

**Manchester City Council  
Report for Information**

**Report To:** Resources and Governance Overview and Scrutiny Committee

**Date:** 3 September 2009

**Subject:** Northwards Housing

**Report of:** Director of Housing

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**Summary**

Council housing in North Manchester is managed by Northwards Housing Limited an arms length management organisation (ALMO) established by the Council in December 2005. Northwards is delivering housing management services and a major home improvement programme under a five-year Management Agreement.

The report sets out some background information about Northwards and how far the organisation has progressed since its inception. Specifically, as requested, it also reflects on the financial arrangements for Northwards together with some comments about performance and governance.

**Recommendations**

Scrutiny Committee is asked to note the governance, performance and financial position of Northwards Housing.

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**Wards Affected:**

Northwards Housing manages homes in Ancoats and Clayton (part), Charlestown, Cheetham, Crumpsall, Harpurhey, Higher Blackley and Miles Platting and Newton Heath (part) and Moston.

<b>Community Strategy Spine</b>	<b>Summary of the contribution to the strategy</b>
Performance of the economy of the region and sub region	Northwards Housing has promoted the economic development of North Manchester through physical improvements to tenants' homes, investing around £200m in the area, including work to develop the local workforce. Much of the improvement works have been contracted to local and sub-regional firms.

Reaching full potential in education and employment	Northwards Housing has supported successful communities through its Regeneration Strategy to improve employment, health and educational prospects for tenants and residents. Northwards is a significant employer in North Manchester, with a workforce of around 352, with 31% living in its operating area.
Individual and collective self esteem – mutual respect	Locally – based, tenant focused services encourage individual and collective self esteem. Partnership working with Northwards and other service providers in North Manchester has helped to prevent and tackle anti-social behaviour. This proposal will seek to maintain and endorse central Government's Respect Agenda. A strong approach to inclusive neighbourhood management fosters community strength, cohesion and resilience.
Neighbourhoods of Choice	The Decent Homes programme has provided £200M worth of investment to tenants' homes. Securing Northwards Housing's future will assist the continued regeneration of neighbourhoods, to maintain neighbourhood pride and create attractive environments to build and sustain a sense of community.

**Full details are in the body of the report, along with any implications for:**

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

### **Financial Consequences – Revenue**

The Management and Maintenance Fee receivable by Northwards arises under the Housing Revenue Account Subsidy System. As the accountable body, the Council includes both receipt and payment within its Housing Revenue Account.

### **Financial Consequences – Capital**

Funding of Northwards Capital Programme is procured through the Council. Major elements include Supported Capital Expenditure allocations in respect of the Decent Homes target (via the H.R.A. Subsidy system) or by means of the Major Repairs Allowance (again via the H.R.A. Subsidy system)

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### **Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- [Audit Commission Inspection Report](#), 12 February 2009 (3\*/excellent prospects)
- [Northwards Business and Delivery Plan 2009-14](#)

## **1.0 Introduction**

- 1.1. This report has been prepared at the request of Scrutiny Committee on the governance, performance and financial arrangements for Northwards Housing.

## **2.0 Background**

- 2.1. Northwards Housing is an ALMO (Arms Length Management Organisation) that was established by the Council in December 2005 after a long process of consultation with tenants and a positive ballot (91.7% of votes were in favour of setting up Northwards on a turnout of 66.1% of tenants).
- 2.2. As the name implies, Northwards manages the Council's homes in North Manchester under a five-year agreement, with the ownership retained by the Council. This contrasts with a housing association or trust following a stock transfer where outright ownership of the homes transfers to the RSL (Registered Social Landlord). Therefore, tenants remain as Council tenants; they continue to pay their rent to the Council and the Council remains their legal landlord.
- 2.3. Northwards has been inspected twice by the Audit Commission; in June 2006 and November 2008. At the last Inspection Northwards achieved a rating of "3 stars with excellent prospects for improvement". This is the best performance rating which the Audit Commission can award.
- 2.4. It was noted by the Audit Commission that Northwards Housing has high standards of customer care, a strong focus on resident involvement, including a very strong approach to issues of anti-social behaviour and manages its estates well. The Audit Commission found "that a performance culture is evident across the organisation" which in turn is driving up improvements to the service. Leadership is also strong and the organisation has a clear vision for the future.

## **3.0 Relationships**

- 3.1. In the Audit Commission's Inspection the relationship between Northwards and the Council was judged as a positive one.
- 3.2. Northwards and the Council have, over the past three years, developed a positive 'arms length' relationship in terms of allowing Northwards to get on with managing the housing and tenancies, but also holding Northwards to account on performance and strategic issues in which the Council has an interest. There are a number of initiatives that have seen some very close working between the Council and Northwards, particularly around anti-social behaviour and regeneration.
- 3.3. Regular review meetings are held between Housing's Departmental Management Team and Northwards' Executive Management Team to discuss issues that have arisen, as well as to account for performance.

