: Retain STH within a reset the partnership approach**

#### Rationale

7.5 An ALMO provides a point of focus and expertise for delivering housing services, and in delivering this role, STH has operated effectively at relative arms-length within the terms of its management agreement, providing good quality core services to South Tyneside tenants and the wider community over many years.

7.6 However, the operating environment has changed significantly, and for STH to be considered as a fully credible delivery vehicle for the housing service moving forward, a realignment of its remit will be required to dovetail with the strategic and operational priorities of the council, with simplified governance and oversight arrangements that enable broader partnership working whilst transparently demonstrating compliance.

7.7 This option sets out how retaining the current model but realigning services and a reset of the relationship the relationship with STC, enables the ALMO model to remain a viable and best fit option moving forward.

### Partnership realignment

- 7.8 The relationship between the council and its ALMO would need restating and embedding within the principles of a *Partnership Pledge*, based on a shared narrative, fully transparent and open communication, a no surprise culture, that can navigate risks and seize opportunities, and jointly share success.

### Strategic realignment

- 7.9 The Council's vision and strategic ambitions must be better reflected and anchored in a refreshed Business Plan for STH, reflecting a shared response to the challenges of the South Tyneside operating environment, with aligned operational models that optimise the use of resources, with aligned planning processes and governance.
- 7.10 A refreshed Housing Strategy, with aligned homelessness and allocations strategies and policies, and a broader vision to capture and drive the enabling potential of housing is needed.

### Service and operational realignment

- 7.11 In undertaking the review, it is clear that a number of service areas would benefit from a deeper review of their service specification and delivery models, through a set of deep dives and resultant action plans, to improve customer experience and outcomes, and to optimise the efficiency of service delivery:
- a) The provision of homelessness and allocations and services, and in particular their role within a wider approach to early intervention and prevention.
  - b) Lettings and void management, and in undertaking adaptations.
  - c) Developing a strategic asset management plan that will best enable the STC to maintain its stock at the Decent Homes standard, meet EPC standards, and in time, net-zero decarbonisation.
  - d) A joined-up approach to neighbourhood management and community safety is needed across STC and STH services, to ensure continuity and remove overlaps.
  - e) STC is developing a whole system approach to people-based services. STH must play a much fuller and broader role in helping improve health and wellbeing outcomes, and in eliminating inequalities.

### Governance realignment

- 7.12 A root and branch overhaul of governance arrangements is needed to support the shared vision, alignment of objectives and transparency of oversight, in operating the service model outlined above:
- a) Review the governance reporting structure to optimise the scope of each element within it, provide clear terms of reference for each, ensure that the right attendees are round the table and that reporting hierarchies and required information flows are clear
  - b) Renew the current Management Agreement, with a *Partnership Pledge*, and strengthened to reflect STC expectations, with regard to the scope of its oversight role, in recruitment of the Chair, or STC attendance at Board meetings for example.

- c) Ensure the STH Board has the skills it needs, particularly technical and financial, to steer the service through the complex decision making and intense scrutiny that lies ahead.
- d) Build upon the strengths of the current tenant engagement model to ensure the widest possible equality, diversity and inclusion of participation in governance arrangements.
- e) Adopt an intelligent clienting approach to enable a more dynamic, open relationship to flourish, and whilst rooted in the contractual relationship between Council and ALMO, nurturing innovation and a more effective response to the rapidly changing operating environment.
- f) Enable effective cross-working at strategic and operational levels, to resolve issues and improve service coordination. The role of STH (and housing in general) in delivering key STC Strategies should be clearly set out.
- g) Support the regular sharing of source information (financial, service performance etc.), to provide full transparency, build trust, and enable the independent reassurance of services and their compliance with standards. We would suggest regular engagement between STC and STH at executive level, with clear agenda planning and reporting up through the governance structure.
- h) Recast the Strategic Housing Board as an overarching Shareholder Board with terms of reference focused on creating a formal governance bridge between STC, the Cabinet, and the STH Board. It could:
  - I. Provide a single point of strategic oversight, operating within existing schemes of delegation, and with the role of making joint recommendations to Cabinet and the STH Board.
  - II. Be chaired by the portfolio holder, with senior executives from STC and STH, and the Chair of the STH Board, as permanent members, and with senior staff from STC and STH in attendance as required.
  - III. Be structured as to integrate with existing scrutiny groups and committees. In particular, its relationship with the Tenants Panel should be formalised.
  - IV. Coordinate strategy development and align corporate planning cycles and delivery plans, and ensure transparency of performance oversight, whilst providing a forum for driving innovation and wider cross-working approaches.

#### Performance and Assurance realignment

- 7.13 An upgraded performance and assurance model covering the whole housing service is needed to set and achieve challenging service targets, be clear who is responsible for achieving them, with a transparent evidence base to provide compliance assurance and demonstrate value-add.
- a) Define the scope and demarcation of roles and responsibilities for service delivery, performance management, assurance and evidencing compliance with Consumer Standards.
  - b) Agree common methods and timetabling for providing service assurance, testing for reassurance (audit, deep-dive, impact of engagement and feedback) and the reporting and evidence base required to support compliance of every element of service. In

particular, the internal audit function provided by STC should develop a schedule of audits, planned and scoped in conjunction with STH, with reports being considered by STH and STC.

- c) Define a comprehensive performance management framework (based on a consistent and integrated set of Key Performance Indicators, feedback mechanisms and perception surveys, and benchmarks), focused on delivering and demonstrating RSH compliance, financial sustainability, and high levels of resident satisfaction, with supporting processes that can trigger timely intervention by stakeholders, based on a shared view of service priorities.
- d) Develop a shared evidence base, analytical toolset, and expertise, to provide a fully accessible single view of services, to enable drill down and testing of assurance and the impact of tenant involvement, robust enough to deal with a query from the Regulator.

#### Resource considerations

- 7.14 Revisit the management fee within the context of the reframed service and efficiencies made, to ensure the demonstrable value-add of the ALMO clearly outweighs the additional cost of management it places on the HRA.
- 7.15 Given the extensive level of shared services between STC and STH, there is limited scope for business process integration. The creation of a shared service centre would however be a potential source of efficiency savings and productivity gain.
- 7.16 Review the allocation of costs between the General Fund and HRA that will ensure the HRA contribution can be maximised whilst remaining compliant with ring fence regulations.
- 7.17 Set STH an efficiency target in realising a significant level of digital shift to reduce demand and enable resources to focus on supporting people rather than transaction processing.
- 7.18 The funding required for the realignment work should be absorbed within the resources available to STH within its operating budget.

