



## Mayor and Cabinet

### DRAFT

### Future of Housing Management: Options Appraisal

**Date:** 6<sup>th</sup> July 2022

**Key decision:** Yes

**Class:**

**Ward(s) affected:** All

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### Outline and recommendations

The housing management agreement between Lewisham Homes and the Council has a review point due this year. This provides an opportunity to consider the best way to respond to the changes in social housing legislation and regulations which are to be introduced later in the year. Following an initial review of the options available, transferring the housing landlord functions to the Council appears to offer a better opportunity to respond to the revised regulatory and legislative requirements and to make financial efficiencies.

Mayor and Cabinet is recommended to:

- a) Note the findings of the initial review of housing management options.
- b) Approve, subject to consideration of tenant and leaseholder consultation responses, as the Council's preferred option the transfer of housing management functions in-house to the Council in relation to the Council's housing stock (Option 2).
- c) Instruct officers to carry out a financial analysis for the Council to undertake housing management functions and services in relation to its housing stock.
- d) Instruct Officers to undertake a consultation with tenants and leaseholders in relation to the proposal to bring housing management functions and services in-house to the Council (Option 2).
- e) Instruct officers to consider tenant and leaseholder consultation responses and report to the Cabinet on the same, in order to allow Cabinet an opportunity to consider those consultation responses and to enable it to make a decision whether to adopt Option 2 (whether modified as a consequence of the consultation or not) as Council policy.
- f) Inform Department of Levelling Up, Housing and Communities (DLUHC) of the intention of the Council to consult with tenants and leaseholders on the future of the landlord management service.

## Proposed timeline of engagement and decision-making

June 2022	Reviewed by Housing Select Committee
July 2022	Mayor and Cabinet approve report recommendations
Summer 2022	Consultation exercise involving tenants and leaseholder including a representative survey.
November 2022	Report on consultation with recommendations for the future arrangements for landlord management services presented to Mayor and Cabinet
December 2022	Notice given to Lewisham Homes of any changes to the management agreement.
October 2023	Earliest date for implementing any changes to the landlord management services

### 1. Summary

- 1.1. This report recommends Mayor and Cabinet carry out an options appraisal on the future of the landlord management service delivered by Lewisham Homes. The appraisal will be carried out in consultation with the Council's tenants and leaseholders and include a cost-benefit analysis and include the option of transferring the service back to the Council.
- 1.2. It sets out the conclusions from a high-level review of alternative housing management models and sets out how returning the landlord management services to direct management by the Council appears to offer a better opportunity to respond to the revised regulatory and legislative requirements being introduced for social housing and avoid some of the additional costs this might involve. This option would mean that further consideration would need be given to address tenant and leaseholder engagement in the management of their homes to replace the tenant representation on the board of Lewisham Homes.
- 1.3. Note that in conducting its high level review, operational activities outside of Lewisham Homes Landlord Management Services have been identified that could be brought in house to deliver better strategic alignment and operational efficiencies.

### 2. Recommendations

Mayor and Cabinet is recommended to:

Note the findings of the review of housing management options.

- a) Approve, subject to consideration of tenant and leaseholder consultation responses, as the Council's preferred option the transfer of housing management functions in-house to the Council in relation to the Council's housing stock (Option 2).
- b) Instruct officers to carry out a financial analysis for the Council to undertake housing management functions and services in relation to its housing stock.
- c) Instruct Officers to undertake a consultation with tenants and leaseholders in relation to the proposal to bring housing management functions and services in-house to the

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Council (Option 2).

- d) Instruct officers to consider tenant and leaseholder consultation responses and report to the Cabinet on the same, in order to allow Cabinet an opportunity to consider those consultation responses and to enable it to make a decision whether to adopt Option 2 (whether modified as a consequence of the consultation or not) as Council policy.
- e) Inform Department of Levelling Up, Housing and Communities (DLUHC) of the intention of the Council to consult with tenants and leaseholders on the future of the landlord management service.

