

Housing Select Committee			
Title	Lewisham Homes Management Agreement		
Key decision	No	Item no	4
Wards	All		
Contributors	Head of Strategic Housing, Head of Law		
Class	Part 1	26 January 2016	

Reasons for lateness and urgency

This report is late due to need to provide Housing Select Committee with the latest information regarding officer discussions with Lewisham Homes regarding the Management Agreement and potential services to be transferred. It is urgent as there is no other occasion for Committee to consider the report prior to a decision by Mayor and Cabinet in March 2016.

1 Summary

- 1.1 On 14 January 2015 Mayor and Cabinet noted the timetable and scope of a project to extend the Lewisham Homes' Management Agreement after its expiry in June 2017. This project was to include a review of the potential ways in which Lewisham Homes might further evolve to help meet the Council's housing priorities to reflect the continued financial pressure on the Council and the wide ranging housing changes being brought forward in legislation such as the Housing and Planning Bill.
- 1.2 Lewisham Homes is a strongly performing ALMO. It is now drawing to the close of the £95m project to deliver the Decent Homes standard across 13,000 homes. This has helped to increase resident satisfaction with repairs from 59 per cent in 2007 to 72 per cent in 2015. Over the nine years of its existence, Lewisham Homes has increased satisfaction from 58 per cent to 71 per cent whilst its management fee has reduced from £22.5m to £18.7m.
- 1.3 Furthermore, in the past three years Lewisham Homes has successfully increased the range and scope of services it provides on behalf of the Council. It is leading the development of new Council homes on behalf of the Council, with nine homes complete, 75 on site and a further 102 homes approved by Mayor and Cabinet to start on site imminently. Since January 2015 it has led a programme of housing acquisition as one of a number of approaches to tackle the homelessness crisis affecting London, and in the past year has purchased 23 homes at a cost that means the Council can both offer better accommodation and save money, and has a further 25 homes in the purchase process.

- 1.4 Since the wider review of the management agreement of last year, two service transfers have already taken place to reflect an evolving approach whereby operational services are considered for transfer to Lewisham Homes, when doing so might enable those services to be both more responsive to tenants' needs, and to be delivered more efficiently. The first of these transfers has completed, and now sees all grounds maintenance services on Lewisham Homes estates provided directly by Lewisham Homes staff. The second will complete in April of this year, and will see sheltered housing transferred and an enhanced service offered to residents.
- 1.5 A new Management Agreement is therefore an opportunity for the Council to formally record the direction that has already emerged over the past three years. This is an opportunity to review the purpose and function of the organisation, and the roles that it can most usefully play in supporting the Council to deliver its housing aims in the light of legislative, financial and strategic change. At the same time, by extending the duration of the existing agreement, this is an opportunity to put Lewisham Homes onto a sound strategic and financial footing, enabling it to plan for the medium term, and to recruit and retain the staffing capacity appropriate to the purpose that the Council has set for it over that period.

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
- 2.3 Additionally, Housing Select Committee has received a number of reports over the past six months about the unprecedented scale of change in national housing policy contained both in forthcoming legalisation, principally the Housing and Planning Bill, and in changes to public spending. The impact of these changes is covered in more detail in section five.

3 Recommendation

3.1 Housing Select Committee is recommended to:

- Note the terms and scope for the proposed extension of the Management Agreement between the Council and Lewisham Homes
- Provide comments which can help to shape the final drafting and also inform the final decision on the matter scheduled for consideration at M&C on 23rd March.

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. This year it will manage more capital expenditure, and will continue to make more Council homes "decent".

4.5 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.

- 4.6 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.
- 4.7 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 us manage the increasing housing need in the borough.

