

**Manchester City Council
Report for Resolution**

Report To: Executive – 10 September 2009

Subject: Council Housing in North Manchester and the Future of Northwards Housing

Report of: Director of Housing

Purpose of Report

Council housing in North Manchester is managed by Northwards Housing Limited, an arms length management organisation (ALMO) established by the Council. Northwards currently has a five-year Management Agreement that commenced on 12 December 2005 to deliver housing management services, and a five-year home improvement programme. The Management Agreement will come to an end in December 2010 and the Council must consider the future of its housing in North Manchester and its relationship with Northwards Housing.

At a national level the Government is currently consulting on the future of the current national council housing finance system, looking to find a long term, sustainable solution to the funding of Council housing in England. The consultation period finishes on the 27 October 2009, and the outcome is expected to be published early in 2010.

This report sets out early thinking on the future of North Manchester's council housing and proposes interim arrangements for Northwards Housing to allow time for proper consideration and implementation of options.

Recommendations

Executive is asked to agree:

1. that the Management Agreement between Manchester City Council and Northwards Housing is extended broadly on its present terms to run until 31 March 2012.
 2. that a further report will be presented once the outcome of the Government consultation has been determined and the impact on Manchester can be evaluated. This report will set out recommendations for the long-term future of North Manchester's council housing, including if necessary, any further interim arrangements for Northwards Housing whilst a long-term solution is fully implemented.
 3. to authorise the City Solicitor (to the extent not already so authorised pursuant to the Scheme of Delegation to Chief Officers) to conclude all contractual documentation to give effect to this extension.
-

Wards Affected:

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

Community Strategy Spine	Summary of the contribution to the strategy
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 £200 million 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	The options appraisal and future for North Manchester will support successful communities and ensure the continuity of Northwards' 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 employees 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 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 £200 million worth of investment to tenants' homes. The options appraisal and future for North Manchester will ensure 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 extension of Northwards' Management Agreement will have no additional financial implications for the housing service. The contract will be extended on the same basis as the current arrangements and the costs will be funded from the Housing Revenue Account.

Financial Consequences – Capital

The extension of Northwards' Management Agreement does not have direct capital consequences, although future capital issues will need to be addressed in the planned options appraisal.

Contact Officers:

Name: Paul Beardmore
Position: Director of Housing
Telephone: 0161 234 4811
E-mail: p.beardmore@manchester.gov.uk

Name: Martin Oldfield
Position: Head of Investment
Telephone: 0161 234 4042
E-mail: m.oldfield@manchester.gov.uk

Name: Mick McManus
Position: Head of Housing Renewal
Telephone: 0161 234 4890
E-mail: m.mcmanus@manchester.gov.uk

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.

- *ALMO Re-Inspection – Northwards Housing*, Audit Commission inspection report, February 2009, awarding 3*/excellent prospects
- *Northwards Housing*, Audit Commission inspection report, January 2007, awarding 2*/excellent prospects
- *Business and Delivery Plan 2009–2014*, Northwards Housing, March 2009
- *Reform of Council Housing Finance: Consultation*, Communities and Local Government, July 2009
- *North Manchester Arms Length Management Organisation*, Manchester City Council Executive committee, July 2005
- *North Manchester Arms Length Management Organisation*, Manchester City Council Executive committee, October 2005

1.0 Introduction

- 1.1 The current Northwards Housing Management Agreement will expire on 12 December 2010. With a little over one year until this time, Northwards Housing has approached the Council to understand the long-term plans for council homes in North Manchester. At present, the Council cannot give long-term assurances because the Government is reviewing the HRA system that governs council housing finance. This is a fundamental review that is looking to improve or replace the current Housing Revenue Account subsidy system.
- 1.2 Members will want to consider the outcomes of the HRA review and the Council's options before committing to any particular way forward. However, if the Council takes no action now Northwards Housing faces serious challenges to continuing and securing its strong performance as the present Management Agreement draws to an end.
- 1.3 Under the current system the Government makes annual notional calculations, around how much income and expenditure each council should have based on various factors including stock numbers, interest rates, rental levels and deprivation indices, then redistributes resources between councils via the HRA subsidy system. The Government is currently reviewing the whole HRA and subsidy system and looking to develop a sustainable, long term system for financing council housing that is consistent with wider housing policy and fair to both the tenant and taxpayer. A consultation paper, *Reform of Council Housing*, has recently been published. Following the consultation, the Government will set out its policy in more detail.
- 1.4 It is unlikely that the Government review and consultation will be completed in time for the Council to fully consider its options and implement its preferred option before the Northwards Management Agreement comes to an end. Furthermore, Northwards Housing needs some certainty to plan its future beyond December 2010. The outcome of the council housing finance review will require primary legislation, unless each of the local authorities in the HRA system agrees to accept Government's policy *en bloc*. It is unlikely that any new HRA regime will be place before the next general election.
- 1.5 The Council has the opportunity to renew its Management Agreement with Northwards for up to five years. Given that the Government's review of council housing finance is likely to offer significantly different financing options, officers believe that extending the contract by a full five years might restrict the Council from properly pursuing these options. There is also the risk that the rents received from tenants in North Manchester will not be sufficient to maintain homes at a decent standard or to fund the management fee payable from the HRA, and this lack of funding may cause a reduction in the quality of housing for tenants.
- 1.6 At the same time, officers of both Northwards and the Council believe that leaving Northwards with an uncertain future would be damaging to services to council tenants in North Manchester. In particular:

- in the absence of any extension of the Management Agreement, Northwards would need to begin winding down its own business activities;
 - the Council would need to begin developing detailed future plans for North Manchester's council housing prematurely, without a full understanding of the Government's plans for council housing finance;
 - this activity would distract both the Council and Northwards from providing the services that tenants in North Manchester receive and might adversely affect service quality and tenant satisfaction;
 - staff working for Northwards would need to be transferred under TUPE regulations either back to the Council or to any successor provider of services.
- 1.7 On this basis, officers believe that a prudent approach is the extension of the Management Agreement by an initial period of 15 months, up to the end of March 2012. This will provide Northwards with the certainty to properly plan its business activities for the year ahead and provide the Council with time to properly assess its options once the Government finalises its own proposals for council housing finance.
- 1.8 The options for the future of homes in North Manchester would need to be considered sufficiently in advance of March 2012 to allow the new arrangements to be fully appraised and for adequate consultation with tenants and other stakeholders to be completed. Officers believe that the additional time to March 2012 will be sufficient for this, although the Management Agreement with Northwards could be extended further if required. This would be the topic of a future report.
- 2.0 Performance of Northwards Housing**
- 2.1 On 12 December 2005 following a successful ballot of tenants, Northwards Housing the Council's Arms Length Management Organisation (ALMO) took responsibility for the management of council stock in North Manchester.
- 2.2 The release of £130 million Government funding alongside £70 million Council funding ensured the successful start of delivery of the Decent Homes programme, providing considerable improvements to properties and the local environment. Northwards is currently ahead of its improvement programme schedule (to be complete by December 2010) with 65% of properties achieving decency at 31 March 2009.
- 2.3 Since the start of the improvement programme in 2006, Northwards Housing has exceeded the Government's Decent Homes Standard for tenants with higher standards known as 'Decent Homes Plus'. As part of Northwards' Energy Efficiency Strategy, work is also taking place to implement energy efficiency solutions in homes with new boilers, cavity wall and loft insulation and photovoltaic cells (to convert sunlight into electricity) on multi-storey properties.

- 2.4 Northwards Housing was inspected by the independent Audit Commission in November 2008 and achieved a rating of “3 stars with excellent prospects for improvement”. This is the best performance rating that the Audit Commission can award. 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.

- 2.5 Northwards is performing exceptionally well, with high levels of tenant satisfaction; overall tenant satisfaction for 2008/09 stood at 80%. On this basis, officers believe that Northwards is best placed to continue delivering quality services to tenants and other customers while the review of council housing finance is completed.

3.0 Options Appraisal of Council Housing Finance

- 3.1 The Government is currently reviewing the HRA subsidy system. The current system provides a means of redistributing tenant rents throughout the country. This is a complex annual calculation based on various factors and has attracted considerable criticism. Of the 205 local authorities in the HRA subsidy system in 2008/09, 153 were paying rental income back to the Treasury (known as negative subsidy), whilst 52 were receiving additional resources (positive subsidy). Although Manchester is currently in positive subsidy, it is forecast that the Council will enter negative subsidy in the next few years.

- 3.2 The Government has stated that it is their intention to dismantle the HRA subsidy system. Indications are that an exit from the current subsidy system would be accompanied by a redistribution of housing debt among local authorities currently in the HRA system. Consultation with local authorities will propose a self financing alternative to the current HRA system requiring a 30 year business plan setting out how the local rental income will fund the costs (including redistributed debt) of managing and maintaining the housing stock. The Government is also likely to set out a framework for any future housing stock transfer financing. At this stage there is too little detail to develop a detailed financial appraisal of each option in Manchester’s context, although officers intend to complete this appraisal once the consultation period has ended and Government has set out further details in its policy statement. This is expected in early 2010.

- 3.3 Council Officers will undertake a full options appraisal, in particular looking at these options:
- Continuing the existing management arrangements whereby the Council owns its homes but management is carried out at arms’ length. A long-term Management Agreement would be put in place.

