

23rd November 2020

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| Report of | Assistant Director of Place and Client | Author | Martin Buddery ☎ 507433 |
| Title | Review of Management Agreement with Colchester Borough Homes | | |
| Wards affected | All Wards | | |

1. Executive Summary

- 1.1 The Council has an Arm's Length Management Organisation (ALMO), Colchester Borough Homes (CBH). The ALMOs services and performance standards are set out in a Management Agreement that was first signed in 2003, then revised and renewed in 2013, with a 10-year term to August 2023. Under this agreement CBH manage and maintain the Council's housing, including letting properties and running the Housing Needs Register. CBH also fulfil the Council's duties under homelessness legislation and maintain the Council's corporate buildings.
- 1.2 The current Agreement contains a clause which provides that the agreement is to be reviewed on the seventh anniversary of the commencement date. The two potential outcomes of this review are that i) the Management Agreement either runs its course and ends in August 2023, or ii) is extended for a further five years, which would take the term to August 2028.
- 1.3 This report therefore presents the outcomes of a review of the CBH management agreement which has taken place over the last 4 months.
- 1.4 The review evaluated how the agreement was operating, looking at; cost and value for money, performance, support of/alignment to the Council's strategic objectives, the scheme of delegation, financial arrangements and the delivery of CBC/CBH Service Level Agreements. These areas were explored in a series of meetings between the Council Client Team and the CBH Executive Leadership Team.
- 1.5 The review process also included tenant engagement carried out independently by the Tenant Participation Advisory Service, and Councillor input via two Councillor Workshops and an on-line questionnaire.
- 1.6 The review highlighted strong performance and value for money and good working relationships between CBC and CBH, therefore it is recommended that the management agreement is extended for a further five years, taking the termination date to August 2028.

2. Recommended Decision

- 2.1 It is recommended that the management agreement dated 9th August 2013 and made between Colchester Borough Council and Colchester Borough Homes Limited be extended in accordance with its terms for a further 5 years beyond the end of the current 10-year term. If this recommendation is agreed it would then take the termination date to 8th August 2028.

- 2.2 To note that as a result of 2.1 above, the next scheduled review of the Management Agreement would be due in 2026.

3. Reason for Recommended Decision

- 3.1 The Council has good governance arrangement in place to manage the relationship with Colchester Borough Homes. CBH also has an effective Board which further strengthens the governance arrangements. This has contributed to improvements in performance over the last 7 years. The review of the agreement at this time has provided further evidence of this, including feedback from tenants and Councillors, confirming that CBH are performing well and achieving value for money. Performance is mostly in the top quartile when compared to other social housing providers, including local authorities. CBH's costs of service delivery is also low compared to its peers. Therefore, the option to extend the term is a positive response and allows CBH and CBC to plan for the medium term based on the evidenced provision of good services at low cost.
- 3.2 A contract extension will enable CBC and CBH to undertake longer term planning such as setting the Capital Investment Programme (as part of the Asset Management Strategy which is due for review in 2021) and re-setting service delivery targets for a further five years to 2027, with the current targets set out in the Medium Term Delivery Plan expiring in March 2022.

4. Alternative Options

- 4.1 Not to extend the Management Agreement; leaving the current agreement to expire in August 2023 would require the Council to immediately start planning for alternative models such as bringing the operations back "in-house". There is no clear benefit to drafting a new agreement within the next 12 to 18 months or conducting a full options appraisal on alternative service delivery models.
- 4.2 To only agree to an extension period of less than five years; given the strong performance of CBH, and that the current management agreement is operating well, a shorter extension period would not provide stability and opportunity for longer term planning. The Management Agreement also stipulates that a further review will take place 2 years prior to the end of any extension period granted. So, an extension of, say, 3 years would mean that a further review would start after only 1 year of the extended term having elapsed.