### 3. Policy Context

#### Council strategies

- 3.1. The Council's Corporate Strategy (2018-2022) refers to:
  - **Tackling the Housing Crisis** – Providing a decent and secure home for everyone.
  - **Building an Inclusive Economy** – Ensuring every resident can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
  - **Making Lewisham greener**- Everyone enjoys our green spaces and benefits from a healthy environment as we work to protect and improve our local environment.
- 3.2. The strategy states that the Council:
  - Has an ambition that everyone in Lewisham should have a decent home that is secure and affordable.
  - Seeks to improve standards across all housing sectors.
  - Wants residents to be supported to have a stronger voice.
- 3.3. Lewisham's Housing Strategy (2020-2026), includes the following themes:
  - Delivering the homes that Lewisham needs
  - Preventing homelessness and meeting housing need
  - Improving the quality, standard and safety of housing
  - Supporting our residents to live safe, independent and active lives
  - Strengthening communities and embracing diversity.

### 4. Background

- 4.1. London Borough of Lewisham (LBL) established an Arm's Length Management Organisation (ALMO), Lewisham Homes (LH) in 2007. At that time, additional grant was made available to authorities establishing ALMOs to invest in meeting the Decent Homes standard. Since then, LH has managed 19,000 homes on behalf of LBL, of which around one third are leasehold properties.
- 4.2. LH was successful in achieving additional investment of £100 million to meet the Decent Homes standard. The work focused on internal improvements which mainly involved new bathrooms and kitchens and some communal area works
- 4.3. A new management agreement between LH and LBL was agreed in June 2017 for ten years with a break clause which allows LBL to give six months' notice before the fifth anniversary of the agreement. Following on from a need to focus on Covid response over the last two years, this break clause has been extended by a year by mutual agreement, which means that LBL can terminate the agreement if notice is given before 27 December 2022. This break clause was included within the original management agreement to ensure that the Council had opportunity to flexibly respond to changes in the wider operating context for housing management services.

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- 4.4. The management agreement specifies the services provided by LH. In terms of this report, the Landlord Management Services are the services provided by LH on behalf of LBL for its tenants and leaseholders and include all landlord functions from new tenancies through to turning around void properties at the end of tenancies including repairs and maintenance, estate management, leasehold management, rent collection and tenant engagement. These are funded through the Housing Revenue Account. Since the original establishing of LH, some additional Council services have been managed by LH which are funded by the Council's General Fund. These include administering Right to Buy and managing Homeless and temporary accommodation on behalf of the Council. LH also monitor and client the Council's two Tenant Management Organisations for LBL.
- 4.5. Since 2013, LH has also acted as developer for the Council, delivering part of the Building Homes for Lewisham programme on behalf of the Council.
- 4.6. LH has been successful in developing community involvement (including foodbanks, youth development work, supporting financial inclusion) and a comprehensive resident engagement structure (including leaseholder forum and Tenants and Resident Association forum).

### **New Regulatory and Legislative Requirements**

- 4.7. New regulatory standards and legislation are being introduced for social housing following the Grenfell fire in 2017. These will strengthen the existing accountability landlords have for providing safe homes, quality services and treating tenants and leaseholders with respect. It underlines that the landlord is responsible for meeting the regulatory standards and will be held to account for the performance of the landlord service – these accountabilities cannot be passed on to an ALMO. It is incumbent on the landlord to ensure the homes it owns are safe. A more complete summary of these requirements is included in appendix 1 whilst the main elements are referred to in this section.
- 4.8. The Queen's Speech in May 2022 confirmed that the new Social Housing Regulation Bill is to be introduced in this Parliament. The 2020 Social Housing White Paper had a number of themes linked by a common thread - that the safety, wellbeing and opinions of social housing residents is paramount and that it is the responsibility of landlords to demonstrate engagement and performance to their residents. There is a greater emphasis on safety, resident voice, performance monitoring and home ownership. This will be backed a greater role for The Regulator of Social Housing (RSH).
- 4.9. The RSH is preparing new consumer standards backed by a code of practice. The new consumer standards and code of practice are likely to include requirements for landlords to publish policies on tackling domestic abuse, evidence of how they have sought to improve tenant engagement and greater awareness of the complaints process. The RSH will be responsible for enforcing the new standards through a regular inspection cycle as well as reactive investigations where non-compliance is suspected. Non-compliance with the new standard may result in unlimited fines, and reputation-damaging publication of results.
- 4.10. Involving tenants will be a key part of a landlord's governance and scrutiny arrangements. Engagement opportunities will need to be tailored to residents' needs and interests to support greater involvement.
- 4.11. Complaint handling by the Housing Ombudsman is to be sped up. Currently residents should first raise complaints through a "designated person", which can be an MP or Councillor, or wait eight weeks after the final response from the landlord before referring it to the Ombudsman. This process is to be simplified so that residents can raise a complaint more quickly directly with the Ombudsman. The Ombudsman will be given powers to take action against landlords who are too slow in handling complaints. The

