

Appendix 1

An in-house housing management service: cost/benefit analysis of the options of creating an in-house service and retaining Havering's ALMO.

In January and February 2012 residents were invited to express their views in the future of the Council's Arms Length Management Organisation, Homes in Havering, through a test of opinion. The results of the test of opinion were...

The Council is now considering making arrangements to bring the service in-house. This document examines some of the financial implications of the decision.

The Council is considering the establishment on an in-house service through a process involving three stages, as follows:

- First, taking the minimum legal and administrative action needed to close down HiH and pass responsibility to the Council. This will involve transferring the housing management service from HiH to LBH without significant change
- Second, drawing up proposals for the future housing service, and consulting on the key issues. The plans will cover new governance arrangements, possible integration with existing council services (e.g. call handling, grounds maintenance and community safety and CCTV, press and public relations), and the priorities and plans of the new service.
- Third, implementing change to the service, based on the outcome of the resident consultation.

A decision to bring the service in-house does not however necessarily imply change in the way the front-line housing services are provided. Indeed the proposal is to bring these services in-house without major change in the first instance. This cost/benefit analysis therefore focuses on those issues where there may be opportunities to review the way services are provided.

Issue	In-house service	Retention of HiH	Comments on benefits
1) Management arrangements cost and quality issues	If the service were brought in-house all current HiH staff would transfer to the Council. Once the transfer is completed, there may be scope to review the arrangements for both the former HiH staff and Council staff. It may be possible to achieve a reduction in the number of senior managers in the housing service and this might produce a saving of say some 33% of the current annual ongoing cost.	If HiH were retained the senior structure in both HiH's and the Council's housing service would remain as at present: a Chief Executive and three Directors within HiH and one Head of Service and one Service Manager within the Council's strategic housing function, all with admin support. The combined cost of the current senior structure (including admin support) is £810,000	For quality to be maintained Housing will need highly skilled leaders in sufficient numbers to avoid overloading individuals. Leaders will need to be sufficiently rewarded to retain their services. The current separation of HiH from the Council creates significantly more work for both HiH and LBH senior staff than would be the case in an integrated service. By eliminating duplications and achieving more integration, we will be able to sustain service quality and in time achieve a reduction in the cost. The current estimate of savings is around £300k a year
2) Management arrangements: implications of leadership changes on staff teams	As noted above, if the service is brought in-house there is a danger of reduced senior manager input during the transition. This would coincide with a period when staff particularly needs leadership. In order to prevent a drop in performance during the transition, additional resources	If HiH were to carry on providing the service, their ability to retain good senior managers would remain high	The danger of disruption and loss of performance is a feature of any major change process. The impact can be minimised by anticipating where leadership will be needed, and deploying the resources required.

	<p>may have to be put in. This may take the form of interim managers or acting up arrangements. The potential cost cannot be quantified at this stage</p>		
<p>3) Management arrangements, implications for HRA self financing</p>	<p>HiH employs a number of senior staff with expert knowledge of HRA self financing. If the service is brought in-house this expertise will still be needed. It will be important to encourage key individuals to remain in the organisation. Salaries will in any event be dictated by the TUPE rights enjoyed by the staff.</p>	<p>If HiH were to carry on providing the service, their ability to expert staff and managers would remain high</p>	<p>Self Financing is the most fundamental reform to housing finance in a generation. Although it would be possible to replace key individuals if they left, the loss of their local knowledge should be avoided if possible. The cost of retaining the key individuals is unlikely to be any higher in an in-house structure than it currently is as part of HiH.</p>
<p>4) Governance: cost and quality issues</p>	<p>If the service comes in-house, the HiH Board would cease to operate. Instead decisions would be taken by Members and senior Council officers. This change would simplify the decision making process. This simplification would save staff time and contribute to achieving the saving identified in 1) above</p>	<p>If the service remained with HiH, the HiH board and its committees would continue to operate. The HiH Board typically deals with a greater level of detail than Members deal with in the Council. A significant proportion of HiH senior management time is spent reporting to the Board.</p>	<p>During the consultation on the future of HiH, some residents expressed concern about the accountability of the HiH Board. They felt accountability through the local democracy would be preferable. Many residents said they would prefer to take their individual issues to their ward Member than to an HiH Board Member. Bringing the service in-house has the</p>

			benefit of meeting residents wishes
5) Governance: implications for Resident Involvement	In order to sustain resident involvement in an in-house service, it is proposed to create a new resident forum for tenants and leaseholders. This would give residents a voice in housing management issues by giving them access to the Lead Member. The other resident meetings would continue as at present. The establishment of such a body would have cost implications. These are likely to be modest – less than £5,000 a year – and less than the saving from the simplification of governance which would be achieved in an in-house service.	If the service remained with HiH, residents would continue to be involved in Governance through their seats on the Board and extensive participation in other meetings. The cost of servicing the current governance structure would remain high.	The proposed new resident forum offers the advantage of direct access for a wider group of residents to the Lead Member. It would however have the disadvantage of being an advisory body only, in contrast to the decision making role undertaken by resident Board members in the current HiH structure.
6) client /contractor split	If the service is brought in-house the current complex arrangements for the management of the agreement with HiH will no longer be required. This would save senior staff time contributing to the saving identified in 1)	If HiH were to be retained, the current complex client contractor relations would have to be sustained.	The removal of the client/contractor relationship would make it easier for senior managers to concentrate on delivering high quality services to residents.

	<p>above. In addition it would simplify the three-way relationship which exists where HiH sub-contracts “blue collar” services to LBH, for example grounds maintenance. This simplification would save staff time and contribute to achieving the saving identified in 1) above.</p>		
7) Integration of services	<p>Bringing the service in-house may enable us to simplify structures and eliminate duplications with existing Council services in a number of areas.</p> <p>The detailed work on the extent and nature of potential integration has yet to be carried out, and so savings cannot yet be quantified</p>	<p>The existence of HiH as an independent body gives rise to separation of services such as call handling and CCTV. If HiH were retained many of these duplications would continue.</p>	<p>Integration of services offers the potential for service improvements through faster decision making and a greater focus on outcomes. There is also the potential for substantial savings</p>
8) Accountability	<p>Bringing the service in-house would simplify and unify the way housing is governed. This would make for more transparent accountability at senior management and Member level. No saving would be achieved but residents</p>	<p>The retention of HiH would mean continuing with the current division of responsibilities. This causes some confusion among residents and leads to blurring of responsibilities.</p>	<p>There is evidence of a degree of confusion among residents about responsibilities. Bringing the service in-house would assist considerably in addressing this.</p>

	wishes would be met.		
9) One off costs	<p>A decision to bring housing management in-house will create a number of one-off transition costs. Examples include:</p> <ul style="list-style-type: none"> Legal work HR work IT work Changes to accounting structures Further resident consultation Changing signage and stationary Project management 	If the service is left with HiH there would be no transition costs	The exact cost of these items has yet to be calculated, and it will depend to some extent on decisions about the new service which have yet to be taken. However it is currently estimated that the cost will not exceed £300,000 (the annual revenue saving)