



## Mayor and Cabinet

### Housing Futures Progress Report

**Date:** 21 June 2023

**Key decision:** Yes

**Class:** Part 1

**Ward(s) affected:** All

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### Outline and recommendations

This report gives an update on progress of the Housing Futures Programme since the decision was taken to transfer Lewisham Homes in December 2022.

It is recommended that Mayor and Cabinet:

- a) Note progress of the Housing Futures programme
- b) Approve the use of up to £1.9m of existing reserves, including the £0.6m agreed preparatory commitment.
- c) Agree a further up to £2.6m for additional transfer costs now identified, including a £0.5m contingency, funded from HRA reserves if available or the use of General Fund reserves if not.
- d) Agree that the level of reserves should be restored through the delivery of a planned HRA savings programme so that the necessary prudent position to meet future unforeseen costs is restored at the earliest opportunity.

## 1. Summary

- 1.1. The decision was made to bring the Lewisham Homes services into the Council under a new Housing Directorate by 1 October 2023.
- 1.2. An options appraisal, consultation and engagement work, approved by the July 2022 Mayor and Cabinet, within the agreed cost of £500,000 to £600,000 has been undertaken.
- 1.3. This report sets out the progress made and outlines lessons learned from the early transfers that have taken place to date, including a detailed understanding of costs involved with transition.
- 1.4. The phased approach of transitioning circa 55 staff, into the Council, has allowed us to better understand the services and be business ready for the integration of the final 500+ staff in October 2023.

## 2. Recommendations

- 2.1. To note progress of the Housing Futures programme.
- 2.2. To approve the use of up to £1.9m of existing reserves, including the £0.6m agreed preparatory commitment.
- 2.3. To agree a further up to £2.6m for additional transfer costs now identified, including a £0.5m contingency, funded from HRA reserves if available or the use of General Fund reserves if not.
- 2.4. To agree that the level of reserves should be restored through the delivery of a planned HRA savings programme so that the necessary prudent position to meet future unforeseen costs is restored at the earliest opportunity.

## 3. Policy Context

- 3.1. This report aligns with Lewisham's Corporate Priorities, as set out in the Council's [Corporate Strategy \(2022-2026\)](#):
- 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
  - Strengthening communities and embracing diversity

## 4. Background

- 4.1. The Future of Housing Management Options Appraisal presented in July 2022 gave approval to undertake preparatory work of consultation and engagement with residents. The Financial Implications noted that the cost of carrying out this phase of work to be between £500,000 to £600,000.
- 4.2. Drivers for change included the need to meet the new and emerging regulatory and legal requirements, increasing the pressure of accountability on landlords

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and to improve quality of housing service. The new requirements also ensure tenants and leaseholders are key part of governance and scrutiny arrangements, all with the aim of ensuring tenants and leaseholders have a voice and remain at the heart of the service.

- 4.3. Feedback from the communication and consultation process and the cost benefit analysis were presented in the December 2022 report, resulting in the decision being made to terminate the management agreement with Lewisham Homes (LH). The cost benefit analysis noted the requirement of one off costs associated with the transition, including unknown costs at that time that were unable to be calculated.
- 4.4. The Council meeting paper 'Creation of senior level Housing Services capacity' in January 2023 also noted the need to identify one off transition costs, including unknowns with regards redundancy payments.
- 4.5. The phased approach taken by the Council to the re-integration of LH functions has allowed us to learn and assimilate functions over a period with a strong project management approach underpinning the programme.
- 4.6. The first phase of the transfer involved bringing across the Lewisham Homes Development team, consisting of 12 staff, into Strategic Housing and Growth on 1 February 2023.
- 4.7. This was then followed by some of the support services being transferred on 1 May 2023, including ICT, Finance, Technology Digital and Data, Temporary Accommodation and the clienting of Lewisham's two Tenancy Management Organisations; in total this second phase of the transfer consisted of 44 staff.
- 4.8. The remaining services will include approximately 500 staff to transfer into to the newly formed Housing Directorate on 1 October 2023 and largely covers a range of housing landlord functions including Assets and Safety, Housing Management and Repairs.

