

	<p style="text-align: center;">Housing Committee</p> <p style="text-align: center;">2nd February 2015</p>
<p style="text-align: center;">Title</p>	<p>The commissioning and delivery of housing services and the management of the Barnet housing stock</p>
<p style="text-align: center;">Report of</p>	<p>Commissioning Director Growth and Development</p>
<p style="text-align: center;">Wards</p>	<p>All</p>
<p style="text-align: center;">Status</p>	<p>Public</p>
<p style="text-align: center;">Enclosures</p>	<p>Appendix 1, Draft Housing Services Output Specification</p>
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<h2>Summary</h2>
<p>This report seeks approval for an extension of the current Management Agreement with Barnet Homes for a maximum of one further year subject to approval by the Homes and Communities Agency, the Social Housing Regulator.</p> <p>It also seeks approval for the development of a Delivery Plan for 2015/16.</p> <p>It provides the background to the current delivery arrangements and the context of the changed landscape since a stock options appraisal which led to the creation in 2004 of Barnet Homes, the Council's Housing Arm's Length Management Organisation (ALMO).</p> <p>It also provides an outline of the process for challenging The Barnet Group to develop fit for purpose and value for money services from October 2015 that support the long term aims of the Council. A further report on the recommended longer term arrangements will be brought to Committee later in the year.</p>

Recommendations

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| 1. That the Committee approve the extension of the Management Agreement with Barnet Homes for a further year from 1 April 2015 to 31 March 2016, subject to approval by the Social Regulator, acting on behalf of the Secretary of State. |
| 2. That the Committee approve the development with Barnet Homes of a refreshed Delivery Plan for Housing Management and Housing Options Services for 2015/16, to be submitted for Housing Committee approval in April 2015. |
| 3. That the Committee approve the approach adopted to review housing services, as set out in section 6, and receive a further report at a future meeting on the preferred option(s) for future delivery. |

1. WHY THIS REPORT IS NEEDED

- 1.1 The Council is consulting on a new Housing Strategy setting out the outcomes and priorities which Housing Services need to meet in the future:
- Increasing the supply of houses and delivering homes that people can afford
 - Improving quality in the Private Rented Sector
 - Tackling homelessness, and providing suitable housing to support vulnerable people
 - Delivering efficient and effective services to residents
- 1.2 The Housing Committee has a target of £4.2m savings from the Housing Revenue Account during the period 2016-2020, as outlined in the Business Planning report submitted to Committee in October 2014.
- 1.3 Self-financing of the Housing Revenue Account (HRA) will mean a major investment programme in building new homes, and the Council needs to ensure that housing services have the capability and capacity to deliver this efficiently and effectively whilst continuing to manage the Council's housing stock.
- 1.4 The Council created the Barnet Homes Arm's Length Management Organisation (ALMO) to manage the Council's stock and deliver the Decent Homes programme in 2004.
- 1.5 The 10-year ALMO Management Agreement with Barnet Homes expired in March 2014. It is no longer fit for purpose as it does not reflect the commissioning model adopted by the Council, and was created primarily to deliver the government Decent Homes programme which has now finished.
- 1.6 Cabinet Resources Committee in February 2014 approved the extension of the Management Agreement for one year and the development of a Delivery Plan with The Barnet Group for housing management and housing services until March 2015.

- 1.7 The Cabinet Resources Committee in February 2014 also approved the Lead Commissioner Housing and Environment to liaise and consult with The Barnet Group and Barnet Homes on the creation of longer-term management arrangements for the Council's current 15,000 housing stock.
- 1.8 The draft Housing Strategy approved by Housing Committee in October 2014 for consultation, commits the Council to work with The Barnet Group to review the current housing management arrangements, to assess value for money and to explore options for the future delivery of services to meet the Council's strategic needs. Revised arrangements are targeted to be in place for Autumn 2015.
- 1.9 A formal interim arrangement is needed from April 2015 with a further one year Delivery Plan.

