

TAUNTON DEANE BOROUGH COUNCIL

JOINT HOUSING REVIEW PANEL AND EXECUTIVE MEETING – 11TH APRIL 2006

**Report of Chief Executive and Strategic Director
(This matter is the responsibility of Executive Councillor G. Garner)**

REVIEW OF HOUSING TRANSFER PROJECT

EXECUTIVE SUMMARY

This report summaries the recent review of the Housing Transfer Project by PricewaterhouseCoopers (PWC). It recommends the timetable is extended and the project management arrangements refreshed. Additional resources will need to be allocated.

1. Decisions Required

- 1.1. The Housing Review Panel are requested to recommend to the Executive that:
 - The timetable for the project is extended to 31st December 2006.
 - Additional resources of £180,000 are allocated to the project from the 1st April 2006.
 - The revised project management arrangements are noted.
 - The revised governance arrangements are noted.

2. Background

- 2.1. The Council made a decision to explore a potential Stock Transfer of its housing to a new stand-alone Registered Social Landlord (RSL). This resulted from stock option appraisal work commenced in 2002.
- 2.2. Central Government have been absolutely directive in their requirement for Council's to carry out options appraisals of its stock by July 2005. The Council has two years from being accepted on the

stock transfer programme to complete the transfer. We were accepted on the programme in May 2005.

- 2.3. This Council is clear that stock transfer is the only option that will secure its housing priorities including Decent Homes.
- 2.4. The Council established the Housing Transfer Project to carry out this work. A dedicated team of Council officers and a range of external advisors currently support the project. Governance arrangements are in place. A Shadow Board for the potential new RSL has been set up.
- 2.5. The ultimate intention is to ballot our Council House tenants to enable them to make the decision as to whether they: -
 - Remain with the Council
 - Transfer to a newly created stand-alone RSL.
- 2.6. The intention was to ballot tenants in Spring/Summer 2006.
- 2.7. A review of the Project has led us to believe that this timetable should be stretched and project management and governance arrangements refreshed.
- 2.8. This report sets out the reasons why officers believe this is necessary. It then deals with the consequences of this.

3. The Review of the Housing Transfer Project

- 3.1. The Council, as part of the planned project commissioned Aldbourne Associates to ensure tenants are given a complete and honest picture of the situation with or without transfer. They have recently undertaken some market testing of tenants.
- 3.2. It is clear from this work that nearly half of our tenants are undecided as to how they would vote. However the detailed consultation process has yet to take place, therefore the current soundings are significantly based on a lack of understanding about the choices they are being given.
- 3.3. Against that background I could not advise the Council that it would be prudent to progress to a Spring/Summer ballot. It is in everyone's interests, particularly the tenants, to ensure a high level of understanding and ability to make an informed choice come the day of the ballot. GOSW are clear that it is this Council's duty to ensure all tenants are adequately informed on the choices available to them.
- 3.4. The Project Manager recently left the Council. The difficulties that preceded this have impacted on the project in terms of its management

and direction. This is in no way a reflection on the Project Team, who has been doing an excellent job.

- 3.5. These two issues were the catalyst for the Council commissioning a project “stock take” from our lead advisors, PricewaterhouseCoopers (PWC).
- 3.6. The report from PWC is appended. The key messages are: -
 - The project timetable needs to be adjusted to devote more time to the informal consultation process with tenants and staff.
 - The offer document requires development ahead of further detailed consultation with tenants.
 - Given the current resourcing difficulties, the project team needs to be restructured to include staff from the Housing service.
 - The Shadow Board development needs to continue and the relationship between the Board and the Council needs to be strengthened.
 - A revised ballot timetable will add costs to the process.

