




Report to:	Housing Economy and Business Committee	Date:	23 January 2018
Report title:	Review of the Housing Management Service		
Report from:	Mary Morrissey - Strategic Director of Environment, Housing and Regeneration		
Ward/Areas affected:	Borough Wide		
Chair of Committee/Lead Member:	Councillor Jayne McCoy		
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Corporate Plan Priorities:	<ul style="list-style-type: none"> • An Open Council • A Green Council • A Fair Council • A Smart Council 		
Open/Exempt:	Open		
Signed:		Date:	12 January 2018

1. Summary

- 1.1 This report provides an update on the commissioning review of the Council's housing management service, provided by Sutton Housing Partnership (SHP). It includes:
- a 'prospectus' of SHP's new operating model and corresponding financial plan
 - a proposal for changes to the governance of SHP
 - detail of the strengthened performance management and clienting arrangements to be adopted.

2. Recommendations

The Housing, Economy and Business Committee is recommended to:

- 2.1 Note the structural and operational changes to Sutton Housing Partnership (and accompanying financial plan) as detailed in the 'SHP Prospectus' at Appendix A.
- 2.2 Agree that formal co-opted roles for Sutton Federation of Tenant and Resident Associations (SFTRA) and Sutton Leaseholders' Association (SLA) should be introduced to the SHP Board,

with any further changes to Board membership held under review and subject to the approval of HEB Committee.

- 2.3 Note and endorse the strengthened clienting and performance management arrangements to be adopted, as set out in sections 4.8 - 4.11.
- 2.4 Agree that the management agreement between the Council and SHP should be updated no later than April 2019. It should be noted that the expiry date of the current agreement is 31 March 2021. The updated version should reflect emerging best practice, particularly in relation to resident involvement (see paragraph 4.12). Changes to the management agreement may be subject to the agreement of the Homes and Communities Agency (HCA).

3. Background

- 3.1 Sutton Council's Housing Management Service is provided by its arms-length management organisation or 'ALMO', Sutton Housing Partnership (SHP), which was set up in 2005.
- 3.2 In 2016, it was agreed that a review of the housing management service should be undertaken. This was in response to:
 - the financial position of the Housing Revenue Account (HRA)
 - changes in national housing policy since SHP was originally set up
 - the Council's commitment to periodically review services and reflect on fitness for purpose, in line with our corporate approach to commissioning
 - the need to align SHP with the strategic priorities of the Council
- 3.3 The review focused on reducing costs, creating a long term sustainable delivery model and maintaining tenant satisfaction and applied the Council's corporate commissioning framework (Analyse, Plan, Do, Review).
- 3.4 The Analyse stage of the review took place between June and December 2016 and involved: an evaluation of the existing service; an assessment of the current and future needs of service users; benchmarking visits; stakeholder engagement and discussions with Royal Borough of Kingston's housing management service as a potential partner. This work resulted in the decision by the HEB Committee in December 2016 to shortlist three options for the future delivery of the service, to be analysed in detail through the Plan stage. The shortlisted options were:
 - Re-modelling SHP
 - Bringing the service back in-house
 - Setting up a shared service with Royal Borough of Kingston-upon-Thames
- 3.5 The Plan stage took place between December 2016 and June 2017. The key activities were:
 - **Independent analysis:** An independent and detailed analysis of the three shortlisted options by consultants from Just Housing Group.



- **A communications and engagement campaign:** This was designed to inform and engage with the full range of identified stakeholders and resulted in a separate engagement report which informed the final recommendation.

- 3.6 A report was taken to HEB Committee in June 2017 with the recommendation to retain and remodel SHP. While the precise details of the remodelled service were yet to be determined, it was suggested that it would include re-positioning some back office functions, reviewing the senior leadership structure and safeguarding frontline services as far as possible.
- 3.7 The required savings for delivering a new operating model were estimated at £663k pa. In addition, savings of £254k were associated with reviewing some support functions - ICT, HR and Finance.
- 3.8 On 13 June 2017, HEB Committee agreed the recommendation to retain and remodel SHP and agreed that a further report, containing detail on the remodelled service, would be brought back to the Committee.
- 3.9 Although it was agreed not to pursue a formal shared service with Royal Borough of Kingston-upon-Thames, opportunities for collaboration remain under review.

