



Report to the Board

18 July 2019

Title: Cabinet Report – 16 July 2019 – Variation to Management Agreement between TGHC and the Council and to undertake a review of the delivery model

Report of: Interim Managing Director

Purpose of report

1. To receive a report on a decision to vary the Council's management agreement with TGHC following a Cabinet decision on 16 July 2019.
2. At the meeting 16 July 2019 Cabinet also approved the carrying out of a comprehensive review of the current management arrangements for the housing stock, including the delivery model and structures in order to ensure they meet the needs of the Council, and its tenants and leaseholders.

Background

3. Cabinet at its meeting 16 July 2019 approved that the current Management Agreement be varied by way of an exchange of letters between the Council and TGHC setting out new performance metrics, reporting and monitoring processes.
4. To support this decision updated key performance indicators (KPIs) have been prepared from the perspective of the Council which would satisfy the Council's objectives. In addition, a schedule of monitoring and reporting meetings will monitor compliance and performance matters.
5. The Council will continue to engage with the Regulator for Social Housing to determine whether their approval of the variation is required.
6. Cabinet approved a review of the current model for the delivery of the management of the Council's housing stock be carried out. On completion of the review, a further report will be presented to Cabinet on options for the future governance and delivery arrangements for the management of council housing (including retaining TGHC) prior to wider consultation.
7. In the meantime, Cabinet approved the renewal of the Management Agreement for a period of up to two years, to allow time for the review to be concluded and any revised arrangements implemented.

8. A copy of the report and the appendices approved by Cabinet on 16 July 2019 is attached as an Appendix to this report.

Link to Values

9. This report links to the Company values of being: -
 - Customer focused
 - Open and honest
 - Accountable

Risk Management Implications

10. This report links to Strategic Risk SR8 - Failure to maintain an effective relationship with the Council. The controls highlight the planned review of the management agreement.
11. This report also links to Strategic Risk SR2 - Failure to deliver the business model due to future government policy. The planned controls highlight the work with the Council on the development of a new management agreement from April 2020 and contribution to Council's Housing Strategy.
12. The controls for SR8 and SR2 will be reviewed and updated once timescales for implementation of the review and subsequent proposals are known.

Financial Implications

13. There are no direct financial implications arising from the Cabinet report. The resources required to deliver the enhanced performance management framework and undertake the review of the delivery model will be met by the Council.
14. The challenges faced by the Council in relation to the Housing Revenue Account (HRA) forecast provide important context and considerations for the review

Equality and Diversity Implications

15. No equality and diversity implications have been identified in the Cabinet report.

Health Implications

16. No health implications have been identified in the Cabinet report.

Environmental Implications

17. There are no environmental implications arising from the report.

Value for Money Implications

18. The review of the current management arrangements for the Council's housing stock, including the delivery model and structures, will ensure that the needs of the Council, its tenants and leaseholders, are met as effectively and efficiently as possible.

Consultation carried out

19. In preparing the Cabinet report, consultation took place with the Leader, Deputy Leader and Cabinet member for Housing.

Impact on Customers

20. The proposals support the Council's overall vision for Gateshead as set out in the Making Gateshead a Place Where Everyone Thrives, and the Housing Strategy 2019-2030. In particular, supporting residents to thrive by helping them to access and sustain a home.

Recommendations

21. To note that Cabinet has approved the following: -
 - (a) the updating of the Management Agreement by way of a variation letter recording newly agreed performance metrics, reporting and monitoring processes between the Council and TGHC based on Appendices 2 and 3 of the Cabinet report and authorising the Strategic Director, Communities & Environment, following consultation with the Leader of the Council and the Cabinet member for Housing, to approve any minor amendments to the proposed variations following further discussions with TGHC or such amendments as might be required by the Regulator for Social Housing;
 - (b) to commence a comprehensive review of the delivery model for management of the Council's housing stock, including a full options appraisal of alternatives and all necessary consultation with stakeholders; and
 - (c) to authorise of the Strategic Director, Communities & Environment, following consultation with the Leader of the Council and the Cabinet member for Housing, to agree to the renewal of the Management Agreement for a period of up to two years, to allow time for the review to be concluded and any revised arrangements implemented.