4. The Way Forward

- 4.1. Extensive consultation has taken place over a short time frame, with Housing Managers, the existing Project Team, Political Group Leaders, Senior Members of the Executive, Government Office of the South West (GOSW), Unison, Staffside, Housing Corporation, the Audit Commission and the Chairmen of the Tenants Forum and Shadow Board.
- 4.2. This has enabled us to recommend solutions to the Council to ensure the Project progresses satisfactorily. A common objective of all stakeholders (whatever their views on the merit of any potential transfer) is to enable an informed decision to be made by tenants and to ensure the process that the Council undertakes is sound and meets criteria clearly set down by GOSW.

5. Consultation with Tenants

- 5.1. The recent sample survey of tenant opinion indicates that tenants are undecided or against stock transfer. There is little evidence to prove that tenants have sufficient information to make an informed choice at this time.

- 5.2. We need to significantly increase the level of face-to-face meetings with tenants. We need to be smart about our consultation and ensure it is targeted, relevant and clear. Existing managers and staff are best placed to do this work.
- 5.3. We need to extend the consultation period to at least over the summer period.

6. Offer Document

- 6.1. Detailed work programmes, with or without transfer, need to be developed and communicated to staff and tenants. This will enable all involved to be clear on the implication of a Yes or No vote.
- 6.2. The work programme will have four streams: -
 - Programmed maintenance and improvement
 - Services
 - Elderly Services
 - Anti-Social Behaviour/estates improvements

Each of these streams of work will now be lead by an existing Housing Manager.

- 6.3. This work was in hand but it needs to be prioritised. It needs to integrate the Savills work on stock condition and the work on tenants' priorities.
- 6.4. The Savills work needs to be integrated into the "without transfer" programmed maintenance and improvement programme. The "with transfer" maintenance programme needs to be clear how and when it will deliver on tenants' priorities.
- 6.5. This work needs to be completed ahead of the intensive consultation in the summer.

7. Project Management

- 7.1. Whilst the dedicated project team approach has many merits, it is clear that the perception is that the team is too separate from the rest of the Housing service and Council.
- 7.2. We need to integrate the Project into mainstream business. This is not a reflection on the existing project team.
- 7.3. The way forward agreed with staff, Unison and Staffside is that: -
 - The Project Director and Officer champion will be Shirlene Adam and the Member champion will be Cllr Greg Garner

- A Project Co-ordinator role is integrated with the Head of Housing role. Malcolm Western will, therefore, become responsible for Project Co-ordination and delivery.
 - A full-time Project Officer will support the Co-ordinator, the Housing Managers and the lead advisor on consultation.
 - A full-time Project Administrator will support the Council and Shadow Board structure.
 - PWC will provide support to the Shadow Board. The proposal is for 2.5 days of support per month.
- 7.4. Strong links will also be made with the Housing Managers leading work streams and staff consultation, with the existing Tenant Participation team and with the existing Housing Strategy team.

8. Governance

- 8.1. We believe this needs to be strengthened to consolidate the integrated project management arrangements and the relationship between key stakeholders.
- 8.2. A Project Board, consisting of Council, Shadow Board and Tenant representatives will be formed to steer the Project.
- 8.3. An Elected Member Advisory Panel, consisting of Taunton Deane Borough Council cross-party members will be formed. We have similar arrangements for the Vision for Taunton and ISIS projects. The Panel would:-
- Provide political direction to the project
 - Review project progress
 - Ensure process is properly aligned at all stages to the corporate strategic outcomes required.
- 8.4. The Officer Steering Group will be supplemented with an Officer Working Group, who will do the majority of the work.

9. The Shadow Board

- 9.1. The Shadow Board will be supported by PWC. This will probably be 2.5 days of work per month.

9.2 It is important that Taunton Deane Borough Council cements its relationship with the Shadow Board and that the Board members remain committed to the Project throughout the extended timetable.

10. **Timetable**

10.1. The Project management difficulties, the Offer Document work and additional consultation required drives the need to extend the timetable.

10.2. It is proposed that the Council takes soundings in the autumn about a ballot timetable with a view to proceeding to ballot at the end of the year subject to these soundings.