4. Issues

SHP 'Prospectus' and new operating model:

- 4.1 A new interim Chief Executive for SHP was appointed in November 2016 and two previous directors have left. The strategic direction of SHP has been reviewed as detailed in the SHP Prospectus attached at Appendix A. In summary, SHP is committing to:
- Providing a resident-centred service, where resources are focused on “effective and accountable landlord services”
 - Working more in partnership with residents, clearly defining obligations and expectations through the ‘SHP New Deal’
 - Becoming more aligned with the Council
 - Reducing management overhead and transaction costs so that money can be directed to resident-facing services
 - Modernising service delivery (e.g. through resident engagement at local hubs, enhanced digital access and self-service)
 - Adopting a more commercial approach to service delivery
 - Creating the conditions for new housing supply
- 4.2 In order to achieve the savings required, SHP are in the process of delivering a new organisational structure. The overall saving from SHP’s restructured establishment (including support services) is projected at £741k annually by 2020/21. This includes the re-shaped net

costs for support services, some of which will now be delivered by the Council. In addition to the remodelling savings, further savings linked to the repairs and maintenance service, temporary accommodation management and other efficiencies will total £1.6m by 2020/21 as per the agreed HRA Business Plan.

- 4.3 The most significant change to SHP's operating model is the move to an integrated housing management model. This involves bringing staff together into place-based teams, with each team delivering estate management, income, tenancy management and sustainment services - rather than these services being delivered by distinct and separate teams. As set out in the SHP Prospectus, the rationale for including income collection as part of this new 'generic' function is to ensure that conversations about rent collection are addressed in the wider context of tenancy sustainment. Advantages of this approach include building trust and confidence between tenants and housing managers, and ensuring that issues with rent collection are identified and addressed as early as possible.
- 4.4 The Prospectus details the new operating model, supported by:
- The new organisational structure - Appendix 1 of the Prospectus
 - Savings breakdown and timetable - Appendices 2 and 3 of the Prospectus
 - The arrangements for support services to be provided by the Council.
- 4.5 The proposals detailed in the SHP Prospectus have been informed by consultation and engagement with tenants and leaseholders, including a detailed consultation undertaken by Cobweb Consulting in 2015 - which informed SHP's Five Year Plan at that stage - and further engagement as part of the options appraisal for the commissioning review.
- 4.6 The proposed organisational structure is subject to consultation with SHP staff, with consultation due to take place on a phased basis throughout 2018. (A timetable for the proposed changes is at Appendix 3 of the Prospectus).
- 4.7 It should also be noted that the transfer of back office functions to the Council could result in TUPE applying. At present, there are no confirmed TUPE obligations; however, negotiations are ongoing and this position may change. Any TUPE obligations would be dealt with in line with the Council's existing policies and procedures.

Performance management and clienting:

- 4.8 While both the Council and SHP recognise the value of maintaining an open and collaborative relationship, this review has sought to ensure that there are sufficient mechanisms for the Council to hold SHP to account (and likewise for SHP to hold the Council to account for the provision of relevant back office functions).
- 4.9 Officers from the Council and SHP are working towards strengthening the performance management and clienting arrangements, to ensure both closer alignment between SHP and the Council and that lines of accountability are clear (including in relation to third party

contracting). The new, strengthened approach to performance management and clienting of SHP will include the following:

- 4.9.1 The Chief Executive of SHP now regularly attends the Environment, Housing and Regeneration Directorate Management Team meetings.
- 4.9.2 SHP will continue to produce an Annual Delivery Plan for agreement by the HEB Committee prior to the beginning of each financial year. The Annual Delivery Plan will include a statement of SHP's purpose, mission, priorities and values and an overview of service delivery during the previous year. As a minimum, the following elements will be appended to or included within the Annual Delivery Plan:
- Performance Plan: This will comprise a suite of performance indicators (PIs) set by the Council in consultation with SHP. The PI suite will broadly cover the range of functions within housing management and will remain in place for a five year period. In addition to the suite of PIs, SHP shall provide more detailed reports, either annually or six-monthly, on a range of housing management functions.
 - Service Improvement Plan: The service improvement plan (SIP) will set out SHP's proposals for improving service delivery during the coming year (in a 'SMART' format, with specific, measurable and achievable actions, target dates and lead officer names). The aim of this plan will be to address any areas of previously identified underperformance.
 - Finance Plan: The finance plan will comprise a summary of the approved Housing Revenue Account (HRA) estimates for the forthcoming year and a breakdown of the SHP management fee by key expenditure area. This will include any additional sources of SHP income projected for the following year. The finance plan will also set out a summary of the approved HRA capital programme, showing key areas of expenditure and sources of income.
 - Service Standards: The current suite of service standards, covering customer facing and other aspects of the housing management service, is appended to the Delivery Plan (the subject of a separate report on the agenda). This will be published on SHP's website and will be periodically reviewed jointly by SHP and the Council. SHP's performance will be monitored against these service standards, and any change, deletion or addition will be approved by the HEB Committee as part of their review of the Annual Delivery Plan.
 - The Annual Delivery Plan will also include an assessment of challenges ahead and how these will be met, and a risk register identifying all key risks to the organisation and service delivery together with mitigative measures to be taken.
- 4.9.3 SHP will undertake benchmarking of its service delivery against other housing management organisations, either via HouseMark or using other appropriate sources of