REPORT TO CABINET
16 July 2019

TITLE OF REPORT: **Housing Management – Variation of Housing Management Agreement and review of delivery model**

REPORT OF: **Colin Huntington, Acting Strategic Director, Communities & Environment**

Purpose of the Report

1. This report seeks approval for changes to the Council's management agreement with the Gateshead Housing Company (GHC) to update and strengthen the Council's oversight of GHC. It also seeks approval to carry out a comprehensive review of the current management arrangements for the Council's c.19,000 homes, including the delivery model and structures, to ensure they meet the needs of the Council, and its tenants and leaseholders, as effectively and efficiently as possible.

Background

2. GHC's obligations to the Council and governance and oversight arrangements are set out in a management agreement (the Management Agreement) between the Council and GHC dated 1 January 2004. The Management Agreement includes provisions as to the monitoring and management, by the Council, of the delivery of services by GHC.
3. The Management Agreement also provides for its content to be reviewed, and for its renewal to be considered, every five years and for there to be variations of it, agreed in writing between the parties, wherever that is appropriate. The Management Agreement has been reviewed periodically throughout its existence, but without significant amendments having been agreed. As a result, the delivery plan and metrics for monitoring of service delivery and performance by GHC require updating.
4. The Council has recently been in communication with the Regulator of Social Housing with regard to compliance with consumer standards. As a result of engagement with the Regulator, the Council is seeking promptly to strengthen and clarify its oversight and performance monitoring arrangements in respect of GHC.
5. Housing management agreements, and variations to them, are subject to the approval of the Regulator for Social Housing under section 27 of the Housing Act 1985. At the time of creation of the Management Agreement, the requirement was for approval of the Secretary of State, which was granted.

The changes proposed in this report may require the approval of the Regulator of Social Housing, whose views are therefore being sought.

6. It is also considered timely to commence this year a more comprehensive review of the current arrangements and model for the management of the Council's housing stock, consistent with the five-yearly cycle under the Management Agreement and Council's best value duty (i.e. to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness¹).
7. The review will also consider the wider housing related services provided by GHC, particularly in the context of Making Gateshead a Place Where Everyone Thrives, and the recently agreed Housing Strategy. The challenges faced by the Council in relation to the Housing Revenue Account forecast (i.e. reaching its minimum reserve level in 2025/26, as previously reported to Cabinet in January this year), and the impact of recent legislative changes (esp. the Homes (Fitness for Human Habitation) Act 2018) also provide important context and considerations for the review.

Proposal

8. It is proposed that the current Management Agreement is varied by way of an exchange of letters between the Council and GHC setting out new performance metrics, reporting and monitoring processes in order to bring the monitoring of performance quickly in line with current requirements and best practice. Updated key performance indicators (KPIs) have been prepared from the perspective of the Council which would satisfy the Council's objectives and they are attached to this report at Appendix 2. A draft schedule of frequent monitoring and reporting meetings has been prepared on behalf of the Council and discussed with GHC with a view to monitoring compliance and performance matters. It is attached to this report as Appendix 3.
9. The Council will continue to engage with the Regulator for Social Housing to determine whether their approval of the variations is required.
10. It is also proposed that that a review of the current model for the delivery of the management of the Council's housing stock be carried out. On completion of the review, a further report will be presented to Cabinet on options for the future governance and delivery arrangements for the management of council housing (including retaining GHC) prior to wider consultation. In the meantime, Cabinet is asked to agree to the renewal of the Management Agreement for a period of up to two years, to allow time for the review to be concluded and any revised arrangements implemented.