11. **Resources**

11.1. The proposals to extend the ballot timetable will have cost implications.

11.2. The timetable is to be extended by 75%. The additional costs incurred are to be increased by 27%. This reflects the work of officers and the lead advisors to mitigate costs.

12. **The Project Team**

12.1. If we extended the current arrangements to December 2006, the additional costs would be £76,000

12.2. The proposed changes to the dedicated team will reduce these additional costs by £49,000 to £27,000.

12.3. We may need to support the Head of Housing (as three days per week are now dedicated to this Project) and to the Housing Managers, who will need to focus on this project to ensure delivery.

12.4. At this stage, until the project team arrangements within this report are agreed, we are unable to fully cost out any support and backfill arrangements.

12.5. We therefore need to budget for an additional £27,000 for project management.

12.6. It should be noted that this budget would take the project team up to the suggested ballot in December 2006.

13. The Advisors

- 13.1 The original contracts agreed with the consultants were for the period up until the previous ballot date of spring 2006. As the proposal is to delay this ballot there will be the need to increase these budgets up to the revised ballot date.
- 13.2 The cost of extending the contract with the lead advisors is £47,000. This includes support to the Council, the Project Team and the Shadow Board
- 13.3 The cost of extending the Marketing and Communications contract until the ballot date is £44,000. This again includes support to the Project Teams and the Shadow Board and includes the communications materials and mailing of the offer document.
- 13.4 The cost of extending the legal advisors contracts is £22,500. This includes legal advice and support to the Project Team and the Shadow Board as well as works relating to the production of the offer document.
- 13.5 We also need to extend the contract with the Tenants Advisors. It is crucial that they play a part in consulting with and advising the tenants and in order for them to continue with this work we will need to increase the budget in this area by £17,000.
- 13.6 As part of this contract extension they will run specific Tenant focus groups and produce Tenant Newsletters. This was not included in the original brief.
- 13.7 It should be noted that the Council aims to review the advisor's input into the project in three months time depending upon progress made internally during that period, with a view to a reduction in input and costs.

14. Consultation Costs

- 14.1. We need to prepare for intensive staff involvement in consultation. Payment for additional duties or hours worked will be appropriate.
- 14.2. The cost of this has not currently been quantified. It is hoped this can be absorbed within the envelope of the budget made available for the current project management arrangements. However, it would be prudent to budget for a contingency of £5,000 for the staff involvement in additional consultation.
- 14.3. In summary, the additional cost of the project will be in the range of £170,000 to £180,000. It is prudent to budget for £180,000.

14.4. This is in addition to the budget already approved by Council, including the £40,000 approved from the 2006/07 Housing Revenue Account budget. The total budget is now approximately £810,000.

15. Other Matters

15.1. The PWC report encourages early debate by Corporate Management Team (CMT) and Members on: -

- The level of minimum capital receipt required.
- The use of that receipt.
- The corporate impact of transfer.
- Outline decisions about the retention or transfer of Housing Revenue Account non-dwelling assets and other services, for example the DLO, Deane Helpline and Strategic Housing Services.

15.2. Further reports will be brought to CMT and Members on these issues.

15.3. With respect to the residual capital receipt. The working assumption is this will be reinvested in furthering the Council's housing objectives. This is in line with current ODPM guidance.

15.4. With respect to Strategic Housing Services we mean those services currently managed by the Strategic Services Manager. They include homelessness, housing register, hostel management, enabling, strategy, grants, housing standards, energy efficiency, home improvements agency, supporting people, and housing association and private landlord liaison.

15.5. The working assumption is that these functions will remain with the Council should the stock transfer. More work will be required on the implications of this assumption before a definitive decision can be taken.

16. Impact on Corporate Priorities

16.1. The Housing Transfer Project is a key priority of the Council.

16.2. Without transfer the Council believes that it cannot deliver the standard of housing and the quality of service that our tenants have historically enjoyed.