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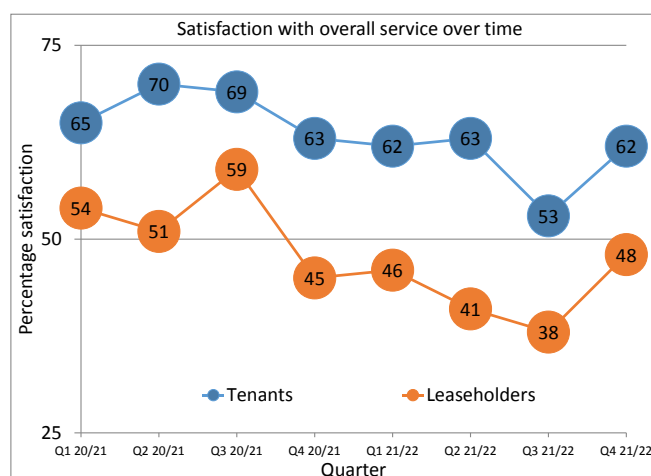
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Ombudsman will publish quarterly reports detailing landlords that have failed to handle complaints properly.

- 4.12. A revised Decent Homes Standard is expected to include energy and efficiency requirements.
- 4.13. New environmental and sustainability requirements are being introduced. This will require additional investment in homes to ensure they meet these new standards.
- 4.14. The Fire Safety Act 2021 is expected to come into force soon and extends the scope of fire risk assessments which need to be carried out for all multi-occupied residential buildings whatever their height.

### Housing Challenges

- 4.15. Satisfaction ratings for the housing service has fallen in the last two years. In particular the COVID-19 pandemic has impacted satisfaction ratings across the whole housing management sector as it has at LH. Residents have spent more time in their homes and this has led to higher demand for repairs and support. The repairs performance has been a matter of concern and was referred to Mayor and Cabinet by Housing Select Committee in January 2022.
- 4.16. Lewisham Homes' regular survey of residents' satisfaction shows that overall tenant satisfaction reduced during the pandemic and has started to increase more recently. The level of the reduction in satisfaction was disproportionately affected by a change in the scale used for measuring satisfaction in 2020/21. The target satisfaction level for this year is 65%. The Board has made it clear that the target will increase incrementally over the next three years.



- 4.17. The reasons behind the reduction in satisfaction relate in particular to timescales to complete repairs and to answer the phone and the issue of damp within tenants' homes.
- 4.18. The Lewisham Homes stock condition survey carried out during 2019 and 2020 has identified substantial additional investment is required to properties over the next 30 years.
- 4.19. Based on the findings of the stock condition survey, a total of £300 million at 2021 prices over the next five years was estimated to be required to bring the stock up to the Decent Homes standard with priority given to health and safety work. The draft Asset Management Strategy developed by LH for LBL prioritised fire safety works, maintaining decency, planned maintenance and cyclical programmes. The following items are not included within this figure:
  - a) Planned lift replacement

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- b) Meeting the Council's climate emergency ambitions to achieve EPC ratings of B or above
  - c) Environmental improvements that will be required to comply with the new consumer standards regulation
  - d) Lifecycle maintenance for Large Panel System blocks.
- 4.20. It is clear that on top of the investment challenge already identified, there remain potentially significant investment sums that must be made available in order to proactively ensure these homes offer a decent living environment.
- 4.21. In addition to this, the construction sector as a whole has been experiencing levels of build cost inflation that are impacting on new homes delivery, repairs and maintenance costs. The Council and Lewisham Homes have been proactively managing these risks but are not immune from wider market trends.
- 4.22. Given the pressures for increased stock investment, HRA capacity will need to be prioritised on ensuring existing homes are safe and brought up to at least the anticipated new Decent Homes Standard. These are ultimately decisions for the Council in consultation with residents. In making these decisions a simple governance process can assist, along with ensuring that the management services are as efficient as possible to maximise the amount of investment available.

