

Report for: Cabinet 15th March 2016

Item number: 12

Title: Management Agreement with Homes for Haringey for Housing Services

Report authorised by :

Lead Officer: Mustafa Ibrahim, Head of Housing Commissioning & Investment

Ward(s) affected: All

**Report for Key/
Non Key Decision:**

1. Describe the issue under consideration

- 1.1. In September 2015, Cabinet decided that Homes for Haringey should be retained as the Council's Arm's Length Housing Management Company with a new contract for ten years in duration, to expire on 31st March 2026, with a review after five years.
- 1.2. Cabinet agreed that the new Management Agreement with Homes for Haringey should be prepared for approval, not later than March 2016. This report brings forward the new agreement for approval.

2. Cabinet Member Introduction

- 2.1. In July 2014 Cabinet commissioned a review of the Future Housing Delivery Model for Haringey. The review group looked at different options for the delivery of housing services and consulted with Tenants and Leaseholders to understand their views and opinions. Cabinet responded to this in September 2015 by deciding to commission a new ten year management agreement with Homes for Haringey.
- 2.2. The new agreement, enables the Council to ensure that its priorities and objectives around Housing and Homelessness are delivered and that performance is consistently improved. Homes for Haringey will expand the opportunities for tenants and leaseholders to be involved in shaping the service they receive and will work closely with residents to make sure this service is amongst the best performing across a peer group of London ALMOs and Councils. This will help maximise resident satisfaction and provide greater value for money.

3. Recommendations

It is recommended that Cabinet:

- 3.1. Notes that the Management Agreement requires the consent of the Secretary of State.
- 3.2. Approves the new Management Agreement between the Council and Homes for Haringey attached as appendix 1, to take effect from 1st April 2016, or from such date that approval of the Management Agreement is received from the Secretary of State if later than 1st April 2016.
- 3.3. Delegates authority to the Chief Operating Officer, to be exercised in consultation with the Cabinet Member for Housing and Regeneration, to make amendments to the detail of the Management Agreement that may arise from the requirement to gain the consent of the Secretary of State to enable the implementation of the agreement, or in general.

4. Reasons for decision

- 4.1. A decision is required following the previous Cabinet decision to retain Homes for Haringey and put a new management agreement in place. The current agreement expires on 31 March 2016 and approval of the new agreement is required to take effect on 1 April 2016.

5. Alternative options considered

- 5.1. The current Management Agreement with Homes for Haringey (HfH) is a long and detailed document. An alternative option was to recreate a similar type of agreement but it was felt this approach was outdated and would not fully reflect the new relationship and style of working with HfH that the council is moving towards, as set out in this report.
- 5.2. The recommended approach provides a shorter and more focused agreement as HfH's priorities and objectives are now fundamentally determined by the Corporate Plan and the Housing Strategy and will be reflected in HfH's annual business plan.

6. Background information

- 6.1. In July 2014, Cabinet approved a review of options for the future delivery of housing services, in anticipation of the existing management agreement with HfH expiring in March 2016. The review was also timely as government funding for Decent Homes, the principal reason for HfH's creation, was coming to an end.
- 6.2. In September 2015, the recommendations of the review were presented to Cabinet. The options that were considered as part of the review included:
 - (a) The Council retains ownership of the housing stock and:
 - Continues to use HfH to provide housing services, or
 - Brings the management of housing services back into the Council

Or:

