

Housing Select Committee			
Title	Lewisham Homes Management Agreement		
Key decision	No	Item no	4
Wards	All		
Contributors	Executive Director for Customer Services		
Class	Part 1	16 September 2015	

1 Summary

- 1.1 Lewisham Homes' Management Agreement commenced in June 2007 and is due to expire in June 2017, and the Council now needs to make a decision about the future of Lewisham Homes and how it fits in to its wider strategies for meeting the Borough's housing needs and challenges.
- 1.2 At the Mayor and Cabinet meeting on 14 January 2015, Mayor and Cabinet noted the timetable and scope of a proposed project to review and consider an extension of Lewisham Homes' Management Agreement after its expiry in 2017, including the potential ways in which Lewisham Homes might further evolve to help meet the Council's housing priorities.
- 1.3 A new Management Agreement is an opportunity for the Council to shape the future of Lewisham Homes, empower it to deliver more services on behalf of the Council, and to assume a more prominent role in the Council's delivery of new affordable homes.
- 1.4 Lewisham Homes is a strongly performing ALMO which as well as delivering on Decent Homes works and providing high quality housing management services to residents, is also now delivering the Council's house-building programme and its temporary accommodation acquisition programme. Furthermore, processes are already underway for the potential transfer of both the estate-based grounds maintenance service, and for an enhanced housing management service in Sheltered Housing, to Lewisham Homes.
- 1.5 It is common for the negotiation of contracts of this type to commence up to 18 months in advance of the expiration of the contract, to allow for full consideration of the options available and to ensure that decisions fit in with wider strategies. The purpose of this paper is to notify the committee of the timetable for this project, and allow it to scrutinise the initial proposals which officers will negotiate in the coming months.

2 Policy Context

2.1 The proposed changes to Lewisham Homes' Management Agreement will be designed to help the Council deliver on a number of its key policy priorities. It supports the achievements of the Sustainable Community Strategy policy objectives:

- Ambitious and achieving: where people are inspired and supported to fulfil their potential.
- Empowered and responsible: where people can be actively involved in their local area and contribute to tolerant, caring and supportive local communities.
- Healthy, active and enjoyable: where people can actively participate in maintaining and improving their health and well-being, supported by high quality health and care services, leisure, culture and recreational activities.

2.2 It will also help meet the Council's Housing Strategy in which the Council commits to the following key objectives:

- Helping residents at times of severe and urgent housing need
- Building the homes our residents need

3 Recommendation

3.1 Housing Select Committee is recommended to:

- Note the intention to begin negotiations to extend Lewisham Homes' Management Agreement;
- Note the additional services which could be delegated to Lewisham Homes, pending the outcome of negotiations;
- Note the intention to review the options for structuring Lewisham Homes, or a potential new subsidiary of it, to better enable the development of new homes;
- Note the timetable for negotiation and ratification of the proposed changes.

4 Background

4.1 Previous government policy required Local Authorities to undertake a stock options appraisal to develop a strategy by which all their stock could meet the Decent Homes Standard. In order to bring in the investment needed to achieve this objective, the government provided three main ways to support local authorities who need additional funding to make their homes decent. These were:

- Setting up an Arms-Length Management Organisation (ALMO)
 - Entering into a Private Finance Initiative (PFI) contract
 - Transferring properties to a Registered Provider of social housing
- 4.2 The creation of Lewisham Homes as an ALMO was a major strand of Lewisham's Decent Homes strategy which was agreed by full Council on 29 June 2005 and approved by the Office of the Deputy Prime Minister (ODPM) in November 2005. The strategy also made use of the government's Private Finance Initiative and stock transfers to Housing Associations.
- 4.3 Lewisham Homes was established in June 2007 and currently manages 13,000 social housing tenancies and 5,000 leasehold properties within the borough, on behalf of the Council. The details of the arrangements between the Council and the ALMO for the delivery of the Housing Management service are set out in a Management Agreement that was established at the inception of the ALMO. This initial management agreement was for ten years and is due to expire in June 2017.
- 4.4 Lewisham Homes is a strongly performing organisation which has improved housing management services considerably in the short time that it has been charged with managing the Council's housing stock. Last year it managed more capital expenditure, and made more Council homes "decent", than in any previous year.
- 4.5 Since 2007, tenant satisfaction has increased by 22 per cent. At the same time, the management fee the council pays Lewisham Homes has decreased. Lewisham Homes is focused on continual improvement, and Housing Select Committee recently received Lewisham Homes' Business Plan for 2015-2019, in which it sets targets to continue to improve performance and resident satisfaction.
- 4.6 By the end of March 2017, Lewisham Homes will have fully completed the Decent Homes works and the Council will be able to make greater use of its programme management and service delivery expertise in other service areas.
- 4.7 In recent years various amendments have been made to the management agreement to allow Lewisham Homes to take on additional services on behalf of the Council, including management of the Council housing IT systems, the delivery of the new build housing programme, grounds maintenance on estates, and potentially to provide an enhanced Sheltered Housing management service.
- 4.8 In addition to expanding its housing management services, Lewisham Homes has also been making excellent strides in developing the first new Council homes on behalf of the Council; the first of these homes have now been completed, and an update on progress is provided elsewhere on this agenda. It is also leading on acquiring new temporary accommodation on behalf of the Council to help manage the increasing housing need in the borough.

