

## **ALMO Governance Framework**

### **1) Background:**

Shropshire Towns and Rural Housing (ST&RH) was established on 1<sup>st</sup> April 2013. ST&RH is responsible for the management of the Council's retained housing stock; the well-being of tenants and the strategic management of the Housing Revenue Account (HRA). Additional services may be added by agreement.

Shropshire Council is the sole shareholder of the Company run by a Board who oversee the strategic and operational arrangements for the Company. The Constitution of the Company sets out the required objects of the Company.

ST&RH and Shropshire Council have agreed a contract termed the 'Management Agreement'. This details the specific terms of the agreement between ST&RH and Shropshire Council. The Management Agreement is in place for an initial period of 10 years to 31st March 2023.

### **2) Governance Framework:**

The Governance Framework has been designed to have regard to strategic and policy issues relating to ST&RH. ST&RH has its own management structure and Board which includes Council Member and Officer representatives; tenant representatives; and Independent Board Members who provide specialist skills and knowledge.

An annual review procedure (see appendix 2) has been established to agree the Services Fee; Asset Management Strategy; Capital Programme; Works Fee; Targets/ KPIs and the annual action plan each year, to become effective from 1 April the following year.

An Asset Assurance Board (AAB) provides a high level framework for discussing future efficiencies; investment opportunities and key challenges and for ensuring that the broad strategic direction of ST&RH is complementary to wider Council priorities. A key function of the Board will be to review and endorse proposals from ST&RH.

**Overall, the purpose of this framework is to:**

- Provide clarity on the outputs and outcomes expected from the Council and ST&RH.
- Detail the relationship that the Council will seek to develop and maintain with ST&RH.
- Ensure that the Council and ST&RH work together in a constructive and co-operative manner.
- Support continuous improvement in housing services

Governance describes the way in which the Council as Commissioner will manage the relationship with ST&RH. Effective governance will have a positive impact on business and operational performance. The Council and ST&RH will need to meet at regular intervals to manage the contract, maintain relationships including third party partnerships, identify risks and issues, and challenge and support performance.

**Contractual arrangements**

The contractual arrangements between the Council and ST&RH for the managed housing service are defined in the Management Agreement. This provides for a service fee which relates to the operational and management activities of the company (revenue expenditure) and a works fee which relates to planned maintenance and new development (capital expenditure). All expenditure be it revenue, capital or debt financing is ultimately funded by tenants through rent and service charges and the need to maximise value for money within the resources available is a key requirement to deliver the aspirations of all

stakeholders. The cost of managing the contract by the Council, or Governance, also properly falls to the HRA whilst the remainder of the Council's statutory and strategic housing functions fall to the Council's General Fund and are costs borne by all Shropshire charge payers.

The annual fee setting discussions between the Asset Assurance Board and ST&RH will establish a framework for future efficiencies.

### **Client Meetings**

Quarterly meetings will take place between Shropshire Council (the Client) and ST&RH to:

- Review headline performance against the agreed targets (by exception) and other aspects of performance such as risk.
- Review risks to the Annual Action Plan and Management Agreement.
- Review headline financial information.
- Provide a formal mechanism for escalating issues within the Council for ST&RH when liaison meetings have not resolved issues.
- Act as a conduit for information exchange on wider Council issues and the sharing of forward plans.
- Review management information prepared by ST&RH.

In addition

- Consider annual update of the Service Level Agreements (June)
- Agree proposals as part of Annual Review (November) before formal consideration by the Asset Assurance Board (December)

Client meetings would normally be attended by the ST&RH Senior Management team; the Housing Shareholder (or appropriate substitute depending on key issues to be discussed) and the Housing Strategy Service Lead (or other duly appointed Officer), with financial and performance management input as required.

Outside of the more formal meetings, officers will be expected to meet as and when necessary to discuss performance against agreed targets as well as ad hoc issues of importance and to generally develop a mature appreciation of potential areas of performance failure or risk.

### **Managing Performance**

#### **Contract Management**

ST&RH will be monitored against the Council's strategic housing priorities and the agreed outcomes and contract performance measures. The Council, as Commissioner, will not monitor the day to day operations of ST&RH. It will focus on service outcomes and ensuring that ST&RH is properly exercising its delegated powers in pursuance of the Council's objectives. In recognition of the obligations of both parties, the meetings will also be a mechanism to enable ST&RH to raise issues in relation to the Council's duty to assist and facilitate ST&RH to achieve these outcomes. It is recognised that there may be occasions where closer working relationships at an operational level will be required to ensure improved service delivery.

