



CABINET

REPORT

21ST MARCH 2012

Subject Heading:

The Future of the Council's Housing management service

CMT Lead:

Cynthia Griffin – Group Director, Culture and Communities

Report Author and contact details:

Sue Witherspoon /Paul Ryrie
Housing and Public Protection
01708 433747

Policy context:

The report follows the Cabinet decision on 28 September 2011 to consult residents about the future of Homes in Havering

Financial summary:

The potential annual savings from bringing housing management in house are estimated at £300,000

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	[x]
Excellence in education and learning	[]
Opportunities for all through economic, social and cultural activity	[x]
Value and enhance the life of every individual	[x]
High customer satisfaction and a stable council tax	[x]

SUMMARY

This report gives the result of the recent test of resident opinion on whether Homes in Havering (HiH) should continue to manage the Council's housing stock, or whether the service should be brought in-house. It proposes that officers be instructed to negotiate ending the agreement with Homes in Havering and to make preparations for the Housing management service to be brought in-house.

RECOMMENDATIONS

- 1) That having noted the results of the tenant and leaseholder consultation, the cost/benefit analysis and the risk analysis, it is agreed that the management of the Council's housing stock be brought back in-house.
- 2) That the Head of Housing and Public Protection in consultation with the Group Directors of Finance & Commerce and Culture and Community and the Assistant Chief Executive be authorised to negotiate and conclude a termination of the management agreement with Homes in Havering as soon as practicable.
- 3) That the Group Director Culture and Community acting as the shareholder of the Council's shares in Homes in Havering Ltd be authorised to take all such steps as may be necessary to achieve the termination of the management agreement for the Council's housing stock.
- 4) That Cabinet delegates to the Lead Member for Housing authority acting in consultation with the Group Director of Culture and Communities 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 in addition to those outlined in this report, in which case a further report would be brought to Cabinet.
- 5) That Cabinet requires that the retained housing services and Homes in Havering maintain the quality of the housing service and delivery of the programme of Decent Homes work

REPORT DETAIL

1. Background

- 1.1 On the 28 September Cabinet approved a report on the future housing management arrangements for the Borough. The following recommendations were agreed:
 - That Cabinet agree to consult tenants and leaseholders about the future of the housing management service, and establish a budget of £50,000 to carry out this work.
 - That the Council's preferred option is to bring management of the Council's housing stock back in-house, although a final decision will not be taken until Cabinet receives the results of consultation with tenants and leaseholders.
 - That Cabinet agree to receive a report on the results of the Consultation in March 2012 in order to agree the future management arrangements.

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- That authority to develop detailed proposals and consultation materials to put to tenants and leaseholders in order to seek their views on the future of the housing management service be delegated to the Lead Member for Housing and Public Protection.
- 1.2 The Cabinet Member for Housing made an Executive Decision approving the consultation process in November 2011. This decision confirmed the arrangements for raising awareness of the issues with residents and for carrying out the consultation. It provided for a test of opinion rather than a formal ballot in order to achieve consistency with the process used prior to the formation of HiH.
- 1.3 A programme of consultation was implemented which in summary consisted of:
- Articles in the Council's newsletter and the HiH newsletter
 - Material on the Council's and HiH's websites
 - A set of frequently asked questions on the two websites
 - Presentations at resident meetings. A total of 526 residents attended 35 meetings. (Residents who attended more than one meeting were counted each time.) The meetings included the HiH Residents' Conference in October as well as pre-existing resident representative meetings, public meetings purely about the consultation and special meetings at each of the sheltered schemes. A presentation which set out the facts in a neutral way was given at each meeting and all attendees were given the opportunity to speak and to ask questions
 - The appointment of an Independent Tenant Adviser, who dealt with 55 enquiries during the consultation;
 - A questionnaire sent by post to each individual tenant and leaseholder with a summary of the key issues. The Electoral Reform Society (ERS) was appointed to conduct the test of opinion. Residents were invited to express their opinion by post, (using a pre-paid envelope) by free phone or on-line.