5 National policy and legislative change

- 5.1 Since the General Election in May 2015 a large number of changes have taken place in the housing policy context. The Housing and Planning Bill was introduced into Parliament on 13th October 2015 and is expected to receive Royal Assent early in 2016. This bill contains a number of significant measures including:
- A requirement for local authorities to consider selling high value assets, and pay a set amount to the Treasury
 - 'Pay to Stay' for households in social housing who earn more than £40,000 a year in London
 - The Right to Buy extended to tenants of Housing Associations
- 5.2 In addition, the Welfare Reform and Work Bill includes further changes to welfare. Announcements in the budget and in the Comprehensive Spending Review introduce further changes including:
- A one per cent reduction in social rents
 - Further welfare reform including a reduction of the benefit cap
 - A shift towards new homes being provided for ownership rather than to rent.
- 5.3 The changes outlined above, alongside the on-going financial challenges faced by local authorities, means that the Council has to consider carefully how it adapts its strategy to meet these new challenges.
- 5.4 Since the establishment of Lewisham Homes, the Council has been reframing its Housing role so that it focuses more on the strategic aspects of housing demand, housing supply and housing need, whilst expanding the role of Lewisham Homes to become the main organisation undertaking operational housing management services on behalf of the Council. The principle behind the approach is to combine all services provided to residents under single management, in order to both drive up the level of responsiveness to specific local preferences, and to achieve operational and management efficiencies.

5.5 Given that Lewisham Homes is operating successfully, it is recommended to extend their scope to enable the Council to meet the increasing demand for housing as well as the policy and legislative changes required by government.

6 Proposed “heads of terms”

6.1 This section outlines the terms that have been discussed and agreed in principle at an officer level between officers of Lewisham Homes and the Council. The same terms are being considered by the Lewisham Homes board at its meeting scheduled for the same date as this committee meeting.

Length of contract extension

6.2 It is proposed that the contract be extended by a period of 10 years, subject to the termination clauses set out below.

Provisions for termination

6.3 On 16 September when Housing Select Committee first considered the proposal to extend the management agreement, it recommended that “with the level of uncertainty and associated risks at the present time, a ‘break clause’ should be considered so both parties can review the agreement at a later date.”

6.4 Under the proposed new terms, the Council is entitled to terminate the Agreement at its discretion on the fifth anniversary of the Commencement Date.

6.5 It may also terminate in the following circumstances:

- where any tenants propose the formation of a tenant management organisation and in compliance with legislation a tenant management organisation is established which affects a substantial portion of the stock managed by Lewisham Homes;
- where Lewisham Homes is in material breach of its obligations and the breach is irremediable;
- where it is insolvent

Form of agreement

6.6 As part of the review, the management agreement document will be simplified and updated. However the requirements for Lewisham Homes to report its Business Plan and performance to Housing Select Committee and to Mayor & Cabinet will remain unchanged.

Scope of agreement

- 6.7 As outlined in 5.4, the revisions to the management agreement are designed to help enable Lewisham Homes to become the main organisation undertaking housing management services on behalf of the Council. Members are aware that the Grounds Maintenance service o housing estates has already been transferred and that agreement has been reached to transfer an enhanced service for Sheltered Housing. Work is underway to transfer other service to Lewisham Homes, such as Lumber and bulk waste collection.. Further services of this kind may be considered for transfer in the future depending on the priorities of the Council and the performance of Lewisham Homes.

Timetable and next steps

- 6.8 A report recommending the extension of Lewisham Homes' management agreement will be presented to Mayor & Cabinet for decision on 23rd March. Comments of the Housing Select Committee will be incorporated into this report. There is a duty to consult secure tenants who are likely to be substantially affected by a matter of housing management
- 6.9 Once approved by Mayor & Cabinet, the Council will need to apply to the Secretary of State for consent to extend the Management Agreement. It is anticipated that the new agreement should be effective from April 2017 and run for ten years.

