



## Mayor and Cabinet

### Future of Housing Management: Options Review

**Date:** 7<sup>th</sup> December 2022

**Key decision:** Yes

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Jennifer Daothong, Executive Director, Housing, Regeneration and Public Realm; Fenella Beckman, Director of Housing; Paul Leo, Housing Programme Director.

## Outline and recommendations

This report gives the result of the recent consultation and test of resident opinion on whether Lewisham Homes should continue to manage the Council's housing stock, or whether the service should be brought in-house. It also includes a cost benefit analysis of the options. It proposes that officers be instructed to give notice to end the management agreement with Lewisham and to make preparations for the Housing management service to be brought in-house.

Mayor and Cabinet is recommended to:

- a) Note the results of the tenant and leaseholder consultation and test of opinion, the cost benefit analysis and the risk analysis.
- b) Authorise the Executive Director, Housing, Regeneration and Public Realm in consultation with the Monitoring Officer and s151 Officer to negotiate termination of the management agreement with Lewisham Homes and negotiate a mutually acceptable date to transfer the landlord service to the Council as soon as practicable.
- c) Authorise the Executive Director, Housing, Regeneration and Public Realm to take such decisions as may be necessary to facilitate the process of bringing back the housing service in house unless such actions would have significant financial implications beyond those outlined in this report, in which case a further report will be brought to Mayor and Cabinet.
- d) Require the Executive Director, Housing, Regeneration and Public Realm to develop plans to ensure that the retained housing services and Lewisham Homes maintain the quality of the housing service and delivery of the programme of improvements.

## Proposed timeline (to be developed with Lewisham Homes)

December 2022	Notice given to Lewisham Homes to terminate the management agreement.
End of 2023	Estimated date for transferring all services from Lewisham Homes (subject to developing an agreed plan between Lewisham Homes & the Council)

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## 1. Summary

- 1.1. The Mayor and Cabinet considered future options for the landlord management services provided by Lewisham Homes at its meeting on 6 July 2022. It concluded that tenants and leaseholders should be consulted on two options: either maintain the existing arrangements with Lewisham Homes or return the service to be directly managed by the Council, which was the Mayor and Cabinet's preferred option.
- 1.2. An extensive communications and consultation process was carried out between August and October which exceeds the process which was carried out before the establishment of Lewisham Homes. A 'test of opinion' has demonstrated that 92% of tenants and leaseholders either support or do not oppose the landlord management service returning to the Council.
- 1.3. A cost benefit analysis has shown that returning the service to the Council to be directly managed will save the HRA money after two years which will allow the savings to improve the housing services.
- 1.4. The process has followed the guidance from Government for Councils considering the future of their ALMO housing management services.

## 2. Recommendations

Mayor and Cabinet is recommended to:

- 2.1. Note the results of the tenant and leaseholder consultation and test of opinion, the cost benefit analysis and the risk analysis.
- 2.2. Authorise the Executive Director, Housing, Regeneration and Public Realm in consultation with the Monitoring Officer and s151 Officer to negotiate termination of the management agreement with Lewisham Homes and negotiate a mutually acceptable date to transfer the landlord service to the Council as soon as practicable.
- 2.3. Authorise the Executive Director, Housing, Regeneration and Public Realm to take such decisions as may be necessary to facilitate the process of bringing back the housing service in house unless such actions would have significant financial implications beyond those outlined in this report, in which case a further report will be brought to Mayor and Cabinet.
- 2.4. Require the Executive Director, Housing, Regeneration and Public Realm to develop plans to ensure that the retained housing services and Lewisham Homes maintain the quality of the housing service and delivery of the programme of improvements.

## 3. Policy Context

### Council strategies

- 3.1. The Council's Corporate Strategy (2022-2026) refers to:
  - **Quality Housing**
    - Delivering more social homes for Lewisham.
    - Improving the conditions in the borough's housing stock, working with all housing providers in the borough to develop a Lewisham Repairs Charter
- 3.2. 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

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- Strengthening communities and embracing diversity.