16.3. Savills stock condition survey shows a clear shortfall of £2 million per year unto 2010 in the requirement to meet Decent Homes.

16.4. Affordable Housing is a key corporate priority. The potential Capital receipt will enable the Council to continue to support this priority.

16.5. The recent Ark survey has increased the numbers of Affordable and Social Houses required in the Deane. The figures have risen from 131 to 256. Additionally, the survey required developers and the market in general to provide 290 affordable homes per annum.

17. Conclusion

17.1. The Council cannot proceed to ballot now. More work is required as a consequence of project management difficulties and tenants not being in a position to make an informed choice.

17.2. The way forward recommended will broaden the ownership of the Project across the Council, will improve and consolidate consultation arrangements, and will strengthen relationships between key stakeholders.

17.3. The timetable needs to be extended. The arrangements recommended will mitigate the additional costs. However, an additional £180,000 will need to be found to fund the extended project.

17.4. Whilst the additional costs are significant the Council has no choice but to proceed with the project. The Council believes it is the only way Decent Homes (in the private and public sector), a quality housing service and more affordable homes can be delivered.

17.5. With no transfer the Council would need to consider diverting capital resources from other projects, e.g. affordable housing and non-housing projects to meet the capital shortfalls identified.

17.6. In terms of the potential shortfall of resources the costs of this project still represents good value under the Council's Invest to Save criteria.

18. Recommendations

18.1. The Housing Panel is requested to recommend to the Executive that: -

- The timetable for the project is extended to 31st December 2006.
- A transfer to the Stock Option Reserve of £180,000 is made from the Housing Revenue Account working balance.
- The revised project management arrangements are noted.
- The revised governance arrangements are noted.

18.2. The Executive are recommended to note the views of the Housing Panel and to agree that: -

- The timetable for the project is extended to 31st December 2006.
- A transfer to the Stock Option Reserve of £180,000 is made from the Housing Revenue Account working balance.
- The revised project management arrangements are noted.
- The revised governance arrangements are noted.

Contact Officers: -

Penny James, Chief Executive

Tel. 01823 356401; email: p.james@tauntondeane.gov.uk

Shirlene Adam, Strategic Director

Tel. 01823 356310; email: s.adam@tauntondeane.gov.uk

Simon Haskell, Housing Accountant

Tel. 01823 356421; email: s.haskell@tauntondeane.gov.uk

Malcolm Western, Head of Housing

Tel. 01823 356441; email: m.western@tauntondeane.gov.uk

Taunton Deane Borough Council

Review of housing transfer project

Summary and conclusion

The key message from this review is that, regardless of the current resourcing difficulties, the project timetable needs to be adjusted to devote more time to the informal consultation process with tenants and with staff. Insufficient information has been disseminated and understood to enable an informed decision to be made by tenants, or for staff to engage in the process. A more structured process of testing the success of the consultation process is required before decisions can be made about ballot timetable.

We would recommend that the project team is restructured to include staff involved in the current housing service more. Resources need to be directed away from full time secondments to enable staff to be paid for additional duties to assist with the consultation process. Any revised project management arrangements need to provide for a greater level of communication with Corporate Management Team.

A revised ballot timetable will add to the costs of the process and full details can be worked up on receipt of detailed revised tenders from advisors and decisions about payments to internal staff. The options for avoiding these costs are to proceed with ballot now, with every indication that this would result in a no vote, or to abandon the project.

The shadow board development needs to continue, with a revised rolling programme and work to strengthen the relationship between the shadow board and the Council.

Review findings

Consultation

The consultation process must seek to get important facts and information across to all tenants and staff, and deal with a considerable amount of misinformation and rumour. A tenant opinion survey indicates that tenants are undecided or against stock transfer. The recent large "No vote" at Mid Devon could influence voting at Taunton Deane. An organised response is required to address any campaign of misinformation by Defend Council Housing.