#### Transition considerations

- 7.19 A *Partnership Offer* setting out how STH could be realigned with STC, with a clear, shared strategic direction, and operating within refreshed partnership oversight and delivery arrangements could be prepared within 3 months. It would comprise:
  - a) A *Blueprint* and fully costed *Business Case* to articulate the vision, objectives, and anticipated outcomes of a whole system approach to operating model change.
  - b) A *Transformation Plan* and *Benefits Realisation Plan* to ensure the change is delivered and that benefits are fully realised.
  - c) A *Governance Framework* to represent the interests of all stakeholders, with mechanisms to engage tenants from the outset in reshaping the service.
- 7.20 With executive focus, a change of this type (which does not require a full business system reimplementation) could be delivered and embedded within 12-18 months.

### Legal considerations

- 7.21 If a retention decision is made, the following considerations apply:
- a) The Management Agreement and STH Articles of Association are reviewed to reflect any revised role of STH.
  - b) A new or extended management agreement will require the consent of the Regulator under the provisions of s27 of the 1985 Act.

### Assessing the Retain option

- 7.22 Taking account of the above, the following factors are material in assessing this option against the review criteria:

#### **Improve the quality of housing and housing services experienced by residents:**

- 7.23 STH clearly has the capacity and capability to transform and optimise housing and support related customer journeys and experience, but these more often than not need to be part of a wider whole-person or community solution (adaptations and community safety for example), they cannot be addressed in isolation, and a housing service operating within set boundaries, with its own processes and systems may not be best placed to deliver this.

#### **Contribute to the delivery of the *Our South Tyneside* vision and wider council strategies:**

- 7.24 Building upon its core strengths and restructured approach to tenancy sustainment, STH could play a pivotal role in tenure-neutral, locality-based service provision, as a resident and community advocate, and service commissioner, working through partnerships within a whole system approach. However, strategic intent is not currently matched by operational impact and a step-change in the level of responsiveness, innovation and partnership working needed. There is an inherent risk that as STH is drawn out of its sphere of expertise, it becomes overstretched and less focused, resulting in a drop in service quality and in tenant satisfaction.

#### **Deliver best value for tenants, sustaining the HRA and supporting STCs financial plans:**

- 7.25 STH has demonstrated strong day-to-day financial stewardship and has delivered efficiency savings over time, whilst shared services arrangements with STC help support the General Fund. The lack of a long-term reinvestment plan for the stock, based on a sound knowledge of its condition is a concern, and establishing a robust HRA business plan must be a priority under any option chosen. The ALMO overhead is approximately £0.85m p.a. at current prices, and whilst relatively lean, must still be offset against the additional value generated.

#### **Provide for robust governance and oversight, ensuring regulatory compliance:**

- 7.26 Increased regulatory scrutiny will require closer oversight of compliance risk, with strengthened clienting required, overseeing a significantly enhanced assurance framework. Greater transparency will be required to achieve this, requiring a significant change in current oversight arrangement, whilst achievable, it will require the rebuilding of trust. However, in operating through an ALMO model, there will always remain an additional layer of management oversight and governance between STC and the delivery and oversight of its objectives, which adds additional links to the assurance chain.

### Overall Assessment

- 7.27 The strength of the *Retain* option is that it maintains continuity and avoids any possible loss of focus caused by an extended period of transition. STH has a strong track record and is respected within the community. Building on the rigour applied to compliance management, STH is well placed with on-the-ground resources, and community connections to support STC in delivering wider outcomes.
- 7.28 The weakness of this option is inherent within the ALMO model, in that there would remain an additional layer of management and negotiation between the Council and delivering its objectives, and a management cost overhead of approximately £0.85m p.a. at current prices. There is also a risk even if a successful realignment is achieved, that due to the lack of direct control and integration, and working alongside rather than inside the Council, STH fails to deliver anticipated outcomes

### **Option 2: Retain STH with a role focused on core service delivery**

#### Rationale

- 7.29 Based on the rationale for retaining an ALMO above, through this option, STH would continue to deliver core housing and asset management services, whilst other services currently delivered by STH would be returned to STC, with:
- a) STH delivering core housing services including repairs and maintenance, asset investment, tenancy management and sustainment services.
  - b) Person-centred services (homelessness, allocations, welfare support) being relocated back within STC and redesigned within a broader prevention-based model.
  - c) Place-based services (ASB) being relocated back within STC and redesigned within a tenure neutral neighbourhood model.
  - d) Housing supply and enabling sitting within a strengthened strategic housing function.

#### Realignment

- 7.30 All of the governance, performance and resource realignment actions and the transitional considerations outlined for the full retention of the ALMO, are equally applicable to this option. However, to clearly delineate the relative responsibilities of STH and STC and to ensure effective oversight it will also be necessary to:
- a) Identify the core services to be retained by STH, and how they will interface effectively with those to be operated by STC, to ensure the services received by tenants and communities more broadly will benefit from the restructuring.
  - b) Establish the value-add contribution STH could play in delivering within a whole-systems approach.
  - c) Establish clear lines of managerial responsibility and performance reporting within STC for the service functions being brought back.
  - d) Establish clear lines of managerial responsibility and performance reporting within STH for the core services it will be providing.

- e) Enable longer term planning for stock re-investment at STH.
- f) Establish a joint approach to demonstrating compliance with the Consumer Standards that provides the STC Cabinet with the assurance it needs that these are being met. Whilst STH is likely to have the operational responsibility for ensuring compliance with the majority of the elements of the standards, there may be areas where lead responsibility sits with STC, and these should be clearly identified.

#### Assessing the core service ALMO option

- 7.31 Taking account of the above, the following factors are material in assessing this option against the review criteria:

#### **Improve the quality of housing and housing services experienced by residents:**

- 7.32 This option would enable STH to focus on its core strengths, and in particular in delivering the reinvestment in the stock to maintain decent homes, energy efficiency and decarbonisation needed. What could still be missing however, is the wider whole-person approach needed, and the perpetuation of misalignment and missed opportunities across services.

