

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Cabinet

Date: 09/01/2023

Subject: Housing Management Contracts

Report of: Cabinet Member for Housing and Homelessness, Councillor Frances Umeh

Report author: Mark Lowthian Director Housing Transformation

Responsible Director: Jon Pickstone, Strategic Director of Economy

SUMMARY

The Housing Management South Service delivers tenancy management services to council tenants in the south of the borough. The service includes signing-up new tenants, managing transfer and tenancy exits, supporting residents with wider housing issues e.g. anti-social behaviour, voids management and fire safety and compliance checks to support building safety in the borough. The service is part of our landlord's obligations to deliver safe, effective housing for residents.

In 2013 the Housing Management service was split in two and the service in the south of the borough was outsourced. It has since been delivered by Pinnacle PSG – the initial 10-year term of the contract is due to come to an end in June 2023. The Housing Management service in the North of the borough has continued to be delivered in-house (directly by LBHF) throughout this time.

This paper sets out the options reviewed for the Housing Management South service following the ending of the current contract. This includes longer-term extension of the current contract, in-sourcing the service, to re-unify the Housing Management service in to one team or carrying out a re-procurement exercise to continue with an outsourced service for the South area.

Cabinet is asked to consider the recommendation that the service is brought in-house and directly delivered by LBHF for the reasons outlined in this report.

RECOMMENDATIONS

1. To agree that Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
2. To approve the insourcing of the Housing Management South service, to be directly delivered by LBHF, to start on 14th June 2023, at an anticipated cost of up to £8.3m across the first 5 years of delivery, which represents a comparable cost to the current outsourced contract.

3. To authorise and delegate authority to the Strategic Director of Economy to put in place a project development and mobilisation plan for the insourced Housing Management Service and any other appropriate agreements necessary to give effect to the decision in recommendation 1 above, including TUPE and any other termination provisions and also any required changes to structure and model within budget envelopes.

Wards Affected: Munster, Lillie, Fulham Town, Walham Green, Parsons Green and Sandford, Palace & Hurlingham, Sands End.

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	The Housing Management Team will help build shared prosperity in the borough, both through providing employment opportunities for local residents – with a focus on local recruitment – and through a number of initiatives coordinated to support local council residents e.g. signposting to employment opportunities, benefits support etc.
Creating a compassionate council	<p>The Housing Management Team work front-line with council residents; directly delivering the service will mean the service can be tailored to the needs and preferences of residents and work closely with them to support their tenant journey.</p> <p>The team will be shaped to better meet council manifesto outcomes around housing through a new operating model, which focuses on tenancy sustainment outcome and visibility on estates.</p> <p>An in-house team will focus on developing safe and happy neighbourhoods through building a thorough knowledge of local patches and residents to inform localised interventions. It will help to link areas and individuals into cross council departments and third sector agencies as appropriate e.g. for support with repairs, fuel poverty, employment or anti-social behaviour issues.</p>
Doing things with local residents, not to them	The team will actively engage with residents through formal resident engagement forums, such as Housing Reps forum, and more informal engagement activities to ensure the service delivered is resident centric. A resident consultation exercise was carried out to understand resident views on the current and future delivery of the housing management service

	and 60% preferred to have the housing management service directly delivered by LBHF.
Being ruthlessly financially efficient	The proposal to deliver the service in-house demonstrates the service can be delivered at a comparable cost to the existing outsourced service, predominantly due to the management efficiencies which can be achieved. Having the service delivered as one team enables efficiencies and greater flexibility to respond to deliver further changes and potential savings in years to come as the Housing Transformation programme is implemented.
Taking pride in H&F	The current Housing Management North service delivered in-house has strong performance outcomes, and a culture of working closely with residents to deliver community events. Expanding this to the south of the borough will mean residents experience a high-quality tenancy management service, which supports them to have a good experience of housing in the borough and demonstrated the pride we take in this.
Rising to the challenge of the climate and ecological emergency	The team itself has a small carbon footprint – geographic patches reduce travel time, and often staff walk or travel by public transport around the borough. The intention would be to release the current office space used by the Housing Management South team, reducing the carbon impact associated with heating/using/maintaining building space and for the workforce to become more mobile, ‘touching down’ around the borough in appropriate locations. This also supports the reduction in use of paper/printing – with as much handled on-line as possible.

