

## EXECUTIVE BOARD – 19 MARCH 2019

<b>Subject:</b>	Approval of Terms for a New Partnership Agreement Between the Council and Nottingham City Homes
<b>Corporate Director(s)/Director(s):</b>	Chris Henning, Corporate Director for Development and Growth
<b>Portfolio Holder(s):</b>	Councillor Linda Woodings, Portfolio Holder for Housing and Planning
<b>Report author and contact details:</b>	Graham de Max, Housing Strategy and Partnership Manager, Tel: 0115 8763538 <a href="mailto:graham.demax@nottinghamcity.gov.uk">graham.demax@nottinghamcity.gov.uk</a>
<b>Subject to call-in:</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Key Decision:</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Criteria for Key Decision:</b>	
(a) <input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision	
<b>and/or</b>	
(b) Significant impact on communities living or working in two or more wards in the City <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Type of expenditure:</b> <input type="checkbox"/> Revenue <input type="checkbox"/> Capital	
<b>Total value of the decision:</b> Nil	
<b>Wards affected:</b> All	
<b>Date of consultation with Portfolio Holder(s):</b> February 4 <sup>th</sup> 2019	
<b>Relevant Council Plan Key Theme:</b>	
Strategic Regeneration and Development	<input type="checkbox"/>
Schools	<input type="checkbox"/>
Planning and Housing	<input checked="" type="checkbox"/>
Community Services	<input type="checkbox"/>
Energy, Sustainability and Customer	<input type="checkbox"/>
Jobs, Growth and Transport	<input type="checkbox"/>
Adults, Health and Community Sector	<input type="checkbox"/>
Children, Early Intervention and Early Years	<input type="checkbox"/>
Leisure and Culture	<input type="checkbox"/>
Resources and Neighbourhood Regeneration	<input type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>	
<p>The current Partnership Agreement between the Council and Nottingham City Homes (NCH) was signed in 2011, and as a ten year agreement, will expire in 2021. The agreement is however outdated and does not reflect the way in which the relationship between the Council and NCH has evolved over the past eight years, nor does it take into account the increased range of activities which NCH now carries out on behalf of the Council. Therefore officers from the Council and NCH have been working on a new agreement in order to update its terms and to also bring greater certainty to the future delivery of services to tenants.</p> <p>Draft Heads of Terms for a new agreement have been agreed between the Council and NCH, and it is proposed that these form the basis for a formal agreement, for which delegated authority is requested for the Portfolio Holder for Housing and Planning to sign.</p> <p>The new agreement is intended to put tenants fully at the heart of services. The proposed terms have a greater emphasis on accountability to tenants, which very much reflects the ethos of the Social Housing Green Paper which the Government published last year.</p>	
<b>Exempt information:</b> None	

<b>Recommendation(s):</b>	
<b>1</b>	To agree the proposed heads of terms for a new partnership agreement as set out in appendix 1
<b>2</b>	To delegate authority to the Portfolio Holder for Housing and Planning to sign a new agreement based on these terms.
<b>3</b>	To develop a number of service level agreements setting out expectations for the delivery of the services by the Council which support Nottingham City Homes in their work.
<b>4</b>	To develop further Service Level Agreements for those tenant-facing services carried out by the Council in and around housing estates, giving tenants greater transparency and understanding of the services for which they pay their rent.

## **1 REASONS FOR RECOMMENDATIONS**

- 1.1 The existing agreement is no longer fit for purpose and requires updating to provide officers with greater clarity about responsibilities and expectations
- 1.2 NCH now delivers a greater range of services via the main company and its subsidiaries, and this is not reflected in the current agreement
- 1.3 Rather than wait for the current agreement to expire in two years' time it is appropriate to bring some certainty about future arrangements now.
- 1.4 The Council delivers a number of services to NCH to support it in the delivery of its operations – for example, ICT, human resources, marketing and communications etc. The expectations around delivery of these services should be part of this agreement, therefore it is necessary to ensure that robust service level agreements underpin the NCC-NCH main agreement.
- 1.5 In addition to the services provided direct to NCH, there are a number of tenant-facing services such as grounds maintenance, tree services, lighting etc on council-owned housing estates and land held within the housing revenue account (HRA). Transferring the oversight of these to NCH will promote a more joined-up 'one Council' approach to dealing with issues which are often the subject of complaints from tenants to councillors. These services also require SLAs to give the necessary clarity of responsibility and accountability.

