

	<h2>Housing and Growth Committee</h2> <p>Date: 6 July 2020</p>
Title	Review of management agreement with Barnet Homes
Report of	Chairman of Housing and Growth Committee
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	None
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Summary

This paper contains proposals for Barnet Homes to take the lead for drafting Housing Policy on behalf of the council, and to take more responsibility for budget management. It is proposed that Barnet Homes, pursuant to the functions it carries out already, will take the lead on financial planning and budget management in relation to the Housing Revenue Account and General Fund housing budgets that cover costs associated with homelessness and the use of temporary accommodation, subject to reporting to, and approval from, the relevant council committees. In addition, under the proposals, Barnet Homes, again pursuant to functions that it exercises, would become the lead responsible for maintaining and developing the council's housing strategy and the housing allocations scheme, subject to approval by appropriate council committees.

Officers Recommendations

1. That the Committee approves the proposal for Barnet Homes to take the lead for drafting Housing Policy on behalf of the council, including Housing Strategy and the Housing Allocations Scheme, for approval by the council.
2. That the Committee approves the proposal for Barnet Homes to take the lead for financial planning and budget management of the Housing Revenue Account (HRA) and Housing General Fund, on behalf of the council; so that, subject to further work by officers, Barnet Homes will become responsible for reporting to Committee.
3. That the Committee delegates authority to the Deputy Chief Executive to agree any changes to the Management Agreement needed to reflect the principles detailed in this report, between the council and Barnet Homes, necessary to implement recommendations 1 and 2.
4. That the Committee receives a further report on the updated HRA Business Plan and housing budgets to address the issues highlighted and clarify the impact of changes proposed in this report at its next meeting.

1. WHY THIS REPORT IS NEEDED

- 1.1 Barnet Homes was established by the council as an Arm's Length Management Organisation (ALMO) in April 2004 to manage, maintain and improve the council's housing stock.
- 1.2 In April 2012 Barnet Homes, following the successful completion of the Decent Homes programme, commenced managing housing needs and homelessness services on behalf of the council, and became part of The Barnet Group (TBG), a local authority trading company.
- 1.3 Services are provided by Barnet Homes under a management agreement with the council. The current management agreement applied from 1st April 2016, stemming from a Housing Committee decision on 29th June 2015 that agreed Barnet Homes would manage services for 10 years. This report comes at the five-year review point of the management agreement.
- 1.4 It is proposed that the council arranges for Barnet Homes to take additional responsibilities for leading the preparation and consultation activities relating to the drafting of housing strategy, allocations policy and the HRA 50-year business plan. The aim being to provide the ALMO with more freedom and flexibility to deliver objectives agreed with the council, whilst reducing duplication and improving governance around these functions.
- 1.5 Responsibility for accepting and approving housing strategy and policy, and making decisions regarding housing budgets, would still sit with council committees. Any relevant delegation of authority in relation to housing strategy, policy and budget matters will continue to be through the scheme of delegation for the Deputy Chief Executive.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Barnet Homes already has responsibility for the council's Homelessness Strategy and makes a significant contribution to the Housing Strategy. In view of this, it is proposed that Barnet Homes take lead responsibility for the drafting and delivery of the council's Housing Strategy.
- 2.2 The council currently leads on the Housing Allocations Scheme, which sets the policy for how council and other social housing is prioritised for housing applicants in the borough. The Scheme is administered by Barnet Homes and they already play a significant role in supporting the council to maintain and update the Scheme, including to reflect changes in legislation and case law. It is proposed that Barnet Homes take the lead for maintaining and updating the Scheme.
- 2.3 The Housing Revenue Account is currently managed by the LBB Growth Team, supported by Barnet's Finance Team; this is an approach that has ensured the Council maintains control and ownership of a significant budget with the long-term interests of residents and the council's assets in mind.
- 2.4 Barnet Homes has played a pivotal role in developing business cases and working with the council on several reviews of the HRA. This work continues through the delivery of a significant programme for fire safety works, as well as the programmes to develop and acquire additional homes through the HRA.
- 2.5 The on-going complexity of the various demands on the HRA, and the long-term nature of the planning required for financial sustainability, mean that the HRA business plan is currently needing to be reviewed. Regular reviews will continue to be required to ensure that the competing priorities are managed appropriately.
- 2.6 There are several ALMOs that currently provide leadership and day to day management of the HRA on behalf of their council, such as Sutton, Stockport and Cheltenham. Overall responsibility for budget and auditing stays with the council unless a complete stock transfer has taken place. Stockport and Cheltenham are developing their ALMOs in a similar way to the arrangements for services in Barnet.
- 2.7 The majority of HRA expenditure and income is managed on a day-to-day basis by Barnet Homes, being reported to LBB officers for approval as appropriate. This can involve multiple reporting routes and unnecessary hand-off processes, which in turn leads to inefficiency, slower decision making and, importantly, a lack of clarity in relation to financial accountability. It would therefore make sense for all day-to-day financial planning and budget management to be carried out within the ALMO.
- 2.8 The Housing General fund budget, which covers the cost of temporary accommodation and homelessness services, also currently sits with the council. Yet as most of the expenditure is again incurred by Barnet Homes, it would for the reasons set out above, also make sense for the ALMO to also lead on the management of this budget, to increase accountability for this spend.
- 2.9 Assurance and oversight for these revised arrangements will still be required by the council. Ultimately responsibility for all these strategy, policy and budget functions will