#### **Performance Reporting**

Shropshire Council's Housing Strategy Service Lead (or other duly appointed Officer), will work with ST&RH to ensure that the Business Plan, Annual Action Plan and targets to be put in place by ST&RH adequately reflect the Council's strategic housing priorities.

On a quarterly basis, ST&RH will report a single set of operational performance data and a single set of financial performance data unless agreed performance indicators include longer time horizons. These will be delivered in an agreed format and the same single set of data will be used to supply the Client meetings and the Asset Assurance Board as necessary thus avoiding duplication and unnecessary work.

## **Business Planning**

The Council's objectives are set out in the Shropshire Sustainable Business Plan and Financial Strategy and the Housing Strategy. ST&RH's Annual Action Plan will be expected to show how it contributes to these objectives. To enable ST&RH to business plan effectively the Council will:

- Publish and update its Housing Strategy every 3 years; setting the strategic housing framework for the Council and its partners.
- Ensure that the strategy has an Action Plan which is annually updated

ST&RH will be required to provide the following:

(a) A rolling Business Plan which will cover at least a 3 year period:

- Set out all the outputs of the organisation, the key performance requirements of the services and includes the performance standards expected;
- Include the overall strategy of the organisation and how the organisation will deliver the key strategic goals of the Council and the communities the Council represents;
- Detail the financial and staffing resources required to enable the organisation to discharge its Business Plan and the Councils Delivery Plan and perform the services with skill, care and diligence.
- Include performance measures and associated targets as agreed from time to time between ST&RH and the Council. Updates and amendments to the Business Plan will be discussed with the Client officers.

(b) Annual Action Plan (together with the Business Plan) which:

- Set the outputs of the organisation, the key performance requirements of the services and includes performance standards for the coming year;

- Detail the financial and other resources required to enable the organisation to deliver the Business Plan and the Council's Delivery Plan for the coming year;
- Provide an analysis of the organisation's objectives in respect of the services delivered;
- Includes an action plan for improvement and delivery.

(c) Capital Investment Programme that:

- Is required to deliver the priorities set out in the Capital Programme. This will form the basis of the annual programme of investment that would be agreed prior to the start of the financial year.

The Housing Strategy Service Lead (or other duly appointed Officer), reporting to the senior manager responsible for housing (currently Director of Adult Services) and supported by specialist advice including from colleagues in Legal and Finance, will assess the above plans proposed by ST&RH. This is to ensure that links are made with Corporate objectives and through the performance management and Governance framework ensure all plans are agreed and signed off by the Asset Assurance Board (and Shropshire Council Cabinet) in advance of the 1st April each year with the aim of an in principle agreement at the December Asset Assurance Board meeting in line with annual financial management cycles.

### **Annual Performance Report**

ST&RH will provide a written Annual Performance Report to the Asset Assurance Board in October (which will be presented to Cabinet by exception) which unless otherwise agreed will include the following:

- An analysis of achievement against service improvement targets with commentary;
- An analysis of performance against targets with commentary;

- Year-end out turn on annual organisational health, equality and diversity and tenant satisfaction indicators;
- Description of benchmarking exercises and findings;
- Outcomes of any service improvement reviews;
- Detailed analysis of the capital programme;
- Analysis of tenant involvement initiatives and customer satisfaction information;
- Outcome of internal and external audit reports;
- A Board review outlining any membership changes;

Where there is continued under-performance below the agreed standard or quality of services for two quarterly reporting periods the Council may request further explanation and timescale against which Shropshire Towns and Rural Housing Limited will deliver improved performance.

The Annual Performance Report will only be presented to Cabinet where a Cabinet decision is required to address a performance issue or alternatively where Cabinet explicitly requests the Report.

### **Financial reporting**

#### **Reporting Risk**

ST&RH will be required to maintain a system of internal controls and provide assurance in its effectiveness. To demonstrate this, ST&RH will need to maintain a Risk Register of their key business risks. The register should be reviewed quarterly by ST&RH taking into account risks identified by the Council. Any risk categorised as high will be reported to the Client for consideration at quarterly Client meetings which review performance.