5 The National Picture for ALMOs

- 5.1 All local authorities who established ALMOs with ten year management agreements are at the stage where they have either recently or will soon decide the future of the ALMO. Currently there are 41 ALMOs managing just over 570,000 homes which is around 30% of the total council stock nationally.
- 5.2 With the end of Decent Homes funding, some Councils including Hackney and Waltham Forest have taken the decision to bring their housing stock back into the Council's direct control. A number of other authorities have extended their ALMO Management Agreements, typically for a period of five to ten years. These include Brent, Derby and Solihull. In addition, some local authorities have established brand new ALMOs including East Kent and Welwyn Hatfield.
- 5.3 An increasing number of councils are now seeing their ALMO as a flexible vehicle to deliver a wider range of services to local communities. This includes 30% of ALMOs now managing a total of 1,113 properties in the private rented sector, 36% of ALMOs providing services to tackle worklessness and 55% offering money advice. In total 37 ALMOs have plans to build new homes in 2015 and over the course of the next five years ALMOs were planning to deliver at least 9,000 for their parent councils¹.
- 5.4 The decision of whether to extend the management agreement or to take an alternative approach is highly dependent on the local context. The decision is driven by the wider housing strategy of the borough, the nature of the local housing market and the need for councils to deliver services more efficiently.
- 5.5 Typically, the development of a new management agreement has been accompanied by an extension of services provided by the ALMO but also a commitment by the ALMO to ensure contractual commitment to a greater contribution to achieving the Council's overall objectives. This may include commitments around regeneration, community participation and providing greater value in service delivery.
- 5.6 In Lewisham, given the strength of performance of Lewisham Homes and the wider challenge to the Council to continue to deliver its strategic priorities in the face of significant funding reductions, the approach to date has been to maximise the potential of the ALMO and to delegate to it additional services as set out above. As such it is already performing a wider brief than at the time it was created, and there is further scope to continue to expand its role, where by so doing the Council is better able to safeguard the delivery of key services whilst meeting its strategic financial challenges.
- 5.7 On that basis, the following section sets out the structure and timetable for negotiations between officers from the Council and Lewisham Homes, with a view to securing agreement about the extension of the management agreement for final decision making by Mayor and Cabinet, following pre-scrutiny by Housing Select Committee.

¹ National Federation of ALMOs, <http://www.almos.org.uk/include/getDoc.php?fid=7253&did=6230>

6 Negotiation structure and timetable

6.1 The aims of the negotiation are to put in place a management agreement to enable Lewisham Homes to achieve the following:

- To be the Council's lead partner in the provision of affordable housing of all kinds, increasing supply in the borough by building or acquiring new properties;
- To provide high quality housing management services for the Council's properties managed by Lewisham Homes;
- To maximise the community benefit the investment and operational activities Lewisham Homes undertakes in the Borough;
- To generate additional financial capacity to support the delivery of the Council's wider regeneration and housing strategy objectives

6.2 Officers from the Council and Lewisham Homes have commenced initial discussions to scope additional services which could be delegated from the council to Lewisham Homes.

6.3 The following services have recently been delegated to Lewisham Homes:

- Management of sheltered housing
- Management of grounds maintenance
- Management of housing IT systems

6.4 Whilst initial discussions have included the consideration of the following services in addition:

- Provision of community investment programmes including jobs and skills
- Carrying out property valuations for Right to Buy applications
- Collection/disposal of bulk waste on Lewisham Homes estates

6.5 The negotiations will also include arrangements such as the fee which Lewisham Homes receives from the Council, as well as other sources of income such as service charges and repairs charges.

Over the coming weeks, officers will finalise which services are in scope for negotiation and begin to consult more widely within the Council and Lewisham Homes. At the end of this process, officers will be clear on which new services may be delegated to Lewisham Homes at the commencement of its new management agreement, and services which may be delegated to Lewisham Homes at a future date, subject to further scrutiny by Housing Select Committee and final decision making at Mayor and Cabinet.

- 6.6 As part of this process officers will also explore the possibility of making provisions for additional future services to be delegated to Lewisham Homes, by extending the management agreement in as flexible manner as possible. In this way the services delegated to Lewisham Homes could be reviewed in an on-going basis, as the Council's strategic context continues to change. It could also be possible to make future service delegations certain standards of performance, for instance, in order to provide an on-going incentive to improve.
- 6.7 Proposals that follow the negotiation period will be drafted in more depth so that a report can be put to Mayor and Cabinet in January 2016 to decide upon the proposals, following pre-scrutiny at Housing Select Committee. Subject to decision making, this will allow time for the new management agreement to be drafted to go live in April 2016.

