

Meeting	Cabinet Resources Committee
Date	25 Feb 2014
Subject	Management Agreement with The Barnet Group
Report of Summary	Cabinet Member for Housing This report seeks approval for the extension of the current Management Agreement with The Barnet Group for the management of the Council's Housing stock and provision of the Housing services for a period of one year.

Officer Contributors	Tim Campbell, Contract Manager
Status (public or exempt)	Public
Wards Affected	All
Key Decision	Yes
Reason for urgency / exemption from call-in	Not applicable
Function of	Executive
Enclosures	N/A
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1. RECOMMENDATIONS

That Cabinet Resources Committee

- 1.1 **Approve the extension of the Management Agreement between the Council and The Barnet Group for the management of the Council's social housing stock and the provision of Housing Services for a period of one year to March 2015.**
- 1.2 **Authorise officers to develop a one year Delivery Plan with The Barnet Group for housing management and housing services from April 2014.**
- 1.3 **Approve that the Lead Commissioner Housing and Environment be appointed as the Council's representative for the purpose of liaison and consultation between the Council, The Barnet Group and Barnet Homes for the creation of a longer term arrangement from April 2015.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet approved the establishment of an Arm's Length (housing) Management Organisation (ALMO), Barnet Homes, on 19 January 2004 (Decision Item 8), and a formal 10 year Management Agreement was entered into from April 2004
- 2.2 The Housing Strategy was agreed by Cabinet on 12 April 2010 (Decision Item 8). This set out the Council's strategic context for its approach towards its ALMO:

"The Council views Barnet Homes as a potential vehicle for providing additional services on its' behalf, as well as extending its role as a provider of housing related services, and we will explore options for progressing this through the Future Shape programme."

- 2.3 On 24 May 2011, the Cabinet Resources Committee approved the Business Case for the Adults in-house Service Review project, allowing the set up of a local authority trading company (LATC) structure, incorporating Barnet Homes (Decision item 12).
- 2.4 Cabinet Resources Committee agreed on 16 January 2012 to transfer the Housing Needs Service to The Barnet Group, with Barnet Homes responsible for delivering the service (Decision item 6).

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The inclusion of homelessness and housing advice services in the scope of services provided by Barnet Homes has enabled the provision of a more holistic and customer focused housing services for those who are most in need and support for young people and households to become more independent, a key element of the Corporate Plan 2013-16 priority *support families and individuals that need it – promoting independence, learning and wellbeing.*

The Council's Housing Strategy 2010 identified Barnet Homes as a suitable vehicle for providing additional services on its behalf, including an extension of its role as a provider of housing related services. The Barnet Group is

currently developing a prospectus for the provision of new build housing incorporating a range of delivery options for the Council.

Extension of the current 2004/14 Management Agreement with The Barnet Group will enable the Council to prepare the future formal framework to provide for the housing needs and aspirations of residents, and for the effective management of the regeneration estates and the building of new homes, in support of the key Corporate Plan (2013-2016) priority to promote responsible growth, development and success across the borough.

- 3.2 Extension of the current 2004/14 Management Agreement with The Barnet Group will additionally enable the Council to take into account the impact of Welfare Reforms on the delivery of Council services including Housing Management and Homelessness, and the range of delivery options being brought forward for new build.

4. RISK MANAGEMENT ISSUES

- 4.1 There is currently a risk that without a formal arrangement in place for the delivery of Housing Services, confidence will reduce in business planning for the medium to longer term. The extension of the current Management Agreement will enable stability while providing a platform for the development of longer term arrangements. A 2014/15 Delivery Plan will be put in place to ensure fit for purpose interim arrangements. Any new Management Agreement will be drafted so that it is sufficiently flexible to accommodate the emerging corporate commissioning, governance and contract/performance monitoring arrangements.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Equality Act 2010 introduced a public sector equality duty which obliges the Council to have due regard to the need to:
- a) eliminate unlawful discrimination, harassment, victimisation;
 - b) advance equality of opportunity between those covered by the Equality Act and those not covered, e.g. between disabled and non-disabled people; and
 - d) foster good relations between these groups.
- 5.2 The Council, in accordance with its statutory obligations, has considered the impact on equalities arising in its proposal to renew the Management Agreement with The Barnet Group for a further 10 years. A high level equalities risk assessment was undertaken by a Management Agreement project group in February 2013 and concluded that there is a low risk of any adverse equalities impact on any protected characteristic grouping arising from the renewal of the Management Agreement with The Barnet Group. In view of this, a full equalities impact assessment will not be required.
- 5.3 Under the Equality Act 2010, the public sector equality duty also applies to 'a person, who is not a public authority but who exercises public functions and therefore must, in the exercise of those functions, have due regard to the general equality duty'. This means that The Barnet Group and Barnet Homes

will need to have regard to their general equality duty in the performance of their function under this management agreement.