Financial Impact

Costs

An insourced Housing Management service is expected to cost £8.3m across the first 5 years of delivery.

This is in line with an estimated cost of continuing for a further 5 years with Pinnacle as the contractor (£8.3m), or with an estimated reprocured contract cost (£7.8m).

To assist with comparison, all costings include appropriate allowances for annual inflation and pay awards.

Options

The current net budget for the Pinnacle contract in 2022/23 is £1.429m (net of cost recovery for usage of IT, office space, and other minor running costs).

The estimated cost excluding redundancies to provide an insourced service is £1.6m in 2023/24 (Year 1). The estimated annual cost of contract continuation is also £1.6m.

The estimated year 1 cost of a reprocured contract is £1.5m. This option assumes that it would be possible to deliver savings on the existing contract.

There is no immediate saving expected from bringing the service in-house. There is the potential to deliver savings in the longer term subject to the successful delivery and benefits realised from the Housing Transformation Programme.

Other costs and risks

Potential redundancies are expected as part of the insourcing process as the total headcount of the reconfigured service will be lower. These one-off costs cannot be confirmed at this stage but are estimated to be up to £45,000 and will be incurred within the first two years of the new delivery arrangement. These costs are expected to be funded from the existing HRA redundancy annual budget of £100,000. Total redundancy spend will depend on the timing, number, and actual cost of redundancies across the HRA.

Finance officers have reviewed and approved the detailed cost analysis of the given options which are provided in Appendix 1 of this report.

The costings are subject to a number of assumptions on the level of future inflation and pay awards. There is a risk that the differential between these two cost drivers may be different in practice, and this could alter the cost comparison.

There is also a risk relating to the possibility of a pension deficit on transferred staff which the Council may be liable for, and this cannot be quantified at this stage.

Danny Rochford, Head of Finance (HRA & The Economy), 25 November 2022
Verified by Sukvinder Kalsi, Director of Finance, 22 December 2022.

Legal Implications

This report seeks approval to in-source the housing management service in the south of the borough. The current contract is with Pinnacle Housing Limited. The contract has a Commencement Date of 1st July 2013 and continues for ten years with an option for the Council to extend by up to 5 years. The contract comes to end automatically therefore on 30th June 2023 in the absence of any action to extend.

The in-sourcing of the contract constitutes a service provision change and therefore involves a transfer pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006 ('TUPE') of the existing Pinnacle staff to the Council on their current terms and conditions. There are statutory and contractual duties to inform and consult staff on various matters relating to the transfer which will be managed by the Council's HR. The contract contains various post termination provisions around transferring back property to the Council, data, access keys, etc. There is also an obligation on Pinnacle to produce an Exit Strategy in order to ensure a smooth transfer.

The appropriate decision maker is the Cabinet

The decision is a Key Decision.

Angela Hogan, Chief Solicitor (Contracts and Procurement), 1st September 2022

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Proposals and Analysis of Options

1. The Housing Management service is currently split into a North team, which is directly delivered by the council, and a South team which is outsourced and presently delivered by Pinnacle PSG.
2. The South element of the service was contracted out in June 2013 and the initial contract term of 10 years is due to come to an end on 30th June 2023.
3. The service was split, and the South element contracted out under a previous administration, as an exercise to compare the cost and quality of service delivery of an in-house and contracted housing management service. With a change of administration in 2014 outsourcing the North element of the service was not progressed.
4. The Housing Management South service delivers tenancy management services to approx. 6,500 properties in the south of the borough, The service includes:
 - Tenancy management support such as sign-up, transfer and exiting of tenancy agreements.
 - Support to access wider council services e.g. to deal with issues such as rent, benefits or repairs.
 - Housing related support for residents experiencing issues such as anti-social behaviour or domestic violence including multi-agency working.
 - An active role in voids management.
 - Fire safety support through regular communal safety and compliance checks and enforcement actions.
5. As the initial term of the contract is due to come to an end in June 2023 a comprehensive review has been undertaken, exploring the options for the next stage of delivery of the service.
6. The three options are:
 - A long-term extension of the current contract of up to 5 years.
 - A re-procurement process, continuing to outsource delivery of the service.

