

Agenda item:

CABINET

On

15 December 2009

1.1 Report Title: Review of the Management Agreement between Haringey Council and Homes for Haringey

Report authorised by Niall Bolger Director of Urban Environment

3/12/09 : pp. Dale Phillips, AD, Business Support & Improvement.

Contact Officer : Nick Powell, Head of Strategy, Development and Partnerships
Haringey Council.

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Wards(s) affected: **ALL**

Report for: **Key Decision**

1. Purpose of the report

1.1 This report provides Cabinet with the outcome of the review of the existing Management Agreement between the Council and Homes for Haringey.

2. Introduction by Cabinet Member

2.1 I recommend this report and support the extension of a revised, updated and improved Management Agreement with Homes for Haringey to reflect current practice.

3. Context of the Management Agreement Review

3.1 In April 2006, Haringey Council entered into a 5 year Management Agreement with Homes for Haringey.

3.2 Under the provision of Clause 62, and in return for a management fee, Homes for Haringey is responsible for the management and maintenance of the Council's housing stock, the delivery of the decent homes programme and the management of the Housing Revenue Account.

3.3 As this Agreement is due to expire on 31 March 2011, and at least 12 months notice is required to extend or end the contract, Cabinet is asked to decide on whether or not to extend the Agreement as recommended by officers.

Contents of the Management Agreement

3.4 The Management Agreement consists of over seventy clauses that defines the relationship between Haringey Council and Homes for Haringey. It is based on a

model agreement, endorsed by the former Department of Communities and Local Government and published by Trowers and Hamblins Solicitors.

- 3.5 The main body of the Agreement deals with matters of co-operation, information sharing, human resources, delivery, performance monitoring, consultation and ICT, and it sets out what will happen if the Agreement is terminated.
- 3.6 The schedules and annexes to the agreement consist mainly of factual information that supports the Agreement. However, in the original Management Agreement, Schedule 6 (Financial Arrangements) and Annex 3 (Delegation Agreement) deal with the calculation of the fee that is payable by the Council to Homes for Haringey and provide a definitive list of the functions transferred to Homes for Haringey and those which have been retained by the Council.

Review of the Management Agreement

- 3.7 Given the importance of the Management Agreement in defining the relationship between the Council and Homes for Haringey – and the fact that it is good practice to periodically review the governance arrangements – it is timely and appropriate to review the contents of the Agreement.
- 3.8 Since 2006, national and regional housing policy has changed significantly, the role and number of ALMOs has increased, and Haringey has developed a new 10 year housing strategy. Homes for Haringey is well placed to play a pivotal role in helping the Council to meet its strategic objectives in relation to decent homes, regeneration, neighbourhood management, the prevention of homelessness, energy efficiency and sustainable communities.
- 3.9 Some things are less certain, such as future government policy and the role that ALMOs should play after the delivery of decent homes. It is important, therefore, that the Council retains the flexibility it requires to respond to changes in policy, mitigate risks and make the most of opportunities.
- 3.10 In April 2009, CEMB confirmed the scope of a review of the Management Agreement and agreed that a Project Board (comprising senior officers from the Council and Homes for Haringey) should be set up to oversee the successful and timely completion of the review in accordance with the Board's Terms of Reference.
- 3.11 As well as considering the governance arrangements, performance management, dispute resolution and business planning, the review considered such matters as:
- Whether or not to extend the Management Agreement for a further period of five years;
 - Whether or not the Council wishes to maintain the status quo and make only minor changes to the Management Agreement;
 - Whether to maintain the existing in-house dispute resolution arrangement or amend it to involve a third party who will assist, in exceptional cases, with the resolution of difficult matters.
 - Whether or not to improve the current arrangements and make them relevant to the internal and external changes and pressures; and
 - Whether or not to expand the services provided by Homes for Haringey and enable it to do new and innovative things in the future.

3.12 The review of the Management Agreement has been overseen by a Project Board that met bi-monthly between June and October 2009.

3.13 The process has included desktop review of all the clauses within the Management Agreement, benchmarking with other Authorities' Management Agreement processes, and input from Homes for Haringey and the Council's Legal, Human Resources and Policy and Performance teams.

4 Outcome of the review of the Management Agreement

4.1 The review of the Management Agreement has afforded the Council, and Homes for Haringey the opportunity to scrutinise the entire Agreement, to make recommendations affecting the Council's relationship with Homes for Haringey, and to reflect good practice.

4.2 It is proposed that a new performance management protocol is introduced to assist the Council in its efforts to assess Homes for Haringey's ongoing performance, its delivery of capital projects, its stewardship of the Housing Revenue Account and its contribution to the achievement of the Council's corporate and community objectives.

4.3 It is proposed that the existing governance between Haringey Council and Homes for Haringey (HfH) is reviewed;

- To allow Homes for Haringey to produce an annual Business Plan that doesn't follow the Council's format, but instead, to present an Annual Report to the Council that provides a holistic view of the organisation's performance, and analyses its achievements against service improvement plan targets.
- To allow senior officers from the Council to sit on the Board (subject to nomination by Annual Council).