#### **Contribute to the delivery of the *Our South Tyneside* vision and wider council strategies:**

- 7.33 Whilst focusing on core service delivery, STH would still be able to play a full role in wider service transformation, through sustainment support, early intervention and prevention activity, and wider community engagement. There would however remain a residual risk of the strategic and operational functions of housing remaining siloed, and not capable of realising a wider vision and ambition for housing.

#### **Deliver best value for tenants, sustaining the HRA and supporting STC's financial plans:**

- 7.34 This option could enable further operational restructuring around core service delivery and to explore additional shared services opportunities particularly in contact handling. However the overhead of operating the ALMO remains and must be offset against the additional value delivered through the model.

#### **Provide for robust governance and oversight, ensuring regulatory compliance:**

- 7.35 A sharper operational focus should lead to greater control within a refreshed governance model. However, there will remain an additional layer of management oversight and governance between STC and the delivery and oversight of its objectives, which adds additional links to assurance chain and a level of regulatory risk.

#### Overall Assessment

- 7.36 The strength of this option is that it maintains continuity and focused housing expertise in critical areas such as repairs and compliance, and would allow STH to focus on stock remodelling, reinvestment to maintain homes at decent homes standard and decarbonisation, whilst enabling STC to develop broader tenure-neutral approaches needed to deliver corporate objectives.
- 7.37 However, the weakness of this option is that there is a residual risk that services do not align correctly, and relationship challenges remain. The management overhead of the ALMO remains, as do the dual strands of governance and assurance.



### **Option 3: Retain STH within an integrated Leadership Structure**

#### **Rationale**

- 7.38 A second variation of the retained ALMO model could be to create an integrated management arrangement, where the ALMO executive becomes an integral part of the council leadership team:
- a) The approach could be applied to both options one and two, retaining a full service ALMO as now, or refocusing it on core activities.
  - b) The approach could also be applied as an interim arrangement if returning the service to council, as set out in Option 4 below.

#### **Structure, operation and oversight**

- 7.39 Under this option, STH would remain a separate legal entity, and subsidiary of STC.
- 7.40 The STH executive would be incorporated into the STC executive structure, as is, or within an optimised structure and role redefinition.
- 7.41 It may be necessary to revise the contract between STC and STH to enable this change, and it may be the case that TUPE regulations apply as a result of any changes to line management structures.
- 7.42 Regardless of whether the overall approach to the provision of services was along the lines of either Option 1 or Option 2 approach, service alignment with STC functions would still be required.
- 7.43 Reporting lines from the executive to the STH Board would need to be revised as the STC executive function would essentially take over the current STH executive function.
- 7.44 The STH Board would remain in place and could take on a more enhanced role in relation to scrutiny and assurance on behalf of the Cabinet (for instance in relation to Consumer Standards compliance).
- 7.45 With clearer and more regular provision of assurance by the STH Board directly to the Cabinet, it may be possible to remove the Strategic Housing Board from the governance structure.
- 7.46 Depending on the overall approach to service delivery taken, it may, or may not, be necessary to establish joint working groups at Board/Councillor level between STC and STH.

#### **Assessing the shared leadership ALMO option**

- 7.47 Taking account of the above, the following factors are material in assessing this option against the review criteria:

#### **Improve the quality of housing and housing services experienced by residents:**

- 7.48 A combined leadership team would be better able to set expectations and oversee improvement, but experienced housing expertise is needed to translate strategic objectives into operable solutions and outcomes.



**Contribute to the delivery of the Our South Tyneside vision and wider council strategies:**

- 7.49 As with the other ALMO retention options, this option would enable STH to build from its core strengths, but a wider whole-person approach could still be elusive, with staff working in the same operational siloes as now.

**Deliver best value for tenants, sustaining the HRA and supporting STCs financial plans:**

- 7.50 An integrated leadership approach would enable better join-up of financial and stock reinvestment planning, and an optimised (and compliant) approach to General Fund and HRA management. However the overhead of operating the ALMO remains and must be offset against the additional value delivered through the model.

**Provide for robust governance and oversight, ensuring regulatory compliance:**

- 7.51 An integrated leadership approach would be better sighted and able to respond to operational risks, and in seeking assurance of regulatory compliance. It would however still be operating through the ALMO governance structure, as a legally constituted entity, with the inherent additional linkages.

Overall Assessment

- 7.52 This approach could potentially resolve the alignment and oversight challenges within the current model, with a shared leadership better able to shape priorities and exercise greater control over performance and assurance.
- 7.53 However, there is a risk that the complexity within the current governance model is not fully resolved, the overhead of maintaining an ALMO remains, with limited value-add, and that it may always feel like a transitional state and not engender the level of buy-in and commitment needed from staff and stakeholders as a viable enduring arrangement.
- 7.54 As an interim arrangement however, the model would however help to facilitate the effective transition to a new model and has been used by other councils in some way shape or form.

**Option 4: Return the service to direct STC management**Rationale

- 7.55 The rationale for returning housing services to council control is that it would provide STC with direct control of a critical service at a time when it is seeking to transform the way it delivers services through a person-centred and place-based approach. It would also enable STC to optimise the use of scarce resources, by reducing management overheads, whilst also improving control and lines-of-sight with regard to regulatory compliance.

Structure and Operation

- 7.56 This option involves terminating the management agreement with STH, winding-up the company and returning the housing service to direct control and management by STC.
- 7.57 STC has choices as to how STH would be integrated back into the Council, and of the phasing of that change. Whether it slots back in as an integrated function within the existing directorate structure, or whether its return would function as a catalyst to wider organisational and operation redesign.

- 7.58 From CTs experience of working with other Council's making this change, simply 'parking' the ALMO back within the council structure for later reintegration and transformation is not advisable, gaining momentum against a clear plan is key to realising anticipated outcomes.
- 7.59 A key consideration is whether the service would lose operational focus if it were reconfigured between directorates and process efficiencies driven by co-location of teams delivering aligned services lost. There is also a danger that tenants experience or perceive a diminution in the service they receive, as the response provided becomes more generic. This is probably unavoidable in the long run, so expectations need to be managed.
- 7.60 All of the service transformation activities recommended above are still required as a matter of priority, in addition to the programme of activities needed to embed the service back into the Council, as outlined below.