data. This shall include illustrations of SHP's performance on all measurable areas, in terms of the quartile it sits within.

- 4.9.4 SHP will provide, within nine months of the end of the previous financial year, a value for money (VFM) statement in relation to performance during the previous year. The format and content of the statement will be agreed in advance with the Council and will, as a minimum, include benchmarking data on the cost and performance of the service broken down by its various functional elements, and measures to be taken to improve VFM where benchmarking or other intelligence suggests that this is needed.

4.10 The Council's oversight of SHP's performance will be conducted via a combination of:

- Strategy and Resources Committee approval of HRA estimates and the annual HRA capital programme, which will determine the SHP management fee for the following year and also the amount of funding available for major works and other capital projects.
- HEB Committee review of and agreement to the Annual Delivery Plan, rent levels and the HRA Business Plan.
- Monthly Performance and Partnership Group (PPG) meetings comprising the Chief Executive and other senior officers of SHP, and the Council's Assistant Director of Housing, Planning and Regeneration and senior client and finance officers. On a quarterly basis, the Chair of SFTRA will also be invited to attend these meetings.
- Attendance of Council client officers at SHP's Board of Management and Performance Committee: under SHP's constitution, the SHP Board of Management has final decision making powers and is ultimately responsible for overseeing the performance of the organisation, while the Performance Committee has delegated powers to scrutinise performance in detail and is constituted to allow for resident involvement in the process.
- Day to day client liaison between SHP and client officers from the Environment, Housing and Regeneration Directorate. Council client staff will also be invited to attend relevant officer level groups overseeing certain aspects of service delivery and performance, including one for asset management and another for overseeing the responsive repairs service.

SHP client management of third party providers:

- 4.11 SHP has a number of contracts in place with other organisations to deliver elements of the service – e.g. responsive repairs, grounds maintenance etc. It also receives, or will in due course receive, a number of 'back office' or support services from the Council (either directly or via the Council's existing shared service and / or outsourced arrangements). SHP will establish and maintain appropriate clienting and performance management mechanisms with all such providers, specifically including the following:



- 4.11.1 SHP shall comply with the obligations imposed on it by the Public Contracts Regulations 2015, Directive 2014/24/EU on public procurement and any other requirement imposed on it in relation to procurement and competition Law.
- 4.11.2 SHP shall operate under Procurement Rules that shall be equivalent to the Contract Standing Orders operated by the Council as stated in its constitution. The Procurement Rules shall be subject to review by the Council.
- 4.11.3 When procuring contractors on the Council's behalf as its agent, for example to deliver capital projects including major works, the method for doing so shall be subject to the agreement of the relevant Council committee.
- 4.11.4 SHP shall be responsible for the acts, defaults or neglect of any sub-contractors, its employees or agents in all respects. In managing its contracts SHP shall comply with all reasonable requirements of the Council, monitor and review the performance of its contractors, take all proper steps to enforce its contracts and supply any information or documents to the Council at its request. The requirements of the Council could include the provision of a remedial plan within 28 days in cases where the Council deems a contractor's performance to be failing significantly, as measured by key performance indicators, including resident satisfaction.
- 4.11.5 SHP shall also liaise with the Council in respect of any contract renewal or re-letting and notify it promptly of any notice(s) served or received.
- 4.11.6 SHP shall be required to keep a contracts register which shall be available for inspection by the Council at all times. The contracts register shall at all times state the following as a minimum: contracts it enters into and the contracting parties, expected and actual expenditure, service goods or works provided (including where SHP provides any services).

