

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Audit Committee
2.	Date:	13 April 2011
3.	Title:	Reintegration of 2010 Rotherham Ltd with RMBC
4.	Directorate:	Neighbourhoods and Adult Services

5. Summary

This report details the background and reasoning behind the integration of Rotherham's ALMO, 2010 Rotherham Ltd, with Rotherham Metropolitan Borough Council and highlights the risks associated with this re-integration and how those risks are being managed.

6. Recommendation

- **The Audit Committee is asked to note and support the issues raised in the report.**

7. Proposals and Details

7.1 Background

The Council's Arms Length Management Organisation (ALMO), 2010 Rotherham Ltd, was set up in May 2005 following a positive outcome to a tenant consultation and gave Rotherham the means to access some £218m towards the cost of delivering the decent homes standard across its 21,000 homes.

The original management contract was due to run until May 2010 but was extended to June 2011, in 2008/09, to allow completion of the decent homes programme and related environmental improvements.

2010 Rotherham Ltd has been successful in delivering decent homes work to timescale. However, now that the decent homes programme has come to a close the main reason the ALMO was created no longer exists.

In the summer of 2010, RMBC commissioned Price Waterhouse Cooper to carry out an independent appraisal on the options for the future management of Rotherham's council housing. PWC recommended that the best available option for Rotherham was to return the management its housing stock directly to the local authority. Direct management would:

- Minimise tenants' confusion around which organisation (2010 Rotherham or RMBC) is responsible for what service
- Promote greater accountability, through elected members
- Result in savings of around £1m per annum, excluding transfer costs

Further more, any savings achieved will be re-invested in front line services.

7.2 Implementation

The ALMO Options Core Group meets fortnightly and is managing the re-integration of 2010 Rotherham Ltd with RMBC. The main work streams identified by the Core Group, and examples of associated tasks, are:

- Strategic HR, eg, TUPE, pay equalisation
- Consultation, eg, test of opinion, staff road shows, member briefings
- Governance, eg, voluntary round up of business, novation of contracts
- Operation Issues eg, see extract on next page
- Finance, eg, commitments transferred (pensions), budget alignment

The Core Group has created a detailed Implementation Plan, which includes a short risk management section outlining the overarching, strategic risks, (listed in Section 9 of this report, below) with more operational risks appearing in the Implementation Plan under the relevant work stream's section.

The following page has been extracted from the Governance Section of the Implementation Plan to give a flavour of the level of detail captured within the plan.

Governance (Tess Butler and Richard Waller)

Action	Progress	Due Date	Update
Article amendments relating to board structure	An independent member is to resign after the March Board. Amendment is required so as not to compel the company to fill the vacancy. Articles currently provide for the Council to dismiss the Board and appoint its own. Needs checking for mass resignation at date of transfer.	30.03.11	
Board member insurance (indemnity)	Quote requested from RMBC to renew for 2011/12 and 'run-on' provision for 6 years.	31.03.11	
Conflict management re council board members	None arisen as yet.		
Company required for other reasons? If not – wind up.	Cabinet decision included closure of company to be enacted after transfer as voluntary wind-up requires a minimum 3 months without trading.	3 months post transfer	
Membership of other orgs: <ul style="list-style-type: none"> • Procurement consortia • NFA • HouseMark & APSE performance networks • Green issues 	Membership of E-North to be considered by J Brayshaw and Tim Whitworth 2011 membership paid for 6 months only Membership to be paid by 2010R for 2011/12 and transferred to RMBC Need to clarify organisation and terms to determine whether required to transfer	31.03.11 30.06.11 Transfer date 31.03.11	
Provisions for termination – non renewal, default, notice by Council?	Cabinet decision not to review management agreement.	23.02.11 ✓	
Ensure SLAs are dealt with	All will take account of transfer to RMBC Providers will be given the contact details of the officer who will instruct them in future	31.03.11	

8. Finance

Savings will be achieved through minimising bureaucracy, duplication and management whilst safeguarding front line services; there are several opportunities to provide more effective services by integrating them with those currently delivered by the Council.

9. Risks and Uncertainties

Identified strategic risks include:

a) Impact on business continuity and reduced service quality

A Transition Plan is being created to capture tasks which must be implemented before and after closing the ALMO. The Transition Plan deals with non-strategic operational issues such as re-branding and EDRMS (to prepare for 2010's current employees' eventual move to Riverside). A secondment opportunity will be advertised in April for a full time officer whose role will be to ensure the Transition Plan is realised.

b) Financial management issues

In recent times, 2010 Rotherham Ltd's financial management has not been entirely satisfactory:

- The closure of the decent homes programme means a significant funding stream no longer needs managing
- The outsourcing of the repairs and maintenance contract has brought about new challenges in terms of managing a large, commercial contract. A restructure is underway to ensure this contract is managed effectively – this will be the only restructure which takes place prior to transfer.
- 2010 Rotherham Ltd's trading deficit is known and will be absorbed by RMBC

c) Impacts on personnel

There is a concern that key members of 2010 Rotherham Ltd's staff may leave their employment and, therefore, affect the quality of the services provided and business continuity.

- Staff road shows being held to ensure all affected RMBC and 2010 staff receive the same information, at the same time and get the opportunity to ask questions
- Draft structures showing not only where housing functions will sit within the local authority but also outlining job titles, JDs, personal specifications and grades are due to be drafted and reported to Cabinet in April
- Pay equalisation is an issue as the salaries for some posts at 2010 Rotherham Ltd are considerably higher than their RMBC equivalents. Payment protection will be available to employees under the current Council policy which provides for 3 years post transfer, to within 8 spinal points.
- The possibility of sharing structures and offering certainty to 2010 staff prior to transfer is being explored
- TUPE transfers carry the risk of challenge if any transferring employees are not placed in substantive equivalent roles or their terms and conditions of employment are changed. The only circumstances where this can be

defended is if the receiving organisation has a justifiable Organisational, Technical or Economic reason for taking such action.

d) Communication

An extensive consultation programme took place with tenants, leaseholders and other stakeholders between November 2010 and February 2011. Further events are planned for employees and tenants, as well as ongoing updates being delivered to representative bodies and key stakeholders such as RotherFed, Cabinet Member for Safe and Attractive Neighbourhoods, AHP Chairs Meeting, and the Strategic Housing Partnership.

10. Policy and Performance Agenda Implications

Returning the management of council housing to the Council will assist the Council to address the significant challenges that more deprived areas, especially council housing estates, will face over the medium term.

Since inception, the ALMO has increased the opportunity for the involvement of tenants in relation to strategic and policy matters through tenant representation on the 2010 Board. Area Housing Panels established prior to the ALMO being established have continued to play a role. It is intended to review and build upon this experience of tenant involvement when housing management returns to RMBC.

11. Background Papers and Consultation

- Cabinet Report, The Future Management of Council Housing in Rotherham, 3 November 2010
- Equality Impact Assessment, The transfer of RMBC's Council Housing from the ALMO to the Local Authority
- Cabinet Report, The Future of Council Housing in Rotherham, 23 February 2011
- ALMO Options Core Group, Implementation Plan, November 2010 – July 2011, V1
- Options Appraisal Report, PriceWaterhouse Coopers LLP, October 2010
- Department for Communities and Local Government, Review of Arms Length Housing Management Organisations, June 2006

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