- 5.4 Barnet Homes, as the operating subsidiary of The Barnet Group, are aware of and understand the obligations of the Act.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 In April 2012 self-financing was introduced for council housing nationally. This included a one-off debt settlement of £102.6 million which was financed by long term borrowing. The financial ring-fence that separates the Housing Revenue Account (HRA) from the general fund remains in place which means that the cost of supporting the self-financing debt falls on the HRA and current projections indicate that this is sustainable in the short and long term.

- 6.2 The financial arrangements between the Council, HRA and The Barnet Group are defined in the existing management agreement and subsequent deeds of variation in relation to the Housing Needs Service. As the operating subsidiary, there will continue to be a management fee which relates to the operational and management activities of Barnet Homes (Revenue expenditure) and investment in existing homes and new development (Capital expenditure). This separation will help to ensure that financial decisions relating to operational issues do not directly affect major works and allows the Capital programme to remain flexible and able to adapt to future needs. However it must be recognised that all expenditure be it revenue , capital or debt financing is ultimately funded by tenants through rent and service charges and the need to maximise value for money within the resources available is a key requirement to deliver the aspirations of all stakeholders.

- 6.3 Barnet Homes has already delivered efficiencies. The management fee payment has reduced from £26.7m in 2010/11 to £25.38m in 2013/14, a difference of £1.32m. This management fee is in relation to the HRA service provision excluding Housing Needs Resources HRA elements. For 2014/15, there is an additional £300,000 efficiency saving. The HNR management fee in 2014/15 contains a £95,000 efficiency saving.

- 6.4 The Council's medium term financial strategy includes a further savings to the HRA of £200,000 in 2015/16 through reductions in the management fee relating to housing management services. Further savings are included in the Council's medium term financial strategy for the new housing services transferred to Barnet Homes in April 2012 of £340,000 in 2015/16 (£300,000 GF & £40,000 HRA). Barnet Homes has absorbed additional costs, rather than request a management fee variation from the Council.

7. LEGAL ISSUES

- 7.1 Section 27 of the Housing Act 1985, provides the power to allow another person to exercise housing management on behalf of the local housing authority. This power enables ALMOs to be set up. The approval of the Department of Communities and Local Government (DCLG) is necessary for such an agreement, and the variation or extension of a provision of a management agreement.

7.2 Pursuant to section 105 of the Housing Act 1985, there is a duty to consult secure tenants who are likely to be substantially affected by a matter of housing management i.e. which relates to the management of dwelling houses let by the authority under secure tenancies. This includes a change in the policy of the authority which is likely substantially to affect the tenants. As there are no changes in delivery of services it is not intended to consult further at this point other than that undertaken as part of the VfM review earlier in 2013.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

8.1 The Constitution, Responsibility for Functions, section 4.6 sets out the terms of reference for the Cabinet Resources Committee.

9. BACKGROUND INFORMATION

9.1 Barnet Homes was established as an Arm's Length (housing) Management Organisation (ALMO) in April 2004, following a full stock options appraisal. The ALMO provided a delivery vehicle to improve the condition of the Council's housing stock through the Decent Homes programme and improve services to tenants and leaseholders.

9.2 The original Management Agreement dated 1st April 2004 with Barnet Homes received approval from the then Office of the Deputy Prime Minister under section 27 of the Housing Act 1985 to delegate responsibility for the housing management function to a third party, in this case Barnet Homes. Further approval was sought and granted from the Department of Communities and Local Government (DCLG) in 2012 for the transfer of Housing Needs and Resources into Barnet Homes.

9.3 Barnet Homes was successful in delivering the Decent Homes programme and improving tenant satisfaction, and in 2010 the Council's Housing Strategy confirmed that the Council wanted to keep the ALMO and explore the potential for Barnet Homes to provide more services.