Management agreement:

- 4.12 The existing management agreement between the Council and SHP provides the Council with a range of powers. As per recommendation 2.4, it is proposed that the management agreement is updated by April 2019 at the latest to ensure that it reflects any emerging best practice - particularly in relation to resident involvement. The existing management agreement expires on 31st March 2021.

SHP Board composition:

- 4.13 The report to HEB Committee in June 2017 recommended that a review should be undertaken of SHP's governance, due to the desire to increase resident involvement and facilitate closer alignment between SHP and the Council.

- 4.14 The structure of the SHP Board is currently 12 members - four Council nominees, four independents and four residents (all of whom are company directors). The four resident positions are currently vacant.
- 4.15 In line with best practice, SHP are currently investigating options for reducing the size of the Board and increasing flexibility to appoint based on skills and experience, including introducing formal co-opted roles on the Board for Sutton Federation of Tenant and Resident Association (SFTRA) and Sutton Leaseholders' Association (SLA).
- 4.16 It is important that all options for Board membership are investigated thoroughly with full consideration of their implications, particularly in terms of ensuring that residents can influence decision making and escalate issues, whilst retaining the independence required to effectively hold the organisation to account.
- 4.17 It is vital that landlords and their agents are accountable to residents for fire safety and other essential health and safety measures, ensuring that residents' concerns are heard and acted upon. It is therefore important that the SHP Board retains the flexibility for the resident role to be reviewed and adapted to reflect best practice.
- 4.18 In light of the above, it is proposed that co-opted roles for SFTRA and SLA should be introduced, but that any changes to the the full resident Board member roles should be subject to further review. Any changes to the SHP Board in future will be subject to approval by the HEB Committee and it may also be necessary to obtain HCA approval to any changes.

5. Options considered

- 5.1. Three options were considered for the future delivery of the housing management service:
1. Re-modelling SHP
 2. Bringing the service back in house
 3. Setting up a shared service with the RB Kingston-upon-Thames
- 5.2. Detail on the options and the rationale for the decision to retain and remodel SHP is contained in the 'Review of the Housing Management Service' report to HEB Committee of 13 June 2017, the associated appendices, and the minutes of that meeting.

Key risks:

- 5.3. A full risk register was created at the beginning of this project and has been maintained by the Project Manager and regularly reviewed by the Project Board. The key risks which HEB Committee should be aware of at this stage are:
- 5.3.1. Income: As part of SHP's new operating model, income collection will be moving from a separate income team into the generic Neighbourhood Manager role. The rationale for this is to ensure that resident experience is viewed 'in the round' and issues with rent payments are seen within the wider context of tenancy sustainment. The risk is that this change could lead to a reduction in income collection performance, which would



negatively impact the HRA. Meetings have taken place between senior Finance representatives at the Council (including the s151 Officer) to give assurance that the changes SHP are proposing will not adversely impact income collection. This risk will be monitored through performance meetings with SHP.

- 5.3.2. Support services: Some of SHP's proposed savings are reliant on the successful agreement of support service arrangements with the Council as set out in the SHP Prospectus at Appendix A. The principal aim of these arrangements is to achieve economies of scale; support service arrangements should contribute to savings in SHP's 'back office' while avoiding a negative financial impact on the Council, ultimately ensuring that all resources are being used for the overall benefit of residents. These discussions are still in progress, so there is still a risk that SHP may not achieve all of the savings they are projecting. To mitigate this, senior Council Finance officers have completed a full review of SHP's savings plan to give assurance that the savings are realistic, and the relevant support service heads are completing due diligence to ensure that there are no unintended negative impacts on the Council (for example in relation to TUPE liability). This risk will be monitored through performance meetings with SHP.
- 5.3.3. Repairs and Asset Management: SHP's financial plan includes savings to be delivered via changes in the repairs and maintenance (R&M) service and better management of void properties. These changes have been implemented in the current financial year and are generating the desired service and financial benefits, but, due to the scale of the savings to be delivered, there is a risk that the full saving will not be delivered which would have a negative impact on the HRA balance and business plan. This area will be closely monitored via regular performance meetings with SHP.
- 5.3.4. Communications: Due to the local elections, a period of purdah is due to begin in March 2018. To mitigate the potential risk of the Council being restricted in what it can say during purdah, the Council's communications team will review SHP's implementation plan in the context of purdah and prepare any communications necessary.