remain with the council and committees, with delegated responsibilities continuing to be held by the Deputy Chief Executive and in accordance with the scheme of delegation.

- 2.10 A new quarterly Strategic Housing Partnership Meeting, attended by relevant senior officers from the council and Barnet Homes, will provide a mechanism for oversight and assurance of the day-to-day management of these housing functions by Barnet Homes. This will replace the current monthly 'contract management meeting' arrangements.
- 2.11 Oversight of the council's Housing and Homelessness Strategies and progress against these will continue to be responsibility of Housing and Growth Committee, with minor changes delegated in accordance with the scheme of delegation.
- 2.12 Oversight of the annual delivery plan and housing budgets would continue to be subject to the approval of Policy and Resources Committee and Full Council, with minor changes delegated in accordance with the scheme of delegation.
- 2.13 The Barnet Homes Board would be responsible for monitoring the discharge of all these responsibilities.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 An option for the transfer of all responsibility to Barnet Homes for Housing Policy, the HRA and Housing General Fund duties and decision-making is not permissible under the Regulations; therefore, council committees are statutorily required to retain assurance and approval roles for these matters.
- 3.2 The council could continue with the current arrangement, whereby Strategy and Policy, together with overall financial planning and approvals of HRA and GF Housing Budget activities are managed directly by Barnet council's Growth Team, with Barnet Homes continuing to provide the day-to-day management and delivery of services. However, this would not enable the objective of giving Barnet Homes greater responsibility for managing expenditure that they are incurring in providing services on behalf of the council, missing the opportunity to ensure that the service is made clearly accountable for meeting budgets.

4. POST DECISION IMPLEMENTATION

- 4.1 Barnet Homes will work with the council and external consultants to update the Housing Revenue Account's (HRA) 50-year Business Plan, and changes will be reported back to the relevant committees, as appropriate to the nature of the changes agreed.
- 4.2 The council will develop a project plan, ensure adequate project and risk management resources are in place to oversee a smooth transition, and ensure there has been due

consideration of the opportunities, risks and threats, and that the financial plan is stress-tested.

- 4.3 Appropriate due diligence and an assessment of the HRA, including cost pressures and financial strategy, will be undertaken prior to any transfer. This will include consideration of the medium-term capital investment plan, including the impacts on future debt repayment costs, interest charges, major repairs reserve contributions/drawdowns and other relevant capital costs within the HRA.
- 4.4 The objective is to ensure the management of most housing matters is appropriately handed to Barnet Homes in a way that ensures the organisation can take responsibility appropriately and sustainably manage the relevant revenue and capital budgets on behalf of the council. Successful delivery of the plan will help confirm a decision to proceed (or not to proceed) on different elements of housing management processes under consideration.
- 4.5 The management agreement between the council and Barnet Homes will be updated to reflect the new approach.
- 4.6 The new arrangements are expected to come into effect on or after 1 October 2020.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The council's Corporate Plan Barnet 2024 sets the vision and strategy for the next five years which focuses on three main outcomes:

- A pleasant, well maintained borough that we protect and invest in
- Our residents live happy, healthy, independent lives with the most vulnerable protected
- Safe and strong communities where people get along well

5.1.2 In addition, the council agreed a new Housing Strategy in April 2019 which sets out plans to meet housing need in the borough with a focus on the following priorities:

- Raising standards in the private rented sector
- Delivering more homes that people can afford
- Safe and secure homes
- Promoting independence
- Tackling homelessness and rough sleeping in Barnet

5.1.3 The proposal for Barnet Homes to take greater responsibility for the HRA and Housing Policy will enable them to take a more strategic approach to the management of the council's resources to meet the council's strategic objectives, particularly around delivering more homes that people can afford.