- 3.4. Northwards uses Manchester Working Limited (MWL) as its maintenance contractor for all responsive repairs, as well as a proportion of its service contracts, and two thirds of its Decent Homes (capital) programme. There is therefore a close working relationship between Northwards and MWL and a number of joint pieces of work are underway to improve services to tenants and to create further efficiencies.
- 3.5. The relationship between Northwards and MWL was further strengthened in July 2009 following the transfer of MCC's Call Centre business to MWL (previously On Call). MWL are providing this service for Northwards' tenants for an initial term of three years and for the Council's residual housing stock.

#### **4.0 Financial Arrangements**

- 4.1. Northwards operates under a Management Agreement with the Council which provides for a fee to be paid each year in 12 monthly instalments for the Management and Maintenance of the Council's properties in North Manchester. Northwards' financial strength is dependant upon receiving prompt payments from the Council for services it delivers to tenants and other customer in North Manchester.
- 4.2. The fee (£20.2M for 2009-10) is based on 90% of the Management and Maintenance Allowances multiplied by the weighted average number of properties managed in that year.
- 4.3. Northwards sets its own budgets within the Management Fee, and utilising this fee, together with some additional sources of income, is then responsible for providing all the services to tenants as set out in the Management Agreement.
- 4.4. In the last financial year, Northwards incurred a deficit of £136,000 on income of £26.2M before tax and accounting adjustments for pension arrangements. The deficit was a planned one following some additional investment in tenant services during the year from previous years' surpluses. At 31 March 2009, Northwards has surpluses carried forward of £171,000.
- 4.5. Over three years Northwards has delivered extensive recurring efficiencies in its operations which have allowed additional investment in services to tenants and communities, as well as helping the Council to better deliver some of its strategies. This includes mainstreaming the Neighbourhood Warden Service in North Manchester.
- 4.6. Northwards has done a lot of work to properly understand its costs and this was recognised by the Audit Commission in their most recent Inspection. The Commission judged that "Financial Management is strong".
- 4.7. Northwards carefully manages its finances through its 10 year Business and Delivery Plan which is approved by the Board and shared annually with the Council.

## 5.0 Performance

- 5.1 The Audit Commission in its Re-Inspection Report (published February 2009) made 3 substantive recommendations concerning:
- Empty property (void) performance and quality
  - Leaseholder Management (shared function with MCC)
  - SMART targets within Financial Inclusion Strategy
- 5.2 Good progress is being made against these recommendations, together with supplementary comments in the Inspection Report. Northwards' Board has approved an Inspection Action Plan and receives regular progress reports. Northwards met the Audit Commission in July to explain progress against the Inspection Action Plan.
- 5.3 One of the judgements made by the Audit Commission is "how well does the service manage performance?" In Northwards' Re-Inspection Report the Audit Commission found that Northwards "has an effective performance management framework" and that Northwards "compares itself with other high performing organisations to improve services" (page 53).
- 5.4 Northwards' performance against a suite of key performance indicators is reviewed on a quarterly basis between Housing's Departmental Management Team and Northwards' Executive Management Team. In this way, Northwards is held to account by the Council for its performance. In addition, Northwards' Board monitors performance of the organisation bi-monthly against a range of business critical indicators. Performance is also reported to Northwards' 3 Area Panels which comprise Ward Councillors and representatives of local tenants and residents.
- 5.5 Attached to this report is the most recent MCC Performance Report for the first quarter of 2009/10 (ending 30<sup>th</sup> June 2009). Northwards' performance is compared against that of MCC and two Private Finance Initiative consortiums. Northwards aspires to top quartile performance compared to other ALMOs for all key performance indicators. Whilst the attached report summarises the full range of indicators against which Northwards' performance is judged, it is worth highlighting a number of specific measures of performance.
- 5.6 Voids and rent collection have been areas of weaker performance and have been the focus for improving performance. Comparing Q1 2008/9 with Q1 2009/10, void turn around time (average total length of time an empty property has taken to be relet) has improved from 51 to 41 days. Since 2005/6, void relet times have reduced from an average of 70.4 days to 45 days in 2008/9 (page 10).
- 5.7 Similarly, rent collection performance (expressed as the % collected of total rent due) has seen performance increase from 97.3% in Q1 2008/9 to 100.9% in Q1 2009/10 (page 6). This improved performance has been the result of fundamental service reviews carried out by Northwards which identified

performance barriers and which put in place procedures and service delivery arrangements which are designed to overcome these challenges.

- 5.8 Performance is assessed not just for its own sake, but to determine how well Northwards is delivering on the promises made to tenants when it was set up in December 2005. Tenants are particularly interested in improvements to their homes. At 31st March 2009, Northwards had completed two-thirds of its £200m. Decent Homes Programme. It is ahead of target and has completed improvements with high levels of tenant satisfaction with the process and quality of improvements. Expressed out of a total possible score of 10, tenants' average level of satisfaction with improvements to their homes was 9.8 (87% return rate).
- 5.9 Recognising the importance of improving environmental sustainability and tackling fuel poverty, Northwards has invested heavily in new energy efficient heating systems and wherever possible, has upgraded insulation in homes as part of the Decent Homes Programme. External funding, matched by its own capital resources, has been secured to install photovoltaic panels on the roofs of 10 multi-storey blocks which generate electricity from sunlight to power landlord supplies.