- (b) The Council transfers the ownership of its housing stock to:
- An existing Housing Association or other organisation, or
 - A new Housing Association or other delivery vehicle, set up to receive the stock and services
- 6.3. The review concluded that no single option achieved all of the Council requirements and recommended that the Council retain HfH to continue to provide housing services with a new ten year agreement, to be reviewed after five years, that would:
- (a) Reflect the need for continuous improvement and for HfH to be a top quartile performer by March 2018
 - (b) Extend the offer to engage tenants in the management of their homes
 - (c) Maintain a high standard of leadership and staffing, both within HfH as an organisation and within its Board
 - (d) Enable services to be moved between the Council and HfH as necessary, by way of any on-going decisions on the part of the Council
- 6.4. Cabinet agreed this recommendation of the review and the commissioning team, supported by professional advisers, has worked with HfH to develop the new agreement. Due to the tight timeline leading up to implementation, Trowers and Hamlins - external solicitors with expert prior knowledge in this field - were commissioned to draft the new agreement. The proposed agreement is attached as appendix 1 and addresses the requirement set out in 6.3 above.
- 6.5. The core principle of the new agreement is that services, priorities and performance standards will be agreed annually within a robust business planning process. The business planning framework specified in the new agreement supports the alignment of HfH's targets and performance management framework with that of the council. Targets and outcomes will continue to be set by the council in agreement with HfH.
- 6.6. Continuous service improvement is stipulated in the new agreement, which requires HfH to regularly review how it can better perform its obligations to achieve improved standards and/or greater cost effectiveness. Improvement standards are defined within the approved HfH Business Plan for 2-17/17 and accompanying Performance Management Framework for 2016/17 to enable HfH to become a top quartile performer by March 2018.
- 6.7. The requirements for HfH to continually review and maximise its offer to engage tenants in the management of their homes and the requirement to maintain a high standard of leadership and staffing within HfH and its Board are also specified in the new agreement.
- 6.8. The new agreement is designed to be more flexible, allowing the council to add to, vary or remove services from the scope of services provided by HfH as part of the annual business planning process. Under the current agreement, formal amendment of the agreement is required, and this approach was taken in September 2014 when the council's retained housing services were transferred to HfH as part of the housing unification programme. These additional services,

which included homelessness, temporary accommodation and allocations will remain with HfH under the new agreement.

- 6.9. This flexibility and agility is doubly important in the current housing context. The challenges posed by government housing policy and continued budget restraints require pragmatic and innovative responses which may affect the role of HfH. The proposed new agreement supports the ability to respond to new housing initiatives and service delivery priorities as required.
- 6.10. The new agreement also reflects the stronger commissioning disciplines that have developed since housing unification. The council sets policy and desired outcomes and commissions HfH to deliver. This is achieved through the annual business planning process, but there is also the flexibility to commission additional projects or ad hoc pieces of work from HfH at any time as required.
- 6.11. Under section 27 of the Housing Act 1985, Local Authorities are required to obtain the approval of the Secretary of State for any new management agreement as defined within the Act. Secretary of State consent for the new management agreement between the Council and Homes for Haringey is in the process of being sought and is referred to below within the comments of the Assistant Director of Corporate Governance.
- 6.12. The Council sought comments from the Secretary of State in April 2014 when drafting the variation to the existing management agreement between the Council and Homes for Haringey. The Secretary of State gave a favourable view and indicated a desire not to add any unnecessary or additional regulatory burden on Councils, should they decide to change their housing management arrangements.

7. Contribution to strategic outcomes

- 7.1. The adoption of this management agreement contributes to the strategic outcomes under Priority 5 of the Corporate Plan - "We will create homes and communities where people choose to live and are able to thrive." Specifically, the agreement supports Priority 5, Objective 2 "to prevent homelessness and support residents to lead fulfilling lives" and Objective 3 "to drive up the quality of housing for all".
- 7.2. The Council's draft Housing Strategy has four objectives that are closely aligned to Corporate Plan objectives. The Strategy is underpinned by a number of associated policies and delivery plans that HfH's business plan will be aligned with.
- 7.3. The new management agreement provides the framework that enables the council to ensure that HfH continues to deliver and improve the services it provides. This service will be measurable and subject to performance outcomes stipulated by the council.
- 7.4. The services provided by HfH range across the Corporate Plan and Housing Strategy objectives and include outcomes that:

- Maintain stock and strive to drive up the quality of council housing,

- Manage and help create estates and environments that residents value and where they choose to live.
- Provide housing advice and offer tenancy sustainment support, both of which help to prevent homelessness and improve help for those in housing crisis.
- Manage the allocation of social housing within the borough, ensuring that those in housing need are prioritised and able to access the safe, good quality housing they need.
- Manage our own tenancies and support others to ensure secure and stable homes for Haringey residents.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

- 8.1. This report concerns the new management agreement between the Council and Homes for Haringey. The costs of making the decision on the future of the ALMO as well as developing the new Management Agreement have been met within existing budgets and allocated budget from the Transformation Fund.
- 8.2. The existing management agreement with Homes for Haringey largely concerns services funded by the Housing Revenue Account (HRA) which is split into 4 areas for budget monitoring purposes.
- 8.3. The Retained Account which contains HRA funded services delivered by the Council for example Housing Strategy functions and client monitoring as well technical budgets such as those for debt financing.
- 8.4. The Managed Account which contains HRA funded services delivered by Homes for Haringey on the Council's behalf, but where the Council retains control of the budgets within this account. This includes items such as rental and service charge income and energy / utilities costs. The reason the Council retains responsibility for these budgets are that the income and expenditure is deemed to be volatile and it is not reasonable to expect Homes for Haringey to manage those budgets within a fixed management fee.
- 8.5. The Company Account which contains HRA funded services delivered by Homes for Haringey paid for by a fixed Management fee. This account includes the staffing costs as well as the cost of the repairs service. The current management fee is £35.7m per annum.
- 8.6. The Management Fee for 2016-17 is set at £36,534,000. This represents an increase of £795,000 from the Management Fee for 2015-16. The main movements are;