9.4 In January 2012, Barnet Homes became part of The Barnet Group, a local authority trading company (LATC) wholly owned by the Council. As a consequence, by a Deed of Novation dated 1st February 2012, the Council agreed to release and discharge Barnet Homes from the original Management Agreement upon the terms of The Barnet Group undertaking to perform the Management Agreement, and be bound by the terms in the place of Barnet Homes. Subsequently, by an agreement between The Barnet Group and Barnet Homes, Barnet Homes, agreed to carry out the services under the Management Agreement. In March 2012, the Management Agreement was expanded to include homelessness and housing advice services that had previously been provided by the Council.

9.5 The relationship between the Council, The Barnet Group and Barnet Homes as set out in the Management Agreement is due to expire in April 2014.

- 9.6 A Project Group from November 2012 led by the Council's Director for Place, and including members of the Barnet Homes Board, worked on developing a new 10-year Management Agreement between the Council and The Barnet Group. The work included an independent Value for Money (VFM) Review, and consultation with tenants and leaseholders through independently facilitated workshops and an online survey.
- 9.7 The Value for Money (VFM) review was conducted by The Housing Quality Network, a specialist housing consultancy, during November and December 2012. The review focused on Quality and customer focus, performance, costs and concluded that overall Barnet Homes is currently high performing and providing value of money.
- 9.8 AUXO Limited undertook workshops with Council tenants and leaseholders in December 2012 and January 2013 to elicit their views on service priorities for inclusion in the management agreement. The outcome of the focus groups was generally positive, with participants highlighting that they felt Barnet Homes strived hard to be a good landlord that listens to its tenants and leaseholders, with a good repairs service. It was also noted that Barnet Homes has improved its relationship with customers and provided opportunities for people in their employment and training initiatives.
- 9.9 The Project Group continued until June 2013, when a draft Management Agreement and Cabinet paper was prepared but further work was postponed because of the need to prioritise management efforts on the more pressing issue of rising demand for homelessness and expenditure, and the need for the management agreement to be overseen by the Council's new Commercial Services.

Interim Delivery Plan

- 9.10 A new Project Board led by the Council's Lead Commissioner Housing & Environment, and including Barnet Homes and the Head of Commercial Services, is currently developing a one-year Delivery Plan from April 2014, between the Council and The Barnet Group, ensuring that it:
- reflects the Council's new organisational arrangements
 - addresses the issues raised by Internal Audit
- 9.11 The key features of the Delivery Plan are:
- Functions delegated by the Council (see **Appendix 1**)
 - Goals and objectives, setting out the framework for the delivery of Housing Management and Homelessness Services to be provided by Barnet Homes for 2014/15 and the benefits expected.
 - Financial Resources
 - Governance Arrangements
 - Performance Management Framework – targets, monitoring arrangements and benchmarking
 - Issues, Risk and Change Management protocols
 - Payments mechanism

- SLA schedule

9.12 The Project Board will also oversee, from April 2014, the progress of an options appraisal and the development of the formal arrangements for the delivery of all services with The Barnet Group from April 2015.

Management Fee

9.13 As set out at 6 above, Barnet Homes has already agreed to deliver efficiencies as part of the Council's medium term financial strategy and HRA business plan and these will be incorporated into the 2014/15 Delivery Plan.

9.14 The Barnet Homes 2014-2015 HRA Management Fee Analysis (including Housing Options) is attached at **Appendix 2**.

10. LIST OF BACKGROUND PAPERS

10.1 None

Cleared by Finance (Officer's initials)	JH
Cleared by Legal (Officer's initials)	BH

APPENDIX 1: DELEGATION OF FUNCTIONS

Function	Barnet Council	Barnet Group	Shared
Housing Strategy and related functions	X		
Development and review of Allocations Scheme	X		
Development and review of Local Tenancy Strategy	X		
Maintaining the Allocations Scheme and Tenancy Strategy		X	
Stock condition (including house condition surveys)	X (Private sector housing)	X (HRA and applicable GF properties)	
Housing needs surveys and assessments	X		
Home Energy Conservation Acts and energy efficiency	X (Private sector housing)	X (HRA and applicable GF properties)	
Housing land and other assets	X		
Homelessness		X	X (Homelessness Strategy)
Development of new homes	X	X	
Private sector housing and related functions	X		
Co-ordination with corporate policy	X		
Making best use of the housing stock			X
Selection of tenants for vacant properties		X	
Granting new tenancies		X	
Signing up new tenants		X	
Transfer list management		X	
Succession		X	
Mutual exchange management		X	
National mobility scheme			X
Responsive repairs		X	
Planned maintenance		X	
Modernisation , improvements and major repairs		X	
Redevelopment and renewal			X
Regeneration estates			X
Terminations of tenancies		X	