### **Opportunity**

- 4.23. Given the changes in the regulations and legislation affecting social housing and the housing challenges facing Lewisham, the break clause in the management agreement provides an opportunity to consider other options in how the homes currently managed by LH might be managed in future. There may be more efficient ways to respond to the changes, avoid costs and provide a more integrated service for tenants.

## **5. Landlord Management Services Options**

- 5.1. Landlord management services includes all services directly provided to residents under their tenancy agreement or lease including the repairs service and Direct Labour Organisation. The options considered are those that are established and have been used by other Local Authorities.
- 5.2. **Option 1: No change**  
Continue with the existing management agreement under which Lewisham Homes would continue to deliver the landlord management services, although there would need to be some changes to the current arrangements to ensure that the Council was able to conform to the new legislation and regulatory requirements.
- 5.3. **Option 2: In house management**  
Bring landlord management services back in house to LBL for direct delivery. The Lewisham Homes teams would transfer to the Council.
- 5.4. **Option 3: Transfer all or some of the Council's housing stock to an existing Registered Provider**  
The registered provider would own the housing stock and be responsible for the management and investment in the stock and meeting the new legislator and regulatory requirements.
- 5.5. **Option 4: Change the structure of Lewisham Homes**  
LH could become a Registered Provider and LBL would transfer the stock to this new organisation.
- 5.6. **Option 5: Transfer all or some of the Council's housing stock to a new resident-**

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## led housing association

A similar model to the Phoenix Community Housing Model.

### 5.7. Option 6: Establish a PFI agreement

A PFI might be able to deliver investment and landlord management services to all or part of the stock.

## 6. Initial High Level Assessment of Options

- 6.1. If the Council decides to progress and consult with tenants and leaseholders on the options and the pros and cons of each. At this stage a high level review of the options has been carried out.

Summary of pros and cons:

Option	Pro	Con	Recommendation
No change	Avoid disruption caused by change prior to LH gearing up to comply with new regulatory and legislative standards	The Council cannot discharge responsibility or liability for legislative or regulatory breaches, without some changes to clienting arrangements. The Council carries this risk through complex governance.  Additional resources will be needed at LBL to respond to the new L&R environment.  Opportunities for operational efficiencies are missed.	Keep under review for full appraisal
In-house Management	Council can streamline and strengthen governance in line with L&R changes  Opportunities for efficiencies by removing duplication and ALMO governance  Opportunity for Council to improve engagement with council tenants & leaseholders  Closer strategic alignment	Disruption to services and programmes at LH while its future is reviewed.  Cost of change  Risk of reduced tenant/leaseholder involvement without tenant board representation.  Risk of loss of expertise, e.g. specialist board members and staff	Keep under review for full appraisal
Transfer stock to existing registered provider	Council no longer responsible for these homes, therefore reduces risk to Council of legislative and regulatory compliance  May enable access for different sources of lending outside of	Does not meet the Council's strategic priority to in-source services where possible.  Many RPs struggling to meet the costs of compliance currently, no additional funding attached to a stock	Discount this option

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Option	Pro	Con	Recommendation
	Council finance depending on the RPs ability to borrow funds	<p>transfer for residents that could be used to improve homes, likely that the Council would have to offer a payment to a provider with transfer to go towards investment costs</p> <p>Cost of change; it is likely that the RP would require a dowry from the Council to help funding outstanding improvements.</p> <p>Council loses responsibility for managing housing and land assets that could be used to meet housing demand.</p> <p>Disruption to service will delay improvements.</p>	
Change structure of Lewisham Homes to become RP and transfer stock	<p>Council no longer responsible for these homes, therefore reduces risk to Council of legislative and regulatory compliance</p> <p>May enable access for different sources of lending outside of Council finance</p>	<p>Does not meet the Council's strategic priority to in-source services where possible.</p> <p>No additional grant funding available to improve homes</p> <p>Cost of change</p> <p>Council loses responsibility for managing housing and land assets that could be used to meet housing demand</p> <p>Disruption to service will delay improvements</p>	Discount this option
Transfer stock to new resident-led association	<p>Council no longer responsible for these homes, therefore reduces risk to Council of legislative and regulatory compliance</p> <p>May enable access for different sources of lending</p> <p>Would result in a tenant-led organisation</p>	<p>Does not meet the Council's strategic priority to in-source services where possible.</p> <p>A tenant led organisation would take time to establish and must be bottom up, not top down. Legislative and regulatory change is imminent. Real risk of establishing an organisation to fail its residents.</p> <p>No additional grant funding available to</p>	Discount this option

