



London Borough of Hammersmith & Fulham

# Cabinet

10 JANUARY 2011

**LEADER**

*Councillor Stephen Greenhalgh*

**CABINET MEMBER FOR HOUSING**

*Councillor Lucy Ivimy*

**THE FUTURE OF THE HOUSING MANAGEMENT SERVICE**

**Wards  
All**

The management agreement with H&F Homes, the Council's Arms Length Management Organisation (ALMO), ends on the 31 March 2011. This report proposes the return of the housing service to the Council and the creation of a single Housing and Regeneration Department within the Council, thereby giving rise to the direct management of services in the future. This follows the outcome of the consultation with tenants and leaseholders on the Council's proposal to directly manage the housing service.

**CONTRIBUTORS**

DHS  
DFCS  
ADLDS

**Recommendations:**

- 1. To consider the outcomes of consultation with tenants and leaseholders concerning the future of housing management services in the borough.**
- 2. Following the outcome of consultation to approve the return of housing services to the direct management of the Council.**
- 3. To agree the creation of a single Housing & Regeneration Department within the Council as shown in the proposed structure in Appendix C**
- 4. To authorise the Director of Housing and Regeneration, in consultation with the Director of Finance and Corporate Services and the Assistant Director (Legal & Democratic Services), to make all such arrangements considered appropriate to transfer the ALMO's business to the Council and to integrate its operations with the Council's housing service with effect from 1 April 2011.**

**HAS A PEIA BEEN COMPLETED?  
YES**

**HAS THE REPORT CONTENT BEEN RISK ASSESSED?  
N/A**

## **1. BACKGROUND**

- 1.1 H&F Homes is a fourth round arms length management organisation (ALMO) established in June 2004 to manage the Council's housing stock. The Company is wholly owned by LBHF and operates under the terms of a management agreement. It is managed by a board of directors which includes tenants and leaseholders, local authority nominees and independent members. The Council retains ownership of the housing stock and tenants remain secure tenants of LBHF.
- 1.2 H&F Homes currently manages 12,951 secure tenancies and 4,378 leasehold properties on behalf of LBHF. There are 353 staff who deliver services from two area offices and a head office at the Town Hall extension. Following government approval in 2004, H&F Homes was able to take advantage of borrowing approvals to enable the Decent Homes programme to be introduced in the borough. H&F Homes accessed subsidy to fund borrowing of £192m to invest in bringing all the housing stock up to the Decent Homes standard. H&F Homes will have completed the Decent Homes programme by March 2011 when the management agreement also comes to an end.
- 1.3 In addition to completing the Decent Homes programme, H&F Homes has successfully improved services to residents, as recognised by the Audit Commission in 2009. The Council and H&F Homes now face new challenges and opportunities. As the new funding regime suggested by the CLG does not require the Council to have an ALMO, the strategic value of maintaining the ALMO has lessened compared to when it was originally established following the recommendations of the Housing Commission in 2002 as the only way to access Decent Homes funding. The additional cost of managing and operating an ALMO can no longer be justified following completion of the Decent Homes programme.
- 1.4 With the management agreement due to end in March 2011, the H&F Homes Board considered the options for the future management of housing services. The Board agreed it was in the best interests of residents for the service to be returned to the Council and offered to undertake a consultation programme on the future to enable tenants and leaseholders to express their views.
- 1.5 This report sets out the consultation process and sets out the responses received from tenants and leaseholders and (given the outcomes of the consultation) proposes that the ALMO is integrated and all its functions transferred to the Council.

## **2. CONSULTATION PROGRAMME**

2.1 Guidance to local authorities on ALMOs was contained in the CLG's Review of Arms Length Management Organisations published in June 2006. In this report, the CLG sets out the steps that need to be taken should the Council wish to reconsider the future of an existing ALMO. The document sets out the Department's views on options for the management of council homes in local authorities with ALMOs after the Decent Homes programme has been completed. Secretary of State's consent is not required for the transfer of landlord functions from the ALMO to the Council. The Council is required to have due regard to this guidance and officers have carefully taken it into account in the conduct of the consultation exercise.