- Continuing to own homes, but returning to direct “in house” management with a long-term business plan.
- Transferring the stock from Council ownership to a Registered Provider of Social Housing which could be either an existing housing association or a newly-formed local housing company. The Council would no longer own the homes, as the provider would own and manage the homes. Any transfer would be completed in the same way as transfers in other parts of the city including a full ballot of tenants on any proposals that might be developed.

The Government has indicated that returning the management and maintenance of homes to the direct control of the Council would not be supported; the Government maintains that the separation of strategic housing and operational housing is best achieved by separating the landlord function from the Council. Nevertheless officers will still consider this option.

- 3.4 Officers will present further details of the options available, along with recommendations to Members, as policy detail from Government becomes available. This will involve detailed business planning for each option. The future for North Manchester will be set in the context of the preferred option’s potential to deliver not only sustainable decent homes and high quality services, but also support the wider goals for regeneration in North Manchester. The chosen option will also ensure the continued delivery of a ‘three-star’ service to tenants in North Manchester.

4.0 Conclusion

The Executive is asked to approve the actions set out at the start of this report, being:

- that the Management Agreement between Manchester City Council and Northwards Housing is extended broadly on its present terms to run until 31 March 2012.
- that a further report will be presented once the outcome of the Government consultation has been determined and the impact on Manchester can be evaluated. This report will set out recommendations for the long-term future of North Manchester’s council housing, including if necessary any further interim arrangements for Northwards Housing while a long-term solution being fully implemented.
- to authorise the City Solicitor (to the extent not already so authorised pursuant to the Scheme of Delegation to Chief Officers) to conclude all contractual documentation to give effect to this extension.

4.1 Contributing to the Community Strategy

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

- 4.2 The improvement programme, once completed, will have invested £200 million in tenants’ homes and has provided regeneration for North Manchester. The extension of the Management Agreement will ensure continuity of service for Northwards tenants. Options appraisal will ensure that

the preferred option continues to provide investment for tenants in North Manchester. Northwards has delivered this work through local and sub-regional firms, and a local employment scheme is in place with these contractors.

(b) Reaching full potential in education and employment

- 4.3 Northwards Housing's Regeneration Strategy has promoted apprenticeships, work experience and work-based learning for the community of North Manchester. Northwards Housing's investment in local employment and services, by working with local agencies, such as Stepping Stones, has secured employment and training for a number of its tenants. The options appraisal will ensure that Northwards can continue to provide this support to their residents. Northwards is a significant employer in Manchester.

(c) Individual and collective self esteem – mutual respect

- 4.4 Northwards Housing provides a locally-based and tenant-focused service. Northwards involves all groups in community regeneration, particularly those that are harder to reach, promoting tolerance and respect. Northwards Housing also encourages active involvement from the community through tenant board membership and tenants and residents having a say in how their services are run. This will continue post December 2010 and will form part of any future agreement.

(d) Neighbourhoods of Choice

- 4.5 The Decent Homes programme, through investment in North Manchester and physical improvements to tenants homes by Northwards Housing, has helped to create neighbourhoods of choice; where individuals choose to live and stay in particular areas because there are quality local environments and decent public services.
- 4.6 A component of the City Council'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".

5.0 Key Policies and Considerations

(a) Equal Opportunities

- 5.1 Northwards Housing has built upon the Council's learning and development strategies to develop culturally sensitive and responsive services, and these proposals would continue to secure this work. There is little impact on equal opportunities arising from the extension of Northwards Housing's Management Agreement. The options appraisal proposed in this report will include

appropriate consideration of equality concerns and any information will be presented to Executive in due course.

(b) Risk Management

- 5.2 This proposal ensures that the Council and Northwards have sufficient time to fully appraise the options available in the future and reduces the impact of the termination of the current Management Agreement in December 2010.
- 5.3 Once the Decent Homes Programme is completed the current Housing Revenue Account system means that rents will not provide sufficient resources to maintain Decent Homes.
- 5.4 The HRA review, however, is expected to provide a more sustainable allocation of funding. Officers of the Council will, once the HRA review, consultation and policy statement is complete, fully appraise the options available to the Council to manage this risk, ensuring that the tenants of North Manchester continue to receive an excellent housing service.

(c) Legal Considerations

- 5.5 The existing Management Agreement dated 12 December 2005 includes an option to extend for one or more further periods of up to five years by giving not less than six months notice in writing.
- 5.6 The City Solicitor has advised that since this extension does not involve any change in the arrangements for managing the Council's housing, there is no legal requirement to carry out consultation with tenants.

(d) Financial Considerations

- 5.7 The proposed extension of the current Northwards contract will have no additional financial implications upon the Housing service. The contract will be extended on the same basis as the current arrangements, and these costs will be funded from the Housing Revenue Account.
- 5.8 The current consultation document is proposing a fundamental review of the current arrangements for financing the costs of managing and maintaining the current council housing, and will need a detailed review of the implications for Manchester prior to responding to the consultation.