5. Background Information

5.1 ALMOs – the National Picture

5.1.1 In Colchester, the Council and CBH have managed their partnership working well and in a manner that differs from a wider national trend. For context, there are currently 31 ALMOs operating in England. In 2009, there were 91. The national trend for a reduction in ALMOs over the last 10 years has been driven by a number of factors. These can be summarised as;

- Service delivery failures
- A desire for the Council to have greater control over managing its housing
- Local Authorities' ambition to build new homes
- To reduce the costs of housing service delivery.

5.1.2 Colchester has not experienced these issues. There have been no serious service failures, and the review has confirmed that CBH has improved both its performance and reduced the costs of service delivery over the first 7 years of the current management agreement (2013-2020). CBH's record on rent collection is particularly impressive when benchmarked regionally and nationally.

5.1.3 The close working relationship between CBH and CBC is evident, with regular and effective liaison at Officer, Councillor and Board governance levels. The review also highlighted how important and co-ordinated CBH's recent role has been in the Council's response to the Coronavirus pandemic. Meanwhile, external auditors have also found substantial evidence of good levels of assurance in all recent audit reports.

5.1.4 The Council's ambition to deliver new homes is actively supported by CBH, working alongside Colchester Amphora Homes, the Council's wholly owned subsidiary housing development company. CBH are involved in many of the Council's projects that combine to deliver 350 new, Council owned, affordable homes by 2024 (and more beyond that).

5.1.5 The drivers that have led to many ALMO's being wound up are not present with CBH. Whilst the review has highlighted some minor areas for improvement, which any organisation will always need to not stand still, it confirmed CBH as an effective organisation and one that remains closely aligned to delivering the Council's wider strategic objectives.

5.2 How has Colchester achieved this? Establishment of CBH and the role of the Management Agreement

5.2.1 The current Management Agreement with CBH dates from 9th August 2013. It was the second Agreement following CBH being established as the Council's ALMO in 2003. The grant of the current, second, 10-year management agreement (2013) followed an extensive options appraisal where alternative solutions were considered for the management of Council housing in the Borough. An ALMO was considered to be the best arrangement.

5.2.2 The 2013 Agreement added the housing options and homelessness services to CBH's responsibilities. In 2014 the agreement was further amended to include corporate facilities management to CBH's responsibilities. There have been other operational changes over the course of the current agreement, principally the Council's ICT housing systems team transferring to CBH in 2018, and part of CBH's customer service team transferring to CBC to become part of the Customer Service Centre. This demonstrates

that the most effective ways of working are continually reviewed and evolve within the framework of the Agreement.

5.3 Service Level Agreements

5.3.1 CBH is provided with services by the Council under a number of service level agreements. These agreements were all reviewed and updated in the last quarter of 2019/20. Services include; grounds maintenance and estate clearances, clearance of items left in properties at the end of a tenancy, customer services including out of hours emergency call handling, legal services, human resources, communications and public relations services, ICT and financial services. CBH, via its funding from the Housing Revenue Account, contributes over £700k per annum to the General Fund for these services.

5.4 Management Agreement Review

5.4.1 The review process was drawn up by the CBC Client Team, in discussion with the Portfolio Holder for Housing and CBH. The final review project plan was also presented to the CBH Board. The review process was then subject to external scrutiny via feedback from the National Federation of ALMOs and the Council's with AMLOs Group.

5.4.2 The service review includes consideration of CBHs governance and a specific look at cross-cutting themes that affected all service areas, including the following themes

- Cost and Value for money
- Performance
- Support of/alignment to the Council's strategic objectives
- Scheme of delegation as set out in the management agreement
- Financial arrangements
- Delivery of CBC/CBH SLAs

5.4.3 The review covered the following service areas

- Housing Management and maintenance
- Asset management and Capital Investment
- Housing Options and Homelessness
- Corporate Facilities Management and Maintenance

5.4.4 Key questions were posed throughout the review process, as follows

- How good has performance been?
- Is value for money being achieved?
- Does the management agreement provide clarity on what service is expected?
- Is there effective governance at CBH?
- Is there effective reporting and liaison between CBH and CBC?
- Is there flexibility to respond to changes in the operating environment?
- Is the balance between CBC and CBH right on contracts and budget responsibility?
- Are delegations in the management agreement appropriate and working well?
- Do current arrangements allow for efficient financial management and budgetary control?
- Does the agreement help to deliver CBC's wider corporate objectives?
- What are the risks and benefits of extending the current 10-year contract term?