There is no evidence that tenants have sufficient information to make an

informed choice at this stage. In particular the difference between transfer and no transfer is not widely understood, more detailed information is needed on tenants' priorities and more work is needed to build on the information in newsletters. Specific consultation strategies are needed for different areas of the borough, especially accessing tenants in rural areas. Targeted consultation is required to address specific local issues.

The most important consultation activities are face to face meetings with tenants. The campaign will need to be extended at least over the summer period, with a view to taking soundings in the autumn about ballot timetable.

The most successful consultation strategies tend to be where existing staff are able to carry out the bulk of the contact work with tenants. Payment is appropriate for additional consultation activities involving staff. Interested individuals need to be interviewed for their suitability and receive appropriate training.

Project management

Full time secondments to the project team have provided time to deal with the many pre ballot tasks, but appear to have generated a perception that the team is already too separate from the rest of the housing service. Wider housing staff involvement in key activities such as tenant consultation will resolve this.

A focus on intensive consultation will require a co-ordinator/project manager with close links to other staff, in particular front line staff in housing, sheltered schemes, DLO etc. The co-ordinator should be available 2 - 3 days a week to the project. The responsibilities of this role will be the co-ordination of consultation through existing staff, and liaison with ITA and Communications consultants.

Options for providing this resource include internal secondment or external consultancy support. Some staff have expressed an interest but there are limitations on the internal resources available. There is an indication that an external appointment would be supported by staff, but an external advisor would need to develop close working relationships with existing staff at all levels. This would lead to additional costs as set out below.

Key workstreams in the pre ballot period which need to be resourced include

- Developing and implementing the consultation and communications strategy. The co-ordinator will require support from someone with experience and knowledge of existing routes to tenant consultation and knowledge of the existing housing service
- Developing policies for the new RSL.
- Drafting the offer document
- Development support to Shadow Board

- Administrative support to shadow board, steering group and consultation process.

In order to maintain council control over the project we would recommend that the lead and legal consultants report directly to the project director who becomes more closely involved both at project team and shadow board level.

Staff

Early consultation has been carried out with an initial series of briefings for direct housing and Deane DLO staff. Further briefings are planned and need to go ahead in order to communicate clearly to staff that the Council remains committed to this process. Shadow board members have indicated a willingness to be involved and this should be encouraged to demonstrate a joint approach to staff issues.

Our interviews with staff have highlighted the fact that the messages around the need for transfer and the difficulties that retention would bring are not widely understood and the implications of a no vote need to be clearly communicated to all staff, including the difficult decisions the Council would need to make about future service delivery, staffing levels and investment standards.

The development of detailed TUPE lists is normally a post ballot activity. This allows both the Council and the new organisation to consider fully the position for the delivery of key services such as homelessness, helpline, and to agree a way forward. This will inevitably mean some temporary uncertainty for the staff involved.. Specific consultation is required to provide reassurance and to ensure that staff have a clear view of their future position. One way of giving early reassurance is to develop a TUPE protocol, agreed by the Board and the Council that sets out how staff will be consulted throughout the process.

We would recommend the increased involvement of HR staff in staff consultation strategies and meetings with Trade Unions.

Offer document and valuation

Detailed works programmes with and without transfer need to be developed and communicated to tenants as part of the proposed consultation programme. The work programme without transfer needs to make clear this represents a reduction on current programmes. The work programme with transfer should prioritise work that is top of the agenda for tenants, and the impact on individual neighbourhoods.

The early work done to develop the offer document has assumed that any commitment will result in additional costs in the valuation. This may not be the case and much more work needs to be done to consider what can be done within existing budgets, and to get more detailed on tenants' priorities.

The combination of additional expenditure and the identified deficit on the pension scheme have put the valuation under pressure. The pensions deficit cannot be avoided, and structuring the payment of this deficit in the valuation

is an effective way of discharging the Council's liabilities in this respect. However, the scope to avoid such a high level of additional costs needs to be explored in much more detail. PricewaterhouseCoopers and Savills need to be involved in the development of the offer document to develop the promises and more accurately identify the case for any additional expenditure.