### **2.2 Guidance for tenant consultation**

2.2.1 Under section 105 of the Housing Act 1985, local authorities are required to consult with their tenants on any significant change in management arrangements. The 2006 guidance sets out the expectations of tenant consultation in the circumstance where a local authority is considering any major change regarding its ALMO.

2.2.2 The CLG expects any consultation on the future direction of an ALMO to engage with stakeholder groups who were involved in any original option appraisal which gave rise to the ALMO. Any change in the proposed arrangements should also be the subject of a test of opinion that is no less rigorous than the test undertaken to support the establishment of the ALMO in the first place. The CLG confirmed that a tenant ballot is not required. A detailed explanation of the Consultation Programme's methodology is outlined in Appendix B of this report.

2.2.3 The CLG also requires authorities to review the governance arrangements in order that there continues to be maximum opportunity for tenant and community involvement in the decision making processes.

2.2.4 A number of consultation mechanisms are available to Councils. These include questionnaire surveys, telephone surveys and votes at meetings. The CLG believes that the process undertaken should be a local decision employing the most appropriate method.

2.2.5 In deciding the approach, the H&F Homes Board considered a combination of options rather than one single option, as the most comprehensive and inclusive way of ascertaining residents' views. The H&F Homes Board also instigated a review of resident involvement structures and the future role of the Board should the service return to the Council. At the time of writing, this review is still on-going with an expected conclusion in February 2011.

## **2.3 The Consultation Structure**

2.3.1 In addition to the formal guidance set out by the CLG the Council also had regard to the code of practice issued by the Department for Business Innovation and Skills and was in line with the Department's consultation criteria. These are that:

- Formal consultation should take place at a stage when there is scope to influence the policy outcome.
- Consultation should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.
- Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected benefit and costs of the proposals.
- Consultation exercises should be designed to be accessible to, and clearly target those people the exercise is intended to reach.
- Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.
- Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

2.3.2 In line with the Consultation Code of Practice, the consultation process had a 14 week duration period and was a comprehensive mix of engagement methods, including postal surveys, telephone surveys and focus group meetings.

## **2.4 Consultation Framework**

2.4.1 The H&F Homes Board, through the work of a Futures Steering Group, provided tenants and leaseholders with a variety of ways to make their views known; these went beyond the original exercise conducted to establish the ALMO. The process pursued was inclusive, involving all tenants and leaseholders. The Board made special efforts to consult with Community and Voluntary sector organisations, disabled groups, people from BME backgrounds and young people.

2.4.2 To ensure a comprehensive consultation programme, LBHF and H&F Homes allowed more than three months to complete the consultation programme. The programme formally started on 6 August 2010 and completed on 12 November 2010.

- 2.4.3 The Chair of H&F Homes also wrote to all Tenant and Resident Associations [T&RA's] in the Borough. Representatives from H&F Homes and the Council, including Board Members, attended a variety of resident meetings and Local Forums. H&F Homes contacted over 150 Community and Voluntary sector organisations regarding the consultation process and attended community group meetings. A second Letter was sent on 14 September and included an updated list of FAQ's covering items raised during earlier consultations. This was received in homes on 19 and 20 September 2010.
- 2.4.4 During the period August – November 2010 a series of targeted focus groups took place, including a special young persons' event.
- 2.4.5 To ensure all tenants and leaseholders had an opportunity to respond to the Council's proposal, a postal survey was undertaken to enable a formal 'test of opinion' to be undertaken on behalf of the Council. The information was sent on 15 September 2010 requesting tenants and leaseholders to give their views and return their questionnaires. The rent statement sent to all tenants on 18 October also reminded tenants to return the consultation questionnaire.
- 2.4.6 In addition to this questionnaire to every resident in the Borough, H&F Homes commissioned a telephone survey of more than 500 residents, was also undertaken independently, focusing on individuals with known visual impairments. The telephone survey of residents took place between the 19 to 31 October.
- 2.4.7 An independent company (BMG Research) was commissioned to receive and collate the analysis of tenant and leaseholder views to ensure transparency in the process and to provide additional support to residents as required.