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Option	Pro	Con	Recommendation
		<p>improve homes</p> <p>Cost of change</p> <p>Council loses responsibility for managing housing and land assets that could be used to meet housing demand</p> <p>Disruption to service will delay improvements</p>	
<p>Establish a PFI agreement to deliver investment and landlord management services to all or part of the stock</p>	<p>Access alternative financing for investing in improving homes</p>	<p>Does not meet the Council's strategic priority to in-source services where possible.</p> <p>LBL remains responsible as landlord and so issues of governance under revised L&amp;R requirements would need to be resolved</p> <p>Would involve time consuming procurement process which would not be complete before break clause in current management agreement</p> <p>Would better fit being considered as part of an asset management strategy: it may be more appropriate to consider this option separately from the management arrangements and along with all other investment options to be considered</p>	<p>Discount this option</p>

- 6.2. The high level appraisal suggests that there is no clear financial advantage in transferring stock ownership away from the Council. Transferring ownership would involve a long process and require a positive result in a tenant ballot and given the current and future stock investment requirements and the constraints on rental income, it is highly unlikely that a financial arrangement could be agreed. In the meantime, improvements to the service could be delayed.
- 6.3. If ownership is retained by the Council, taking back direct management of landlord services provides an opportunity to respond to the legislative and regulatory changes and provides opportunities for some efficiencies from removing duplication of back office services provided by both LH and LBL and the reduction in governance required by operating a separate company.
- 6.4. It should be noted that since ALMOs were first set out as a means to deliver services, twenty-one were established in London. Since then, sixteen London boroughs have decided to bring services in-house. There remain only four authorities, excluding Lewisham, that have not done so.

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## 7. Criteria for Assessing Options

If a full Options Appraisal is carried out, it is recommended that the short-listed options for the future of the landlord management service are more fully assessed according to the following criteria:

### 7.1. Does it improve tenant and leaseholders' empowerment?

This is a priority for the Council, and the new regulatory standard makes it clear that tenants should be given a stronger say in how their home is managed.

### 7.2. Could it improve the quality of homes?

Could it provide an opportunity to improve building safety and improve services? The new regulatory standard makes it clear that the Landlord is responsible for building safety. The Council has an ambition to ensure that all residents live in a decent and affordable home and expects its own homes to set the standard expected of other providers in Lewisham. This includes the experience of living in the home and the standard of caretaking.

### 7.3. Does it offer opportunities to contribute to the Council's priorities and further the Council's values?

These include the Council's response to the climate emergency, desire to insource services where it offers residents a better service and efficiencies and exploring ways to deliver Council and housing services together such as anti-social behaviour.

### 7.4. Does it provide better value for money?

The demands on the HRA are increasing. Therefore it is important to provide as efficient service as possible to increase the resources available to improve the housing stock.

### 7.5. Does it improve accountability and governance?

The new legislative and regulatory standards are clear that the Council as Landlord is accountable for the performance of the services received by tenants and leaseholders of its properties. The Council's ambition is to improve housing and therefore it needs to be able to provide robust governance

## 8. Engagement with tenants and leaseholders

- 8.1. Government guidance, which is reproduced in full in appendix 2, states that any change in housing management should be subject to a test of opinion "no less rigorous than the test undertaken on transferring management functions to the ALMO." In the case of Lewisham Homes, for the consultation in 2005 an independent research company carried out a door to door survey to reach a representative sample of 600 tenants.
- 8.2. The government guidance also states that any review of future options should be transparent and tenants (and leaseholders) should have the opportunity to be fully engaged in the process and be included in any project group leading the work and be allowed to scrutinise the Council's process.
- 8.3. The new regulatory standard requires that a stronger voice be given to tenants. The review provides an opportunity to go further than the minimum required by using a range of methods to engage and develop a stronger voice for tenants, leaseholders and the other residents of homes owned by LBL which will include tenants of leaseholders and those in temporary accommodation. This could be developed into a longer term approach to give further empowerment to residents.
- 8.4. It is proposed that consultation and engagement with residents would be carried out during the summer. The exercise would be overseen by a specialist external

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organisation to ensure it conforms to government guidelines (attached as Appendix 2) and provides statistically valid results. A separate experienced organisation will be retained to act as an independent tenant advisor.