5.4.5 In addition to discussions focussed on service areas, separate review meetings were also held concerning financial arrangements and cross-cutting/over-arching themes. A summary of the principle outcomes and actions arising from the review meetings is given as Appendix 1.

5.4.6 Value for money has been demonstrated through independently scrutinised benchmarking data provided by Housemark. The data shows that, over the last 7 years, in most service areas CBH have moved to the top quartile of performance compared to other stock holding Councils. Costs are also mostly below the national average. There is therefore clear evidence of improvement both in performance and cost over the last seven years. A summary of the Housemark data is given as Appendix 2.

5.5 Tenant Engagement

5.5.1 A key part of the review process has been to gain tenants' views on CBH's performance. The Tenant Participation Advisory Service (TPAS), an independent specialist provider of tenant and customer insight services, was engaged to complete this piece of work. Tenants' views were sought via a mix of email surveys, telephone surveys and on-line focus groups (via Zoom). The results were presented to Councillors as part of the workshops held on 22nd and 24th September 2020, and to CBH Board on 23rd September 2020.

5.5.2 The survey specifically targeted some "harder to reach" customers, from groups who had used services recently. The results were generally positive, highlighting good levels of trust in CBH and strong feedback on the quality and value for money of Council homes. The survey also provided feedback on some areas for improvement, principally around communication and customer service (consistency of service in particular) and on delivery of maintenance services, particularly where this is delivered by contractors.

5.5.3 CBH's tenant engagement activity has been highlighted through the review process as a focus for development and improvement. Whilst CBH's record on tenant engagement is by no means poor, it is not one of the aspects of service delivery that has shown a marked improvement over the last seven years but is central to CBHs success in the management of the Council's housing.

5.6 Councillor Engagement

5.6.1 Councillors had the opportunity to input into the review process via 2 workshop events held on 22nd and 24th September 2020, and via an online questionnaire. A summary of the results of the questionnaire are given as Appendix 3.

5.6.2 The workshop events provided an opportunity for Councillors to explore some of the key areas of CBH's work. For example, there was considerable discussion of the part CBH can play in reducing carbon emissions as part of the response to the Council's declaration of a Climate Emergency.

6. **Equality, Diversity and Human Rights implications**

6.1 There are no significant adverse equality, diversity and human rights implications arising from the recommendations of the report. The services provided by CBH are specifically aimed at helping all people enjoy the benefits of a good home and improving the lives of more vulnerable people in our communities.

- 6.2 An equality impact assessment can be found at <https://colch.sharepoint.com/:w:/s/CBCext/CISeExt/Ed9KCVjOmzIKriIHG1Y1dUcBaQVbzKkUZQ4SuY7ifmUpgA>

7. Strategic Plan References

- 7.1 The extension of the management agreement will enable CBH's continued contribution to the Council's Strategic Plan, across each of its 5 themes.

Tackling the Climate Change Challenge and leading Sustainability – CBHs continued contribution to improving the energy efficiency of Council homes, and in Council owned buildings, will play a critical role in addressing this strategic aim.

Delivering homes for people who need them – CBH clearly has a central role both in managing and maintaining the Council's housing but also as a key partner in delivering new affordable housing.

Growing a fair economy so everyone benefits – the CBH Management Agreement ensures commercial contract opportunities are available, and wherever possible contracts are awarded to local companies and provide additional social returns on investment.

Creating safe, active and healthy communities – CBH's resident engagement and community support, together with its pivotal role in Colchester's community safety partnership, make it a key player in delivering this strategic objective.