- To bring the service in-house and unify the housing management service as one team.
7. The full details of risks, benefits and costs of these options are outlined in the Appendix 1 Business Case. The key points which informed the recommendation to in-house the service are outlined below.

Option 1 (recommended): Bringing the service in-house

8. Key Benefits

The key benefits of in-housing this service to directly deliver it through one unified team are predominantly around improving service quality, through:

- Uniting the service into a one team structure which would ensure consistency of practice, process, and culture, meaning residents all across the borough interact with a single housing management service.
- An ability to respond dynamically and flexibly to the evolving Housing Transformation programme and other resident and council priorities, unrestrained by the contractual terms and conditions which make negotiating changes to outsourced contracts laborious, time-consuming and costly.
- A renewed focus on tenancy sustainment outcomes including early prevention measures to support residents to remain in their homes.
- Increased visibility on estates and amongst residents, improving communication and building effective working relationships which benefit residents, through manageable patch sizes.
- A focus on developing safe and happy neighbourhoods through building a thorough knowledge of local patches and residents to inform localised interventions and link areas and individuals in to cross council departments and third sector agencies as appropriate e.g. for support with repairs, fuel poverty, employment or anti-social behaviour issues.
- It has been identified by residents as their preferred option through the resident consultation exercise (further detail below).
- An in-house team can more easily flex tasks, change working practices and deliver additional savings, where identified, as the Housing Transformation programme is introduced and gradually changes the way front-line housing services are delivered.
- Significant expertise internally in running a housing management service as we already successfully directly deliver this service.

In addition the service is able to be delivered at a comparable cost to the existing outsourced contract, whilst delivering these additional quality benefits. Over the lifetime of the service it may indeed deliver additional efficiencies and savings subject to successful delivery and benefits realised of the Housing Transformation programme.

9. Key Risks

- Exposure to the risks associated with service transfer, including TUPE implications, and the potential that vacancies occur following a TUPE

process the requirement for HR expertise to support with this element. No additional resources have been costed for to manage the implementation, which will need to be covered within existing staff levels.

- Although there will be a condition of pension membership for the employees there may be a deficit of pension contributions at the time of termination, that the service may be liable for. An Actuarial report will be run to determine any potential implications.
- Individual staffing costs tend to be higher due to beneficial terms and conditions – however this is mitigated through the efficiencies delivered through a single service approach.
- Potential for there to be a lack of incentive to deliver strong outcomes in the absence of competition for service delivery. However, this has not proven to be the case in comparison of the current North and South services where performance is generally similar across the two in the last year, and indeed in some areas particularly around Fire Risk Assessments is better.

10. All the key risks will be managed through a dedicated project implementation team which will be established to deliver the project, with an overarching mobilisation plan. This team, made up of colleagues with Housing Management, HR and Project Management expertise, alongside a senior management sponsor will report regularly to SLT on the progress of the in-housing project against key milestones alongside a comprehensive risk, issues and action log.

11. Thorough scrutiny of TUPE information and comprehensive consultation exercises will take place to mitigate risks relating to TUPE with any issues relating to sickness or grievances for example picked up as early as possible in the process.

Option 2: Long-term extension of current contract

12. The current contract has the option to extend for up to a further 5 years.

13. Key Benefits:

- No (de)mobilisation required, which retains a stable service likely to maintain current performance.
- Known costs as costs would continue in line with existing, inflating annually in line with CPI inflation.
- The service is generally performing well, meeting the majority of performance measures, and the provider has a strong understanding of the borough, stock and residents due to their experience.

14. Key Risks:

- Limited ability to respond flexibly to a changing delivery model and structure through implementation of the Housing Transformation Programme which may change how our residents connect with our frontline housing services over time.
- Limited ability to respond to changing priorities of residents and the council – for example recently updated council manifesto commitments, as

contract changes can be laborious and time-consuming often requiring negotiation and variations.

- Maintenance of a two-team structure to deliver one service which inevitably results in a lack of consistency of practice, approach, and culture.
- Lack of opportunity to rationalise patch sizes across the borough.