## **5. Housing Futures – progress**

- 5.1. Given the significance and complexity of the programme, a corporate led programme (Housing Futures (HF)) with dedicated resources has been put in place. It's key objectives are:
  - to ensure residents experience as little disruption to services as possible during the transfer
  - LH staff transferred to the Council have a positive transition experience and are provided with the right tools to be able to do their job when they join.
- 5.2. This includes detailed implementation planning to understand what and how LH carry out their service and for the Council to be business ready to integrate.
- 5.3. To underpin this significant transfer of responsibilities back into the Council, new governance arrangements, including robust reporting and monitoring processes and frameworks have been implemented. This ensures we have detailed plans for transfer of all services with consistent reporting tools and mechanisms. A diagram of the new governance arrangements can be found in **Appendix A**.
- 5.4. Closer working arrangements with Lewisham Homes (LH) have been formed

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through the new programme governance, with all workstreams established including membership of officers from LH. Each workstream has its own implementation plan, Project Manager and Senior Responsible Officer.

- 5.5. Residents have been informed of the housing services transition to the Council on 1 October 2023 and meetings with key stakeholder groups have been held. This includes the Leasholder forum in February 2023 and Tenant and Resident Association (TRA) Chairs' meeting in March. We will continue to work with LH to engage and understand their current practices and post transition, any changes and improvements will have residents at the core. We will also continue to utilise both Lewisham Homes and Lewisham Council channels to ensure residents are updated regarding the transition. This includes articles within Lewisham Life, newsletters, a mail-drop to Lewisham Homes residents and sharing information via digital channels.
- 5.6. Lewisham Homes led on the formal staff consultation in line with Transfer of Undertakings (Protection of Employment) (TUPE) regulations with senior council officers in attendance. A total of 7 staff sessions were held, including 2 on Microsoft Teams and 5 held face to face. The May cohort sessions were attended by 95% of staff and the October cohort 83%.
- 5.7. The consultation process was led by Human Resources (HR) to provide consistency, capture questions and concerns and ensure a good experience for staff. Relevant officers welcomed the staff and introduced them to what it's like working in Lewisham.
- 5.8. Joint staff Newsletters across both organisations are now in place with two already issued, helping to improve communication and consistent messaging across the organisations.
- 5.9. Implementation plans are in place for all remaining services to transfer on 1 October. These include the following services:
  - Property Services (Repairs, Compliance, Health & Safety, Stock Investment)
  - Resident Services (Environment, Home Ownership, Housing and Communities, Income and Support)
  - People Services
  - Communications
  - Governance
  - Performance and Assurance

## **6. Key areas of learning**

- 6.1. A phased and early transfer of 55 staff split between February and May allowed us to learn from integration challenge experienceds in , and have a much better understanding for the final phase of the transfer of 500+ staff in October 2023.
- 6.2. We have been able to learn from other Councils where ALMO transfers have already taken place and early engagement and careful planning around transfer of data and having sufficient resources, has supported our successful progress.
- 6.3. Where in many other authorities ALMOs have used the same systems and data infrastructure as their parent Council, this is not the case for LH. The transition

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programme has also had to account for the added complexity that a number of LH back-office systems and updates have not taken place as expected, creating additional, unexpected work to ensure successful integration with Council systems. Other ALMO transfers have not had to set up their IT systems, re-network buildings or move across to a different accounting system, for example, in addition to transitioning a complete housing service. This process is being run alongside the introduction of a new LH Housing Management System (HMS). Mayor and Cabinet approved this investment for Lewisham Homes in 2019 but implementation has not progressed as hoped. This means that the Council IT team is now managing this workstream in addition (LH IT teams having transferred across in May).

6.4. **Resources:** The Housing Futures Programme is a large and complex change management implementation programme. It will enable Lewisham Homes housing services to transition smoothly into the Council on 1<sup>st</sup> October 2023 with the key objectives being:

- The Council is ready to receive services
- Lewisham Homes is ready to transfer services
- All services and responsibilities are transferred to the Council and where possible, assimilated into the respective parts of the council's functions, such as Communications and HR.
- Staff have the tools required to do their job.
- Staff feel that the transition has been positive, and they are welcomed to the Council.
- Tenants and leaseholders have a voice in the process and understand what the changes mean for them.

6.4.1. To allow key council officers to maintain service continuity and to also oversee implementation of the transition, additional programme resources have been assigned to the programme. The additional resource capacity also allows smooth transition, robust handover and no lost learnings.