Celebrating our heritage and culture – CBH will successfully deliver the refurbishment of the Mercury Theatre.

8. Consultation

- 8.1 Tenant and Councillor consultation has been carried out as set out in the main report above.

9. Publicity Considerations

- 9.1 A communications plan will be put in place to ensure that the extension of the CBC/CBH management agreement is covered in the local media and in the national housing media.

10. Financial implications

- 10.1 There are no significant additional financial implications in the extension of the CBH Management Agreement. The current arrangements have been evidenced to provide good value for money without compromising service quality, and therefore an extension will continue to provide that good value for money over a longer period moving forwards.
- 10.2 Any changes to the management fee paid to CBH would be dealt with as part of the relevant years annual budget setting cycle considered by Cabinet.

11. Health, Wellbeing and Community Safety Implications

- 11.1 The extension of CBHs management agreement will enable continued contributions to Colchester's Community Safety Partnership and partnerships with health and social care providers, such as Essex Partnership University NHS Foundation Trust (EPUT) Anglian Community Enterprises (ACE) and the North East Essex Clinical Commissioning Group

12. Health and Safety Implications

- 12.1 CBH have significant responsibilities in ensuring the health and safety of Council tenants and of the public through its management of the Council's housing and its corporate facilities management role. The review of the agreement will build on the strong health and safety compliance culture already embedded in the management agreement and monitored by the Client Team.

13. Risk Management Implications

- 13.1 The CBH management agreement is well established, as are the client and scrutiny arrangements to monitor delivery. Additional controls are also in place through the CBH Board, who themselves have been subject to a recent governance review which has strengthened their effectiveness. An audit on the governance of CBH recently found high levels of reassurance. Given these factors, there is not a high level of risk associated with extending the management agreement.

14. Environmental and Sustainability Implications

- 14.1 CBH continues to have a key role to play in helping to achieve net zero carbon emissions by 2030. The extension of the management agreement will allow for continued planning and joint work with the Council's Client Team and the Climate Change and Sustainability Team to put in place the required investment and policy changes (such as an updated Asset Management Strategy) as well as deliver the potential Climate Change Response Works in the Housing Investment Programme also on this Cabinet Agenda.

Appendices

Appendix 1 – Summary of Outcomes of Management Agreement Review

Appendix 2 – Summary of housing sector benchmarking performance and cost data
(source – Housemark)

Appendix 3 – Results of Councillor On-Line Questionnaire

Summary of Outcomes from Review of CBC/CBH Management Agreement

Financial arrangements

- Reviewing financial sustainability of CBH in the medium term
- Improving efficiency and effectiveness of financial transactions
- Review of budget delegations and contracting arrangements

Resident Engagement

- Improving effectiveness of resident engagement, with specific focus on communications.

Roles and Responsibilities

- Defining CBC, CBH and Colchester Amphora Homes roles for Corporate Facilities Management and CBC development projects
- Defining CBH Contract Administrator role
- Agreeing Health and Safety Compliance reporting arrangements for Corporate Facilities Management

Strategic Priorities

- Review of Asset Management Strategy (including Procurement Strategy)
- Ensuring CBC and CBH take forward joint annual strategic reviews in particular to identify service development and innovation opportunities