## **2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

- 2.1 Nottingham City Homes has been managing the Council's housing stock since 2005. This followed a ballot of tenants which had resulted in support for an Arms' Length Management Organisation as the best way to deliver the modernisation of homes via the Decent Homes Programme and the future management of their homes.
- 2.2 The initial management agreement between the Council and NCH, setting out the terms for the delivery of services and related provisions to support the relationship was renewed in 2011 for a ten-year term. This document marked a significant departure from the previous agreement as it framed the relationship more in terms of a partnership rather than one of client and contractor. This reflected the maturity

of NCH as an organisation and the significant improvement which had been seen in its performance.

- 2.3 One of the key elements of the 2011 agreement was to enable the repairs and maintenance function (previously tendered on a competitive basis) to be absorbed into the main agreement. Following an independent value for money review of the repairs service being delivered by NCH, this was achieved in 2014. This again marked the continued evolution of NCH as a high quality provider of housing management and maintenance services.
- 2.4 The 2011 agreement also allowed for the expansion of NCH into new areas of work, particularly the delivery of new Council homes. In order to support a much wider range of activities, including market-rented housing and the building of homes in its own right, two subsidiaries of NCH are now in place – NCH Enterprise and NCH Registered Provider.
- 2.5 Overall there has been a significant growth in NCH as an organisation which needs to be reflected in the agreement between it and the Council. Additionally, some of the functions retained by the Council in 2005, such as management and maintenance of non-residential HRA assets sit far better with NCH which has an on the ground presence to deal with issues and can better deliver a one-stop solution to problems when they arise. The new agreement makes provision for this.
- 2.6 NCH continues to deliver high performing services with which there are high levels of customer satisfaction. Tenant satisfaction is regularly and independently measured and has shown a significant increase since the Council established NCH:

	2005	2018
Overall tenant satisfaction with services provided by NCH	61%	90%
Tenant satisfaction with the repairs and maintenance service	54%	88%

The quality of NCH's services and Value for Money are independently benchmarked. The latest annual Housemark benchmarking (2018) shows NCH is a top quartile performing housing organisation providing services at lowest quartile costs. In 2018, NCH was named Landlord of the Year at the prestigious UK Housing Awards.

- 2.7 Following the Grenfell Tower Tragedy there has been a huge amount of debate and reflection about social housing and, in particular, about the way social tenants are listened to and treated by their landlords. The new partnership agreement aims to put tenants at the very heart of services, bringing greater accountability and transparency for tenants.
- 2.8 To support greater levels of accountability of tenant-facing services delivered by the Council the new terms propose that NCH takes on the monitoring and quality assurance of these services. This is currently the responsibility of the Council's Housing Strategy and Partnerships Team. Moving this to NCH will bring far more 'on the ground' ability to ensure that tenants are receiving a good quality service, and that any problems are more seamlessly and promptly resolved.
- 2.9 It will be necessary to determine the practical details of NCH's client responsibilities and which remain with the Council.

- 2.10 Officers from NCH and NCC have worked together to develop heads of terms for a new agreement (appendix1). These terms reflect the objectives sought from the new agreement as described above. The proposed term of thirty years is a significant change from the last agreement; this length of agreement (with the necessary break clauses and arrangements for termination) is being seen in a number of ALMO contract renewals nationally. It brings certainty and aligns with the 30 year HRA business planning model which supports the management and maintenance of the council housing stock.
- 2.11 Guidance (2006) from the (then) Department of Communities and Local Government suggested that although not statutorily required, it is good practice to consult with tenants when an extension or renewal of an ALMO agreement is being considered. NCH has therefore carried out a limited consultation exercise which has revealed strong support for the renewal of the agreement and the increased accountability it brings. A report on the survey which was carried out is shown at appendix 2. A letter received from NCH Board tenant members, which again is supportive of the proposals, is also appended to this report.
- 2.12 Should Executive Board give its approval to the heads of terms they will be used to draft a formal, legally compliant agreement to be signed off by the Portfolio Holder for Planning and Housing.

### **3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 3.1 To allow the current agreement to expire in 2021: rejected as this would lead to uncertainty; furthermore there would continue to be in place an agreement which does not properly reflect the current situation.

