



Committee and Date
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Item

Public



Shropshire Towns and Rural Housing Performance Update

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1. Synopsis

This report updates Cabinet on the activities, operations and performance of Shropshire Towns and Rural Housing and updates on the progress of work to reset the relationship between the Council and Shropshire Towns and Rural Housing.

2. Executive Summary

- 2.1. This report provides Cabinet with an update on the activities, operations, and performance of the Council's Arm's Length Management Organisation (ALMO), Shropshire Towns and Rural Housing (STAR) and provides a summary of the ongoing activities being undertaken to reset the relationship between the Council and STAR.
- 2.2. In response to changes in legislation, regulation, emerging housing need and the needs and expectations of Council residents, the Council along with STAR are reviewing oversight and governance arrangements and structures. It is intended that the outcome of this work will be the development of a refreshed governance framework which will give the Council enhanced oversight and control over its retained housing stock.

- 2.3. The Management Agreement between STAR and Shropshire Council sets out a number of key performance indicators. The indicators along with targets are agreed on an annual basis with delivery against the targets monitored, by exception, on a quarterly basis by the Asset Assurance Board. Shropshire Towns and Rural Housing (STAR) at Appendix A has provided detail on its performance, activities, and operations.

3. Recommendations

- 3.1. To receive the report and raise any issues as appropriate on the performance, activities and operations of Shropshire Towns and Rural Housing and proposals for refreshed governance arrangements.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. There are no direct risks associated with the recommendations set out in this report. However, as landlord of the stock the Council is responsible for ensuring that its housing stock is safe and that it meets all statutory and legislative requirements, and that services to its residents meet the standards set by the Regulator of Social Housing and in accordance with the needs and expectations of residents and the wider community.
- 4.2. It is therefore crucial that the Council maintains sufficient oversight and monitoring of the activities of STAR to assure itself that its housing stock and services to its residents are being conducted to the required standards and in line with the Council's expectations.

5. Financial Implications

- 5.1. There are no direct financial implications that relate to the decision contained within this report.

6. Climate Change Appraisal

- 6.1. There are no direct climate change implications that relate to the decision contained within this report.
- 6.2. STAR remains committed to addressing climate change and to the carbon performance of the housing stock. The Asset Management Strategy forms part of the Management Agreement with performance against the Strategy and investment through the Capital Works Programme being monitored by the Council's Homes and Communities team and through the governance arrangements in place to oversee the performance of STAR.

- 6.3. When delivering new build housing STAR Housing aims to achieve the highest energy efficiency rating possible, whilst ensuring that the scheme is financially viable. STAR Housing not only uses a fabric first approach, but also fits air source heat pumps to all new build housing, irrespective of the opportunity to connect to the gas network. When procuring work costs, instead of the works specification containing a set of energy efficiency requirements (other than air source heat pumps), prices are sought for both building regulations compliant works cost; and works cost to deliver a scheme with high energy efficiency levels exceeding minimum building regulations.
- 6.4. In addition to undertaking flood risk assessments, all housing developments will be subject to overheating assessments which will determine if measures to minimise solar gain are necessary; mechanical ventilation systems will be fitted as appropriate; and where possible dwellings will be positioned on a north east / south east axis to prevent extreme heating and cooling.
- 6.5. The proposed STaR Property Investment Plan (PIP) identifies £4M over 5 years to deliver sustainable interventions, to ensure that the Council's social housing asset portfolio reaches the government target of all social homes achieving minimum EPC C by 2030. STaR recently appointed Turner and Townsend to ensure that these interventions are strategically integrated into the PIP and successfully delivered. The resulting Retrofit Strategy Report recommended a number of actions including: addressing data gaps; identifying and mitigating technical risks for retrofit delivery for various archetypes across the portfolio; and investing in technology and digitisation enabling a data-led approach to inform property and project selection. These recommendations are now being incorporated into the organisation and will be reflected in the updated asset management strategy being developed from Q4 for approval by the Council.
- 6.6. In respect of recent activity, the Social Housing Decarbonisation Fund has already been utilised to deliver £1.7M of sustainable interventions, with further projects in the design phase in anticipation of the latest funding release (Wave 2.2). STaR's cost of living crisis fund has supported properties with urgent and addressable need through the delivery of £36,000 of sustainable interventions, with £22,000 invested in loft insulation and £13,400 in cavity wall insulation. The portfolio continues to be managed to ensure that short term opportunities and longer-term programmes are designed and delivered accordingly.