## **6.0 Governance**

- 6.1 Northwards is governed by a voluntary Board of 12, comprising 4 Tenants, 4 Council Representatives (3 Members and 1 senior officer) and 4 Independents. The Board, which meets bi-monthly, is responsible for the strategic direction of Northwards. The Chief Executive is appointed by and answerable to the Board and the 352 staff are accountable to the Board via the Chief Executive.
- 6.2 So as to better manage its business, the Board has established 3 standing Sub-Committees which meet monthly and an Audit Committee which meets as and when required. A Northwards Director services one sub-committee each. In order to strengthen the skills and representation of the Board there is one co-optee to the Board and a number of co-optees onto the sub-committees. Co-optees are also used to assist succession planning as Board Members retire.
- 6.3 The Board has adopted a Governance Action Plan and has appointed a dedicated Governance Officer who supports Board Members individually and collectively. Board Members undertake annual appraisals and Board effectiveness has been reviewed with the support of specialist independent consultants.
- 6.4 The principal accountability mechanism adopted by Northwards is the 3 Area Panels- Fourways, Wilton and Riverways which are co-terminous with housing management and home improvement team areas. These panels, which comprise Ward Members and tenants and residents representatives, are consulted upon proposed policy and service changes and receive performance reports for their area.

- 6.5 Northwards actively promotes resident involvement and supports existing and potential tenants and residents groups (TRGs) through 3 dedicated Resident Involvement Officers. Currently, there are 28 formally recognised TRGs across North Manchester. There are a range of interest and focus groups where tenants and residents meet with Northwards Board Members and officers to review current service delivery and to suggest how services could be further developed and improved.
- 6.6 Northwards has recruited and trained Tenant Inspectors who carry out independent assessments of the range of services on offer and the means to access them. In addition, more than 50 tenants act as "mystery shoppers" providing feedback on their experience as customers of Northwards.
- 6.7 The Audit Commission also considers whether the service "have the capacity to improve". This includes an assessment of governance and leadership. In Northwards' Re-Inspection Report (Feb 2009) the Inspectors found that " the Board is strong and mature, there is clear leadership and well developed partnership working" and that Northwards "has strong leadership and is effectively managed. The Council and NH have confidence in the CEO (Chief Executive) and the management team. Partnership working is a particular strength and supports the delivery of strategic outcomes for customers. The senior management team has a range of appropriate skills to support leadership and the delivery of improvement" (page 55).

## **7.0 Conclusion**

- 7.1 Overall, Northwards Housing is judged by the Audit Commission to be performing very well in delivery of services to tenants and other customers in North Manchester. It is well lead and striving to continuously improve its performance.

## **8.0 Contributing to the Community Strategy**

### **(a) Performance of the economy of the region and sub region**

- 8.1 Northwards Housing has supported the economic development of North Manchester through physical improvements to tenants' homes, planning to invest a total of £200m in the area, including work to develop the local workforce. Much of the improvement works have been contracted to local and sub-regional firms.

### **(b) Reaching full potential in education and employment**

- 8.2 Northwards Housing has worked to achieve successful communities through its Regeneration Strategy to improve employment, health and educational prospects for tenants and residents. Northwards is a significant employer in North Manchester, with a workforce of around 352, with 31% living in its operating area.

### **(c) Individual and collective self esteem – mutual respect**

- 8.3 Locally – based, tenant focused services encourage individual and collective self esteem. Partnership working between Northwards and other service providers in North Manchester has helped to prevent and tackle anti-social behaviour. This work seeks to maintain and endorse the Government's Respect Agenda. A strong approach to inclusive neighbourhood management fosters community strength, cohesion and resilience.

#### **(d) Neighbourhoods of Choice**

- 8.4 The Decent Homes programme will provide £200M worth of investment to tenants' homes. Securing Northwards Housing's future beyond its current 5 year term will assist the continued regeneration of neighbourhoods, to maintain neighbourhood pride and create attractive environments to build and sustain a sense of community.
- 8.5 A component of the City's Housing Strategy Statement 2009-2011 is to improve the quality of the City's housing and its potential to transform places and lives in line with the Community Strategy central premise of neighbourhoods of choice. The future for North Manchester will continue "to create a series of high quality sustainable communities, each providing a broad range of living facilities and services that meet the life demand of existing and new residents".

### **9.0 Key Policies and Considerations**

#### **(a) Equal Opportunities**

- 9.1 Northwards has recognised the diversity of communities in North Manchester and has worked hard to support equality of opportunity in employment and service delivery.

#### **(b) Risk Management**

- 9.2 Northwards has prepared its own Risk Management Strategy which is reviewed annually. Financial and performance risks are reviewed monthly with Senior Officers in Housing and City Treasurers.

#### **(c) Legal Considerations**

- 9.3 Northwards currently operates under a 5 year Management Agreement with the Council. This is under review by the Council with the active involvement of Northwards, as part of the appraisal of future options. This has been the subject of reports to the Executive.

#### **(d) Financial Considerations**

- 9.4 A major part of Northwards revenue and capital funding arises out of the mechanisms of the Housing Revenue Account Subsidy system. The Government has recently published proposals for the future of the system which are currently out to consultation.