### **3. CONSULTATION MAIN FINDINGS**

#### **3.1 Test of Opinion – Results from the postal questionnaire**

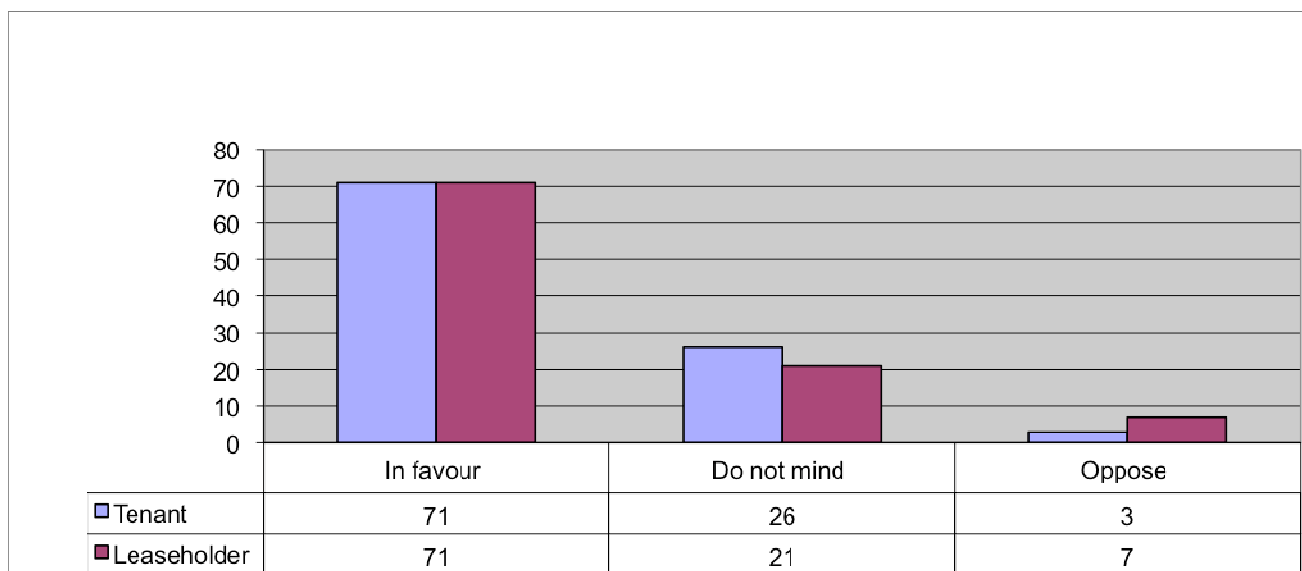
- 3.1.1 In the postal survey which was sent to all tenants and leaseholders (18,157), residents were asked whether or not they were in favour of the Council's proposal to create a single Housing Department.
- 3.1.2 The findings from the postal survey demonstrate that the majority of residents are in favour of the Council's proposal. In total 2074 surveys were returned<sup>1</sup>. Overall, 71% of respondents to the postal survey are in favour of the Council's

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<sup>1</sup> 1743 tenants responses ensures that the findings accurately reflect the views of the general tenant population at a 95% confidence level of + or – 3%.

proposal. In comparison only 5% of residents oppose the Council's proposal. In figure 1 below the responses of the tenants and leaseholders are set out.

*Fig. 1 Percentage Response to Q1 of the Postal Questionnaire asking tenants and leaseholders whether they support the Council's Proposal to directly manage their housing service.*



### 3.2 Resident Comments on existing services

3.2.1 In line with the CLG's guidance, the consultation also sought residents' views about which services should be improved. The services that residents identified as important are listed in the table below.