#### Governance and oversight

- 7.61 Returning the service to STC control will enable a simplified governance and regulatory oversight structure to be established, whether from scratch or repurposing current components. A fit for purpose governance and assurance framework (which is more than just a refreshed hierarchy of meetings), built from the bottom up, based on three-lines-of-defence principles, should encompass:
- a) Clear service standards, specifications and delivery targets aligned with regulatory expectations.
  - b) Clear roles responsibilities and accountabilities at all levels of the service.
  - c) A service-wide compliance culture already present in the service.
  - d) An accountable individual for each line of regulatory compliance, with an audit and third-party re-assurance framework.
  - e) A demonstrable depth and diversity of tenant input, based on the strengths of the existing model, with a Tenant Panel or equivalent providing insight, oversight and scrutiny of services.
  - f) Clear escalation, intervention and reporting lines at officer level, based on access to real-time data and supporting evidence.
  - g) Short reporting lines into the Lead Member for Housing and the Cabinet, to support effective scrutiny that demonstrate the clear lines of sight expected by the Regulator.
  - h) A Strategic Housing Board (or equivalent), with a level of independent expertise, and strong tenant input, that can set and oversee the strategic housing vision for South Tyneside.
  - i) Partnership relationships with Registered Providers and private landlords, to develop a holistic model for driving expectations and standards, increasing supply across tenure types, and to develop innovative accommodation solutions to meet specialist needs.

### Resource Considerations

- 7.62 CT estimates that an annual cost saving of £0.85m could be made by removing the additional layer of management inherent within the ALMO model, along with the associated governance costs. This would equate to c.£25.5m at current prices over the life of the 30-year HRA business plan.
- 7.63 The cost of returning the ALMO to the council is estimated as £1.5m, covering the legal costs of closing the ALMO, administering TUPE and pension arrangements, and management of change costs, which would be chargeable to the HRA, with retained surpluses used to meet these costs.

### Terminating the ALMO

- 7.64 The process for terminating the management agreement with STH, winding-up the company and returning services to the direct control and management by the Council is set out below.
- 7.65 Many authorities have terminated their ALMOs, and the route, risks and resources required well understood. What is less certain however is the level of risk posed by making the change in an uncertain operating environment, whether tenants will support the change, and whether service focus can be maintained as the service is transferred and embedded.
- 7.66 The support and cooperation of STH Board will be critical in helping achieve a smooth transition, and in continuing to fulfil their company and statutory duties until transfer is completed. To support the transition and ongoing alignment process, STC could consider substituting one or more of the council appointed councillors on the STH Board for a senior officer.

### Offer to tenants

- 7.67 If the Council's is minded to taking back control of housing management services, it must be linked to a clear and coherent *offer* to tenants. Tenants will want to know how they will be impacted, how their voice will be heard in future, how the service will operate and whether any material changes will be made to terms and conditions of tenancy. The Council must be prepared to engage effectively with well organised tenant groups. An *Offer to Tenants* must therefore address:
- a) The rationale for the change and its timing.
  - b) The advantages of returning the service to the Council for tenants and the quality and cost effectiveness gains that will be delivered to them.
  - c) Any changes to service structure or access pathways.
- 7.68 With the removal of the STH Board, consideration should be given to an alternative structure that maximises the depth and diversity of tenant engagement at a meaningful level, in setting direction, agreeing operational priorities and in the scrutiny of the service.

### Tenant consultation

- 7.69 STC must determine the type and level of consultation with their residents on any reintegration proposal. Under section 105 of the Housing Act 1985, a Council will be required to consult where, in the opinion of the Council, so as to determine whether:

- It is a matter relating to the housing management of properties let by the Council on secure tenancies. Such a matter would include the management, maintenance and provision of services or amenities:
  - A new programme of maintenance, improvement, or demolition; or
  - A change in the practice or policy of the local authority.
- The proposed change is likely to affect either all or a distinct group of secure tenants.

7.70 Tenants must be kept informed and consulted fully through a form of test of opinion, with a survey, webinars, and face to face workshops, to gauge tenant support and understand their expectations, with feedback used to demonstrably structure the new service model.

#### Offer to staff

7.71 Open and timely staff messaging is key to delivering a smooth and successful transition and must be led by the STC leadership Team. Staff need to be empowered through a new service vision and allowed to contribute their field knowledge and expertise to support the co-production of the detailed design of the new operating model.

7.72 A refreshed culture developed through the corporate change programme will give every member of staff a new point of reference, and by defining new job families, with more generic role profiles, harmonisation of terms and conditions will be achieved over time.

7.73 Jobs are potentially at risk through this transition, and a robust processes must be established for consultation with staff and unions. Early and continuing communications is critical in the avoidance of unnecessary uncertainty and key to minimising disruption.

7.74 There is a risk of staff leaving whilst there is uncertainty around future service provision, and it should be noted that this has been a significant challenge elsewhere. Strong directional leadership and the effective communication of an inspiring vision will be key to mitigating this risk.

#### Transition considerations

7.75 A detailed *Transition Plan* with rationale, target operating model and the change plan required to embed STH back into the Council, could be prepared within three months. It should comprise:

- a) A *Blueprint* and fully costed *Business Case* to articulate the vision, objectives, and anticipated outcomes of the change.
- b) A *Transformation Plan* and *Benefits Realisation Plan* to ensure the change is delivered and that benefits are fully realised.
- c) A project *Governance Framework* to represent the interests of all stakeholders, with mechanisms in-place to involve tenants from the outset in reshaping the service.
- d) An *Offer* to tenants prepared in advance of a *Test of Opinion* through a tenant ballot.
- e) A *Change Management Plan* to guide staff, both (STH and STC) through the change, which could largely be delivered in 12-18 months of a tenant ballot supporting the change, although any commercial aspects may require a longer implementation period.

- 7.76 The key consideration in delivering this option is as to how the organisational change would be delivered relative to the transformational change needed, and how that might impact the timing of savings realisation. Stakeholder priorities would determine the level of savings to be realised and how they would be distributed.

#### Legal considerations

- 7.77 The primary legal considerations in winding up STH are set out in Appendix 3. Please note, this does not constitute legal advice and further due diligence would be required to establish the full scope of legal considerations.