Option 2: Reprourement of the contract

15. Key Benefits:

- Opportunity to redefine the scope of the service to bring it in to line with existing practice and priorities and to enable some elements of future proofing change in response to the Housing Transformation Programme.
- Likely to encourage competitive pricing and innovative delivery models through a wider test of the market, which could deliver some cost savings, although it is likely these would not be significant.
- Ability to introduce social value delivery expectations within the contract, leading to long-term delivery of social value commitments benefiting local communities.

16. Key Risks

- Limited ability to respond flexibly in terms of delivery model and structure to the ongoing implementation of the Housing Transformation Programme which will change how our residents connect with our frontline housing services over time.
- Maintenance of a two-team structure to deliver one service which inevitably results in a lack of consistency of practice, approach, and culture.
- Limited ability to respond to changing priorities of residents and the council, as contract changes can be laborious and time-consuming often requiring negotiation and variations, and can incur ask for additional cost.
- Pricing a service during a period of high inflation and economic uncertainty may induce bidders to price in high levels of risk, leading to increased prices.

Whilst a reprocured service could feasibly come in at a lower cost than an in-house delivered service – this would not be significant – and would likely come at the expense of the resident experience and overall service delivery.

17. Conclusion

The recommendation is that the Housing Management service is brought in-house and delivered as one team across the borough, as this approach will provide:

- Cost savings to the Housing Revenue Account.
- Consistency of practice, policy, culture and approach.
- Greater flexibility to respond to the needs of residents and the business.
- Greater resilience to large-scale incidents (e.g. power outages) sickness, absence and ad-hoc tasks through one larger team.

- Streamlining of data and performance monitoring to enable more evidence and data-based practice.

Resident Consultation

18. A resident consultation exercise was conducted throughout June and July 2022. Consultations were sent out via post and made available online from 1st July 2022 with a return date of 22nd July 2022, seeking residents' views on the scope and delivery model of a future service.

19. 331 responses to this consultation were received. Please see the full consultation analysis in annex

20. The headline findings from this exercise were:

- 60% of residents expressed a preference for the service to be delivered as one in-house team.
- 31% expressed no preference
- 9% expressed a preference for a contractor delivered service.

21. Some of the areas where residents felt the service was currently doing well included:

- Staff being approachable, helpful and compassionate;
- Regularly attending resident meetings;
- A cooperative and polite attitude to delivering the service;

22. Key improvements from the service that residents indicated they would like to see included:

- Improved and more regular communication particularly reporting back on actions after visits and responding to queries.
- Staff being more visible and with a clear outline of what the roles and responsibilities are.
- Issues being resolved more quickly with a more solution-focused service delivered.

23. Resident voice and co-production have been implemented via:

- Ensuring that both consultation packs were co-produced with the Estate Services Working Group (ESWG) before being sent out. These consultation packs were also shared with our Reading Group for review and comment. The ESWG terms of reference for Housing management monitoring stipulates that the group must consider the needs of all residents.
- Facilitating and encouraging the Disabled Persons Group (DPG) to be involved in work streams relating to insourcing and service design.

Social Value

24. The delivery of social value is now a cornerstone of contracts delivered for the council, benefiting local residents and communities.
25. In taking the Housing Management South service back in-house there will still be the expectation, and opportunity, to deliver a strong social value offering.
26. This will predominantly be delivered through:
- A focus on local recruitment for vacancies
 - Volunteering days focused on supporting local community projects on estates.
 - Being champions for local health and wellbeing
27. These were identified through the resident consultation as being important to local residents.

Delivering an in-house service

28. There is a strong vision in place for how a single in-house Housing Management service will be delivered. The attached Appendix 1 Business Case gives details on proposed structures, roles and responsibilities.
29. There is a great deal of expertise within the council to support with the bringing of the service in-house and the associated workstreams, including
- Subject matter experts in the form of Housing Management senior managers (e.g. Head of Neighbourhood Services and Neighbourhood Services Manager)
 - HR to support with TUPE transfers and staff consultations on structures.
 - Systems and Data team to support with IT requirements (which are minimal as the existing Pinnacle service already access our housing management systems and have LBHF issued laptops and phones).
 - Project management functions to support with the programming and managing of the implementation project.
30. There are 4 anticipated workstreams which will comprise the implementation project – these are:
- Staffing, including TUPE transfer
 - IT and systems
 - Business processes
 - Resident communications
31. There will be approximately 5 months to deliver the project to in-house the service for a start date of June 2023.
32. An indicative plan for delivering the above workstreams is as follows:

Jan	Feb	Mar	Apr	May	Jun
Cabinet Decision					
Establish partnership approach	Staffing consultation		TUPE transfer and recruitment		
Adjusting business processes					
Design IT solution			Deliver IT requirements		
Comms on progress and timeframes			Targeted comms to residents affected		

33. The project implementation team, led by a senior project sponsor, will report regularly to SLT on progress against key milestones, and escalate key risks as required for resolution and decision.

34. Existing Housing Management North staff will be on hand to provide a 'buddying service' for transferring staff to support with induction, and regular communication sessions will be held across the entire staff team to ensure understanding and buy-in across the board.

Reasons for Decision

35. A decision is required to ensure continued delivery of a housing management service in the south of the borough following the end of the existing contract in June 2023, ensuring that LBHF fulfil their obligations as landlord to our residents.

36. It is recommended that the service is delivered in-house from July 2023 for the reasons that this is deemed to represent the best solution for service delivery based on it being the most cost-effective option whilst additionally being able to deliver a high-quality service, responsive to the needs of residents and the council.

Equality Implications

37. In-sourcing the Housing Management South Team would have no impact on the general housing management practice, processes and procedures (including approaches to equality, diversity and inclusion) as these are consistent across both LBHFs existing in-house and outsourced housing management service models. In terms of general provision of housing management services for residents therefore there would be a short-term neutral impact on equalities issues. Longer term the vision for the service includes gaining a better understanding of the customer profile including their characteristics, vulnerabilities and support needs to enable tailoring or sign-posting appropriate services.

38. An effective, multi-channel communications plan will need to be implemented to ensure all residents understand the changes to be made and any direct impact this has on their Housing Officer, and how to contact the team.

39. New models for how housing staff engage with residents as part of the Housing Transformation programme will help to mitigate this, as will the proposed

introduction of a small team of Resident Support Officers to deal with 'front door queries'.

40. With these mitigations accessibility for residents should be maintained or enhanced, and indeed the model will support more time out on estates for Housing Officers which should strengthen visibility and access for residents who may prefer face to face sessions in their home or local community e.g. due to mobility issues.
41. The proposed reorganisation will also have an impact on the staff team. Full and compliant staff consultation processes will be carried out with HR support with a transparent approach to enable individuals to make the most appropriate choices and protected characteristics will be considered throughout the process. An updated Equalities Impact Assessment for the reorganisation of the service will be completed nearer the time when full, up to date, staffing information is available.

Implications completed by Emma Lucas, 05 October 2022

Risk Management Implications

42. The report recommends approval to bring the South Housing Management Service back in house when the current contract for the service ends in June 2023. The business case sets out costings for the new in-house service, along with associated costs relating to exit from the contract when it expires. The business case identifies risks and mitigations associated with all three options considered, with key benefits and key risks also being identified in this report. Given the anticipated savings and efficiencies identified in the business case, the proposal is intended to both improve the consistency and quality of service to tenants and meet the objective of being ruthlessly financially efficient.

David Hughes, Director of Audit, Fraud, Risk and Insurance, 21 September 2022.

Climate and Ecological Emergency Implications

The service will continue to aim to minimise its carbon footprint and align with moves to carbon net zero. This will particularly be through release of the existing south office space, reducing the energy usage associated with permanent occupation of the building.

Moving to a more mobile workforce which takes advantages of existing community space to 'touch down' work will support reduction of energy use and promote paperless working.

In addition, the team will continue to be encouraged to walk and use public transport to move around the borough, reducing congestion and pollution on local estates.

The team uses minimal products and resources but where these are used e.g. for delivering community events, recyclable materials are prioritised for use.

Jim Cunningham, Climate Policy & Strategy Lead, 30 September 2022

Consultation

A comprehensive resident consultation has been carried out as part of this process with all residents due to be affected by the change contacted and given the opportunity to feedback. The consultation outcome is outlined in the main text of the above report.

LIST OF APPENDICES

Exempt Appendix 1: Delivering the Housing Management South Service