4.4 Cabinet is asked to consider and approve a series of amendments and additions to the Management Agreement. These are reflected in the attached draft Management Agreement and in the key changes list (see Appendix 2).

4.5 The Schedules and Annexes reflect new and existing arrangements (including delegated functions and powers) and incorporate dozens of Service Level Agreements, between the Council and Homes for Haringey, that are subject to annual review.

4.6 Although the updating of these SLAs is not scheduled to be completed until the end of December 2009, the timing of this work (and other routine amendments to the Schedules and Annexes) will not impact on the main body of the Management Agreement.

5 Consultation

5.1 When reviewing the Management Agreement, the Council's ALMO Client Team consulted widely on the contents of the Agreement, and the membership of the Project Board comprised a wide range of senior officers within the Council and Homes for Haringey.

6 Recommendations

6.1 A comprehensive review of the Management Agreement has now been completed and it is recommended that Cabinet approves:

- (a) Amendments to the content and wording of the Agreement;
- (b) The extension of the Management Agreement for another 5 years (until 31 March 2016), with the option to extend the Agreement for a further 2 years (subject to a review of Homes for Haringey's performance);
- (c) Amendments to the dispute resolution arrangements; and
- (d) The introduction of a performance management protocol between the Council and Homes for Haringey.
- (e) That Homes for Haringey produce an annual Business Plan and Annual Report to the Council.
- (f) This will be the primary document for the Council and the Company to set out the priorities for the delivery of HfH's business.
- (g) That senior officers of the Council may be nominated to the Board of Homes for Haringey.

7 Reason for recommendation(s)

7.1 To inform Cabinet about the outcome of the Management Agreement review that was undertaken by Haringey Council and Homes for Haringey officers from June to October 2009 which considered the existing governance, performance management and business planning arrangements and proposed a number of improvements.

8. Other options considered

n/a

9. Summary

9.1 In April 2006, Haringey Council entered into a five year management agreement with Homes for Haringey which is due to expire on 31 March 2011 and at least 12 months notice is required to extend or end the contract. A comprehensive review of the Management Agreement has now been completed by the Project Board that has overseen this work at bi-monthly meetings between June 2009 and October 2009. The review of the Management Agreement has afforded the Council and Homes for Haringey the opportunity to scrutinise the entire Agreement, to make recommendations affecting the Council's relationship with Homes for Haringey, and to reflect good practice for Cabinet to consider and approve.

10. Chief Financial Officer Comments

10.1 The Chief Financial Officer has been consulted in the preparation of this report and

makes the following comments.

10.2 The agreement with Homes for Haringey represents the biggest single contract that the Council has and thus the financial implications associated with the management agreement are huge.

10.3 The review of the management agreement has identified some areas for improvement which are outlined in this report. One particularly important area is around the management of costs relating to support functions provided by Haringey Council to Homes for Haringey and the implications of HfH withdrawing from these functions. Addressing these issues is an on-going task and it is important that each SLA clearly identifies the financial arrangements if the agreement is to cease, and if appropriate allows for any fixed costs that cannot be reduced to continue to be charged to the HRA.

10.4 In wider terms the Council will face significant financial pressures in years to come and it is important that the future Management Agreement remains flexible enough to allow for fundamental changes in the role of the ALMO and ensures that Homes for Haringey work with the Council to identify efficiencies and savings to face the challenges ahead.

11. Head of Legal Services Comments

11.1 The Head of Legal Services has been consulted in the preparation of this report and makes the following comments.

11.2 The Head of Legal Services confirms that the Management Agreement with Homes for Haringey can be extended in the manner set out in paragraph 3.3 of the report.

11.3 The Head of Legal Services was represented on the Management Agreement Project Review Board, and advised on changes to the Agreement.

12. Head of Procurement Comments.

12.1 Not Applicable.

13. Equalities and Community Cohesion Comments

Not applicable as this report does not relate to a change or introduction of any policy.

14. Consultation

Senior officers, service areas within Haringey Council and Homes for Haringey were involved in this review. In addition there has been further consultation with CEMB and the Cabinet Member for Housing.

15. Service Financial Comments

Homes for Haringey is responsible for the management and maintenance of the Council's housing stock, the delivery of the decent homes programme and the management of the Housing Revenue Account.

Homes for Haringey are paid a management fee for carrying out these functions. The management fee is reviewed annually to reflect the savings and growth required for the services provided. The fee in the first year was set at £41.4m. The budgeted fee for 2009/10 is £41.3m. A review will be carried out to reflect the saving and investments required for 2010/11 and the level of the management fee set accordingly.

The management agreement serves an important function of defining the roles and responsibilities of the Council and Homes for Haringey. It acts to minimise risk and achieve Value for Money in the delivery of services.

16. Use of appendices /Tables and photographs

- 16.1 Appendix 1 – Management Agreement document
- Appendix 2 – Management Agreement changes

17. Local Government (Access to Information) Act 1985

- 17.1