



Report sponsor: Rachel North, Strategic
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Housing.

Derby Homes: Renewal of Partnership Agreement

Purpose

- 1.1 The Council has a Housing stock of some 12,700 homes which are managed by the Council's Arms Length Management Organisation (ALMO), Derby Homes. The current partnership agreement between the Council and Derby Homes is due to expire in 2022 and the Council therefore needs to determine how it wishes to manage these homes after 2022.
- 1.2 A review of Derby Homes, by Members and Officers, during 2019/20, has determined that the ALMO continues to perform highly, combining good services for tenants and leaseholders whilst offering value for money.
- 1.3 This report proposes that the Council enters into a new 10 Year contract with Derby Homes from 2022 to 2032.

Recommendation(s)

- 2.1 To agree to renew the Partnership Agreement with Derby Homes for a period of 10 years from 2022 incorporating a break clause after 5 years, by the end of September 2021.
- 2.2 To delegate the negotiation and approval of the final agreement to the Strategic Director of Communities and Place in consultation with the Cabinet Member for Adults, Health and Housing, the Strategic Director of Corporate Services and S151 Officer and the Director of Legal, Procurement and Democratic Services and Monitoring Officer.

Reason(s)

- 3.1 The current contract with Derby Homes expires in March 2022 and requires 6 months notice by either party. The inclusion of a break clause at 5 years will enable both organisations to review the relationship in the light of any new legislation or emerging issues in what is likely to be a time of fast-moving change and some uncertainty.
- 3.2 To enable the details of the final agreement to be considered and approved in a timely manner.

- 3.3 In order to comply with the Contract Procedure Rules.

Supporting information

- 4.1 Derby Homes was established in 2002 as the Council's Arms Length Management Organisation (ALMO). The establishment of the ALMO, following extensive consultation and a vote by tenants, enabled the Council to access some £98M of Government 'Decent Homes' funding.
- 4.2 Derby Homes were assessed as providing 3 Star 'Excellent' Services by the Audit Commission enabling the Council to draw down the funding. In 2006, Derby Homes became jointly the first ALMO in the country to ensure that all of the Council homes complied with the then newly established 'Decent Homes Standard'.
- 4.2 The contract between the Council and Derby Homes was subsequently renewed in 2007 and again in 2012 when a new 'partnership model' was adopted, enabling a number of back office and support functions to be rationalised and shared with the Council. This current 10 year contract, which takes the form of a Management Agreement, ends in 2022.
- 4.3 Following the completion of the Decent Homes programme Derby, like a number of other Councils, has periodically reviewed whether its ALMO has continued to provide Council tenants and leaseholders with effective services and value for money. Accordingly, formal reviews of Derby Homes and consideration as to whether services should be brought back in house, or outsourced have been conducted in 2006, 2010, 2013, 2016 and in 2019/20.
- 4.4 On each occasion, the Council has determined that Derby Homes was delivering good services to tenants and should be retained.
- 4.5 Indeed, since Derby Homes inception, the Council has recognised the benefits and efficiencies that can be achieved by enabling the ALMO to manage a wider portfolio of related services. Accordingly, Derby Homes has been invited to take on the additional Council functions as listed below:

2010/11	Council Repairs Team
2010/11	Public Buildings Maintenance Team
2011/12	Milestone House
2016/17	Derby Advice
2016/17	Housing Options & Homelessness

- 4.6 The most recent review of Derby Homes in 2019/20, undertaken by Members and Officers, considered the key areas of:
- Tenant satisfaction
 - Repairs and maintenance performance
 - Overall efficiency and value for money
 - Wider benefits that are provided to both tenants and residents
- 4.7 The review concluded that Derby Homes continue to perform strongly in all areas. Significantly, it was noted that tenant satisfaction with the service as a whole, has continued to improve and is considered as excellent 'top quartile' performance when compared to other local authority and ALMO housing providers.
- 4.8 The review also noted that over recent years, Derby Homes has successfully driven a sustained efficiency programme driving down costs and implementing new efficient processes. The resulting financial savings have placed Derby Homes in a strong position to manage, support and enhance a number of Council functions, in particular Homelessness, Housing Advice and Neighbourhood Services.
- 4.9 Derby Homes can only sustain this support (valued in excess of £2m a year benefit to the Council) because of its independent ALMO status. Such investment would not be possible if Housing Management, Housing Repairs and other related services were brought back in house, where they would be required to operate purely within the ring-fenced Housing Revenue Account.
- 4.10 Furthermore, Members will be aware of the key role that Derby Homes has undertaken in relation to the City's response to the Covid 19 Pandemic. Of particular note, was the 'Everyone In' campaign where Derby Homes procured a local hotel, enabling all homeless people within the City to be offered safe and secure accommodation reducing their chance of contracting Covid 19 on the streets. Derby Homes also conducted thousands of safe and well contacts with vulnerable residents earlier in the year, ensuring residents felt supported and linking them in with the community response hub, where appropriate. Derby Homes also made support available to the cemeteries, refuse collection and community response efforts, providing resources where needed, swiftly, in response to the needs of the City.
- 4.11 Derby Homes have a core role in promoting Derby's 'Working Better Together' principles, building and supporting strong partnerships that have enabled and driven such successful partnership delivery and outcomes. As such, the City's and in particular Derby Homes approach to supporting homeless people is acknowledged as best practise by MHCLG. This is reflected in recently announced government figures which illustrate outstanding success in reducing the number of rough sleepers to just 6, the first time that Derby has achieved a single figure in many years and a remarkable success in the light of all of the additional pressures arising from the current pandemic.