#### Assessing the Return Option

- 7.78 Taking account of the above, the following factors are material in assessing the *Return* option against the review criteria:

#### **Improve the quality of housing and housing services experienced by tenants:**

- 7.79 Returning STH to its control would provide STC with a greater level of control over the specification and quality of service delivery and enabling it to connect directly with its tenants, and in understanding their priorities and expectations.

- 7.80 The risk of making the transition, however, is that focus and momentum is lost whilst the service looks inwards and transforms, and that if the new model fails to deliver promised service improvements or benefits, it will be directly accountable.

#### **Contribute to the delivery of the *Our South Tyneside* vision and wider council strategy:**

- 7.81 Returning the service to the council would enable a compelling new vision for housing within a whole-system approach, whilst building upon the role and achievements of STH in delivering a strong and efficient core service. By embedding the service effectively within the Council, person centred approaches to support health, education and employment objectives could be realised, working within integrated neighbourhood teams. An evolving delivery structure bringing together functions doing 'similar things', could up the pace and impact of outcomes delivery.

- 7.82 An integrated set of services will also enable South Tyneside to better respond to the wider partnership opportunities of North East devolution.

- 7.83 It is important however that the integrity of operational housing services is maintained within any new structure and that service to tenants do not become diluted in the pursuit of broader service goals, negating the primary purpose of the HRA.

#### **Deliver best value for tenants, sustaining the HRA and contributing to financial plans:**

- 7.84 In theory, most of the management cost associated with running the ALMO can be removed, resulting in an indicative saving of £0.85m, with a one-off transition cost estimated to be £1.5m. Whilst STC would have direct control of setting HRA priorities, its ongoing sustainability still depends on day-to-day operational management focus.

#### **Provide for robust governance and oversight, ensuring regulatory compliance:**

- 7.85 Delivering strategic objectives directly rather than through an arms-length partnership arrangement, obviously removes a link in the assurance chain and the chance of any

misalignment of expectations, or additional management layers impacting compliance assurance.

- 7.86 However, a significant bank of senior expertise and oversight skills has been built up within the service, that cannot be quickly replaced. It should be noted that the Housing Ombudsman has recently highlighted that the quality of services their oversight delivered by councils taking back control from ALMOs is an area of concern.

#### Overall Assessment

- 7.87 The strength of returning the service to the Council is that it gives back direct control at a time of considerable operating challenge and would enable STC to realign services more broadly to achieve service objectives. It would enable faster and more responsive decision making through one integrated management structure and would also remove an additional layer of management and associated costs (£0.85m p.a. at current prices).
- 7.88 Due consideration must however be given to creating an optimum service model, maintaining momentum during a transition period, and driving through underlying transformation imperatives alongside establishing the new model. Tenants must be consulted, and for the majority to support the change through a Statutory ballot. Staff buy-in is also essential in achieving a smooth transition and realising anticipated outcomes.
- 7.89 The main risk of returning the service to Council control is the loss of operational focus achieved by STH, during transition to or within the new operating model, when the service demonstrably needs to step-up and achieve more. Additionally, there is a risk of losing key staff through the change, which will also require significant management input, particularly in securing tenant support. Reputational risk may also come into play if the new service is not able to build upon those delivered by the ALMO.

## 8. CONCLUSIONS AND STAKEHOLDER CONSIDERATIONS

### *Strategic context*

- 8.1 In common with every local authority, South Tyneside is faced with a stark operating reality. Ever increasing levels of demand are being placed on over-stretched housing and support services, with rising levels of homelessness and complexity of support need, whilst supporting communities experiencing significant levels of underemployment, indebtedness, and fuel poverty.
- 8.2 Existing operating models are no longer sustainable and South Tyneside must evolve to meet demand in different ways, with a sustainable level of service, targeting resources to enable and support those most in need.
- 8.3 Additionally, as the accountable social landlord, STC will be subjected to increasingly robust levels of regulatory scrutiny moving forward and must demonstrate that it is listening to and responding to the aspirations of its tenants.
- 8.4 It is therefore timely to ask whether the ALMO delivery model delivered through STH is still fit for purpose and positions STC optimally to respond to the challenges faced by South Tyneside.
- 8.5 From the conclusion drawn above, it is clear that a rethinking and reshaping of housing services is required, regardless of the future delivery vehicle adopted, in responding effectively to the needs of South Tyneside, and the expectations of the Regulator.

### *Baseline Assessment*

- 8.6 Regardless of the future management option chosen, there is scope for rethinking and better connecting service provision to maximise effectiveness, efficiency and outcomes:
- a) STH delivers a strong set of core services, and the commitment of frontline staff and operational managers is recognised by stakeholders. Areas of strength include the focus on landlord health and safety compliance, income management and tenancy sustainment.
  - b) However, tenants have mixed views about the quality of services they receive, and it should not be assumed without further investigation that a decline in satisfaction is part of an unavoidable national trend, rather than evidence of a need for greater focus and grip.
  - c) Robust stock condition data is starting to build a picture of reinvestment need, but there is no strategic plan for delivering the type and mix of housing needed by South Tyneside and in remodelling the stock to meet the challenges of EPC-C and decarbonisation.
  - d) Locality-based service delivery is fragmented and does not empower local communities. Further realignment within a tenure neutral model will deliver greater efficiency and effectiveness.
  - e) Person-based services seem as though they are delivered in isolation, where a whole system approach which connects homelessness, supported accommodation commissioning, emergency and follow-on accommodation, housing allocations and tenancy sustainment, is likely to deliver wider outcomes at greater efficiency. There is limited partnership working with Adults and Childrens Services to support this approach.



- f) The understood purpose and direction of travel of STH has diverged from that expected by STC over time, and the partnership approach envisaged by the management agreement has not developed beyond a basic supply model, with piecemeal participation (not necessarily due to a lack of willingness on the part of STH) in wider strategy definition and delivery.
- g) There is understandable nervousness in the level of preparedness for operating within the new regulatory regime, and it is clear that the current governance and assurance model is too complex, is disjointed, and not fit for purpose in demonstrating the level of assurance needed by accountable stakeholders.

### ***Future service vision***

- 8.7 The operating environment of South Tyneside is complex and challenging, and stakeholders recognise that increasingly difficult choices must be made in directing a wholesale shift away from a one-size fits all, passive consumption of services, towards a model based on increased personal and community resilience, with locally based interventions reducing demand upstream for high-cost crisis interventions. In response to this review, stakeholders have identified a wide range of connections that housing can help make in supporting individuals and families, and in connecting communities through a whole system approach, and in so doing, helping to make best use of resources across South Tyneside. Additionally, North East devolution will bring forward significant new investment and opportunities for wider service partnerships. South Tyneside must be ready to realise this opportunity.