Updating the management agreement

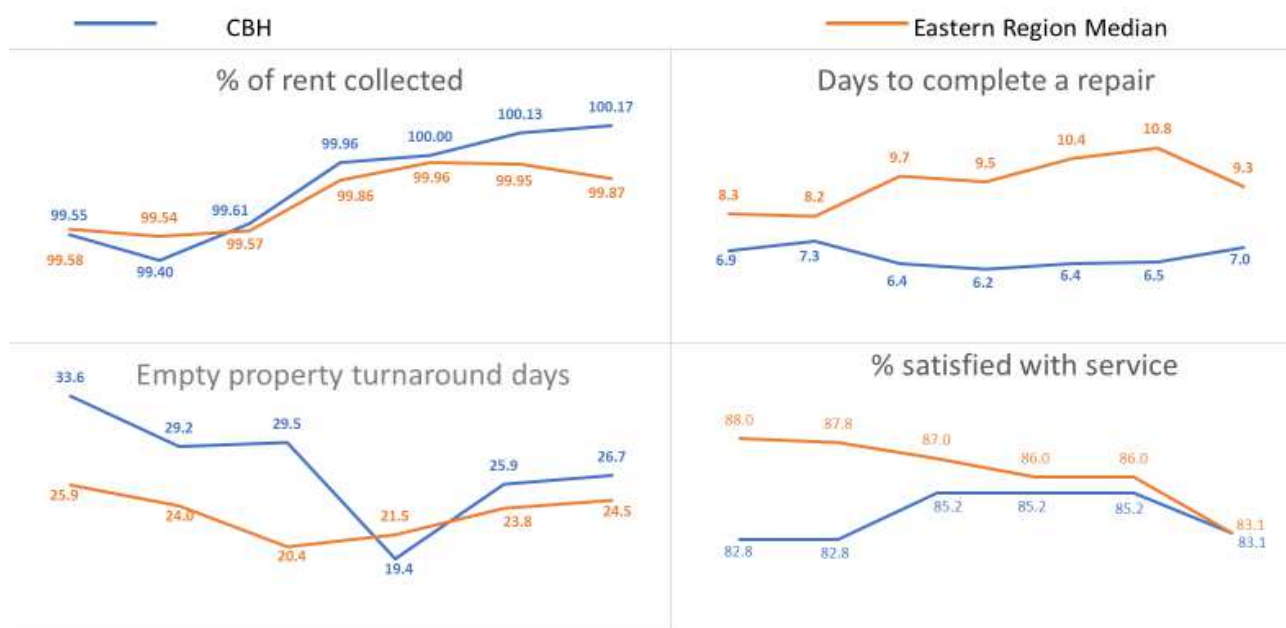
- Incorporating Corporate Facilities Management
- Updating of the schedule of delegations and details in maintenance services section

Performance and Cost Housemark Data

CBH Value for Money versus other ALMO/Local Authorities



Performance 2012/13 – 2018/19

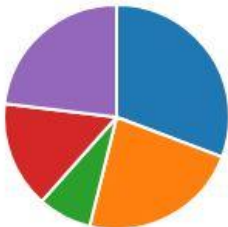


Results of Councillor On-Line Survey

1. Which of the following service areas should CBH be focussing on as needing the biggest improvement?

[More Details](#)

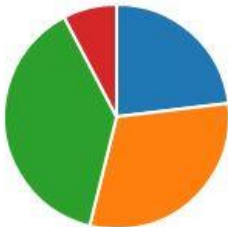
| | |
|----------------------------------|---|
| Managing anti-social behaviour | 4 |
| Repairs and maintenance | 3 |
| Older persons housing | 1 |
| Estates - cleaning/grounds ma... | 2 |
| Letting Homes | 3 |



2. Which of the following service areas do you think CBH excels at?

[More Details](#)

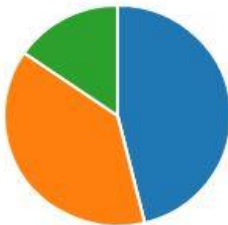
| | |
|---------------------------------|---|
| Managing anti-social behaviour | 3 |
| Repairs and maintenance | 4 |
| Older persons housing | 5 |
| Estates - grounds maintenanc... | 1 |
| Letting homes | 0 |



3. How well do CBH respond to your enquiries as a ward Councillor?

[More Details](#)

| | |
|-------------------------------|---|
| Great - really responsive | 6 |
| Usually good but inconsistent | 5 |
| Generally poor | 2 |



1. Here are some of the issues and challenges facing CBC and CBH - please rank by priority

[More Details](#)

High Medium Low