*Table 1. Residents' views about which services should be improved if savings can be made by the return of the ALMO to the Council's direct management*

	Frequency	%
1. Repairs and Maintenance	670	32%
2. Caretaking	389	19%
3. Security and Anti Social Behaviour	224	11%
4. Lift Maintenance	58	3%
5. Gardening and Horticulture	14	2%

3.2.2 One in three residents think that improvements to the repairs and maintenance service could be made. Similarly 1 in 5 residents would appreciate improvements in the service specification for caretaking. Moreover, 1 in 10 residents are concerned to improve the response to ASB.

### **3.3 Findings from the Qualitative Consultation Programme**

3.3.1 A number of focus groups responded to the proposal to create a directly managed housing service in the borough. The focus groups included:

- Young People,
- Black and Minority Ethnic groups (including residents who are not able to speak English fluently).
- Women's groups
- Involved Residents
- Irish Community group
- Residents living in street properties
- Elderly residents
- Residents with disabilities
- Mixed residents groups (series of groups).
- Residents living in White City

3.3.2 The majority of participants were in favour of the Council's proposal (7 out of 10 residents). However, one of the key findings from the qualitative research was that residents wanted the new Council Housing Department to maintain and strengthen the resident involvement and scrutiny functions that had been established by H&F Homes. Respondents commented on the need for efficiency and a more customer friendly approach to service provision.

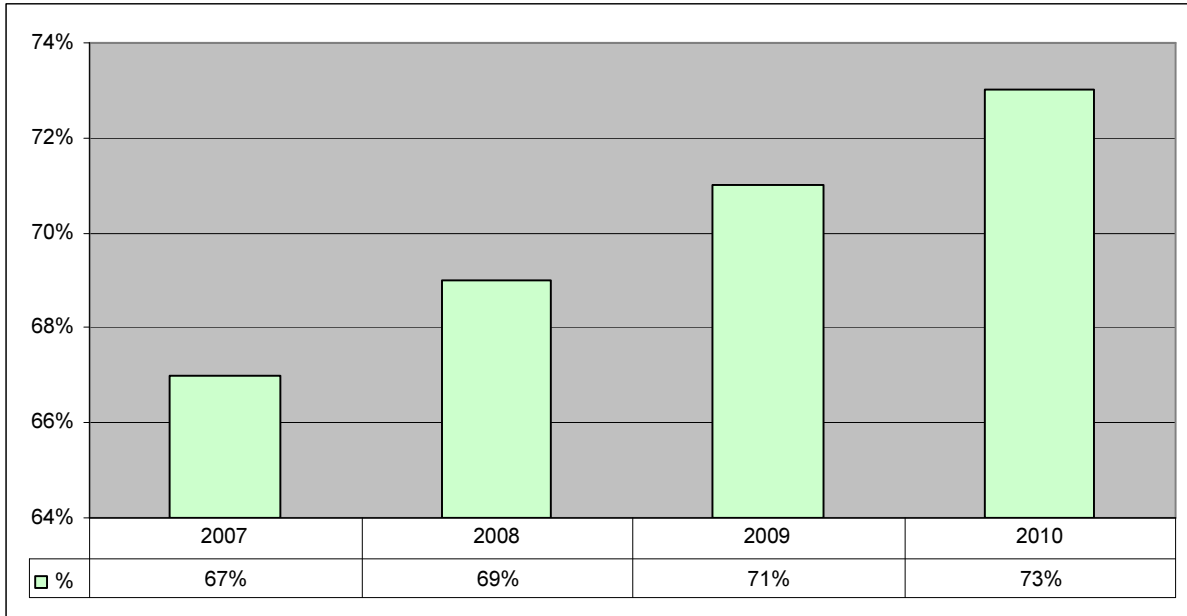
### **3.4 Resident Satisfaction with services provided by H&F Homes**

3.4.1 'Putting residents first' is a key objective for H&F Homes. Therefore, resident satisfaction is an important tool to evaluate the success of H&F Homes transformation programme. In conjunction with the Resident Test of Opinion, respondents were asked to complete a satisfaction survey which examined resident satisfaction with the overall services provided by H&F Homes.