For some key risk areas to both ST&RH and the Council, the Housing Strategy Service Lead (or other duly appointed Officer) may monitor

ST&RH compliance with certain Council policies; legislation and regulations. This will be discussed at quarterly Client meetings. Typically, this may include (only in so far as they apply to ST&RH):

- Health and Safety.
- Corporate Procurement.
- Capital Programme Management.
- Statutory housing policies and duties.
- Tenancy management.

The Client will also identify those risks that are deemed to cut across both organisations and therefore should be deemed as partnership risks. These will be reflected on the Council's risk register under strategic housing.

### **Information Requirements**

Shropshire Towns and Rural Housing Limited will provide accurate and complete information for the statutory returns to achieve the published timescales, ensuring that all information recorded and provided meets the Council's data quality requirements.

The Council will need to be satisfied with the quality of all information provided and to be able to check it and sign it off with potential errors and improvements to data quality being undertaken at no extra cost. ST&RH will also collect and provide data that contributes to the planning, management and delivery of other services provided by or commissioned by Shropshire Council e.g. Adult Social Care where there is a shared agreement as to how this both matches the objects of ST&RH and the Council's Housing and Corporate priorities.

ST&RH will fully cooperate to respond to any queries raised by the Council (or other relevant stakeholders) in a timely manner relating to the statutory returns after the submission of the information and



maintain familiarity with any requirements for current and/or future statutory returns regarding their activity.

**Appendix 1: Asset Assurance Board Terms of Reference**

<b>ASSET ASSURANCE BOARD</b>	
ROLE OF BOARD	To monitor and advise Cabinet and Council, as Commissioner, on the performance of Shropshire Towns and Rural Housing Limited and advise on budgets to be set.
BOARD MEMBERSHIP	<p>Two elected members (not ST&amp;RH Board elected members).</p> <p>Portfolio Holder with responsibility : (Planning, Housing, Regulatory Services, and Environment)</p> <p>Housing Shareholder: (Director of Adult Services)</p> <p>Head of Finance, Governance and Assurance - Section 151 officer or representative</p> <p>Corporate Head of Legal and Democratic Services – Monitoring Officer or representative</p> <p>The Board will be supported by invited representatives from ST&amp;RH and Shropshire Council. This includes:</p> <p><u>Shropshire Towns &amp; Rural Housing (ST&amp;RH):</u></p> <p><i>Managing Director of ST&amp;RH.</i></p> <p><i>Chair of the Board of ST&amp;RH.</i></p> <p><i>Finance and Resources Director of ST&amp;RH.</i></p>

	<p><u>Shropshire Council:</u></p> <p>Council Officer representative ST&amp;RH Board Member.</p> <p><i>Posts in italics would not participate in closed meetings of the Board</i></p> <p>Other key officers will be invited to attend the Board as required.</p> <p>The Board shall be considered quorate when all members of the Board (or their nominated representatives) are present. Where a Board meeting is not quorate the minutes will record this.</p>
<p>OFFICER SUPPORT</p>	<p>The Asset Assurance Board is supported by a Housing Strategy Service Lead (or duly appointed officer). Additionally, further Council expertise may be called upon as required.</p>
<p>FREQUENCY AND SCOPE OF MEETINGS</p>	<p>Meetings will be held to review and consider Annual Performance Report (October) and agree the Annual Review (December). In addition, a meeting in June will consider ongoing performance, Service Level Agreements and the annual agreement of the Board Terms of Reference. Additional meetings will be held as required.</p> <p>The programme of meetings will provide sufficient flexibility to consider the key issues relating to ST&amp;RH as they arise but will include as a minimum:</p> <ol style="list-style-type: none"> <li>1) Review of Service Level Agreements and Board Terms of Reference (June).</li> <li>2) Analysis and review of detail of the Annual</li> </ol>

	<p>Performance Report (October).</p> <p>3) Presentation and agreement of proposals by ST&amp;RH concerning Services Fee; Asset Management Strategy; Capital Programme; Indicative Works Fee; Annual Action Plan; Targets/ KPIs. Review and endorse proposals prior to submission to Cabinet. Direction setting for ST&amp;RH (December).</p> <p>An exception report covering progress against agreed Key Performance Indicators will be presented to every AAB meeting. As the meetings do not align with the publication of quarterly performance reports, these reports will be batched together where necessary to enable coverage of longer time periods.</p> <p>Arrangements for the frequency and scope of meetings will be reviewed on an annual basis.</p>
<p>RESPONSIBILITIES</p>	<p>Key responsibilities of the Asset Assurance Board are:</p> <ul style="list-style-type: none"> <li>• To ensure that ST&amp;RH is properly exercising its delegated powers in pursuance of the Council’s objectives.</li> <li>• To provide updates on the Council’s investment priorities that in turn will inform the ST&amp;RH and HRA business plan and Annual Action Plans.</li> <li>• Where appropriate, identifying opportunities to work with ST&amp;RH in pursuit of wider Council objectives.</li> <li>• To oversee the governance framework for the contract to ensure that joint resources (both mainstream and additional funding) are assigned to</li> </ul>