6.5. **ICT:** Managing the migration of core housing service IT applications into the Councils' IT estate is an essential part of the programme of work and has included facilitating the transfer of all IT applications and technology in both transfer dates so far. Success has been attributed to dedicated resources and additional purchase of tools and equipment.

6.5.1. Minimum disruption of LH IT services during and post transfers to date has been achieved and ensuring all staff across both organisations continue to have the tools, IT systems, applications and hardware needed to do their job on the day of their transfer, a key objective.

6.5.2. For a successful October transfer, there remains a great deal of scoping work and activity under the IT workstream. This includes making sure we have a stable network, with required infrastructure and equipment for the additional 500 staff.

6.5.3. The programme plan also includes successful migration of operational, resident and historical data on transfer.

6.6. **Communication:** Clear, consistent and collaborative communication has

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proved positive to engage and inform staff. Useful 'how to' guides, frequently asked questions and induction planning have been welcomed by staff already transferred.

- 6.6.1. A dedicated Communications Officer has been recruited to the programme to maintain continuous and parallel communications across Lewisham Homes and the Council. This includes the co-ordination of the frequently asked questions (FAQ's) and joint staff Newsletters issued from both organisations' CEO's.
- 6.6.2. A scoping and prioritising exercise is taking place to plan and prioritise investment and determine timescales for renewal of branded materials. Most items can be implemented over time and as required, with very few, essential items requiring change on Day 1.
- 6.7. **Residents and Leasholders:** With increased regulatory and legislative pressures, under the new programme governance arrangements we have a separate workstream working with LH to understand how they currently engage with residents. Through the workstream understanding we are better placed to involve and ensure that residents are satisfied we are doing everything needed under the new regime and how it will fit best within the council governance post October.
  - 6.7.1. We continue to learn from, and maintain the service Lewisham Homes currently delivers. Meetings have taken place with key stakeholder groups including Leaseholder Forum, TRA Chairs and ongoing engagement with residents through a variety of channels will now be progressed.
- 6.8. **Programme Costs:** Whilst we are managing the transition, understanding the housing service and making sure the Council is ready to integrate the business, we have also needed to carry on with business as usual. Implementation and a seamless transition is required to manage resident expectations and continue to deliver a satisfactory service.
  - 6.8.1. Financial implications within the December M&C report estimated preparatory works needed for transition to be between £500,000 and £600,000, to be charged to the HRA and covered by use of allocated HRA balances.
  - 6.8.2. Since that report, strong progress, as noted above, has been made and further information, discovery and detailed analysis of costs, carried out. The detailed implementation plans, including lessons learned from transferring some services in advance of the October transfer date have revealed a much better understanding of costs associated with the transfer and a clearer understanding of actual costs.
  - 6.8.3. The main areas of cost relating to the transition, in line with the December cost benefit analysis, are attributed to Programme resources including professional services, one off redundancy costs and IT.

## 7. Next Steps

- 7.1. The programme governance arrangements will continue to report to Senior Council Officers and keep the transition date of 1 October on track. Programme resources will remain focused on ensuring a smooth transition into the Council, whilst service continuity is maintained across both organisations.
- 7.2. When services transition into the Council Lewisham Homes' (LH) Articles of

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association will need to be amended to reflect the change in objectives, or new ones adopted. With the Council being the member and guarantor of LH it will need to give consideration to how LH will continue to carry out its non-social housing functions. External advice has been sought and will need further work which will be implemented as part of the transition.

- 7.3. As we approach the transfer date Lewisham Homes (LH) leadership arrangements will remain in place until 30 September. At the LH Annual General Meeting (AGM) the Board will step down and on 30 September the current Executive team will leave.

## **8. Financial implications**

- 8.1. Since the previous 'Future of Housing' report presented to Mayor and Cabinet (M&C) in December 2022, each of the programme workstreams have been able to identify estimated costs for their respective transition activities. Further to the £0.6m agreed in December, this report is asking M&C to:

- note the commitment of between £0.7m and £1.3m HRA reserves set aside for operational costs the transition will crystallise (e.g. redundancy);
- agree to the use of additional reserves, from the HRA in the first instance or General Fund if necessary, of up to £1.9m; and
- reconfirm the acknowledgment that the use of reserves, both HRA and General Fund, will need to be replenished from future HRA savings.