### ***Timing and approach considerations***

- 8.8 Immediate action is needed to inject the increased level of pace and scale needed to deliver cross-cutting strategic objectives over the next five years, these objectives cannot wait to be fully initiated.
- 8.9 A sharper regulatory focus comes into full affect from April 2024, making STC fully accountable for what is happening on the ground and establishing clear lines of sight backed by trusted assurance is now an absolute necessity.
- 8.10 This review confirms the view of South Tyneside stakeholders that 'doing nothing' is not an option. A significant perception gap has opened up between what the ALMO is set up to do, what it does now and what it could do.
- 8.11 The service and oversight re-focusing described above will be needed to roughly the same degree regardless of whichever future management model is chosen and the target operating model arrived at. Addressing underlying issues must be the top priority of stakeholders to ensure the service remains relevant and complaint.

### ***Assessing the future management options***

- 8.12 Four potential management options have been considered, three that retain the ALMO model in some shape or form, but rethinks the role of STH, and a fourth that returns housing services to Council control. Their relative strengths and weaknesses are summarise below:

**Option 1: Retain STH within a reset the partnership approach**

- 8.13 An ALMO provides can provide focus and expertise in housing, and STH has operated effectively on behalf of STC, delivering good quality core services to tenants. However, for STH to be a fully credible delivery vehicle moving forward, its remit must dovetail with the strategic and operational priorities of the Council and help realise wider outcomes for South Tyneside.
- 8.14 This realignment must be framed with in a co-produced partnership model, which would reset the management relationship, redefine the governance model, reset performance expectations, and define transformation priorities, with a focus on quick wins and with the programme delivered within 12 months.
- 8.15 The strength of this option is that it maintains continuity and avoids any possible loss of focus, whilst building on the service delivery strengths of STH. However, the risk inherent in the ALMO model is the additional management cost and that the Council is dependent on the effectiveness and quality of the relationship to deliver the change necessary and to achieve key service objectives moving forward.

**Option 2: Retain STH with a role focused on core service delivery**

- 8.16 Based on the same rationale for retaining the ALMO as in Option 1, STH would continue to deliver core housing and asset management services, whilst the non-core services it currently delivers would be returned to STC, enabling the development of a whole-person approach within STC across statutory areas such as homeless prevention, in improving community safety and tackling ASB.
- 8.17 The strength of this option is that it also maintains continuity and would allow STH to focus in particular on delivering stock reinvestment priorities whilst enabling STC to develop broader tenure-neutral approaches needed to deliver corporate objectives. However, the weakness of this option is that there is a residual risk that services do not align correctly, and relationship challenges remain. The management overhead of the ALMO remains, as do the dual strands of governance and assurance, which increase the level of regulatory risk.

**Option 3: Retain STH within an integrated Leadership Structure**

- 8.18 Through a second variation of the retained ALMO model, ALMO leadership would become integral to the council leadership team, within in its current form or within a revised structure and could support either of the two ALMO retention options above, preserving the focus on housing delivery through STH, whilst providing STC with full control over the direction and performance of the service.
- 8.19 This approach could potentially resolve the alignment and oversight challenges within the current model, with a shared leadership better able to shape priorities and exercise greater control over performance and assurance. However, there is a risk that the complexity within the current governance model is not fully resolved, and that the arrangement would always feel like a transitional state and not engender the level of buy-in and commitment needed from staff and stakeholders as a viable arrangement.

- 8.20 As an interim arrangement, the model would however help to facilitate the effective transition to a new model and has been used by other councils in some way shape or form.

#### **Option 4: Return the service to direct STC management**

- 8.21 Returning the ALMO to council control provides STC with direct control of a critical service at a time when it is seeking to transform the way it delivers services and to make best use of scarce resources, and in anticipation of intensified regulatory scrutiny.
- 8.22 An integrated service model will enable STC to create a compelling new vision for housing within a whole-system approach, whilst building upon the role and achievements of STH in delivering a strong and efficient core service.
- 8.23 An evolving delivery structure bringing together functions doing 'similar things', could up the pace and impact of outcomes delivery. Due consideration must however be given to creating the optimum service model, maintaining momentum during a transition period, and driving through the changes within the new model. This will require full staff buy in and culture shift. Equally, tenants must be kept informed and consulted fully through some form of Test of Opinion and must be carried through to the new operating model, with tenants central to the governance process and in setting priorities and scrutinising services.
- 8.24 Bringing the service in-house would remove the majority of the ALMO management overhead and associated governance costs, potentially saving in the region of £0.85m p.a., equating to c.£25.5m at current prices over the lifetime of the HRA. We estimate that there would be a £1.5m one-off implementation cost to cover legal issues relating to the transfer of the business back to the STC as well as the necessary change management processes.
- 8.25 The strength of returning the service to the Council is that it gives back direct control at a time of considerable operating challenge and would enable STC to realign services more broadly to achieve service objectives. It would enable faster and more responsive decision making and strengthen assurance through a single integrated governance structure. It would also remove the additional layer of operating management overheads.
- 8.26 The main risk of returning the service to Council control is the loss of operational focus achieved by STH, during transition to or within the new operating model, when the service demonstrably needs to step-up and achieve more. Additionally, there is a risk of losing key staff through the change, which will also require significant management input, particularly in securing tenant support. Reputational risk may also come into play if the new service is not able to build upon those delivered by the ALMO.

#### ***Overall Conclusions***

- 8.27 In assessing the four options against each of the assessment criteria chosen by stakeholders, CT concludes that:

#### **Improve the quality of housing and housing services experienced by residents:**

- 8.28 STH clearly demonstrates strong core housing management strengths, and a focused housing service delivered through an ALMO should be well placed to improve service outcomes, however critical customer journeys and services straddle Council and ALMO functions and are at present being compromised by the split delivery model. Joined-up approaches are needed

in providing people-focused services, in empowering communities, and delivering joined-up neighbourhood services.