Reduction due to Savings agreed in the MTFS - £925,000
 Increase due to Inflation, National Insurance Changes - £580,000
 Increase due to functions transferring from Managed to Company Account post Unification - £1,045,000
 Other Minor Amendments - £95,000

- 8.7. As the funding source for the Management Fee, rental income, is reducing for the next 4 years due to the governments imposition of a rental reduction, then the Management Fee will need to be subject to ongoing review to identify off-setting efficiencies.
- 8.8. The HRA Capital Budget which works on the same basis as the Managed Account with Homes for Haringey being responsible for managing expenditure on capital budgets agreed by the Council.
- 8.9. This split is expected to continue under the new management agreement; however as Homelessness services will now be delivered by Homes for Haringey on a more permanent basis, there will also be a Managed Account within the General Fund. Again the reasoning for not including this within the company accounts and hence the management fee is the volatility of the budgets involved.
- 8.10. As outlined in the report the relevant budgets, including the Management Fee, will adjust over time for example due to changes in functions that Homes for Haringey undertake and savings identified as part of the wider business planning process. The Management Fee will also be adjusted for more routine reasons such as pay awards and inflation adjustments.
- 8.11. As the overall funding for the Housing Revenue Account is being substantially reduced due to rent reductions enforced by Central Government and reductions in Housing stock due to Right to buy regulations, it will be necessary to identify ongoing savings within the HRA to offset these reductions. As part of the new Management Agreement, Homes for Haringey would be expected to lead on identifying saving options and delivering any savings agreed by Cabinet.
- 8.12. The management fee for 2016-17 is expected to be broadly similar to that for 2015-16. However in the medium term the existing management fee would be expected to reduce, all other factors remaining equal, to contribute towards the savings required. The Chief Operating Officer has delegated authority to agree the final management fee each year.

Legal

- 8.13. The Assistant Director of Corporate Governance has been consulted in the preparation of this report, and comments as follows.
- 8.14. As previously notified to Cabinet in the September 2015 report, any new management agreement will require the consent of the Secretary of State at the Department of Communities and Local Government pursuant to section 27 of the Housing Act 1985 prior to implementation. Plans are in place to secure that consent.
- 8.15. The advice received from Trowers and Hamlins on consent, is that the agreement in its current draft contains all of the matters that the Homes and Communities Agency – acting on behalf of the Secretary of State - will be expecting to see. Accordingly, subject to anything unforeseen happening, they do not envisage any difficulties in obtaining consent.

- 8.16. A verbal update will be provided to the meeting on progress made if consent has not been obtained prior to the date of the meeting. Were that to be the position, then any approval of the new management agreement made by Cabinet would have to be expressed as being conditional upon the consent having been obtained prior to implementation.
- 8.17. Further, there would be a need for the existing management agreement to roll over to regulate service delivery until such time as consent is obtained if after 1st April 2016.

Equality

- 8.18. The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:
- a) - Tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
 - b) - Advance equality of opportunity between people who share those protected characteristics and people who do not;
 - c) - Foster good relations between people who share those characteristics and people who do not.
- 8.19. The new proposed agreement is intended to strengthen the Council's governance of HfH and enable them to align more closely with Council priorities and outcomes which should have a positive impact for residents. This decision is therefore not anticipated to have a disproportionate impact on any of the protected groups.
- 8.20. The scope of services delivered by HfH and the associated performance expectations will be resolved by the Council as part of the annual business plan settlement. Any impact on any equalities issues associated with the specifics of an annual plan will be assessed as part of the annual business plan settlement process

9. Use of Appendices

Appendix 1 - Proposed Management Agreement

10. Local Government (Access to Information) Act 1985

Report to Cabinet 15th September 2015 - Report of the steering group on the future housing review

Report to Cabinet 15th July 2014 - Improvement and unification of housing management services