3.4.2 The initial findings of the tenant and leaseholder satisfaction surveys suggests that there is a consistent increase in satisfaction with the overall services provided by H&F Homes.

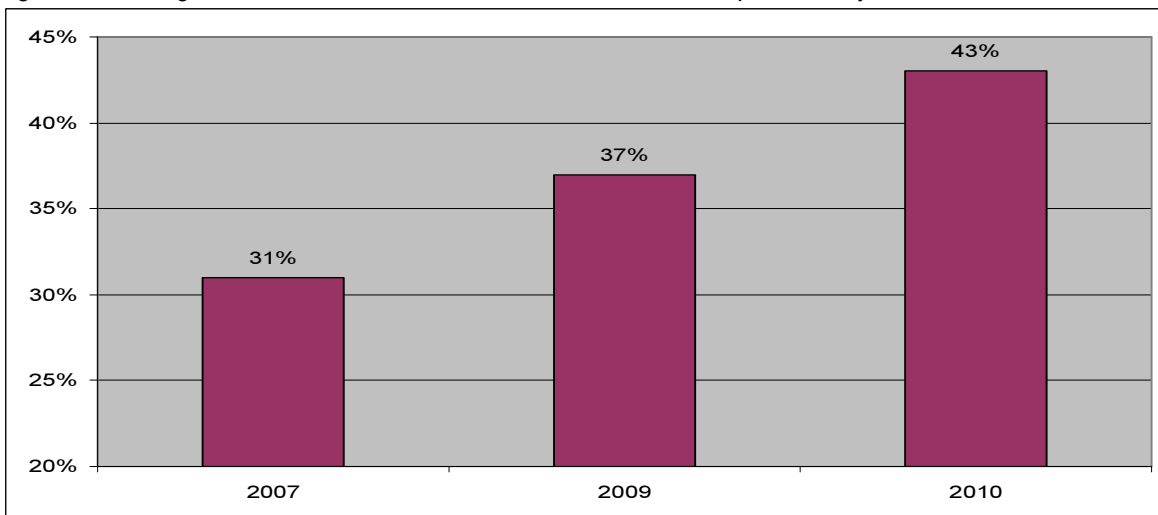
There has been an increase in overall satisfaction with services provided by H&F Homes. 73% of tenants are satisfied with services provided in 2010 compared to 71% in 2009.

Fig 2. Percentage of Tenants satisfied with the overall services provided by H&F Homes



3.4.3 There has also been an increase in leaseholder satisfaction with the services provided by H&F Homes overall from 37% in 2009 to 43% in 2010.

Fig 3. Percentage of Leaseholders satisfied with overall services provided by HF Homes.





### **3.5 Outcomes of the Consultation Process**

- 3.5.1 The outcome from the residents' consultation programme demonstrates that a significant majority of tenants and leaseholders are in favour of the Council's proposal to establish a directly managed Housing and Regeneration Department.
- 3.5.2 Through feedback in the qualitative phase of the consultation, residents clearly expressed the view that they want a more efficient and customer friendly approach to Housing Services and improved caretaking, repairs and ASB services.
- 3.5.3 The Council's proposal to create a single integrated Housing department provides the ideal opportunity to consider how to develop a new departmental culture which promotes high quality service delivery that is in line with our residents' expectations.

