

LONDON BOROUGH OF HARROW

Agenda item:

Page no:

Meeting:	Cabinet
Date:	20 April 2004
Subject:	Arms Length Management Organisation for the management of the Council's housing stock
Key decision	No
Responsible Chief Officer:	Executive Director, Urban Living
Relevant Portfolio Holder:	Planning, Development, Housing and Best Value
Status:	Part 1
Ward:	All
Enclosures:	The Management Agreement and draft Delivery Plan appear in the Cabinet Supporting Documents pack

1. **Summary**

- 1.1 Cabinet has previously received a number of reports on the Arms Length Management Organisation (ALMO). This report seeks approval to the Management Agreement.

2. **Recommendations**

Cabinet are asked to:

- 2.1 **agree the current draft of the Management Agreement between the Council and Spire Community Homes;**
- 2.2 **delegate to the Executive Director Urban Living in consultation with the Portfolio Holder for Planning, Development, Housing and Best Value and nominated members, the power to finalise and make further minor amendments to the Management Agreement;**
- 2.3 **note the draft Delivery Plan.**

Reason: To implement the Cabinet's previous decision to set up an Arms Length Management Organisation to manage the Council's housing stock.

3. Consultation with Ward Councillors

3.1 None

4. Policy Context

4.1 The Government requires all Councils to meet the Decent Homes Standard for their own housing stock by 2010. An options appraisal has shown that the Council faces an investment shortfall in meeting the Decent Homes Standard. In response to this, the Council transferred the Rayners Lane Estate to Warden Housing Association in October 2002 and in February 2003 approved that a bid be made for ALMO status. In July 2003 the Council received a conditional allocation of £5m of supported borrowing towards meeting the Decent Homes Standard.

5. Relevance to Corporate Priorities

5.1. The proposal to create an ALMO supports the council's priority to enable choice and access to good quality housing.

6. Background information and Options Considered

6.1 The options appraisal considered all options for closing the investment gap. It was reviewed to assess the impact of proposed changes to housing revenue and capital financing, and of ALMO set up and operational costs, particularly on the prudential borrowing and ALMO options. The outcome of that review was to confirm that the ALMO route remains the most appropriate and cost effective way of meeting the Decent Homes Standard.

7. Management Agreement

7.1 This agreement governs the liabilities and responsibilities of the two parties, and its main provision is the requirement on the Spire Community Homes (SCH) to deliver what is in the Delivery Plan. A brief explanation of the Delivery Plan is given in the next section. It has been drafted to reflect the partnership ethos between the Council and SCH.

7.2 The SCH Shadow Board has considered the management agreement which as a consequence has been amended. Those amendments are reflected in the management agreement appearing in the supporting documents. A small number of proposed amendments could not be recommended. These relate to:

- the requirement for a draft of the Annual Sections of the Delivery Plan to be received by 1st July for the year following – which is considered necessary for proper consideration in respect of the Council's strategic and financial planning;
- provision of services to third parties without the Council's prior consent not to exceed £50,000 pa – the alternative suggestion of a percentage of the management fee is unacceptable, particularly in the absence of an agreed sum for the management fee.

- 7.3 The agreement is for 10 years, with an option for the Authority to terminate on notice after 5 years.
- 7.4 The housing stock remains in the Authority's ownership, and so tenancy or lease terms cannot be varied without its consent. The Authority reserves the right to exercise any landlord function in respect of any property notwithstanding the agreement.
- 7.5 The full Management Agreement appears in the Supporting Documents and its main provisions are summarised below. It is subject to finalisation in respect of terminology, completion of the schedules and annexes, and possibly a small number of minor amendments.

Performance Review

The Agreement contains detailed provisions for the provision of information to the Authority, in order to discharge its statutory responsibilities, file official returns, establish its budgets etc and to monitor the SCH's performance. There are requirements to have meetings at various levels of the two organisations, including an annual Board Member/Councillor one to discuss the Delivery Plan and SCH's performance. SCH is required to undertake its own audit, and to co-operate with any required by the Authority.

Standard of Service Provision

SCH is required to deliver its service in compliance with all relevant legislation, and with the Authority's policies, strategies, standards, contract rules and priorities. SCH will have its own complaints procedure, but this will give equivalent rights of access and redress as the Authority one.

Probity

SCH will be required to adopt financial procedures, contract rules, employment policies etc which will ensure assets are properly managed, contracts are entered into lawfully and proper efforts are made to prevent and detect fraud. The Authority will have the right to examine records and procedures to ensure proper management.