6. Impacts and Implications

Financial:

- 6.1 The Analyse and Plan stages of the Housing Management review (June 2016 - June 2017) identified the need to find savings of £663k per annum from creating a new operational model for the housing management service. The approved option of a remodelled SHP was forecasting to achieve savings of £759k per annum from creating a new operational model and at least £248k from specific savings in HR, ICT and Finance.
- 6.2 Following HEB Committee's agreement to retain and remodel SHP, officers in SHP have been working through the detail of what a remodelled service looks like and have identified the savings that can be made. The full savings plan for the remodelled SHP is set out at Appendix 2 of the SHP Prospectus. As detailed in paragraph 4.2, the savings for SHP's restructured establishment are now projected at £741k per annum by 2020/21. In addition to the remodelling savings, further savings linked to the repairs and maintenance service, temporary

accommodations management and other efficiencies will total £1.6m by 2020/21. These savings should be seen in the context of the wider savings to the Housing Revenue Account as per the HRA Business Plan agreed by HEB Committee in September 2017.

- 6.3 The savings identified ensure a small surplus above the minimum HRA working balance required is achieved each year.
- 6.4 The key risks in relation to Finance are regarding income collection and savings from support services and repairs and are included in the overall risk assessment process.
- 6.5 The above changes form part of the financial plan for the HRA which is subject to approval by the Strategy and Resources Committee as part of the Council's annual budget setting process.

Legal

- 6.6 This report notes the new operating model to be put in place at SHP and the prospectus that states a proposed strategic direction for SHP. These amount to internal management arrangements of SHP outside of the existing Management Agreement referred to at 4.12. It notes the need for HCA consultation in relation to proposed changes to the board of SHP and proposed amendment to the management agreement.
- 6.7 SHP has ongoing obligations to ensure that it procures its services in such a way that meets the obligations of the Public Contracts Regulations 2015 (PCR). Contracts between the Council and SHP appear to remain within the requirements of regulations 12 of the PCR (known as the Teckal Exemption) and as such the Council and SHP can enter into agreements without the need to carry out individual procurement exercises. It is noted that the report states that compliance with PCR will be monitored and shall continue.
- 6.8 If back office functions are transferred from SHP to the Council or to a third party, there would be very likely be a transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"). Under TUPE each employer with staff affected by the transfer has a duty to inform the staff representatives (either recognised trade unions or properly elected employee representatives) of the affected staff. Both SHP and the Council may have affected staff and as such investigations will need to be made as to whether TUPE will apply and if it does the normal obligations, due diligence and consultations would need to be carried out.

Sustainability:

- 6.9 The Housing Management service has a significant environmental impact and contributes towards the delivery of the borough's Sustainability Strategy - One Planet Sutton. In the June 2017 report to the HEB committee it was confirmed that that new housing management service agreement would need to comply with the Council's environmental strategy, policies and procedures, including any targets which the service contributes towards.



- 6.10 Sutton Housing Partnership does not have an Environmental Management System. Instead it has an Environmental Strategy and Action Plan which is used to fulfil the Environmental Improvement Plan requirement. This is reviewed with the Council's sustainability team no less than every 12 months.
- 6.11 The Council is currently undergoing a review of the borough's Sustainability Strategy. It has been agreed with the SHP management team that the new strategy should encompass SHP objectives, removing the need for a stand alone SHP sustainability strategy. To ensure implementation of SHP objectives and targets, SHP will be required to develop an action/delivery plan. This will be monitored every 6 months with the Council's sustainability team. It will include requirements for annual reporting and incremental improvements.

Equality Impact Assessment

- 6.12 See Appendix B

7. Appendices and Background Documents

Appendix letter	Title
A	SHP Prospectus (including organisational structure and savings plan)
B	Equality Impact Assessment

Background documents
None

Audit Trail		
Version	Final	Date: 12 January 2018
Consultation with other officers		
Finance	Yes	Neilesh Kakad
Legal	Yes	Jonathan Miller
Other Officers:	Yes	Katrina Lloyd (Senior Sustainability Officer)
Equality Impact Assessment required?	Yes	See Appendix B

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