2. BACKGROUND

- 2.1 Barnet Homes is an Arm's Length Management Organisation (ALMO), a not-for-profit company, part of The Barnet Group which is wholly owned by the Council. It was established in 2004, following a stock options appraisal in accordance with government requirements, to provide a delivery vehicle to improve the condition of the Council's housing stock through the Decent Homes programme.
- 2.2 The 10-year Management Agreement with Barnet Homes was to provide the housing management service to the 11,000 tenanted and 4,000 leasehold properties owned by the Council. This included income collection, empty property management, repairs, estate cleaning and grounds maintenance.
- 2.3 In 2012, the Management Agreement was varied to include the homelessness and housing advisory services (Housing Options) that had previously been provided by the Council. Barnet Homes became part of The Barnet Group, a wholly owned local authority trading company (LATC) established as the parent company to Your Choice (Barnet), to provide services to people with learning and physical disabilities as well as to Barnet Homes.
- 2.4 In June 2013, Barnet Homes was commissioned to provide 38 new homes by March 2016 to support the Corporate Plan Objective to increase housing supply, including family accommodation and wheelchair homes. This was subsequently increased to 41.
- 2.5 The Barnet Group, Barnet Homes and Your Choice (Barnet) each have their own Board although Board meetings are run together to avoid duplication, improve communication, and challenge decision-making within the Group.
- 2.6 The Barnet Group Board consists of a Chair appointed by the London Borough of Barnet, plus 11 members including 2 Councillors appointed by the Council, and members from Your Choice (Barnet) and Barnet Homes and includes resident board members.

- 2.7 The 2014/15 Delivery Plan included a performance management framework and established a monthly performance review meeting, a quarterly strategic review group and a six-monthly partnership group meeting.
- 2.8 The fees paid to the Barnet Group for housing services in 2014/15 are shown below:

Housing Revenue Account		General Fund	
Core Management Fee	17,435,327	Housing Options Management Fee	3,010,627
Repairs & Maintenance	7,650,000	Additional Finance and HR Support	19,041
Housing Options Management Fee	1,155,323	GF FEES TOTAL	3,029,668
Additional Finance and HR Support	5,959		
HRA FEES TOTAL	26,246,609		

3. CONTEXT

- 3.1 The landscape facing the Council in 2015 is significantly changed from that in 2004. The role that housing services can play in transforming services, contributing to the strategic objectives and the financial position of the Council, and meeting the challenges of the future is different to that provided over the last 10 years.
- 3.2 Barnet Homes successfully delivered the Decent Homes stock improvements and the programme has ended. There is no longer a nationally prescribed process for the review of housing options or the decision-making in relation to the ALMO.
- 3.3 Barnet is a thriving borough, as part of a thriving London which presents significant growth opportunities for the Council, residents and businesses. However, affordable housing is the top area of concern in the last Residents Perception Survey carried out in autumn 2014 which is the downside for some of rising house prices both to buy and to rent. The headroom in the HRA therefore becomes a very significant opportunity to both support growth and provide affordable accommodation for residents in housing need.
- 3.4 The Council's draft Housing Strategy identifies that the Council will ensure that housing finances are optimised to maximise the amount of money to invest in delivering new homes. It states "we will work with Barnet Homes, our

Arm's Length Management Organisation (ALMO) to review the housing services they provide to ensure that they are cost effective and more generally fit for the future and therefore, able to deliver our wider objectives and deliver efficient and effective services to residents”.

- 3.5 The Council also has identified in its housing strategy that it wishes to explore the potential of council owned land providing for more homes, including subsidised rent. The Council will decide whether to develop using Barnet Homes, Re, or a third party developer dependent on the skills and specialisms required, and an assessment of the relative risk and reward of different options.
- 3.6 The Council's Medium Term Financial Strategy (MTFS) includes a general fund saving of £300k for 2015/16. A target has been set for a 20% reduction of management costs in the Housing Revenue Account (HRA) for the period from 2016-20. This equates to a baseline adjustment of £4.2 million and work is currently underway to identify how that can be achieved.

4. REASONS FOR RECOMMENDATIONS

- 4.1 The ending of the current 10-year Management Agreement presents an opportunity for the Council and The Barnet Group to review the role and purpose of the ALMO, and detail the potential wider social value of Barnet Homes and the LATC in delivering both the Council's housing priorities and wider Corporate Plan objectives – for example jointly working to support some of the Council's most vulnerable residents, through Welfare Reform and other projects to increase skills and employability.
- 4.2 Work has also been commissioned through the Council's Insight programme to provide further analysis of the way that housing services are accessed. This will enable a greater understanding of the linkages between customers of Barnet Homes and Your Choice Barnet, and users of other Council services to identify potential cross-over and areas for further efficiency savings.
- 4.3 The ending of the current 10-year Management Agreement also provides an opportunity for the Council to reset the value for money metrics and objectives for Barnet Homes and to review what it wants the Housing Services to deliver to meet its corporate objectives. It allows the Council to consider the most appropriate delivery model for new housing functions and services.
- 4.4 The recommendations enable a continuation of the ALMO in its current form whilst carrying out a review of the role that Barnet Homes can make in the future delivery of services. This will ensure that the Council can continue to meet its current responsibilities and will have the right arrangements in place for the future delivery of its housing priorities.

5. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 5.1 The transfer of ownership of the Council's housing stock to a suitable registered provider was considered by the Housing Working Group which met in Autumn 2014, and to which members of the Housing Committee were invited. This option is not recommended because the potential capital receipt is unlikely to be sufficient to pay off all the debt, which would present a net cost to the Council without a subsidy from the Government.
- 5.2 Stock transfer also requires a lengthy and costly process to prepare a viable offer to residents with no guarantee of a positive outcome from a ballot.
- 5.3 Barnet Homes continues to achieve high levels of satisfaction and strong support from residents and councillors, and value for money data is good. Officers therefore recommend modernisation and improvement of the Management Agreement rather than seeking alternative providers for the Housing Management and Homeless services currently provided by Barnet Homes.

6. POST DECISION IMPLEMENTATION

- 6.1 If the Committee approves the recommendations, officers will seek approval from the Homes and Communities Agency, the Social Housing Regulator, acting on behalf of the Secretary of State, for a further year's extension to the existing Management Agreement as required under Section 27 of the Housing Act.
- 6.2 Officers will also develop a 2015/16 Delivery Plan with Barnet Homes for Housing Management and Housing Options Services which support the Commissioning Priorities flowing from the draft Housing Strategy. This will be submitted for approval at the April Housing Committee.
- 6.3 Officers will work with The Barnet Group to provide a clear specification of the Housing Services to be provided in support of the Housing Strategy. A draft output specification is attached at Appendix 1 which shows the initial scope of housing services provided in the Borough with an indication of the current services provided by Barnet Homes and potential areas of challenge and exploration with the ALMO.
- 6.4 Officers will also challenge Barnet Homes through a series of workshops to demonstrate the added value that the ALMO can bring in the delivery of the specified housing services in the future.
- 6.5 The process will include:
 - assessment of the best way to package the key service areas of housing management, homelessness and new build
 - benchmarking and case studies
 - value for money review of the services delivered by the Barnet Group
 - assessment of the proposals from the Barnet Group to meet the Council's objectives
 - comparison with alternative options

6.6 Issues to consider include:

- What added value can the ALMO and the Barnet Group provide to help deliver corporate objectives with expanding HRA surpluses?
- How can the ALMO help deliver reduced costs/increased income to fund the building of new homes and ease pressures on the General Fund?
- How will the ALMO demonstrate the capability and capacity to support the delivery of the objectives in the new Housing Strategy?
- How can the ALMO and LATC meet the service requirements identified through the Council's Insight programme?
- What form should a remodelled Management Agreement take and how long for?
- What governance arrangements need to be put in place, and what are the links to Your Choice Barnet and the Local Authority Trading Company (LATC)?
- What Scrutiny arrangements need to be put in place to ensure an effective and efficient service?
- How could alternative providers help the Council achieve its objectives?

6.7 The outcome will be a revised management agreement based on the capacity to deliver the Council's strategic aims, and ability to deliver value for money, and support service integration.

6.8 An outline of the steps and timetable is given below:

Step 1	Develop Housing Services Output Specification	Jan – Feb 15
Step 2	Assess performance of Barnet Homes and benchmark against other providers	Jan – Feb 15
Step 3	Assess costs and VFM compared with other providers	Jan – Feb 15
Step 4	<p>Challenge sessions with The Barnet Group. Key Lines of Enquiry: How does the ALMO demonstrate value for money in its plans for</p> <ul style="list-style-type: none"> • improving the assets across all the housing stock? • continuous improvement in management of homelessness? • Meeting performance targets? • Resident Involvement and Scrutiny? • Contribution to wider Council Objectives? <p>What is the scope to</p> <ul style="list-style-type: none"> • Reduce duplication with Council (eg HRA Management)? • Transfer risk of homelessness? • Deliver and manage new homes? • Work in partnership with Re and Registered Providers? 	March – May 15

Step 5	Assess the options for delivering services to support the Housing Strategy and HRA Business Plan	May – June 15
Step 6	Report to Housing Committee setting out scope and Heads of Terms for new Management Agreement with Barnet Homes and / as appropriate with any additional housing partner.	June 15
Step 7	Develop the preferred option(s) <ul style="list-style-type: none"> • Objectives • Legal Clauses • Specification • Governance Arrangements • Review Mechanisms • Change Procedures • Payment Mechanism • Performance Framework Undertake consultation on preferred options as required.	June 15 onwards
Step 8	New Agreements finalised	Oct 15

7. IMPLICATIONS OF DECISION

7.1 Corporate Priorities and Performance

7.2 As a not-for-profit company fully-owned by the Council, the ALMO provides the benefit of management focused on housing services, a commitment to resident involvement, strong links with the local area, a fixed geographical focus, and close partnership working with the Council and other stakeholders.