Function	Barnet Council	Barnet Group	Shared
Inspection and repair of empty homes	X (Private sector housing)	X (HRA and applicable GF properties)	
Estate management		X	
Enforcement of tenancy conditions		X	
Evictions and court action		X	
Alterations to Conditions of Tenancy (Tenancy agreements)	X (Instigation)		X (Drafting)
Illegal occupation		X	
Housing fraud		X	
Anti social behaviour orders		X	
Caretaking		X	
Shared ownership staircasing and sales		X	
Environmental services		X on housing land	
Grounds maintenance		X on housing land	
Sheltered housing schemes		X	
Assist service (Sheltered call centres (Lifeline))*		X	
Supported housing schemes			X
Refuges	X		
Housing Advice, assessment and options		X	
Homeless accommodation		X	
Temporary accommodation (including hostels)		X	
Right to buy valuations	X		
Right to buy administration		X	
RTB approvals		X	
Leasehold management		X	
Rent setting	X		
Rent collection		X	
Recovery of arrears and other charges		X	
HRA business planning			X
Financial returns			X
Financial management		X	
Insurance and claims		X but depends on the nature of the claim	
Procurement policy			X
Letting of contracts in relation to delegated activities		X	

Function	Barnet Council	Barnet Group	Shared
resident engagement		X	
Tenant association development		X	
Information to tenants		X	
Consultation		X	
Reports to tenants		X	
Garages		X	
Shops and other buildings			X
Housing offices			X
Disposal of homes/estates	X		
Clearance of homes			X Decision Council and implementation ALMO
Decanting		X	
Complaints policy	X		
Complaints handling			X

***Barnet Group Assist Service**

A review has been undertaken on provision of Telecare and Assistive Technology through Adult Social Care in the borough. The council will now be considering how Telecare provision should be organised and delivered; this may include procurement of services which are currently undertaken by Barnet Group through the Assist service. Options that the council will be considering include formation of a partnership with a strategic implementation partner and Barnet Group would be expected to work closely with the council on further reviews and service design.

APPENDIX 2: BARNET GROUP 14/15 MANAGEMENT FEE ANALYSIS

Barnet Homes 2014/15 Fixed Management Budgets and Efficiency Savings				
	Year 13/14	Efficiency Savings	Inflationary Increase	Year 14/15
Barnet Homes Core Management Fee	17,585,327	(150,000)	0	17,435,327
Repairs & Maintenance Management Fee	7,800,000	(150,000)	0	7,650,000
Total BH excl. Housing Options	25,385,327	(300,000)	0	25,085,327
Housing Options HRA Mgt Fee	1,195,323	(40,000)	0	1,155,323
Housing Options GF Mgt Fee	3,065,627	(55,000)	0	3,010,627
Additional Finance and HR Support - HRA	5,959		0	5,959
Additional Finance and HR Support - GF	19,041		0	19,041
Total BH Housing Options Mgt Fee	4,285,949	(95,000)	0	4,190,949
Total Barnet Homes Management Fee incl. Housing Options	29,671,276	(395,000)	0	29,276,276
14/15 BH Mgt Fee Summary		Housing Options Mgt Fee		
BH HRA Fee	26,246,609		GF *	3,029,668
BH GF Fee	3,029,668		HRA	1,161,282
Total	29,276,276		Total Housing Options	4,190,949
*includes £300K to be given as efficiency in Year 15/16				
Reconciliation to the HRA Model				
	HRA Model	- BH Mgt Fee		
RM	7,650,000	7,650,000	no inflationary increase and adjusted for £150K efficiency	
Housing Options	1,161,282	1,161,282	adjusted for £40K efficiency, no inflationary increase	
BH Core Mgt Fee - General	9,242,710		No inflationary increase and adjusted for £150K efficiency savings	
BH Utilities	1,400,000		No inflationary increase	
BH Assist	575,722		No inflationary increase	
BH Mgt Fee (S & M)	6,180,895		No inflationary increase	
BH Mgt Fee Other	36,000		No inflationary increase	
	17,435,327	17,435,327		
BH HRA Mgt Fee	26,246,609	26,246,609		
Difference	0			