	<p>key partnership priorities and in geographical areas of identified need, ensuring its implementation through the Business Plan and Annual Action Plan, reporting annually to Council.</p> <ul style="list-style-type: none"> <li>• To oversee performance against the ST&amp;RH Self-financing Business Plan and annual action plans and the outcomes, targets and performance measures established from time to time by the Council including key improvement priorities.</li> <li>• To review the previous year's successes and failures.</li> <li>• To endorse future plans and aspirations of ST&amp;RH and the Council including consideration of proposals to amend the ST&amp;RH Constitution.</li> <li>• To update ST&amp;RH on plans and policies which may affect ST&amp;RH and the delivery of delegated housing services.</li> <li>• To provide a forum for all key senior personnel (officers, members and chairs of the respective boards) to have an open and frank round table discussion on issues important to both the Council and ST&amp;RH.</li> <li>• To provide ST&amp;RH with an opportunity to challenge the Council.</li> </ul> <p>The responsibilities of the AAB may be subject to change in order to reflect the changing structures of Shropshire Council.</p>
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**Appendix 2 Annual Review Procedure**

**1 Introduction**

1.1 The draft Management Agreement between the Council and ST&RH envisages an annual review procedure which will be used for agreeing:

1.1.1 the Services Fee;

1.1.2 the Asset Management Strategy;

1.1.3 the Capital Programme;

1.1.4 the Works Fee;

1.1.5 targets/KPIs; and

1.1.6 the annual action plan.

1.2 This Appendix recognises the spirit of the Management Agreement and the requirement to agree the matters above by 30 November but also reflects Annual Review process in practice. Formal in principle agreement will take place at Asset Assurance Board meeting in December with informal agreement at the Client meeting by the end of November each year.

1.3 It is agreed that the process for agreeing the above matters should be by 30 November in each year in respect of the revised fees, strategy, programme and targets/KPIs and the annual action plan. This agreement will take place at the November Client meeting with the Asset Assurance Board providing formal in principle agreement in December.

1.4 All the matters agreed will be effective from 1 April in the following year.

2 **Proposal stage**

ST&RH will submit to the Council its written proposals for the next year, and all relevant supporting information for the following, for discussion and agreement at the Client meeting in November.

2.1 For the Services Fee:

2.1.1 proposed figure as calculated in accordance with paragraph 2.1 of Schedule 5 to the management agreement together with the calculation used;

2.1.2 any adjustment which ST&RH believes to be necessary to the figure in **paragraph 2.1.1** above (in particular, having regard to the principles listed in paragraph 3 of Schedule 5 to the management agreement);

2.1.3 explanation, evidence or justification for any adjustments proposed under **paragraph 2.1.2** above; and

2.2 For the Asset Management Strategy:

2.2.1 any proposed changes to the then current Asset Management Strategy together with an explanation and all relevant supporting information and evidence; or

2.2.2 a confirmation that ST&RH does not see the need to amend the Asset Management Strategy.

2.3 For the Capital Programme:

2.3.1 any proposed changes to the then current Capital Programme together with an explanation and all relevant supporting information and evidence; or

- 2.3.2 a confirmation that ST&RH does not see the need to amend the Capital Programme.
  
- 2.4 For the Works Fee:
  - 2.4.1 any proposed changes to the then current Works Fee together with an explanation and all relevant supporting information and evidence; or
  - 2.4.2 a confirmation that the current Works Fee is sufficient and does not require to be revised.
  
- 2.5 For the targets/KPIs:
  - 2.5.1 any proposed changes to the then current targets/KPIs together with an explanation and all relevant supporting information and evidence; or
  - 2.5.2 a confirmation that ST&RH does not see the need to amend the current targets/KPIs.
  