- 4.12 As indicated in paragraph 4.2 above, the current 10 Year Management Agreement is due to expire in March 2022. In view of Derby Homes high performance and additional support for Council Services, it is proposed that the Council enter into a new 10 year Partnership Agreement with Derby Homes. The current contract contains a break clause after 5 years and it is proposed that this is repeated in the new agreement. This will ensure that both parties have the opportunity to review the arrangements in the light of any newly emerging issues that may arise in the coming years.
- 4.13 A key aspect of the Partnership Agreement is that both parties agree to work in partnership to improve continuously the way that services are delivered, and that the relationship is based on good faith, openness, honesty, trust and respect.
- 4.14 A prime purpose of the Partnership Agreement is to provide the basis for the Council to ensure effective and robust governance of the multi-million pound contract and to effectively discharge its duties with due diligence, prudence and transparency.
- 4.15 Contained within the Partnership Agreement are key tasks, actions and timescales that Derby Homes must comply with, such as providing information and assistance to the Council, an example of this is the production of the annual Delivery Plan.
- 4.16 It is proposed that Homelessness Services be formally included in the new agreement rather than subject to a separate Service Level Agreement process in order to consolidate those two contracts into one. This change simplifies the arrangements without directly changing the delivery of any services.

Public/stakeholder engagement

- 5.1 Consultation has taken place through the 'Customer Voice' tenant and leaseholder consultation group which also included representation from the Derby Association of Customer Panels (DACP).

Other options

- 6.1 The Council could determine not to renew the contract with Derby Homes and instead bring its Housing management, maintenance and other related services back 'in house' as indeed a number of other Councils have done in recent years.
- 6.2 The 'winding up' of the Derby Homes Board and the rationalisation of senior management posts would reduce the focus on housing issues and would be likely to result in a decline of the current high level of service standards that are provided to tenants and leaseholders.

- 6.3 In addition, the support identified in paras 4.8 and 4.9 would no longer be available to the Council and partner agencies, which would be likely to negatively impact on a number of service areas, but most particularly upon homelessness and rough sleeping in the City Centre. Such a decline in services, would result in worse outcomes for some of the most vulnerable in society and create a significantly harder and more visibly apparent problem for the City to address.
- 6.4 The Council could determine to outsource its Housing Management function. However, the ALMO would not thereby be in a position to support Council services and third sector organisations services in the way that it does currently, placing additional burdens upon the Council and partner organisations.

Financial and value for money issues

- 7.1 The core funding for Derby Homes is paid for from the Housing Revenue Account (HRA). This will continue following the contract renewal and sufficient funds have been identified in the current HRA business plan.

Legal implications

- 8.1 Derby Homes is a 100% owned subsidiary of the Council and as such is treated under Teckal rules for procurement purposes - meaning that, generally, a contract can be awarded directly to such a body where the Council is the ultimate controlling party. There are criteria in place that need to be, and have always been, adhered to when applying the rules (the detail of which is not directly relevant to the overall purpose of this report).
- 8.2 By virtue of the Contract Procedure Rules, a contract award for a period in excess of five years requires cabinet approval which this report effectively seeks to achieve.

Climate implications

- 9.1 Derby Homes share the Council's climate change ambitions particularly in relation to home energy efficiency. The ALMO continues to implement a systematic programme of home insulation and energy consumption measures continually improving the thermal efficiency of tenants' homes.
- 9.2 Derby Homes is also implementing innovative approaches in the design and construction of new Council and partner organisations' homes, in order to increase thermal efficiency and reduce energy use. Ground and air source heat pumps, photovoltaic tubes and significantly increased thermal insulation are some of the measures being utilised in our new build housing schemes making them amongst the most energy efficient within the City.

Other significant implications

- 10.1 None

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu, Head of Legal.	11 February 2021
Finance	Amanda Fletcher, Head of Finance.	05 February 2021
	Mazer Hussain, Group Accountant.	05 February 2021
Service Director(s)	David Fletcher, Director of City Development and Growth.	15 February 2021
Report sponsor	Rachel North, Strategic Director of Communities and Place.	25 February 2021
Other(s)	Maria Murphy, Managing Director of Derby Homes.	11 February 2021
	David Enticott, Director of Finance and Company Secretary of Derby Homes.	11 February 2021
Background papers:	None	
List of appendices:	None	