

APPENDIX 2

Cost/Benefit Analysis

An in-house housing management service: cost/benefit analysis of the options of creating an in-house service and retaining East Kent Housing (EKH), Arm Length Management Organisation (ALMO)

An options appraisal was completed in October 2019, reviewing the delivery of housing management services provided by East Kent Housing Limited (EKH) on behalf of Canterbury City Council, Dover District Council, Folkestone and Hythe District Council and Thanet District Council. The four councils agreed that the preferred option for future service provision to the four councils' tenants and leaseholders is that it should become an in-house service, subject to consultation. Between 22 October and 20 December 2019, EKH tenants and leaseholders were invited to express their views on the future of the council's ALMO, East Kent Housing, through a test of opinion.

The council has considered the establishment of an in-house service through a process involving three stages:

1. Taking the minimum legal and administrative action needed to close down EKH and pass responsibility to the council in a stable and effective manner.
2. Drawing up proposals for the future housing service, and consulting on the key issues. The plans will cover new governance arrangements, organisational structures, possible integration with existing council services (e.g. customer services, property and estate management, community safety, communications), and the priorities and plans of the new service.
3. Implementing change to the service, based on the outcome of the tenant and leaseholder consultation.

These stages may progress in parallel. This cost / benefit analysis focuses on those issues where there may be opportunities to review the way services are provided.

Issue	In-house service	Retention of EKH	Comments on benefits
1) Management arrangements cost and quality issues.	If the service were brought in-house, a decision would need to be made as to which EKH posts are in scope and what process will be undertaken for those posts not in scope. For those staff that transfer to the four councils, there may be scope to review the arrangements for both former EKH staff and council staff. This will give the ability to look at the arrangements and focus on the efficiencies of the service.	<p>If EKH were retained the senior structure in EKH would need to be reviewed. The positions of Chief Executive, supported by Directors and a Head of Finance are likely to remain but further recruitment to increase the number of Operations Manager roles in the establishment could be expected.</p> <p>The total cost of the existing EKH senior structure is £477,000 (top of the scale, not including on-costs). This would be likely to increase if full staffing levels were achieved.</p>	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 EKH from the council creates significantly more work for both EKH and council senior staff than would be the case in an integrated service.
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 need leadership. In order to prevent a drop in performance during the transition, additional resources 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.	If EKH were to carry on providing the service, there would be a concern over their ability to attract and retain good senior managers.	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.

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3) Management arrangements, implications for HRA financing	The council employs a number of senior staff with expert knowledge of HRA 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.	The council currently and will continue to oversee management arrangements for the HRA.	Although it would be possible to replace key individuals if they left, the loss of their local knowledge should be avoided if possible. As this is already provided in-house, there are no additional costs.
4) Governance: cost and quality issues	If the service is brought in-house, the EKH 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 any savings required.	If the service remained with EKH, the EKH Board and its committees would continue to operate. The EKH Board typically deals with a greater level of detail than Members deal with in the council. A significant proportion of EKH senior management time is spent reporting to the Board.	During the consultation on the future of EKH, some tenants and leaseholders expressed concern about the accountability of the EKH Board. They felt accountability through the local democracy would be preferable. Many tenants and leaseholders said they would prefer to take their individual issues to their ward Member than to an EKH Board Member. Bringing the service in-house has the benefit of meeting tenants and leaseholders wishes.
5) Governance: implications for tenants and leaseholder involvement	In order to sustain tenant and leaseholder involvement in an in-house service, it is proposed that a new tenant and leaseholder strategy and structure be developed. Ongoing support will be offered to the established	If the service remained with EKH, tenants and leaseholders would continue to be involved in governance through their seats on the EKH Board and extensive participation in other meetings. The cost of servicing the current	The proposed opportunities to become involved have the advantage of engagement with a wider group of tenants and leaseholders. It would however have the disadvantage of being an advisory body only, in

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	tenant group, supplemented with a 'menu' of opportunities to become involved ranging from low level participation through on-line surveys to formal representation at District Group meetings. This would give tenants and leaseholders a voice in housing management issues. The establishment of these arrangements will have modest cost implications.	governance structure would remain high.	contrast to the decision making role undertaken by Tenant and Leaseholder Board members in the current EKH structure.
6) Client /contractor split	If the service is brought in-house the current complex arrangements for the management of the agreement with EKH will no longer be required. This would save senior staff time contributing to any savings required.	<p>If EKH were to be retained, the current complex client contractor relations would have to be sustained.</p> <p>A likely consequence of the breakdown in service delivery arrangements is that each Council will increase their 'Client' side management of EKH at additional cost.</p>	The removal of the client/contractor relationship would make it easier for senior managers to concentrate on delivering high quality services to tenants and leaseholders.
7) Integration of services	Bringing the service in-house may enable the council to simplify structures and eliminate duplications with existing council services in a number of areas. The detailed work on the extent and nature of potential integration	The existence of EKH as an independent body gives rise to separation of services such as call handling. If EKH were retained many of these duplications would continue.	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 savings.

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	has yet to be carried out, and so savings cannot yet be quantified. Redundancy and pension costs will need to be considered.		
8) Accountability	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 elected member level. No saving would be achieved but tenants and leaseholder wishes would be met.	The retention of EKH would mean continuing with the current division of responsibilities. This causes some confusion among tenants and leaseholders and leads to blurring of responsibilities.	There is evidence of a degree of confusion among tenants and leaseholders about responsibilities. Bringing the service in-house would assist considerably in addressing this.
9) One-off costs	<p>A decision to bring housing management in-house will create a number of one-off transition costs. Examples include (but are not limited to):</p> <ul style="list-style-type: none"> • Legal, HR and financial advice and resources, • IT resources and support, • Changes to structures, • Redundancy & pension implications, • Changing signage/stationary, • Project management. 	If the service is left with EKH there would be no transition costs. However, the four councils have and will continue to need to invest substantially into a programme to address performance and health and safety compliance issues.	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.