Recommendations

11. It is recommended that Cabinet:-

¹ Section 3, Local Government Act 1999

- (i) approve the immediate updating of the Management Agreement by way of a variation letter recording newly agreed performance metrics, reporting and monitoring processes between the Council and GHC based on Appendices 2 and 3 and authorise the Strategic Director, Communities & Environment, following consultation with the Leader of the Council and the Cabinet member for Housing, to approve any minor amendments to the proposed variations following further discussions with GHC or such amendments as might be required by the Regulator for Social Housing;
- (ii) endorse the proposal to commence a comprehensive review of the delivery model for management of the Council's housing stock, including a full options appraisal of alternatives and all necessary consultation with stakeholders; and
- (iii) authorise the Strategic Director, Communities & Environment, following consultation with the Leader of the Council and the Cabinet member for Housing, to agree to the renewal of the Management Agreement for a period of up to two years, to allow time for the review to be concluded and any revised arrangements implemented

for the following reason(s)

- (i) To ensure the Council's housing stock is managed, and housing services delivered, in the interests of the Council and its tenants as effectively and efficiently as possible.

CONTACT: Colin Huntington

extension: 3402

Policy Context

1. The proposals support the overall vision for Gateshead as set out in Making Gateshead a Place Where Everyone Thrives, and the Housing Strategy 2019-2030. In particular, supporting our residents to thrive by helping them to access and sustain a home.

Background

2. GHC's obligations to the Council and governance and oversight arrangements are set out in a management agreement (the Management Agreement) between the Council and GHC dated 1 January 2004. The Management Agreement includes provisions as to the monitoring and management, by the Council, of the delivery of services by GHC. Those provisions are set out in Part J of the Management Agreement and in the Delivery Plan appended to it as one of its schedules.
3. Although the Council established GHC in 2004 with the primary objective of securing government funding to deliver the Decent Homes programme, Decent Homes funding has since diminished, but the Council has continued to commission housing and additional services from GHC, including the repairs and maintenance function (previously outsourced) and the transfer of its Construction Services.
4. The Management Agreement provides for its content to be reviewed, and for its renewal to be considered, every five years and for there to be variations of it, agreed in writing between the parties, wherever that is appropriate. The Management Agreement has been reviewed periodically throughout its existence, but without significant amendments having been agreed, despite the additional functions GHC delivers for the Council. As a result, the delivery plan and metrics for monitoring of service delivery and performance by GHC require updating.
5. The review will be consistent with the principles set out in the Council's Commissioning Strategy and framework, including a full options appraisal. Consultation with stakeholders (esp. councillors, tenants, leaseholders, GHC board and employees, Keelman Homes and other recipients of GHC services, and the Regulator of Social Housing) will play an important part in the review. It is anticipated that the review will take a minimum of six months and may require support from external consultants.
6. If the outcome of the review is that GHC is to be retained as a delivery vehicle the Council, the existing Management Agreement will be reviewed with a view to substantially overhauling it or replacing it in its entirety to reflect current requirements, current practice in relation to the delivery of services by GHC to the Council, current practice in relation to the delivery of services by the Council to GHC, and legislative and best practice changes that have occurred since the Management Agreement was

entered into in 2004. The implications of alternative delivery models and options will be set out in a further report to Cabinet prior to any wider consultation.

Consultation

7. In preparing this report, consultations have taken place with the Leader, Deputy Leader and Cabinet member for Housing.

Alternative Options

8. The alternative options of not varying the Management Agreement as proposed, or not carrying out a review of the current arrangements and delivery model, are not recommended as they would not protect and promote the best interests of the Council and its housing tenants.

Implications of Recommended Option

9. **Resources:**
 - a) **Financial Implications** - The Strategic Director, Corporate Resources confirms that there are no direct financial implications associated with this report. The resources required to deliver the enhanced performance management framework and to undertake the comprehensive review of the delivery model will be identified from within existing budgets.
 - b) **Human Resources Implications** - There are no implications arising from this recommendation.
 - c) **Property Implications** – There are no implications arising from the recommendation.
10. **Risk Management Implication** - There are no implications arising from this recommendation.
11. **Equality and Diversity Implications** - There are no implications arising from this recommendation.
12. **Crime and Disorder Implications** - There are no implications arising from this recommendation.
13. **Health Implications** – There are no implications arising from this recommendation.
14. **Sustainability Implications** - There are no implications arising from this recommendation.
15. **Human Rights Implications** - There are no implications arising from this recommendation.

16. **Ward Implications** – All wards.
17. **Background Information** – None.