7 Financial Implications

- 7.1 Under the extended management agreement, Lewisham Homes will continue to be paid an annual management fee. The method of calculating that fee will be set out in the financial schedule of the agreement and will form a part of the HRA budget agreed annually as a part of the Council's budget setting process.
- 7.2 The finance schedule will also cover financial management and control requirements, relating to budget setting, monitoring and final accounts, and will set out arrangements for payments and the collection of income.
- 7.3 Funding for the transfer of new services will need to be contained within existing budgets.

8 Legal Implications

- 8.1 Section 27 of the Housing Act 1985, provides the power to allow another person to exercise housing management on behalf of the local housing authority. This power enabled Lewisham Homes to be set up in 2007. The approval of the Secretary of State is necessary for such an agreement, and the variation or extension of a provision of a management agreement.
- 8.2 By virtue of Section 105 of the Housing Act 1985, there is a duty to consult secure tenants who are likely to be substantially affected by a matter of housing management i.e. which relates to the management of dwelling houses let by the Council under secure tenancies.

- 8.3 Lewisham Homes is a company limited by guarantee not having a share capital and is wholly owned by the Council. It has its own governance arrangements which are governed by its Articles which sets out its objects. Its decision making is through a Board comprising fifteen members consisting of three Council Board members, seven Board members representing tenants and leaseholders and five independent Board members. This conforms to the model for ALMOs recommended by DCLG. Subject to the provisions of the Companies Act 2006 and the directions of the London Borough of Lewisham in general meeting the business of Lewisham Homes is managed by its Board.
- 8.4 Lewisham Homes has its own Standing Orders and Financial Regulations which are approved by the Council and its accounts are subject to internal and external audit.
- 8.5 The proposed new Management Agreement requires Lewisham Homes, as the Council's housing manager for its housing stock, to comply with all statutory requirements to be observed and performed in connection with the services and to discharge all statutory functions of the Council delegated by the Council to it pursuant to section 27 of the Housing Act 1985 (as amended).
- 8.6 As set out in paragraph 6.6 the Council has currently delegated various functions to Lewisham Homes and plans to delegate further housing management functions to bring all of its housing management services under one operation. This is permissible under the legislation. The new Management Agreement will set out clearly the functions to be delegated.
- 8.7 The services proposed to be undertaken by Lewisham Homes under the new Management Agreement are largely regulated by statute and are subject to the regulatory framework of the Regulator, which is the HCA, where applicable. However, the new Agreement also provides for monitoring and overview by the Council. To achieve this, Lewisham Council requires Lewisham Homes to submit a Business Plan which incorporates performance indicators as to its performance. Schedule 4 of the new Management Agreement will set out the requirements of the Business Plan which is subject to a three year substantial review and intervening annual reviews.
- 8.8 If Lewisham Homes fails to provide any of the services or is in breach of its obligations, the Council has a contractual right to set a remedial plan for improvement within set timescales and to terminate services or the whole Agreement if the plan is not met within these timescales.
- 8.9 There is a requirement for consultation and engagement with tenants and leaseholders through a Community Engagement Strategy, the form of which will be annexed to the new Management Agreement. No variation of a tenancy is permitted without the Council's prior written consent

8.10 The usual protections are provided in the new Agreement including those relating to data protection and data sharing, Freedom of Information in compliance with statute, health and safety, insurance, and the handling of complaints. There is also an IT protocol governing the use of the Council's computer systems and or software.

8.11 Where further functions are delegated to Lewisham Homes, a process has to be followed which includes consultation with employees who may transfer and compliance with the Transfer of Undertakings Protection of Employee Regulations 2006 (TUPE).

8.12 There is a requirement for Lewisham Homes to co-operate and assist the Council in the discharge of functions which are reserved to the Council, for example its nomination and allocation rights.

9 Crime and Disorder Implications

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

10 Equalities Implications

10.1 There are no specific equalities implications arising from this report.

11 Environmental Implications

11.1 There are no specific environmental implications arising from this report.

12 Background documents and originator

12.1 There are no background documents to this report.

12.2 If you would like any further information on this report please contact Jeff Endean on 020 8314 6213