**Contribute to the delivery of the Our South Tyneside vision and wider council strategy:**

- 8.29 A fully aligned ALMO should be capable of delivering a range of objectives and services, through cross-working and partnerships. Whilst STH has contributed to a wide range of initiatives, they have been on a piecemeal basis and the impact limited (with some notable successes however such as financial inclusion), and a step-change in outcomes delivery is required quickly, which would take STH further out of its sphere of expertise. STH has recently restructured its housing management provision to build insight and improve tenancy sustainment. However, wider outcomes may be achievable within a fully scaled and system wide approach to early intervention and prevention. Accomplishing the cross-working and service alignment needed to realise the benefits of working within the North East devolution model will also be more effectively realised if the service is brought back in-house.

**Deliver best value for tenants, sustaining the HRA and supporting STC's financial plans:**

- 8.30 An integrated approach to financial and investment planning is required. The ALMO relationship is obscuring the strategic thinking needed to define a sustainable HRA business plan, data driven reinvestment programmes and annual budgets, to ensure homes remain Decent Homes compliant, are safe, warm, and adapted appropriately to meet people's needs. Joined-up approaches are needed to meet EPC and decarbonisation commitments and to meet building and fire safety compliance accountabilities.

**Provide for robust governance and oversight, ensuring compliance with RSH standards:**

- 8.31 The current governance model will not deliver the level of regulatory assurance that will be required moving forward, which lacks transparency, a shared view of the truth, and is compromising the assessment and mitigation of risk. A strengthened assurance framework with shortened lines of control and direct reporting structures into Cabinet is needed, with tenants at the centre of a new governance model.

***Stakeholder considerations***

- 8.32 The core housing service is strong, the STH brand is well respected, and the STH team has a strong focus and culture, it has served South Tyneside very well for two decades, and its achievements must be recognised in delivering Decent homes investment and significant outcomes for tenants. However, the world is changing rapidly, and an integrated, whole-system approach is needed to realise the immediate ambitions of South Tyneside.
- 8.33 Whilst the choice of option lies fully with stakeholders, on the basis of the evidence provided and stakeholder engagement undertaken, on balance, relative to the risks and context, our advice to the council would be to formally consider Option 4 to return the service to direct STC management as a matter of urgency and establish a clear implementation programme (in concert with engagement with staff and tenants) early in 2024.
- 8.34 To realise the smooth and timely transition of the service, we also recommend that the council adopt the approach outlined in Option 3 as a transitional arrangement, with shared executive leadership to provide vision and direction for the new service and oversee the transition (supported by a programme manager), with the STH Board remaining in place to

ensure continuity of service delivery, and with an oversight board comprised of cabinet members and executive officers, to provide robust governance reflecting regulatory requirements, and in ensuring that the *tenant voice* is central to shaping the new service model.

- 8.35 Housing can become an 'anchor service' within a fully integrated person-centred approach and deliver a significant outcomes through joined-up local presence and community enabling. Aligned service access and support pathways can deliver more effective early intervention and prevention, in tackling homelessness, increasing the range of housing solutions available, and supporting long-term tenancy sustainment.
- 8.36 Direct control will improve critical lines of sight for accountable stakeholders and reduce the risk of regulatory compliance failure. Marginal direct savings will be made by removing the ALMO management overhead, which could be reinvested in joined-up service delivery.
- 8.37 A clear vision for housing and strategic approach is needed to underpin this transition, in defining a strategy for reinvestment in the housing stock, in increasing the supply of affordable homes and in creating innovative specialist accommodation solutions.
- 8.38 Delivering this option represents both a strategic opportunity and a significant risk to South Tyneside and should not be undertaken without a clear vision of the new service model or a structured transition plan, agreed and resourced from the outset. Equally, the service transformations recommended throughout this report, must be implemented to enable the service to deliver anticipated outcomes. A new delivery model in itself will not deliver additional or improved outcomes.
- 8.39 Stakeholders must create a positive narrative for change, based on the speed and scale of response needed to meet externally driven challenges and pressures, and set-out the proposed service model and transition plan for Cabinet approval. This approach needs the basics to be right and to build upon the expertise that STH staff clearly have, it is critical that they are supportive and fully engaged in the change.
- 8.40 Re-seating housing within a whole-system approach is a pragmatic and progressive response to challenging circumstances, building on what has already been achieved by STH, it can represent a point of shared embarkation, not of return.
- 8.41 Ultimately, the Council is accountable to the people of South Tyneside and, in considering the future of STH, specifically to its tenants, act in their best interests, it must also ensure it meets regulatory expectations in keeping tenants safe, and in enabling them to shape services and scrutinise their delivery. We recommend that in proceeding with this review, the opportunity is taken to engage fully and effectively with as many tenants and local stakeholders as possible, seeking to draw people into a debate about the nature of the services delivered and their priorities for the future.

## APPENDIX 1: DOCUMENTS REVIEWED

| Documents Reviewed  |
|---|
| <b>South Tyneside Council</b>                                 |
| South Tyneside Vision (2023-2043)                             |
| South Tyneside Integrated Housing Strategy (2019)             |
| Joint Health and Wellbeing Strategy for South Tyneside (2022) |
| South Tyneside Budget (2023-28)                               |
| HRA Budget Model (2023-24)                                    |
| STH Management Agreement (2021)                               |
| STH SLA Charges (2023-24)                                     |
| Governance framework overview                                 |
| Strategic Scorecard (July 2023)                               |
| Strategic Housing Board Notes and Actions (January 2023)      |
| South Tyneside Council Corporate Peer Challenge 2022          |
| South Tyneside Council Housing Ombudsman Report               |
| <b>South Tyneside Homes</b>                                   |
| STH Tenant Satisfaction Measure Scorecard (2023)              |
| Low rise scorecard (August 2023)                              |
| High rise scorecard (August 2023)                             |
| STH Scorecard (August 2023)                                   |
| Compliance report (2022-23)                                   |
| Housing Capital Programme (2023-28)                           |
| STH Board papers (2022-23)                                    |
| Strategic Scorecard (Q1 2023-24)                              |
| STH Delivery Plan (2023-24)                                   |
| STH Annual Report (2022-23)                                   |