Variation to Agreement

The Authority may vary the Agreement either unilaterally or in response to suggestions from SCH, and the Delivery Plan will thereafter be amended to reflect this. The amount of notice required depends on the nature of the variation, and SCH will identify the cost/saving of implementing the variation. SCH may object a variation which significantly changes the fundamental nature of the services, in which case it will be dealt with under the dispute resolution procedure (below).

Employees

Most of SCH's workforce will transfer from the Authority under TUPE on their present terms & conditions. SCH is committed to continuing recognition arrangements with trade unions. As is normal on TUPE transfers, the Authority indemnifies SCH for pre-transfer liabilities, and SCH indemnifies the Authority for post-transfer claims.

Equipment

The agreement specifies what equipment is made available to SCH, and the conditions for use and return.

Surpluses

In the event that SCH produces a surplus, the agreement provides for it to be used in accordance with any scheme for surpluses in the Delivery Plan and agreed with the Authority.

Services to Third Parties

Under the agreement as presently drafted, SCH may not do work exceeding £50,000 annually in value for a third party without the Authority's consent.

Contracts

Where SCH will administer contract on the Authority's behalf, these are set out. SCH will be able to enter contracts in its own name, in compliance with financial procedures approved by the Authority.

Insurance

SCH will maintain its own insurance, and the Authority will remain responsible for cover for the housing stock.

Termination

If there is any failure by SCH which the Authority determines delays, interrupts or prevents the contracted services, the Authority may either provide or contract another party to provide all or part of those services or terminate the whole agreement. Similarly the agreement may be terminated if, notwithstanding attempts to rectify matters, the Authority is not satisfied that it represents best value. SCH will not be liable for breaches where the liability would not have arisen had the Authority complied with its obligations under the agreement.

There are also the usual provisions which allow termination in the event of breach of contract, dishonesty, fraud, etc.

If termination is not appropriate, the Authority may serve rectification notices, failure to comply with which may then led to termination.

Premises

It is proposed that the Authority will take a lease of premises, and then sublet / assign this to SCH.

Payment

In the event that payment by either party is overdue provision will be made for interest to be paid by the defaulting party.

Service Contracts

There will be attached to the agreement a list of services to be provided by the Authority to SCH – payroll, legal, design & build etc, and the appropriate terms and conditions.

Dispute Resolution

There are various provisions for disputes to be referred to SCH's Managing Director and Authority's representative. If the matter is not resolved within 28 days it may be referred to an independent expert.

Pensions

The agreement provides for SCH to provide broadly comparable pension terms to transferring employees. It is proposed that a separate agreement be entered into to deal with the admission of SCH as a Schedule Body to the Authority's Pension Scheme. This will allow transferring employees to remain in, and new SCH employees to join that scheme, provided SCH pays the appropriate employee and employer pension contributions. The separate agreement details what and how pension contribution payments will be made, and how any shortfall in the Pension Fund for SCH employees will be made up.

8. Delivery Plan

- 8.1 The Delivery Plan is an annual document which sets out in some detail the targets, standards and outputs required by SCH in order to deliver the Management Agreement. A draft delivery plan for SCH's first year of operation appears in the supporting documents. It will be developed further to reflect performance standards agreed between the Council and SCH and submitted to a future Cabinet meeting for approval.
- 8.2 During the first year of its operation SCH will produce a draft Delivery Plan for the second year, which must then be agreed with the Authority, and this process continues during the lifetime of the Management Agreement. Harrow Councillors, the SCH Board and representatives of the Harrow Federation of Tenants and Residents Associations will meet to review performance and shape the new draft plan. If a Delivery Plan cannot be agreed, the dispute resolution procedure contained in the Management Agreement may be used.

9. Finance Observations

- 9.1 Details of the financial proposals are included with the management and delivery plan. The Council has approved a three year HRA Budget, Medium Term Revenue Budget Strategy and a three year Medium Term Capital Budget Strategy. The financial implications of setting up an ALMO, and the consequential effects of a management agreement are included within the above.
- 9.2 At the same time the Council approved a review of HRA expenditure and income and a review of support service costs across the Council which may involve amendments to the actual financial terms of the management fee and costs of setting up the ALMO. Such costs will be contained within approved budgets.

10. Consultation

- 10.1 The consultation that has taken place with regard to development of the ALMO was covered in the report to the last Cabinet meeting. A copy of this report has been sent to UNISON and it was included on the agenda of the most recent ALMO UNISON meeting.

11. Legal Observations

11.1 Contained within the body of the report.

12. Background Papers

12.1 There are no background papers beyond those appearing in the supporting documents.

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