

This Briefing Note will be made public on 8 July 2019

Report Number **OS/19/02**

To: Overview and Scrutiny Committee
Date: 16 July 2019
Responsible Officer: Adrian Hammond, Housing Strategy Manager
Cabinet Member: David Godfrey, Cabinet Member for Housing, Transport and Special Projects

SUBJECT: EAST KENT HOUSING – CONTEXT

1. Background

- 1.1 First established in 2002, Arms Length Management Organisations (ALMOs) can be set up to manage council homes on behalf of local authorities.
- 1.2 ALMOs are usually companies limited by guarantee without share capital and with a council as its sole member. The Board comprises council nominees, tenants and independent members.
- 1.3 Ownership of the housing stock remains with the council which is also the legal landlord. Tenants' rights and responsibilities are unchanged as they remain tenants and leaseholders of the council.
- 1.4 The ALMO manages and maintains the council's housing stock under the terms of a Management Agreement with the Local Authority. The council pays the ALMO a management fee for carrying out these services on its behalf. This is funded from the council's Housing Revenue Account (HRA). Any monies held by the ALMO must be applied solely towards the promotion of its objects as set out in its Articles of Association.
- 1.5 ALMOs also have a good track record in terms of service quality as assessed by the Audit Commission. This results primarily from their single focus on providing housing management services and increased tenant involvement in decision making. In addition, ALMOs contribute two thirds of all local authority housing efficiency savings, although they manage just half the stock.
- 1.6 In order to delegate their housing management functions to an ALMO, local authorities must obtain consent under Section 27 of the Housing Act 1985. The Secretary of State has delegated this responsibility to the Tenant Services Authority (TSA). Before awarding consent the TSA must be

satisfied that tenants have been consulted and show a balance of support for the proposal to create an ALMO.

2. East Kent Housing

- 2.1 In 2005, the four councils from Canterbury, Dover, Folkestone & Hythe and Thanet each carried out an appraisal of the long term viability of its council housing.
- 2.2 While all four authorities could achieve and sustain the Decent Homes standard and had viable business plans, concerns remained that the relatively small stock holding of each authority would limit any ambitions to improve services and to improve opportunities for our council tenants and leaseholders.
- 2.3 In 2008, opportunities for joint working between the four housing services were explored and in 2010 a detailed business case for a shared housing management service was approved by the four local councils. The final agreement was subject to appropriate consultation with tenants to satisfy the requirements of Section 27 of the Housing Act 1985.
- 2.4 At the same time it was agreed that the ALMO model provided the most appropriate vehicle and governance structure to base a shared housing service and, following extensive consultation with tenants and leaseholders in the summer of 2010, support for this proposal was submitted for government approval and an application was made in early 2011.
- 2.5 The ALMO, named "East Kent Housing" is responsible for the management and maintenance of over 17,000 homes owned by the four councils. In the Folkestone & Hythe district there are currently 3,393 properties being managed by EKH and we are adding to this figure each year through our own new build programme and through acquisitions.
- 2.6 East Kent Housing only looks after the council housing management services as the four councils keep responsibility for all strategic housing functions such as housing strategy and enabling, homelessness, and housing advice, the management of the housing register including Choice Based Lettings, private sector housing and the management of the Housing Revenue Account.

3. Company and Structure

- 3.1 The ALMO is constituted as a company limited by guarantee, of which each of the Councils is a member.
- 3.2 The Memorandum and Articles of Association were approved by the Chief Executives of the four councils in December 2010 and the company was incorporated on 11 January 2011.
- 3.3 East Kent Housing entered into a Management Agreement with each of the councils, which governs the provision of services by the ALMO. The councils and the ALMO entered into an Owners Agreement which sets out the basis

on which they co-operate with each other under the arrangement and also governs decision making of the councils in respect of the ALMO.

- 3.4 The Management Agreement period is 30 years, with a break clause each 5 years, the next being April 2020. Each Management Agreement is built around a service plan which sets out how East Kent Housing uses the resources at its disposal to meet its responsibilities under the Management Agreement and its agreed performance priorities and targets.
- 3.5 Each council pays East Kent Housing an annual management fee. In 2018/19 the council paid EKH £1.984m from the Housing Revenue Account and supports the delivery of housing management and maintenance services across all Folkestone & Hythe District Council owned homes.
- 3.6 Following concerns about performance through 2018/19, each of the four councils approved an Improvement Plan with East Kent Housing in February 2019. To support the plan the four Councils agreed to increase the level of funding for the ALMO against a negotiated set of outcomes. The total package across all councils was worth circa £800,000 per annum, of which Folkestone & Hythe's contribution was £182,250. The increase has contributed towards staff salaries, the increased cost of living and pension payments, a Procurement Officer post, improved contract management and additional resource to address the impact of Universal Credit. The management fee had previously remained unchanged over the last 3 year period.
- 3.7 The Owners Agreement sets out how the councils, as members (owners), will exercise collective control over the strategic objectives and significant (joint) decisions in relation to the ALMO. Such decisions include, for example, a decision to admit another member (council) or a decision to provide services to organisations other than the councils. The Owners Agreement provides that these decisions cannot be taken except without the agreement of the councils in accordance with a two-tier joint decision making structure.
- 3.8 The Articles of Association provides that the directors of the company (the East Kent Housing Board) comprise four elected Members, one nominated by each council, four independents and four tenants, one from each Council area.
- 3.9 A Residents Board represents the four councils to provide local accountability to both tenants and council members and their role includes influencing service delivery arrangements, monitoring performance data and making recommendations on how performance can be improved and monitoring resident feedback, including satisfaction, compliments, complaints information and feedback from other groups of involved residents.
- 3.10 A Client Officers group, comprising officers from each council meets quarterly and their role includes oversight of the annual service plan and quarterly performance, responding to Management Agreement and housing

policy queries raised by East Kent Housing, alongside general relationship management.

- 3.11 There remains in place other strategic routes for contract and performance oversight, including the East Kent Chief Executives meeting with the East Kent Housing Chief Executive which was quarterly but in view of recent difficulties has moved to weekly meetings, and more localised regular monitoring arrangements through council officers and East Kent Housing representatives.

4. Overview and Scrutiny

- 4.1 There is a Finance and Audit Sub-Committee of the Board consisting of the Chair of the East Kent Housing Board and three other agreed Board members along with the EKH senior management team. This meets half-yearly and reports to the EKH Board.
- 4.2 Each council's overview and scrutiny arrangements regularly consider EKH activities and this Council reviews the HRA business plan and quarterly monitoring reports to Cabinet via Overview & Scrutiny Committee.
- 4.3 At the time of writing, the first quarter performance data from EKH has yet to be reviewed, so a presentation on East Kent Housing performance will be given at the Overview and Scrutiny Meeting on 16 July. The Chief Executive of East Kent Housing will be in attendance to address current issues of performance against plan targets, against the Improvement Plan, and address current reported issues of concern.

Recommendation:

- 1. To receive and note the Briefing Note OS/19/02.**