- 2.6 For the annual action plan:
  - 2.6.1 ST&RH will submit to the Council its written proposals for the next year and all relevant supporting information for the following:
  - 2.6.2 proposed action plan for improvements in Service delivery;
  - 2.6.3 proposed action plan for improvements in delivery of the Capital Programme; and
  - 2.6.4 Identified priorities within the above plans.

3 **Review stage**

3.1 The Council shall consider the proposals and other information provided by ST&RH under **paragraph 2** above and respond to ST&RH ahead of the November Client meeting. In so doing it will:

3.1.1 identify any proposals which are not acceptable to the Council and reasons therefore;

3.1.2 confirm any proposals which are acceptable to the Council;

3.1.3 suggest any changes to the matters which ST&RH believed not to require any revision and provide reasonable justification/explanation for its proposed changes.

3.2 ST&RH shall consider the Council's response received under **paragraph 3.1** above and notify the Council ahead of the Client meeting whether there are any issues of disagreement.

3.3 If there are no issues of disagreement provisions of **paragraphs 4** and **5** below can be disregarded.

4 **Negotiation stage**

4.1 If there are any issues of disagreement then the parties shall arrange a meeting or a number of meetings (as may be required) with the relevant representatives from each side to attend with a view that this negotiation stage be completed by the end of November.

4.2 The party which has proposed the change which is not acceptable to the other party shall be responsible for preparation of the agenda and minutes of any meetings that take place in connection with such matter.

4.3 The parties shall act reasonably and in the spirit of co-operation to try to resolve any issues of disagreement between themselves so that there is no need to invoke the formal dispute resolution procedure.



5 **Formal dispute resolution stage**

5.1 Any issues that remain unresolved following the process in **paragraph 4** above shall be dealt with as follows:

5.2 In relation to the Services Fee, the matter shall be referred to an Expert for determination pursuant to clause 34 of the management agreement.

5.3 In relation to the Asset Management Strategy, the matter shall be referred to an Expert for determination pursuant to clause 34 of the management agreement.

5.4 In relation to the Capital Programme, if ST&RH believes that the changes proposed by the Council are:

5.4.1 inconsistent with the Asset Management Strategy; or

5.4.2 not reflected in the Works Fee for that year (i.e. the proposed Works Fee is insufficient to carry out the proposed Capital Programme);

the matter shall be referred to an Expert for determination pursuant to clause 34 of the management agreement. In all other circumstances (i.e. where provisions of **paragraph 5.4.1** or **5.4.2** above do not apply) the Council shall before 30 November notify ST&RH in writing of its final decision which shall be accepted by ST&RH.

5.5 In relation to the Works Fee, if ST&RH believes that the changes proposed by the Council are such that the revised Works Fee is insufficient to:

5.5.1 carry out the Capital Programme for the following year; or

5.5.2 meet its obligations under any Works Contracts

the matter shall be referred to an Expert for determination pursuant to clause 34 of the management agreement. The timescales to be agreed but should be before 1<sup>st</sup> April of the following year. In all other circumstances (i.e. where provisions of **paragraph 5.5.1** or **5.5.2** above do not apply) the Council shall before 30 November notify ST&RH in writing of its final decision which shall be accepted by ST&RH.

5.6 In relation to the targets/KPIs, if any issues that remain unresolved the matter shall be referred to an Expert for determination pursuant to clause 34 of the management agreement.

5.7 In relation to the annual action plan any issues if any issues remain unresolved the matter shall be referred to an Expert for determination pursuant to clause 34 of the management agreement.

## **6 Implementation**

6.1 The above process should be completed by 30<sup>th</sup> November each year with in principle agreement at the December Board meeting. The only exceptions should be by agreement and include, for example, where an Expert needs to consider the matters referred to it.

6.2 The agreed or determined changes shall take effect from 1<sup>st</sup> April in the following year.

## **7 Monitoring and review**

The parties shall act in good faith to monitor and review this procedure and agree any improvements to it.

**8 Conflicts**

In the event of any conflicts between the provisions contained herein and those in the management agreement entered into by the parties (and as may be amended from time to time) the provisions of the management agreement shall prevail.

**Governance Framework and Asset Assurance Board Terms of Reference agreed by:**

**Director of Adult Services**

\_\_\_\_\_ **Date**\_\_\_\_\_

**Portfolio Holder (Planning, Housing, Regulatory Services, and Environment)**

\_\_\_\_\_ **Date**\_\_\_\_\_

**Asset Assurance Board Chair**

\_\_\_\_\_ **Date**\_\_\_\_\_