7. Background

- 7.1. STAR was launched in April 2013. The Company was set up under the ownership of Shropshire Council for the purposes of undertaking services for the Council's retained housing stock. The Company was formed post the era of Government financial incentives that had previously led several local authorities to set up similar organisations in the preceding decade. As such the key purpose for establishing STAR was the desire to drive improvement and deliver better services for residents of Shropshire Council.
- 7.2. In March 2013 Shropshire Council entered into a Management Agreement with STAR for an initial term of 10 years. In September 2021 Campbell Tickell (CT) were commissioned to undertake a Strategic Review of the Housing Revenue

Account (HRA) having regard to the existing arrangements between the Council and STAR. This review was timed to enable a considered look at the potential options for the HRA moving forward in advance of the ending of the initial term agreement in March 2023.

- 7.3. Having considered a range of options the external review recommended that STAR is retained but realigned with the objectives of the Council. On the 12 May 2022 Council approved the recommendation that STAR was retained and approved to extend the Management Agreement for a further 10-year term.
- 7.4. The contractual arrangement between STAR and the Council is defined in the Management Agreement and Schedule 1 of that document describes the services undertaken and performance expected in the delivery of those services, forming the basis of STAR's performance reporting to the Council.
- 7.5. In establishing the ALMO the Council delegated delivery of operational housing management services, as set out in the Management Agreement, to STAR. The Council however remains responsible overall for the stock and services to its Council housing residents and retains responsibility for its strategic housing function.
- 7.6. Regular reporting to Cabinet on the performance of STAR is necessary to ensure the Council receives the necessary assurance as Landlord and Registered Provider that its housing stock is being managed in accordance with the provisions within the Management Agreement and in line with the expectations of the Council, and in accordance with relevant legislation and regulation.

8. Current governance arrangements

- 8.1. The Strategic Housing Team provides Client-side resource to manage and monitor the contract held by STAR for the delivery of the core housing services, as set out in the Management Agreement. The Client resource ensures that services provided are fulfilling the terms of the Management Agreement and that they are provided to expected standards, adhering to latest good practice, regulation, and legislation. Furthermore, the Strategic Housing Team are responsible for ensuring that through its activity, STAR is aligned to and delivering against the Council strategic housing priorities and for ensuring that the Council's responsibilities as a Registered Provider of Social Housing are being met.
- 8.2. The Asset Assurance Board (AAB) provides a high-level framework for discussing future efficiencies, investment opportunities and key challenges and for ensuring that the broad strategic direction of STAR is complementary to the wider Council priorities. Specifically, the role of the AAB is to monitor and advise Cabinet and the Council, as Commissioner, on the performance of STAR.
- 8.3. The governance framework and terms of reference of the AAB have not been reviewed and updated since STAR was established in 2013. It is recognised that due to changes in legislation, regulation, emerging housing need and the needs and expectations of Council residents that a review and refresh of the governance and oversight arrangements between the Council and STAR are required.

8.4. To ensure the governance arrangements continue to be fit for purpose and that they provide the Council with the assurance it needs in respect of the management of its retained Council housing stock and services to its residents, an external review carried out by Anthony Collins Solicitors has commenced in September 2023. Finding and recommendations are anticipated towards the end of the year.

9. STAR Performance, Activities and Operations

9.1. At Appendix A STAR provide detail on their current performance, operations and matters of current significance in the following areas:

- Analysis of achievement against KPIs
- Tenant Satisfaction Measure (TSM) – results of baseline survey and plans for collection from April 2024
- Outcomes of service improvement reviews
- Analysis of the capital programme
- Outcomes of any internal and external audit reports
- Consumer Standard Self-Assessment (proposals)
- Focus on health and safety & compliance – update on current position & progress against audit findings.
- Strategic Risks

9.2. Analysis of Achievement against KPIs

9.2.1. The Management Agreement between STAR and Shropshire Council sets out a number of key performance indicators. The indicators along with targets are agreed on an annual basis with delivery against the targets monitored, by exception, on a quarterly basis by the Asset Assurance Board.

9.2.2. At Appendix A Section, A 3.0 STAR, has detailed their current performance, reporting by exception, showing areas of performance in which, they are currently not meeting the targets set by the Council. Instances of underperformance occur in the areas of Allocations and Voids, Complaints, Repairs and some aspects of Compliance.

9.2.3. Monitoring of STAR's performance in these areas is a key focus for monitoring by the Strategic Housing team and the Asset Assurance Board. It is expected that improvements in underperformance should be achieved by Q4 2023/24, progress to achieving improvements in these areas will be monitored over the coming months by the Asset Assurance Board and the Strategic Housing Team.

9.3. Tenant Satisfaction Measures

9.3.1. Tenant Satisfaction Measures are being introduced as part of the revised regulatory regime of the Regulator of Social Housing. The 22 measures, 12 to be collected through tenant perception surveys and 10 to be collected through management information came into force on 1 April 2023. Data

across the measures has to be completed by 31 March 2024, and annually thereafter.

9.3.2. At Appendix A, Section B, STAR set out their approach to data collection on behalf of the Council and provides a broad overview of the outcomes from a baseline survey completed in October 2022.