**APPENDIX 2: STAKEHOLDER INTERVIEWEES**

| <b>Interviewee list</b>  |
|--|
| <b>South Tyneside Council</b>  |
| Cllr. Tracey Dixon (Leader, South Tyneside Council)                                      |
| Cllr. Jim Foreman (Lead Member for Housing and Community Safety, South Tyneside Council) |
| Jonathan Tew (Chief Executive, South Tyneside Council)                                   |
| Stuart Reid (Director of Business and Resources, South Tyneside Council)                 |
| Stuart Wright (Acting Director of Regeneration and Environment, South Tyneside Council)  |
| Phil Dixon (Assets and Programme Manager, South Tyneside Council)                        |
| Anna Milner (Strategic Housing Manager, South Tyneside Council)                          |
| Jess Barclay Lambert (Service Manager, South Tyneside Council)                           |
| Nicola Macdougall (Accommodation Delivery Manager, South Tyneside Council)               |
| Paula Phillips (Service Lead Public Health, South Tyneside Council)                      |
| <b>South Tyneside Homes</b>  |
| Cllr. Richard Porthouse (Chair of South Tyneside Homes Board)                            |
| South Tyneside Homes Board   |
| Paul Mains (Chief Executive, South Tyneside Homes)                                       |
| Gary Kirsop (Director of Operations, South Tyneside Homes)                               |
| Martin Gill (Head of Housing and Area Management, South Tyneside Homes)                  |
| Michelle Evans (Head of Corporate Services, South Tyneside Homes)                        |
| South Tyneside Homes Tenant Scrutiny Panel   |



## APPENDIX 3: LEGAL CONSIDERATIONS IN WINDING UP STH

### Winding up STH

It is likely, in our view, that the Council would wish to follow the voluntary dissolution route, but it will be important to establish as early as possible with the Council how it proposes to proceed so that the board directors can be advised of their obligations under the chosen process. It may also be the case that the Council would look to the board for its attitude towards any winding up as that may have a bearing on the approach the Council chooses.

### Managing Board members' liability

A key issue for all Board members will be the extent of any continuing liability as company directors. If STH is dissolved, board members' liability would cease when the board member ceases to be a company director. That is not to say that past actions which could 'found' a claim against a board member could not in theory arise but, provided board members have acted in good faith and have not engaged in dishonest, fraudulent, or illegal activities, then personal liability should not arise. It will be important therefore for STH to receive confirmation from the Council that it will continue to honour the payment of the Management Fee and to meet all liabilities of STH incurred up to the point of winding up. This will also need to be supported by a 'going concern' letter.

### Agreeing the process for ending the Management Agreement

The Council will need to decide how to end the Management Agreement. Much will depend on timing for example - will timing work with a natural "break" in the Management Agreement, or whether the Council simply decide to disregard the terms of the Management Agreement and terminate regardless.

Once a formal decision by the Council has been made, the board will no doubt wish to ensure that there is a measured and carefully planned reintegration of STH's services within the Council. However long that period may be, business will need to continue as usual to allow the board to fulfil that objective. This means that resources need to be assured to STH, which could be affected by the board members receiving confirmation from the Council that it will continue to pay the Management Fee on the agreed basis.

### Works or services provided to third parties

If STH has entered into contracts with other organisations (apart from the Council) for the provision of services or works, then consideration will need to be given to bringing those arrangements to an end or effecting an assignment or novation to the Council.

### Dealing with contracts

The Council will need to establish whether there are any of STH's contracts that have been let in STH's own name (as opposed merely administering them on behalf of the Council). This is likely to be a time-consuming exercise and the Council will need to confirm that it will continue to provide the required funds to enable STH to meet its liabilities under those contracts until it is wound up. The Council will need to also confirm that in the event of the contracts being required or able to be assigned/novated to the Council, that there is no

prohibition on such arrangements in the contracts themselves and that the Council will take such an assignment/novation.

#### Dealing with assets

An inventory of at least STH's key assets should be prepared in order to document their repatriation back to the Council.

#### Terminating membership of organisations/bodies

STH will need to consider any steps which are required to be taken to resign membership of external organisations such as the National Federation of ALMOs. There may be exit periods to be observed and fees that are payable to these or other external bodies to which STH may have subscribed.

#### Terminating/assigning leases/licences

Consideration will need to be given to the terms of any lease or licence STH may have entered into in its own name for any accommodation which it occupies or sub-lets. In particular, where there are prohibitions on assignment or costs associated with break clauses that STH will need to be protected from.

#### Assessing the application of TUPE

Bringing the services currently performed by STH in-house will trigger the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended) (TUPE), under which all employees who are "wholly or substantially employed" in the undertaking will have their employment transferred to the Council. It is anticipated, therefore, that the majority of STH staff will transfer under TUPE, as all of the services currently performed by STH will continue to be performed by the Council. The board will need comfort that the Council will both honour TUPE and be responsible for the costs associated with any redundancies arising as a result of the winding up of STH.

#### Consulting staff

TUPE imposes obligations upon STH and the Council to provide certain information and to consult in respect of employees affected by the transfer. STH's obligation is principally to provide information about what is happening; the obligation to consult only arises if STH itself proposes changes which will affect the staff, which is unlikely to be the case. The Council's obligation as the recipient employer is to provide STH with sufficient information to enable STH to inform the staff about steps or measures which the Council is proposing to take after transfer. STH, however, has no obligation itself to consult about these matters.

#### Confirming the pensions position

A percentage of STH staff will have transferred to STH from the Council in accordance with TUPE and now they have the right to return on the same basis. These employees will have continued to be members of the Local Government Pension Scheme (LGPS), benefiting from STH's Scheduled Body Status under the Local Government Pension Scheme Regulations 2013, and this will apply on their return as well.

### Putting in place a Termination Agreement

When considering the termination process and give contractual certainty to both the Council and STH (and in particular its Directors) to put in place a so-called Termination Agreement. The contents of the Termination Agreement are for negotiation but are designed to achieve a smooth 'return' of the service to the Council whilst maintaining high-quality housing services for tenants.

### HRA ringfence

One final critical issue that the Council would need to consider in relation to the impact on its general fund on any closure of the ALMO (and in particular in relation to the consideration of central service recharges to the ALMO and any savings that might be realisable were the housing service to be brought back in-house) is that the housing service would remain subject to the statutory "rules" that apply to the Council's Housing Revenue Account in the Local Government and Housing Act 1989 (at Part IV and in the Schedule); the consequence of these "rules" may well be that any additional support that can be provided to the Council's general fund as a consequence of closing STH may well be limited.

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