- 8.5. The exercise would seek tenants' views on their priorities for future investment, tenant engagement and how their homes and estates should be managed, and shape the future of their management service. Subject to the decision by Mayor and Cabinet in July, this can include a 'test of opinion' of whether they wish to see their home managed by the Council.
- 8.6. The LBL engagement and consultation exercise will be developed with LH and use the existing engagement structures as much as possible. It is proposed to include the following elements:
  - A steering group of 'involved tenants' which will include those already involved in tenants' and residents' associations and other residents including seldom heard voices who want to become involved. There will also be a presentation to the Tenant and Resident Association Chairs
  - A series of roadshows to promote the survey and obtain feedback. Where possible, these roadshows can coincide with other events that are planned during the summer
  - Attendance at existing events such as coffee mornings
  - An online survey
  - A letter with paper survey to tenants and leaseholders
  - Early data analysis to identify gaps in feedback from particular groups
  - A targeted 'door knocking' exercise to ensure contact with seldom heard groups and under-represented tenants.
- 8.7. The aim will be to ensure a significantly higher level of feedback than that achieved in 2005 which will give valuable insight into tenants' priorities and views on the management of their homes.
- 8.8. The Council must review and consider all responses to the consultation before making any decision on changes to the housing management arrangements.

## 9. Development Management

- 9.1. Under the management agreement, Lewisham Homes has a programme of building new homes on sites identified by the Council. This has been financed using HRA lending capacity to build on Council owned land to deliver affordable housing and further enabled by the use of grant, most notably Affordable Housing Grant.
- 9.2. Recent stock surveys indicate that significant investment will be required to bring existing stock up to the safety and quality levels now required. It may be more viable to redevelop some existing stock as part of a wider regeneration programme. Going forward, Council housing delivery will need to be less reliant on HRA borrowing.
- 9.3. The Council and Lewisham Homes are actively managing the development programme to ensure it remains within agreed cost envelopes. This will require consideration of ways to improve the efficiency of the delivery and content of the overall programme.
- 9.4. It should be noted that development is not considered to be a landlord function, meaning that any changes made to the delivery of this function would not require engagement with tenants and leaseholders as described in section 8, but would instead be decisions to be made by the Council and Lewisham Homes. Where it offers opportunities for efficiencies or improvements, moving development functions could take place by agreement of the senior management of the two organisations. Where

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staff are transferred, the TUPE process and consultation would be used but no wider consultation is required. These decisions and the timing of their implementation is not dependent on the timing of any potential change to the landlord management services.

## **10. Back-office functions**

- 10.1. There are a number of 'back-office' functions (e.g. legal, HR, comms, IT) at Lewisham Homes which might reduce duplication and provide opportunities for improved efficiencies if they were shared with the Council. Many ALMOs have shared some or all of these services with their respective councils. The uncertainty about the future of Lewisham Homes means that it is currently difficult for LH to recruit and retain permanent staff.
- 10.2. Where it offers opportunities for efficiencies or improvements, moving back-office functions could take place by agreement of the senior management of the two organisations. Where staff are transferred, the TUPE process and consultation would be used but no wider consultation is required. These decisions and the timing of their implementation is not dependent on the timing of any potential change to the landlord management services. Senior management will review this as appropriate in the coming months.

## **11. Staffing Implications**

- 11.1. If the result of a review is that staff are to transfer between organisations, the TUPE process will be followed. Early and continuing communications and an avoidance of unnecessary uncertainty will be key to minimising disruption. The Council has established processes for consultation with staff and unions.
- 11.2. The direct impact of any changes to staff may be minimal. Reintegration of Lewisham Homes will require some restructuring e.g. back office functions. The councils change management process and consultation with staff and unions would be followed. This would be after the TUPE transfer itself. There is a risk of staff leaving while there is uncertainty around the future service provision. This has been a significant challenge elsewhere.

## **12. Communications**

- 12.1. Throughout the process, keeping staff within LH and the Council, Council members, LH Board members, tenants, leaseholder and the wider community informed will be vital. The process will need to be carefully co-ordinated.
- 12.2. The Department for Levelling Up, Housing and Communities needs to be informed of the Options Review.
- 12.3. A work plan will need to be developed by the communications teams in LBL working with LH communications team.