## 4. Background

- 4.1. The Council established an Arm's Length Management Organisation (ALMO), Lewisham Homes in 2007. At that time, additional grant was made available to authorities establishing ALMOs to invest in meeting the Decent Homes standard. Lewisham Homes was successful in achieving additional investment of £100 million to meet the Decent Homes standard.
- 4.2. A new management agreement between the Council and Lewisham Homes was agreed in June 2017 for ten years with a break clause which allows the Council 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 the Council 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.
- 4.3. Under the management agreement, Lewisham Homes currently manages around 12,000 social rented homes and 5,300 leasehold properties on behalf of the Council. This number does not include temporary accommodation and hostel units which Lewisham Homes also manages for the Council. It has approximately 550 employees.
- 4.4. The management agreement specifies the services provided by Lewisham Homes. In terms of this report, the Landlord Management Services are the services provided by Lewisham Homes on behalf of the Council 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 Lewisham Homes, some additional Council services have been managed by Lewisham Homes 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. Lewisham Homes also monitors and client the Council's two Tenant Management Organisations for the Council.
- 4.5. On 6 July, Mayor and Cabinet approved a report on the future housing management arrangements for the Borough. The Mayor and Cabinet agreed to:
  - 4.5.1. Note the findings of the initial review of housing management options;
  - 4.5.2. 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);
  - 4.5.3. Instruct officers to carry out a financial analysis for the Council to undertake housing management functions and services in relation to its housing stock;
  - 4.5.4. 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);
  - 4.5.5. 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;
  - 4.5.6. Inform the 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

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landlord management service.

## 5. Progress since July M&C Meeting

- 5.1. Following the decision, a programme of consultation was carried out which consisted of the following actions:
  - 5.1.1. Awareness raising via a letter to all tenants and leaseholders, attendance at events around the Borough during August and September and articles in the Lewisham Homes newsletter. Around 250 residents spoke to members of the Council housing team at these sessions. A full list of events is included in Appendix 1.
  - 5.1.2. A broadly representative tenant and leaseholder steering group was established under the guidance of the independent tenant engagement specialists, Tpas. This group provided input and approval for the approach and printed materials. The group considered and helped to develop the commitments that were made as part of the offer to tenants and leaseholders from the Council if the service was brought back under direct management.
  - 5.1.3. A specialist research company was used to send an explanation leaflet and questionnaire with a test of opinion of the Council's preferred option. It was sent to all tenants and leaseholders and arrived during week commencing 12 September. The questionnaire could be completed online, via a telephone call to the research company or online.
  - 5.1.4. The information also included contact details for Tpas, which acted as the independent tenant advisor (ITA), to raise any questions or concerns with the consultation process.
  - 5.1.5. Researchers and members of the Council's housing team attended a series of 'drop-in' sessions in every ward of the Borough to assist tenants of leaseholders complete the questionnaire. Approximately 85 residents attended these sessions.
  - 5.1.6. Nearly 1,300 postal surveys were returned and a further 260 online surveys were completed. In addition, researchers contacted over 2,000 residents by telephone and personal visits including targeting groups of tenants underrepresented in the early responses and seldom heard voices.
  - 5.1.7. In line with the government guidelines, the process was overseen by Campbell Tickell Ltd, a specialist consultancy with extensive experience of working with Councils and ALMOs. They have confirmed that the Council's approach has been rigorous. They are satisfied that the approach taken represents proportionate effort to find out what residents think about the proposed change in management arrangements and that the Council has sufficiently considered equality issues in designing its approach. In their view the Council can rely upon the results.
- 5.2. The Department for Levelling Up, Housing and Communities has been informed of the Options Review.

## 6. Result of the Consultation and 'Test of Opinion'

- 6.1. The consultation and test of opinion closed on 16 October.
- 6.2. In total 17,189 residents and leaseholders were sent questionnaires. 3,363 questionnaires were completed representing a response rate of 21%. Appendix 2 gives details of the responses, but the headline results are as follows:
- 6.3. Do you support the proposal to bring housing management services into direct management by Lewisham Council?