2. Result of the test of opinion

- 2.1 The test of opinion closed on 16 February. Residents were asked to choose one of three responses. (The exact wording is reproduced in the table below.) Residents who said they did not mind should not be regarded as approving of either of the two options.
- 2.2 In total, 14,793 test of opinion questionnaires were issued. Of these, 5,836 were returned, that is, 39.4%. This figure is better than many equivalent consultations and reflects well on the way the process was conducted in Havering.
- 2.3 The results were as follows:

	Number	%
I would like Homes in Havering to continue to provide the housing service	1,874	32.1
I would like the housing service to be	2,817	48.3%

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provided by Havering Council		
I do not mind	1,141	19.6%
Total	5,832	100.0%

3. Response from the Board of Homes in Havering

3.1 The Board of Homes in Havering were invited to express their views about the proposed changes to the future of the ALMO. Their views are expressed in a formal response which was received on 5th March 2012. The response is attached to this report, as Appendix 3.

4. Government guidance on ALMO consultation

4.1 At the time of the cabinet decision in September 2011, the guidance on ALMO consultations consisted of a document issued in 2006. In December 2011 the Department of Communities and Local Government issued updated guidance to Local Authorities considering the future of their ALMO housing management services.

4.2 Most of the new guidance simply reinforces the earlier document. There is however a significant new provision which we need to respond to at paragraph 21. This is that councils are asked to undertake a cost-benefit and risk analysis exercises before reaching a decision.

4.3 These exercises have been completed and the results are given in appendices 1 (cost/benefit analysis) and 2 (risk analysis). Cabinet is invited to consider the two documents before reaching decisions on the other recommendations.

5. The proposed implementation process

5.1 The Council does not have the power to bring the agreement with HiH to and end simply by giving notice. Instead, it will be necessary to negotiate with the Board of HiH to achieve a mutually agreed termination of the contract. Should the current Board be unwilling to do this, then it may be necessary for the Council shareholder to call an Extraordinary General Meeting to require Board members to step down and to appoint new members.

5.2 Once the process set out in 4.1 has been concluded, it is proposed that an in-house service be established through a three stage process, as follows:

- First, taking the minimum legal and administrative action needed to close down HiH and pass responsibility to the Council. This will involve transferring the housing management service from HiH to LBH without significant change.
- Second, drawing up proposals for the future housing service, and consulting on the key issues. The proposals will cover new governance

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arrangements, possible integration with existing council services (e.g. call handling, grounds maintenance and community safety and CCTV, press and public relations) (see 5.1 below), and the priorities and plans of the new service.

- Third, implementing change to the service following resident consultation.
- .4.3 Officers will establish a corporate project management group to oversee the legal, financial, Human Resources and IT work necessary to wind the HiH company up, and to create a new in-house service.
- 4.4 The communications strategy will be of critical importance. The corporate project management group will have responsibility for overseeing the communications necessary with tenants, leaseholders, staff and other stakeholders. There are many tenants who have expressed their views strongly at many of the consultation meetings, and it will be important to address the concerns that they raised at those meetings. The main concern expressed by tenants during the consultation process was that the quality of the management service should be maintained, and the programme of the Decent Homes work should be completed. The consultation process will be designed to convey the vision for the new service, to give employment information for staff, and specific service details to residents and other stakeholders.

5. Issues needing future decisions

- 5.1 A decision to adopt the three stage process set out above will give rise to the need for decisions on a number of key issues:
- The name or branding to be used for the new in-house service
 - Arrangements for leadership and management of housing (both strategic and housing management) through the transition and beyond.
 - Decisions on the potential for the integration of HiH and Council services which are currently provided separately.
 - The establishment of a new Resident Panel as quickly as possible to sustain resident involvement in key Housing Management decisions.
 - Future use of the company shell of Homes in Havering Ltd once the contract transfer has occurred.

These issues are discussed further in Appendix 1, the Cost/Benefit analysis.

- 5.2 These decisions will either be taken by officers in consultation with the Lead Member or reported to Cabinet or Governance Committee for decision as appropriate.