### **4 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)**

- 4.1 The council pays NCH for their services as Managing Agent of the Council's housing stock, as detailed in the scope of the Heads of Terms of the Partnering Agreement. The fee is paid from the Housing Revenue Account (HRA) and covers management of the council housing stock, repairs & maintenance of the stock and management of the Capital Programme. Each element of the fee is determined annually as part of the Council's budget setting process. SLA costs are also determined as part of the budget setting process.
- 4.2 Where changes to the Partnering Agreement have financial implications (eg transfer of responsibility for HRA assets that are not housing), then the Fee may need to be adjusted to accommodate this. Changes to the Management Fee will be subject to the necessary approvals within the Council. Any such changes should usually be cost neutral to the council, the HRA, NCH and subsidiaries, and efficiencies shall be sought wherever possible.
- 4.3 Where the Council makes loans to NCH for housing development or other projects, the Council will need to undertake due diligence to ensure compliance with the Council's latest Capital & Investment Strategy and seek relevant internal approvals before loans can be issued. This should be considered in the context of the Council's financial position and overall level of debt.
- 4.4 The focus on tenant accountability and transparency for the services provided by the Council might result in changes to the way these services are

delivered. Where changes of services take place the financial implications for all parties needs to be considered and the impact on the Council's Medium Term Financial Plan.

- 4.5 The use of surpluses generated by NCH will be considered as part of the annual budget setting process.

Julie Dorrington – Senior Accountant (HRA) 28 February 2019

## **5 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)**

- 5.1 This report seeks authority to renegotiate the partnership agreement with NCH. It is understood that the existing agreement is to be replaced with a new agreement which will be a higher level partnering agreement with the substance of individual service elements set out and managed through service level agreements ('SLAs'). The City Council has a statutory duty to ensure it obtains Best Value when contracting for services – that includes a requirement to secure continuous improvement in the services it receives. The SLAs should incorporate provisions such as benchmarking and market testing for the services to ensure the City Council can meet its Best Value duty. In addition while NCH is wholly owned by the City Council, the SLAs need to provide the City Council with remedies if NCH fails to deliver the services. Consideration should be given to whether those remedies should include financial credits for failing to meet specific performance levels and termination for persistent or material failure to meet the terms of the SLA.
- 5.2 When awarding contracts for supplies, works and services the City Council must comply with the Public Contracts Regulations 2015 ('the Regulations'). NCH benefits from the 'Teckal' exemption set out in the Regulations which enables the City Council to award contracts to NCH without having to undertake a competitive tender process. The existing partnership agreement is one of the key documents which enables NCH to meet the criteria for the Teckal exemption. Any renegotiation of the partnership agreement needs to take account of the requirement for NCH to continue to meet the criteria for the Teckal exemption.
- 5.3 It is possible that the changes to the management agreement will require the City Council to give notice to or seek consent from the Secretary of State in accordance with s.27 Housing Act 1985. While this issue needs to be considered further with the report author time for this requirement should be built into the programme to deliver the new agreement.
- 5.4 It is understood that NCH is currently reviewing its governance arrangements. If it wishes to make changes to its Memorandum and Articles of Association (its constitutional documents) it will require the consent of NCC in its capacity as the sole member of NCH. Any such proposals should be considered in conjunction with the proposed changes to the partnership agreement (in particular in respect to NCH's Teckal exemption).

Andrew James, Team Leader (Commercial, Employment and Education)  
26 February 2019

**6 STRATEGIC ASSETS & PROPERTY COLLEAGUE COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)**

- 6.1 The Council's Corporate Asset Management Plan summarises how the Council intends to deploy and manage its land and property assets to support Citizens by providing services and facilities and places to live, work and do business. The proposed new Partnership Agreement reflects key themes contained in the CAMP that includes ensuring that the Council's property portfolios are suitable, sufficient and sustainable but also compliant and maintained with appropriate Service Level Agreements in place where partners on behalf of the Council manage assets.
- 6.2 The CAMP also sets out a number of wider strategic priorities of the Council that includes the creation of new homes within the City facilitated through the release of surplus land and partnership working confirmed in the proposed agreement.
- 6.3 The proposal also supports an ambition for collaboration in respect to corporate asset management planning specially Work Place planning and opportunities that arise from the One Public Estate Programme.

Tanya Najuk, Head of Strategic Asset Management 27 February 2019

**7 SOCIAL VALUE CONSIDERATIONS**

- 7.1 None

**8 REGARD TO THE NHS CONSTITUTION**

- 8.1 None

**9 EQUALITY IMPACT ASSESSMENT (EIA)**

- 9.1 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because entering into this agreement will not result in any significant changes to the way in which services are currently delivered from a customer perspective. The new agreement represents a continuation of the present arrangements updated to reflect new circumstances.

Yes



Attached as Appendix x, and due regard will be given to any implications identified in it.

**10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)**

- 10.1 None

**11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT**

- 11.1 'Updated Guidance for Councils Considering the Future of their ALMO Housing Management Services', DCLG, June 2006