Yes	71%
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No	7%
Don't know	22%

- 6.4. Excluding those who did not feel able to decide either way at this time, the proportion that support the change in housing management is 92%. This demonstrates a high level of support for bringing the landlord management services back to be directly managed by the Council.
- 6.5. The responses show that the results are consistent across the different areas of the Borough and across different age groups.
- 6.6. Leaseholder responses varied only slightly from tenants with 69% supporting the change, 5% opposing the change and 26% responding with 'don't know'. The response rate from leaseholders was only slightly lower than the response rate from tenants.
- 6.7. The responses to the consultation show that tenants priorities are improving the speed and quality of responsive repairs and the response times to answering calls, followed by improvements that are needed such as new kitchens and bathrooms.
- 6.8. Leaseholders priorities are improving value for money and responses to calls or correspondence.

## 7. Response from Lewisham Homes Board

- 7.1. The Board of Lewisham Homes have co-operated with the Council's consultation exercise and have maintained a neutral stance on the possibility of the services transferring back to the Council.

## 8. Cost Benefit Analysis

- 8.1. A cost benefit analysis has been carried and is included as Appendix 3 to this report.
- 8.2. In Summary transferring the landlord management service will save an estimated minimum of £300,000 per annum, which is the savings from not running a separate company. There will be one-off costs to manage the process of bringing the service back which are expected to be recovered within two years from the savings generated, after which the cost of running the service will be lower than it would be if Lewisham Homes continues to provide the service. This saving will be generated within the Housing Revenue Account (HRA).
- 8.3. There will be additional work during this period on integrating the Lewisham Homes and Council IT systems including the finance system. This work has been in progress since 2020 and will result in benefits which will be easier to realise when the landlord management service has been transferred to the Council.
- 8.4. There will be further opportunities for benefits through sharing and integrating services with the Council. These benefits have not been included in the cost benefit analysis, but will be developed as services are transferred to the Council.

## 9. Proposed Implementation Process

- 9.1. The current agreement between the Council and Lewisham Homes provides the opportunity for the Council to give six months' notice before 27 December 2022 to terminate the agreement. Although other Councils have brought their housing management service back in six months, in most cases there have been more support or back office services shared with the Council and therefore less change has been involved.

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- 9.2. The Lewisham Homes Board has indicated its willingness to co-operate with the Council and it is proposed that the date of the transfer of the service is negotiated with the Board to minimise risk and ensure that transfers take place at an opportune time. It is expected that the majority of services can be transferred back to the Council before the end of 2023.
- 9.3. It is proposed that where transferring support, or 'back office', services more quickly will bring benefits to be realised more easily, these transfers might take place ahead of the full transfer of landlord management services. Service level agreements (SLAs) will be drawn up as appropriate to ensure Lewisham Homes can continue to operate and carry out its operations effectively.
- 9.4. Proposals for the future housing management service within the Council will be developed including a revised housing leadership structure. This will form part of a plan to ensure that the Council is ready to receive the service back and will be able to deliver the commitments to tenants and leaseholders in the consultation document.
- 9.5. A new governance structure for the housing service will be developed working with tenants and leaseholders. This will need to ensure that their voices are heard and that the Council can clearly demonstrate how tenant and leaseholder engagement and the performance of the service exceeds the required level to meet the requirements of the new consumer standards and code of practice which is being introduced by the Regulator of Social Housing. At this stage this is expected to involve establishing a new Tenant and Leaseholder representative body to work alongside a new Tenant and Resident's Association forum.
- 9.6. The length of time that Lewisham Homes Ltd continues as a company will be dependent on a number of detailed issues. For example, Lewisham Homes has properties which provide hostel and supported accommodation for people nominated by the Council. These are General Fund services rather than HRA services and the property leasing arrangements will need to be resolved so that the services can be continued. Work is ongoing to explore the options.
- 9.7. The Development function carried out by Lewisham Homes is being incorporated back into the Council for reasons which are being reported to Mayor and Cabinet separately.
- 9.8. A Housing Futures Programme Steering Group chaired by the Council Chief Executive will oversee the programme to bring back the service. A Programme Board will supervise the legal, financial, HR and IT work to develop the new in-house service. The Council and Lewisham Homes will continue to work closely together to ensure regular communications to tenants, leaseholders, staff and other stakeholders during the period up to the transfer of services which will be critical to reduce uncertainty.