Corporate Management Team discussions/decisions

CMT need to be seen to be committed to, and closely involved with, this project. There are a series of discussions that need to take place at CMT, before decisions can be taken by members. The priority here is the level of minimum capital receipt required, and the use of that receipt. This will be key to the development of the offer. The project would benefit from a clear stock transfer champion at CMT level.

CMT should receive regular reports on the consultation process, and on budget spend. This will enable the Council to monitor progress, assess the success of consultation more accurately and for CMT to take decisions about next steps. We recommend that the future project co-ordinator attends CMT meetings at regular intervals.

Other discussions at CMT are required to consider the corporate impact of transfer and outline decisions about the retention or transfer of HRA non dwelling assets and other services so that clear messages can be communicated to staff.

Budgets

A set up cost budget has been established that is broadly in line with that established by other Councils for stock transfer. Current records indicate that around 50% of the budget has been spent to date.

The proposals to extend the ballot timetable will have cost implications for the project as follows:

- Costs of intensive staff involvement in consultation. It may be possible to divert resources from full time staff secondments to payments to housing staff to be involved in door-knocking. This would enable staff resources to be contained within existing budgets until at least July 2006.
- Costs of an external project manager if this option is taken.
- Additional costs of external advisors. Resources in this area need to be focussed on the ITA and the Communications consultants. Additional support to the shadow board and the development of the offer document would be required with ad hoc input from legal advisors.

Further detailed work will be required to refine budgets based on decisions about external project management support and shadow board support. We believe that all other costs could be contained with a relatively small increase of less than 10% of the original budget, assuming an autumn ballot.

External advisors

The ITA and communications consultant will be the main focus for support over the next few months. The communication consultant can provide support to communicate key messages and advise on how to maximise the impact of any internal consultation programme, and monitor success. The ITA can have an intensive role carrying out consultation directly, with focus groups on specific issues, or in specific areas but this would have additional cost implications. The alternative is to continue with the scope of the brief as at present, where the ITA holds regular tenants' panel meetings to consider the results of a wider staff led consultation process.

Legal support can be limited to a review of any communications and ad hoc advice on specific issues as they arise. Legal advisors will also need to attend shadow board meetings dependent on the agenda.

Additional support from lead advisors can be available to provide interim support until revised project management places are in place and operating successfully; to support the shadow board to assist in its development, and in the development of the relationship between the shadow board and the Council; and to attend CMT to facilitate the discussions required on key issues as set out above.

Revised tenders will need to be sought from all advisors based on decisions taken about the timetable.

Shadow Board

The Chair of the shadow board has indicated that they would want to be reassured of the Council's commitment and support to the board and to play an active part in the recruitment of a new coordinator.

There continue to be two vacancies on the shadow board. One at member level and a decision is needed as to whether this will be left vacant until ballot or filled under alternative arrangements. The other vacancy is at tenant level and we understand there are three potential candidates identified. Prompt action needs to be taken to build on these expressions of interest. Tenant elections could be considered to provide an opportunity to further engage tenants in the process.

With an extended timetable, the shadow board will need a programme of activity including a focus on key aspects of current service delivery, with more involvement from current staff, as well as more detailed work to develop the board's own vision, culture and policies. More work can be done to develop shadow board members' understanding of their roles and responsibilities and to support the chair and any vice chairs in their specific roles. The Council and the shadow board may wish to consider a new meeting cycle of the shadow board during the extended consultation period.

This period of time can be used to strengthen the relationship between the Council and the shadow board with regular contact between the project director, the Council's chief executive and the shadow board.

Consideration needs to be given as to how the Board can be involved in the consultation process and become more visible to tenants and Taunton Deane staff. © 2006 PricewaterhouseCoopers LLP. All rights reserved.

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