7 Enabling Lewisham Homes to continue to build and acquire homes

- 7.1 Lewisham Homes currently leads on the programme management of the Council's house building programme, and it has also recently started acquiring properties on the open market on behalf of the Council through a loan arrangement.
- 7.2 As part of the management agreement negotiation process, it will also be possible to explore the potential that Lewisham Homes might further evolve the role it plays on behalf of the Council and its tenants, by registering with the Homes and Communities Agency (HCA) as a Registered Provider of affordable housing in its own right.
- 7.3 In principle, it is possible that by becoming a Registered Provider (RP), Lewisham Homes could further contribute towards meeting the Council's housing priorities, addressing the challenges it faces, and meet the housing needs of a wider range of Lewisham residents. As an RP, Lewisham Homes could offer a wider range of tenancy types to a wider range of tenants than is currently possible. For instance it could develop a shared ownership product, and develop new shared ownership homes in the borough. As an RP it could bid for grant directly to the GLA, develop homes of its own accord, and further contribute towards meeting the level of new housing supply required in the borough.
- 7.4 Initial legal advice received by the Council and Lewisham Homes as part of the management agreement review process has also indicated that Lewisham Homes could establish a subsidiary as a non-registered charity. This could perform a similar role to the Registered Provider model described above, but may provide a key risk management benefit in separating the day to day activities for existing tenants from the new activities and risks associated with the new build developments.

- 7.5 It is proposed that these two models be explored further as part of the negotiations for the extension of the management agreement, in conjunction with the HCA, and with due regard for the longer term regeneration vision for the borough and the role that Lewisham Homes could play in delivering that vision.
- 7.6 It is proposed that, subject to the findings of this work and further decision making, it may be possible for structural changes to Lewisham Homes – such as registration or the creation of a subsidiary for delivery and risk management purposes – to be introduced at the same time as the new management agreement is put in place. As it is crucial that any future activity pursued by Lewisham Homes fits into the Council’s wider house-building and regeneration programme, these options will be considered in the context of the Council’s wider regeneration strategies, and Housing Select Committee will receive a report on Housing-Led Regeneration Opportunities at a future meeting which will discuss this in more depth.

8 Financial Implications

- 8.1 The purpose of this report is to inform members of the intention to begin negotiations to extend the Lewisham Homes’ Management Agreement including potential changes to services and status, and as such, has no direct financial implications.
- 8.2 The financial implications of extending the current agreement, together with any proposed options of changes to services/status, will be considered in future reports as matters progress.

9 Legal Implications

- 9.1 The Council set up Lewisham Homes as an Arm’s Length Management Organisation (ALMO), a company to manage and improve all or part of its housing stock. The company is wholly owned by the Council and operates under the terms of the Management Agreement set out by the Council. It is managed by a board of directors which includes tenants and local authority nominees. The Council retains ownership of the housing and tenants remain secure tenants of the Authority.
- 9.2 The statutory basis for an ALMO is the power in section 27 of the Housing Act 1985 for a local housing authority to agree that another person exercise management functions specified in the agreement in relation to such of the authority’s houses (held for housing purposes) as are specified in the agreement, and any other land so specified held for a related purpose, overlaid by Guidance issued by the DCLG.
- 9.3 Exercise of the power requires the Secretary of State’s consent. The Secretary of State gave his consent to the existing Management Agreement. The consent does not however cover a new or varied agreement, as is envisaged, so a further application for consent will be required.

- 9.4 S105 of the 1985 Housing Act requires a local authority to have arrangements in place for consulting its tenants where it changes its practice or policy relating to the management of its dwelling houses, and such change will substantially affect its tenants. The Council is required to inform its tenants of the proposals being developed through these arrangements.
- 9.5 A full Report is being prepared setting out the options for a change to its status to include becoming a Registered Provider and/or a new structure through the creation of a subsidiary, established as a non-registered charity, which would have greater flexibility in setting rents and reduce the impact of stock disposals under any extension of right to buy legislative powers given to tenants of Registered Providers.
- 9.6 Such proposals will be set against the proposed new changes to social and affordable housing planned by central government including a reduction in rents in social housing in England by 1% a year for 4 years, a requirement that high income social tenants be charged a market or near market rent with the additional rental income raised by local authorities to be returned to the Exchequer, the end of lifetime tenancies and the lowering of household benefit cap. The Government has also confirmed that it will give tenants of Registered Providers a right to buy their homes at discount. Any new proposals for the future of Lewisham Homes will have to have regard to these proposed changes and their impact.
- 9.7 Each of the options to be explored carry specific legal implications and these will be set out in the future Report.

10 Crime and Disorder Implications

- 10.1 There are no specific crime and disorder implications arising from this report.

11 Equalities Implications

- 11.1 There are no specific equalities implications arising from this report.

12 Environmental Implications

- 12.1 There are no specific environmental implications arising from this report.

13 Background documents and originator

- 13.1 There are no background documents to this report.
- 13.2 If you would like any further information on this report please contact Jeff Endean on 020 8314 6213