## **13. Conclusion**

- 13.1. The high-level appraisal identifies that if LBL continue with the management agreement in its current form, it still will need to make changes to how LH is cliented to respond to the changes to the Legislative and Regulatory requirements. This will involve additional costs.
- 13.2. The appraisal suggests that there is no clear financial advantage in transferring stock ownership away from the Council. Transferring ownership would involve a long process and require a positive result in a tenant ballot. Given the current and future stock investment requirements and the constraints on rental income, it is highly unlikely that a financial arrangement could be agreed. In the meantime, disruption to the service could

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delay improvements.

- 13.3. Taking back direct management of landlord services provides an opportunity to respond to the legislative and regulatory changes in a more cost effective manner than would be involved in having a separate organisation delivering landlord management services.
- 13.4. On this basis, officers recommend that, based on review, the option that appears to best fit the assessment criteria is to bring housing management back into Lewisham Council. In keeping with Government guidance, a full appraisal with cost benefit analysis and involving engagement with tenants and leaseholders and a test of opinion should be carried out before a decision on whether to exercise the break clause in the management agreement is made before 27<sup>th</sup> December.

## **14. Financial implications**

- 14.1. Changing the landlord management arrangement offers opportunities for some efficiencies and cost avoidance. These could come from reducing the cost of governance and by integrating services.
- 14.2. There will be one-off costs associated with any changes to the current arrangements which will need to be estimated and a budget identified and allocated. This is not currently allowed for in the HRA budget allocations agreed by Mayor and Cabinet in January 2022. There will be a cost benefit exercise carried out as part of an options appraisal following the Mayor and Cabinet decision.
- 14.3. The cost of completing an Options Appraisal including the consultation and engagement exercise is estimated to be between £500,000 and £600,000. This would be charged to the HRA and will be covered by use of allocated HRA balances.
- 14.4. A pressing need for investment to improve the housing stock condition has already been identified. If efficiencies can be identified, these can increase the capacity of the HRA to invest in the housing stock.
- 14.5. Should a decision be made to retain Lewisham Homes as an arm's length management organisation, additional resources will be needed by the authority to respond to the new legislative and regulatory environment. This would need to be identified and will be an additional charge to the HRA

## **15. Legal implications**

- 15.1. The management agreement between the Council and Lewisham Homes has provision for changing the services provided by the Company.
- 15.2. The Government issued guidelines for councils considering the future of their ALMO housing management services in December 2011, and these still apply. They set out the process councils should undertake and are attached to this report in Appendix 2.
- 15.3. The Housing Act 1985, section 105 sets out a legal obligation to consult with tenants on changes to the management their homes. This obligation will be fulfilled by conforming to the guidelines referred to above.

## **16. Equalities implications**

- 16.1. The Council's Comprehensive Equality Scheme for 2016-20 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010.
- 16.2. The consultation and engagement process this report recommends has to be developed to ensure it complies with the Council's policies. Using specialist support will assist in ensuring the process is designed appropriately.

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## **17. Climate change and environmental implications**

17.1. There are no direct environmental impacts arising from this report, although there are significant challenges in ensuring the housing stock can be improved to meet the Council's ambitions. Improving efficiency of the management of housing will provide greater capacity for the HRA to be able to invest in the stock.

## **18. Crime and disorder implications**

18.1. There are no direct implications relating to crime and disorder issues.

## **19. Health and wellbeing implications**

19.1. There are no direct implications relating to health and wellbeing issues.

## **20. Risks**

20.1. A full risk register will be developed. . At this stage the key risks to considering changing the landlord management arrangements are:

- Loss of key staff members due to uncertainty or concern about their future
- Continuity of service
- Regulatory inspection could take place from 2024 under the new regime

## **21. Background papers**

21.1. The Agreement for Housing Management and other services between LBL and LH dated 27 June 2017.

## **22. Report author and contact**

22.1. Paul Leo, Housing Programme Director, paul.leo@lewisham.gov.uk

## **23. Comments for and on behalf of the Executive Director for Corporate Resources**

## **24. Comments for and on behalf of the Director of Law, Governance and Elections**

24.1. Report approved.

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