- 8.2. The estimated costs for the financial year 2023/24 are between £3.3m and £3.9m. These are the estimates for costs related to the transition of services from Lewisham Homes to Lewisham Council, with existing agreed revenue budgets utilised where available and reasonable to do so for non-transition / business as usual work.

- 8.3. This level of once-off costs for the transition represent c3% of the annual turnover of the Lewisham Homes company of £100m. Within this is a significant element of technology investment which was already part of the Lewisham Homes improvement journey which included getting closer to the Council's systems and infrastructure. However, these actions were delayed with the focus on Covid and new compliance priorities and the resources diverted. They are therefore now falling into the transition activities as these have to be done to enable the Lewisham Homes staff to transfer to the Council.

- 8.4. At this stage £1.4m - £1.9m of funding has been identified including utilisation of HRA and potentially General Fund reserves. Both will need to be replenished in forthcoming financial years. This will require savings and efficiency programmes within the HRA business as usual activities to ensure it is managed within the available resources going forward.

- 8.5. The gap, the costs for which funding has not yet been identified, are now estimated to be between £1.4m and £2.6m. This includes £0.5m of contingency which it is hoped will not be required. These costs will also need to be met from reserves as the HRA does not hold reserves to cover these. If available, the HRA reserves will be drawn upon in the first instance.

- 8.6. As with the previously agreed reserves drawdowns to fund the cost of bringing

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the housing management agreement work in-house, any use of reserves will need to be replenished by savings within the HRA following the full transition of services to the Council. This will add to the anticipated savings needed from housing operations arising from the government's recent rent caps and new housing regulations.

- 8.7. The table below summarises the Transition Costs, Funding identified and the Gap which is to be met from reserves discussed above.

<b>Transition Costs</b>	<b>Best Case £m</b>	<b>Worst Case £m</b>
<u>Transition Costs</u>		
Technology, Corporate, LBL PMO, LH costs, Redundancy, Contingency		
<b>Total</b>	<b>3.3</b>	<b>3.9</b>
<u>Funding - identified</u>		
<b>Total</b>	<b>-1.9</b>	<b>-1.3</b>
<u>Gap</u>		
To be covered by additional use of reserves	<b>1.4</b>	<b>2.6</b>

## 9. Legal implications

- 9.1. The Government issued guidelines for councils considering the future of their ALMO housing management services in December 2011, and these still apply. They have been followed up to this date.
- 9.2. This report proposes the use of Council Reserves (HRA Redundancy and General Fund) to fund the transfer of Lewisham Homes to the Council. The Council has sufficient powers to do this subject to the following. The Council is obliged by section 151 Local Government Act 1972 to make proper arrangements for the administration of the Council's financial affairs. Section 31A of the Local Government and Finance Act 1992 requires local authorities to maintain an appropriate level of reserve funding, although the judgment as to an appropriate level rests with the Council having regard to the advice of its s151 Officer. Regard should also be had to the Guidance on Local Authority Reserves and Balances issued by CIPFA.
- 9.3. In order to amend its articles of association, Lewisham Homes must obtain the approval of at least 75% of its members (Companies Act 2006). The appointment and resignation of any directors will need to be approved at a meeting of the board of directors.

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## **10. Equalities implications**

- 10.1. 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.
- 10.2. The consultation and engagement process has complied with the Council's policies.
- 10.3. The programme to transfer Lewisham Homes services back to the Council will be developed to ensure it complies with the Council's policies.

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

- 11.1. 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.

## **12. Crime and disorder implications**

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

## **13. Health and wellbeing implications**

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

## **14. Background papers**

- 14.1. [Future of Housing Management Options Appraisal 6 July 2022](#)
- 14.2. [Future of Housing Management 7 December 2023](#)
- 14.3. [Appendix 3 Cost Benefit analysis, Future of Housing Management 7 December 2023](#)

## **15. Report author(s) and contact**

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- 15.2. David Austin, author of the financial implications
- 15.3. Melanie Dawson, author of the legal implications

## **16. Comments for and on behalf of the Director of Law and Corporate Governance**

## **17. Appendices**

- 17.1. Appendix A – Housing Futures new governance arrangements
- 17.2. Appendix B – Transition Cost detail. This is provided separately as a Part 2 (closed) report.

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