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

- 5.2.1 As part of the new arrangements proposed, the HRA Business Plan will be updated to ensure that there is a viable plan in place for managing and investing in the council's housing stock and building and acquiring new homes. This will be reported back to Committee as appropriate.
- 5.2.2 The updated business plan is expected to reflect the new proposed arrangements between the council and Barnet Homes, and any changes to the budgets needed to reflect these. In the longer term, it is expected that a greater role for Barnet Homes in the financial planning and management will result in an improved ability to ensure sustainable financial plans whilst delivering council priorities; overall delivering better value for money.
- 5.2.3 The Deputy Chief Executive will retain responsibility for the HRA and Housing Budgets, including compliance with financial regulations and Barnet's contract procedure rules. The key change is that Barnet Homes will take a far greater role and be held accountable for the preparation, management, and day-to-day responsibilities associated with these budgets.
- 5.2.4 The council is securing appropriate advice; this will ensure the proposed future arrangements comply with all regulations and standards, and that the scheme of delegation is updated in parallel to reflect any appropriate changes.
- 5.2.5 Staffing impact – the new arrangements would enable a reduction in resources in the council teams that currently manage the relationship with Barnet Homes, including deletion of the Housing Strategy team and changes to responsibilities in the commercial team. The timing for the proposed changes is helpful as due to the current staffing arrangements, it is anticipated there will be no requirement to transfer staff or make redundancies.
- 5.2.6 There is likely to be a need for some additional resources within Barnet Homes to support the additional work that would be required on their side. However, overall, the proposal is expected to result in reduced management costs to the HRA overall as some existing double handling will be removed.
- 5.2.7 In addition, it is proposed that the council will provide Barnet Homes with access to its financial monitoring IT systems to remove current inefficiencies associated with the lack of such an interface and delegation of appropriate responsibilities.

5.3 **Social Value**

- 5.3.1 Social value will be considered in relation to any individual investment decisions.

5.4 **Legal and Constitutional References**

- 5.4.1 Article 7 of the council's constitution states that the Housing and Growth Committee's functions include Housing Strategy, homelessness, social housing and housing grants, commissioning of environmental health functions for private sector housing and asset management. The Housing and Growth Committee's functions also includes receiving reports on relevant performance information and risk on the services under the remit of the Committee.

5.4.2 The council must retain overall responsibility for the HRA under the Duty set out in s74 of the Local Government and Housing Act 1989. This means that accountability for the policies and finances will still rest with the council, and any challenges to the policy via Judicial Review would still be to the council.

5.5 Risk Management

5.5.1 No specific risks have at this stage been identified in relation to moving the lead for Housing Strategy and Policy to Barnet Homes, given the plan for appropriate strategic oversight and monitoring by the council proposed as part of the changes, but this will be reviewed on an ongoing basis and any risks subsequently identified will be appropriately managed.

5.5.2 There will be a transition risk as the move to new arrangements proposed in this report are implemented. A working group will oversee this process so that these transitional risks can be monitored and mitigated against.

5.5.3 External professional advice is being sought to ensure that any and all changes to financial planning and budget management arrangements are suitably assessed and any risks are fully considered and mitigated.

5.6 Equalities and Diversity

5.6.1 Under the Equality Act 2010, the council must have due regard to the need to: a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; b) advance equality of opportunity between those with a protected characteristic and those without; c) foster good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.

5.6.2 The proposals in this paper are expected to help deliver the council's objectives in the Housing Strategy, for which a full equalities impact assessment was completed. This concluded that the overall impact of the Housing Strategy on the protected groups from the Equality Act 2010, as well as the Barnet Fairness Agenda, is positive.

5.6.3 The proposals in relation to Housing Allocations and Policy and likewise in terms of the responsibilities for financial planning and budget management will not introduce any changes that would give rise to an equalities implication. Following implementation of the changes, Barnet Homes would take responsibility for assessing equalities implications on behalf of the council, whilst the council would retain overall responsibility for ensuring that equalities duties have been met.

5.7 Corporate Parenting

5.7.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. The proposals in this report will

have no direct effect on existing council properties, some of which are used to provide housing for foster parents and care leavers, and the requirement to meet these responsibilities will continue to be managed and maintained following these changes.

5.8 Consultation and Engagement

5.8.1 The council consults with tenants, residents and stakeholders on the Housing Strategy and Commissioning Plan. These documents have informed the proposals to give Barnet Homes additional responsibilities to help ensure that the council achieves its housing priorities.

5.9 Insight

5.9.1 No specific insight data has been used in relation to the proposals in this report.

6. BACKGROUND PAPERS

6.1 [Housing Committee 29th June 2015, Decision Item 9, Commissioning and Delivery of Housing Services and the Management of the Barnet Housing Stock](#)

6.2 [Housing Committee 19th October 2015, Decision Item 9, Housing Strategy, Appendix B – Commissioning Plan](#)

6.3 [Barnet Homes Management Agreement](#)

6.4 [Housing Committee 1st April 2019, Decision Item 8, Housing Strategy](#)

6.5 [Housing Committee 1st April 2019, Decision Item 9, Homelessness and Rough Sleeping Strategy](#)

6.6 [Housing Committee 16th March 2020, Decision Item 10, Barnet Homes Delivery Plan 2020/21](#)