REASONS AND OPTIONS

6 Reasons for the decision:

6.1 The reasons for this decision are:

- The Council no longer needs to have an Arms Length Management Organisation (ALMO) in order to access funding from the Decent Homes Programme
- The tenants and leaseholders have expressed their views clearly, that they would prefer their homes to be managed by the Council, rather than retain the existing ALMO structure
- The integration of the housing management service with the remaining housing services will provide a more transparent and accountable structure for the housing service
- The removal of duplication in the management and governance arrangements for the service will save at least £300,000.

6.2 Other options considered:

Other options considered are:

Option 1: to retain the current ALMO, Homes in Havering

This option as rejected as it is more expensive than re-integrating the service with the retained housing services in Havering. In addition it is not the preferred option of the tenants and leaseholders of Havering.

Option 2: to merge with another ALMO

This option was explored with the London Borough of Redbridge. However, although this option appeared very attractive, providing a greater level of savings than the chosen option, it was not available eventually, as the London Borough of Redbridge decided not to pursue this option.

IMPLICATIONS AND RISKS

7. Financial implications and risks:

- 7.1 £300k is the current estimate of the possible annual savings of bringing housing management in-house. This cost would be before the cost of any redundancies, which would be funded by the HRA.
- 7.2 The proposal would have one-off transition costs, which are referred to in paragraph 9 of Appendix 1. Those costs are certainly not expected to exceed £300k, the estimated annual savings. During the closing of the

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2011/12 accounts, a more formal estimate of these costs will be prepared, and a sum earmarked from balances.

- 7.3 As required by the new guidance issued in December 2011 by the Department for Communities and Local Government (DCLG), a cost/ benefit analysis has been prepared. This document sets out the financial implications in detail and is given as appendix 1

8. Legal implications and risks:

- 8.1 As required by the new guidance issued in December 2011 by the DCLG, a risk analysis has been prepared. This document sets out the risks and their implications in detail and is given as Appendix 2

- 8.2 There will be the need to transfer supply and service contracts and other assets held by HiH as part of the process. While the Council will take the benefit of those agreements, it will also have the burden of them.

9 Human Resources implications and risks:

- 9.1 A decision to bring the ALMO back in house will result in a TUPE transfer from HiH to LBH. The main effect of TUPE is that staff employed or assigned to work in the areas of the relevant business transfer functions and services (e.g. all those employed or engaged at the point of transfer by HiH) will be covered under the Regulations. TUPE effectively provides that staff affected by relevant business transfers have their terms and conditions protected from change following the transfer.

- 9.2 In light of the above, the implications of TUPE for bringing HiH back in-house may be summarised in the following terms:

- 9.2.1 all staff employed by HiH at the point of transfer have a right to transfer to LB Havering

- 9.2.2 differential terms and conditions between LBH Havering and HiH may not be harmonised or standardised in connection to a relevant transfer and this may apply to potential changes *prior to and following* a transfer or change in service provision

- 9.2.3 it is essential that relevant staffing information is gathered in regard to current terms and conditions (all formal and informal contractual terms) of relevant staff so that an assessment can be made of likely costs in preparation for moving towards a new delivery model for the eventual in house service;

- 9.2.4 staff affected by TUPE will need to be determined

- 9.2.5 A HR work-stream will need to support the above to ensure that there is early identification of staff likely to be affected and appropriate consultation with staff and trade unions.

10 Equalities implications and risks:

- 10.1 Considerable efforts were made during the consultation to consult harder to reach groups. Of note, consultation meetings were held in each of the Council's sheltered schemes, a session was held at Homes In Havering's well attended tenant's conference last Autumn and responses to the test of opinion could be provided online, by telephone or by post. Therefore, we can be confident that all Council tenants and leaseholders were given the opportunity to participate in the consultation.
- 102 People on low incomes, older people and more vulnerable households are all over represented among Council tenants. Therefore, any changes to the service which will deliver efficiencies and improvements will benefit these people and households with these protected characteristics.

BACKGROUND PAPERS

Report to Cabinet, September 2011
Consultation materials and working papers held in the Housing and Public Protection Department