9.4. Service Improvement Reviews

9.4.1. Since March 2023 STAR have begun four key service reviews the detail of which is shown at Section C of Appendix A. STAR are to present findings and recommendations from these reviews to the Asset Assurance Board. These reviews are intended to address some performance issues, and to ensure that the organisation is well placed to deliver in accordance with the terms of the revised Management Agreement and to meet the requirements of the new Consumer Standards.

9.5. Housing Revenue Account Capital Programme

9.5.1. Under the terms of the Management Agreement STAR is required to deliver the Council's capital investment programme. At Section D of Appendix, A STAR set out their progress in delivering the approved programme.

9.6. Consumer Standards Self- Assessment

9.6.1. Within this section of STAR's report at Appendix A they set out the approach the organisation is taking to undertaking a self-assessment against the revised Consumer Standards. This work alongside the outcome of the pilot inspection and the TSM data will give the Council an understanding of how it is positioned to meet the requirements of the new regulatory regime and to better understand how, through its Housing Management arrangements, it is meeting and responding to the needs of individuals and families living with its housing stock.

9.6.2. The self-assessment will be overseen by the Strategic Housing Team, with the Client and Commissioning Manager forming part of the project steering group. The proposed approach will be resident led, with Council residents actively involved in scrutinising services.

9.7. Health and Safety and Compliance

9.7.1. Although a feature of the KPIs, STAR in the report provide a focus on the current position on the health and safety and compliance of stock.

9.7.2. Section G, Appendix A sets out the current position in respect of gas safety at 100% compliance; electrical safety (domestic) at 98.68%; electrical safety (communal) at 94.9%; legionella at 100%; asbestos management plans (communal) at 100% and 80.2% on re-inspections, asbestos (domestic) 83.5%; fire risk assessments at 100%, progress against actions arising for the fire risk assessments are shown at Section G, 5.3.

9.8. Housing Revenue Account(HRA)

- 9.8.1. Under the terms of the current Management Agreement STAR undertake the day-to-day management of the HRA in accordance with reasonable directions from the Council. It is set out within the Management Agreement that the Council is and remains statutorily responsible for the HRA.
- 9.8.2. To support the day-to-day management of the HRA and to assist STAR in providing advice to the Council on how best to make use of the resources within the HRA, STAR has undertaken to purchase a business planning tool to ensure STAR can consider the financial management of the HRA over a 30 year period, undertake appropriate stress testing of the plan and to make recommendations to the Council on medium and long term financial decisions.
- 9.8.3. STAR advise that proposed system will be implemented by Q4 23/24, allowing for the development and implementation of the 2025 HRA business plan for consideration by Council during Q4.

9.9. Strategic Risk

- 9.9.1. STAR provide an overview of their strategic risk at Section I. In addition to the risk register held and monitored by STAR the Council maintains a register of risk which is monitored and reviewed by the Asset Assurance Board.
- 9.9.2. A risk workshop between the Council and STAR scheduled to take place in December will consider how STAR and its board manages risk and will ensure that the recorded risk across the Council and STAR in relation to the landlord function and the HRA are aligned.

10. Additional Information

- 10.1. The Council is to participate in the Regulator of Social Housing (RSH) pilot inspection programme on the new Consumer Standards and inspection regime. The pilot is due to commence in October 2023 with findings available to the Council in late December 2023 to early January 2024. Scoping meetings between the Council and the RSH are due to take place towards the end of September 2023.
- 10.2. Anthony Collins Solicitors has been commissioned to undertake a Governance review to identify how to strengthen the management, oversight and assurance arrangements between the Council and STAR.
- 10.3. The review commenced in September 2023 with an expected duration of two months. Along with the governance arrangements of STAR and the Council, the review will also consider any opportunities there be may in combining oversight and governance arrangements of STAR with the oversight and governance arrangements of Cornovii Developments Limited.
- 10.4. The finding and recommendations of this review, along with other ongoing activity, notably the Council's engagement with the Regulator of Social Housing pilot

inspection programme, will form part of a set of proposals for the future governance and operating arrangements between the Council and STAR

11. Conclusions

- 11.1. Cabinet is asked to receive the report and raise any issues as appropriate on the performance, activities and operations of Shropshire Towns and Rural Housing and proposals for refreshed governance arrangements.
- 11.2. As detailed within this report and Appendix A there are some areas of performance notably, voids, repairs and complaints management that are currently outside of target. The Asset Assurance Board along with the Strategic Housing department will continue to closely monitor progress in these areas with the expectation that performance will move closer to achieving target by Q4 2023/24.
- 11.3. Significant work is underway, through the Governance review, participation in pilot inspection and self-assessment against the Consumer Standards to ensure that the oversight and monitoring arrangements of STAR remain fit for purpose and that the Council can respond to the changes within the regulatory regime for registered providers of social housing.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Local Member:

Appendices

Appendix A STAR Performance, Activities and Operations Update