7.3 Barnet Homes has successfully delivered improvements to the stock and services, whilst ensuring that any surpluses in its operating budgets are available to return to the Council.

7.4 The inclusion of the housing options service 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 priority to support families and individuals that need it.

7.5 Barnet Homes and the Barnet Group are in a potentially pivotal position to transform services to contribute to the strategic objectives and the financial position of the Council.

7.6 Opportunities exist for Barnet Homes to be more involved in complementary policy agendas building on the existing joint working with the Council on welfare reform. This includes help into work, digital inclusion, health and social care, as well as potentially offering out their management services for

example into private rented stock and building new properties either alone or as part of a joint venture. This could make a crucial contribution to Council priorities in the future.

7.7 The challenges are the need to deliver efficiencies and value for money within a balanced Housing Revenue Account, to maintain and improve existing services, to support general fund savings, and to demonstrate suitable capacity and skills within the ALMO to deliver the Council's housing priorities for the future.

7.8 **Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

7.9 Barnet Homes currently receive £26,246,609 from the HRA and £3,029,688 from the General fund to cover their management costs. These costs are sufficiently covered by budget.

7.10 Barnet Homes has made a commitment to reduce their general fund management costs by £300k in 15/16.

7.11 **Legal and Constitutional References**

7.12 The Local Authority has duties to assist and accommodate certain homeless applicants under Part VII Housing Act 1996. It also has a duty to allocate properties under its allocations scheme (either into social housing or into the private sector) under Part VI Housing Act 1996 and to manage its social housing stock as a landlord. Such responsibilities are delegated to the Barnet Group.

7.13 The Constitution, Annex A To Responsibility for Functions - Membership and Terms of Reference of Committees and Partnership Boards' sets out the responsibilities of the Housing Committee which includes responsibility for "Housing strategy (incorporating homelessness strategy), Work with Barnet Homes, RSLs and social housing providers to ensure the optimum provision of housing and associated facilities for those who require social housing and To approve any non-statutory plan or strategy within the remit of the Committee that is not reserved to Full Council or Policy and Resources."

7.14 **Risk Management**

7.15 There is currently a risk that without a formal arrangement in place for the delivery of Housing Services, the ALMO could be operating outside of the terms of the original agreement as approved by the Secretary of State, confidence will reduce in business planning for the medium to longer term, and Barnet Homes could face challenges on its decision-making powers.

7.16 The extension of the current Management Agreement for a further year will enable stability while providing a platform for the development of longer term arrangements. A 2015/16 Delivery Plan will ensure fit for purpose interim

arrangements.

7.17 The use of the corporate project management methodology will ensure that project risks are properly recorded and managed.

7.18 The review will include an assessment of risks of the alternative options, which will be taken into account when the preferred option is proposed.

7.19 **Equalities and Diversity**

7.20 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies **to have due regard** to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
- advance equality of opportunity between people from different groups
- foster good relations between people from different groups

7.21 The Barnet Group operates an equalities strategy which fully supports the Council's equalities aims and principles.

7.22 The aims of the review include providing support to vulnerable people.

7.23 Equalities Impact Assessments will be included as part of the corporate project management methodology.

7.24 **Consultation and Engagement**

7.25 It is proposed at this stage, that this is an officer review, leading to a clear preferred option for recommendation to Committee members in June 2015.

7.26 The outcomes from the review will determine the nature and extent of the consultation and engagement required.

8. BACKGROUND PAPERS

8.1 Cabinet Resources Committee February 2014, Management Agreement with The Barnet Group:

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=151&MId=7520&Ver=4>

8.2 Housing Committee 27th October 2014, Draft Housing Strategy :

<https://barnetintranet.moderngov.co.uk/documents/s18649/Appendix%201%20-%20Draft%20Housing%20Strategy%202015.pdf>