## **10. Staffing Implications**

- 10.1. The TUPE process will be followed when staff are transferred from Lewisham Homes to the Council. Early and continuing communications will be key to minimising disruption. The Council has established processes for consultation with staff and unions.
- 10.2. Reintegration of Lewisham Homes will require some restructuring e.g. back office functions. The Council's change management process and consultation with staff and unions will be followed and would not start before 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.

## **11. Communications**

- 11.1. 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 and will be overseen by the Steering Group as referred to above. The process will need

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to be carefully co-ordinated to ensure that where ever possible staff are retained to assist service continuity and improvement, and that individual staff members have the opportunity to contribute to the programme.

- 11.2. A work plan will be developed by the communications teams in LBL working with LH communications team.

## **12. Financial implications**

- 12.1. Transferring the landlord management services back to the Council offers opportunities for some immediate efficiencies and cost avoidance. These could come from reducing the cost of governance and by integrating services and are estimated at a minimum of £300k per annum.
- 12.2. There will be one-off costs associated with the changes to the current arrangements which are referred to in the Cost Benefit Analysis in Appendix 3. These costs will need to be identified and established, but are not currently allowed for in the HRA budget allocations agreed by Mayor and Cabinet in January 2022. Additional costs will result in an additional charge to the HRA which will be off-set by the savings noted above in the first instance.
- 12.3. A pressing need for investment to improve the housing stock condition has already been identified. Once the transition costs are met, where efficiencies can be realised the budget can be redirected to increase the capacity of the HRA to invest in the housing stock.

## **13. Legal implications**

- 13.1. The management agreement between the Council and Lewisham Homes has provision for changing the services provided by the Company.
- 13.2. The Government issued guidelines for councils considering the future of their ALMO housing management services in December 2011, and these still apply.
- 13.3. 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 considering the responses to the consultation exercise and following the guidelines referred to above.
- 13.4. The Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE preserve continuity of employment and to safeguard employment rights of all employees whose employment transfers to a new employer as a result of a relevant transfer. Dismissal of staff that are protected by TUPE will be automatically unfair unless there are valid economic, technical or organisational reasons. Any changes to terms and conditions of employment which are related to the transfer will be invalid unless the changes are made for economic, technical or organisational reasons entailing changes in the workforce. TUPE will apply where there is a transfer of a business involving the transfer of an "economic entity" that retains its identity upon transfer, or when there is a service provision change under which services are either contracted out or brought back in-house. There is an obligation under TUPE to inform and consult with trade unions in good time before a transfer takes place.

## **14. Equalities implications**

- 14.1. 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.
- 14.2. The consultation and engagement process has complied with the Council's policies.

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14.3. The programme to transfer the landlord management service back to the Council will be developed to ensure it complies with the Council's policies.

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

15.1. 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.

## **16. Crime and disorder implications**

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

## **17. Health and wellbeing implications**

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

## **18. Risks**

18.1. A full risk register has been developed. The key risks to transferring the landlord management arrangements are:

- Interruption to continuity of service to residents, which will be avoided by careful planning and communications.
- Loss of expertise due to uncertainty during the transfer process.

## **19. Background papers**

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

19.2. Report to M&C: Future of Housing Management 6<sup>th</sup> July 2022

## **20. Report author and contact**

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

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

21.1. David Austin, Director of Finance, david.austin@lewisham.gov.uk

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

22.1. Melanie Dawson, Principal Lawyer – Place, [melanie.dawson@lewisham.gov.uk](mailto:melanie.dawson@lewisham.gov.uk)

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## **23. Appendices**

- 23.1. Appendix 1: Resident consultation events
- 23.2. Appendix 2: Results of Test of Opinion Consultation
- 23.3. Appendix 3: Cost Benefit Analysis

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