

Supplementary note to Report – Item 21 Review of the Arm's Length Management Organisation (ALMO) - South Essex Homes**Introduction**

1. At the Housing Working Party meeting held on 16th September 2015 it was recommended that a supplementary report be submitted to Cabinet setting out:
 - (a) the rationale for extending the Management Agreement with South Essex Homes for a 3 year period, rather than a longer or shorter period; and
 - (b) the views of South Essex Homes on the extension.

Length of Extension

2. In preparing the report to Cabinet, officers sought to identify the optimum period for extending the Management Agreement.

It needs to be long enough to investigate further efficiencies and remove any remaining duplication with Council services.

However, as the original report mentions, there are major national changes in housing policy being proposed by the Government, including:

- a rent reduction of 1% over the next 4 years, which will have a major impact on the Housing Revenue Account's Business Plan of around £9 million in reduced income over that period; and
 - a new Housing Bill published in October which is likely to include extending the Right to Buy to Housing Association tenants and the possibility that Local Authorities will be expected to sell some of its most expensive stock to help fund that initiative. This is also likely to have a further impact on the HRA Business Plan.
3. With these major national changes to Housing Policy in the pipeline and the financial implications associated with them, a longer extension was not considered prudent and there would be significant risk that a further review would then be required.

On the other hand an extension of less than 3 years would not provide sufficient certainty for S.E.H to continue to plan and operate effectively in the provision of housing management, where they have been so successful.

South Essex Homes' position

4. Officers have had discussions with S.E.H senior management on the recommendation put forward to the Cabinet for a 3 year extension to their Management Agreement and they have made the following comments:-

"Given the rapidly developing landscape for social housing, we welcome the proposal to extend the management agreement by three years. We see that as supporting the view that that current model of management agreement has been both robust and flexible enough to enable delivering the Council's objectives over the period of the existing agreement. A three year extension will enable the close collaboration that will be needed to work out a sustainable way forward in the challenging times ahead taking into account the proposed changes to rent setting, welfare reform and the acute housing needs. The Board and Executive will welcome the opportunity of working with the Council to further develop the existing partnership to deliver:

- the service that residents deserve and require*
- the outcomes that the Council requires*
- within the financial constraints foreseen*
- greater value for the Council and the community*

Ultimately we want to work with the Council to secure a long term role for South Essex Homes which will enable effective business planning for housing services for both the Council and the company."

Conclusion

5. The Housing Working Party was unanimous in their support to extend S.E.H's Management Agreement. The only point of discussion was the length of that extension and hopefully this supplementary report provides the justification for a 3 year period.