Key Performance Measures for Review at Exec Director Meetings (Quarterly)

Developed from Homes England Regulatory Standards, HRA Business Plan, Housemark, Housing Policy and Housing Strategy

Home Standard	Indicator
Gas and Solid Fuel	<ul style="list-style-type: none"> • % of domestic properties with a valid Gas Safety Certificate • % of solid fuel services due that were completed
Fire Safety	<ul style="list-style-type: none"> • % of Fire Risk Assessments due that were completed • % of Fire Risk Assessment actions completed
Asbestos Management	<ul style="list-style-type: none"> • % of Communal Asbestos Management Surveys due that were completed • % of Domestic Asbestos Management Surveys due that were completed
Electrical Safety	<ul style="list-style-type: none"> • % of properties with a valid Electrical Safety Certificate (10 years) • % of communal areas inspected within 5 years • % of domestic properties inspected within 5 years

Water Hygiene	<ul style="list-style-type: none"> • % of Legionella Risk Assessments in priority schemes due that were completed • % of Legionella Risk Assessments in mid-rise blocks due that were completed • % of general needs stock with Legionella Risk Assessment (10-year programme)
Lifts	<ul style="list-style-type: none"> • % of Passenger Lifts LOLER Inspections due that were completed
Repairs and Investment	<ul style="list-style-type: none"> • % of emergency, urgent and routine repairs completed within timescale • % of repairs completed right first time • Average number of calendar days to complete a repair • Appointments kept as a % of appointments made • % of capital works completed • Number of disrepair claims

Tenancy Standard	Indicator
Lettings and voids	<ul style="list-style-type: none"> • Number of people on the housing register with a priority housing need • Rent lost due to empty properties as a % of rent due • Average re-let time in days
Income collection	<ul style="list-style-type: none"> • % of rent collected from current and former tenants • Current tenant arrears as a % of rent due • Rent arrears of former tenants as a % of rent due (excluding voids)
Housing Sustainability	<ul style="list-style-type: none"> • % of tenancies terminated in the first 12 months • Number of rough sleepers • Number of homeless initial assessments undertaken • % of households where homelessness has been prevented (securing accommodation for at least 6 months)

Neighbourhood and Community Standard	Indicator
Neighbourhood Satisfaction	<ul style="list-style-type: none"> • % of tenants satisfied with their neighbourhood as a place to live

Tenant Involvement and Empowerment Standard	Indicator
Customer Service	<ul style="list-style-type: none"> • Number of complaints received • % of tenants satisfied with the service provided • % of tenants satisfied that their views are being listened to and acted upon

TGHC as an Employer	Indicator
Sickness and Turnover	<ul style="list-style-type: none"> • Average days lost to sickness per employee • Staff turnover in the year %

APPENDIX 3

Nature and frequency of monitoring meetings:

Meeting	Attendees & Standard Agenda	Frequency
Joint Compliance Review Meeting	<p>Chaired by Service Director, CHDTS Council Compliance Lead (Housing Services & Development Manager) Council H&S Council HRA Finance TGHC – Property & Assets (Operational Delivery) TGHC – Housing Management</p> <p>Agenda</p> <ul style="list-style-type: none"> • Performance Matrix – Position statement on key areas of landlord compliance • Action Plan Update • Resource Implications (Rev & Cap) • Emerging issues 	Monthly
Joint Revenue & Financial Monitoring Meeting	<p>As above</p> <p>Agenda</p> <ul style="list-style-type: none"> • Revenue Monitoring • Capital Programme • HRA Priorities • Portfolio Issues • SMG Housing Actions 	Monthly
Exec to Exec Partnership Meetings	<p>Strategic Director Communities & Environment Service Director CHDTS Managing Director, TGHC P & A Director TGHC HRA Business Partner Other representation as & when appropriate</p> <p>Agenda</p> <ul style="list-style-type: none"> • Performance Dashboard (KPI's) • Compliance Update (KPI's) 	Quarterly

	<ul style="list-style-type: none">• HRA Business Plan• Financial Monitoring• Investment Planning	
--	-------------------------------------------------------------------------------------------------------------------------------------------------------	--