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**Report of the Director of Environment and Neighbourhoods**

**Executive Board**

**Date: 16<sup>th</sup> May 2007**

**Subject: Extension of the ALMO Management Agreements**

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**Electoral Wards Affected:**

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Ward Members consulted  
(referred to in report)

**Specific Implications For:**

Equality and Diversity

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Community Cohesion

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Narrowing the Gap

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Eligible for Call In

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Not Eligible for Call In

(Details contained in the report)

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**EXECUTIVE SUMMARY**

The report sets out proposals to extend the Management Agreements with the ALMOs to 2013

**PURPOSE OF THE REPORT**

1.0 This report sets out the reasons for proposing to extend the Management Agreements with the ALMOs until 2013

**2.0 Background**

2.1 The original Management Agreements were entered into on 31<sup>st</sup> January 2003.

2.2 Those Agreements provide for a five year contract period, subject to the Council being entitled (but not obliged) to extend the Agreements for one or more further periods of five years on six months notice to the ALMOs. The contract with the three ALMOs is due to expire on the 31st January 2008. The content of the Management Agreements was reviewed in 2005 without extending the term of the contract.

### **3.0 ALMO Review and Novation Agreements**

- 3.1 The implementation of the ALMO review has seen the existing Management Agreements and term of contract novate from the six ALMOs to the three new ALMOs.
- 3.2 The novation takes place in two stages. Initially the “high level” functions have novated, with effect from 29<sup>th</sup> January 2007, to enable the formal establishment of the new ALMOs. The second stage novation will take place from 2<sup>nd</sup> April 2007. From that date all the business and staff of the old ALMOs is officially transferred to the new ALMO.
- 3.3 These novations are set out in formal agreements that have been signed on behalf of the old ALMOs and the new ALMOs. They also need to be signed on behalf of the Council.
- 3.5 The agreements require two dates to be included within them. The first is the date that the first transfer of responsibilities takes place and this is 29<sup>th</sup> January 2007. The second date is the date up to the end of the contract period, currently 3<sup>1st</sup> January 2008.
- 3.6 During the ALMO review the ALMOs have asked if the contract period could be lengthened in order to give them some comfort that the Council is giving a real commitment to the new ALMOs.

### **4.0 Impact of Contract Extension.**

- 4.1 The current agreements allow the Council to extend the contract period by one or more five year periods and that any extension must be notified to the ALMOs at least six months prior to the current expiry date.
- 4.2 An extension does not restrict the ability of the Council to vary the agreement. The Council can make changes to the agreement upon giving reasonable notice to the ALMOs, subject to agreeing consequential changes to the ALMOs business plans, or those changes being determined by an independent expert.
- 4.3 In addition, as long as the Council remains the sole member of the ALMO companies it will have legal powers to wind the companies up.
- 4.4 The extension of the contract will bring a number of benefits both to the ALMOs and to the relationship between the ALMOs and the Council:
- Decency resources have been allocated until 2010; before which there is no cause to review the Council's preferred housing option
  - It will bring a sense of stability to the new organizations following the period of the review
  - It will give confidence to the ALMOs partners and contractors
  - It will give the Inspectorate confidence that the Council is committed to ALMOs

- It will allow the ALMOs and the Council to develop longer term business plans
- It will give staff within the ALMOs some sense of certainty and commitment
- It will not prevent the Council from varying the agreement

## **5.0 Consultation**

- 5.1 The request for an extension came from the ALMOs. During the ALMO review the Chief Officers of the ALMOs raised the possibility of an extension to the term of the Management Agreement, with the Council. They felt that this would help the new ALMOs to develop longer term plans and give the new Boards a sense of commitment from the Council following a period of significant change.
- 5.2 The proposals contained within this report have been discussed with the new Boards and they are in favour of the proposed extension.
- 5.3 Legal Services have been consulted and have contributed to this report.

## **6.0 Conclusion**

- 6.1 The current management agreements will remain in full force, unless varied, until 31<sup>st</sup> January 2008. Six months prior to that date notification of any extension must be given.
- 6.2 The novation agreements require a contract expiry date and the ALMOs have asked for an extension to show that the Council is committed to ALMOs even though it is reducing them from six to three.
- 6.3 Any extension will not prejudice the Council's rights to vary the agreement or to renegotiate the agreement or to wind the ALMO companies up.
- 6.4 An extension of five years at this time would give a signal to the ALMOs, their partners, contractors, the Government Office and Inspectorate of a commitment from the Council following a period of significant change.

## **7.0 Recommendations**

- 7.1 The Executive Board is requested to agree to an extension in the term of contract for the ALMOs of five years, extending the existing agreement to 31<sup>st</sup> January 2013.