## **4. ESTABLISHING THE DIRECTLY MANAGED HOUSING SERVICE**

- 4.1.1 The successful integration of H&F Homes will require the creation within the Council of a Housing and Regeneration Department incorporating the existing housing options and regeneration teams and a structure which exactly matches that of H&F Homes.
- 4.1.2 The consultation programme findings outlined in section 3 of this report examined residents' views about the Council proposal and confirm that the majority of residents are in favour of the Council's proposals. Section 4 of this report explores the key legal and human resource implications of integrating the ALMO into the Council and creating a new Housing and Regeneration Department.

### **Transfer of an Undertaking**

- 4.2.1 H&F Homes has 353 employees, delivering services to over 18,000 residents across the Borough.
- 4.2.2 The integration of the ALMO with the Council will be a "relevant transfer" under the rules for the protection of employees' rights on the transfer of an undertaking. These rules are set out in the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).
- 4.2.3 The key provisions of the regulations are that:

- The employees of H&F Homes will become the employees of the Council on their existing terms and conditions of employment with their continuity of employment preserved;
- The Council will inherit all rights and liabilities in relation to those employees;
- Trade union recognition and collective agreements with trade unions will likewise be inherited; and
- H&F Homes and the Council must inform and consult with appropriate representatives about the transfer.

4.2.4 Members should note that the terms and conditions of H&F Homes' employees are in some respects more favourable than those of the employees of the Council.

4.2.5 H&F Homes must provide the Council with employee liability information in writing at least 14 days before the transfer. Arrangements for the exchange of this information have already been made and it will be provided immediately following members authorising the making of the arrangements appropriate to the transfer.

4.2.6 With respect to the provision of information and consultation, the following key obligations must be met:

- Employees must be informed of the fact that a relevant transfer is to take place;
- Employees must be told when that transfer will take place;
- H&F Homes must explain the reasons for the transfer to its employees including the legal, economic and social implications of the transfer for those employees;
- Employees must be consulted about any measures which H&F Homes or the Council envisage taking in relation to those employees affected by the transfer or told that no measures are envisaged.

4.2.7 In large part these obligations are about the provision of information. "Measures" in relation to employees affected by the transfer are definite plans or proposals which would not have happened but for the transfer. Any such measures must be the subject of consultation with a view to seeking the agreement of employee representatives to those measures. We will be informing employees that no measures are envisaged. This is because it is our intention simply to recreate within the proposed Housing and Regeneration Department a structure which matches that of the ALMO.

### **4.3 Contract administrative and legal issues**

4.3.1 H&F Homes ALMO is a registered company that has entered into contracts and agreements with various other organisations. All existing contracts let by the ALMO will need to be novated, i.e. transferred to the Council, and administrative and formal arrangements made for the dissolution of the company to Companies House and HMRC.

### **4.4 Financial advantages from the creation of single direct management Housing & Regeneration Department**

4.4.1 There will be some significant immediate savings that will flow from the integration of the ALMO into the Council. These will result from the deletion of vacant posts, which would otherwise be duplicated in the new structure, and the elimination of agency workers and contractors to whom TUPE does not apply.

4.4.2 The present organisational structures were created to facilitate the formation of the ALMO and not because they represented the most efficient or cost effective managerial teams. As a result there are some significant areas of overlapping responsibility and accountability which give rise to higher costs than is necessary.

4.4.3 By bringing the two separate structures together, it will be possible to significantly streamline the current Assistant Director structures under one Director of Housing & Regeneration. Recruitment of the Director of Housing and Regeneration is currently under way.

4.4.4 In addition, It is recommended that the Housing Management Division in the ALMO is linked to the Housing Options Division to create a new Housing Services team. LBHF is currently in the process of recruiting an Assistant Director of Housing Services to develop and lead the integration programme for the Housing Options and ALMO Housing Services teams. Appendix C provides a summary of the proposed Structure of the integration Housing and Regeneration Department.

## **5. EQUALITY & DIVERSITY**

5.1 A complete Equality and Impact Assessment has been conducted to evaluate the outcomes of integrating Housing Services for tenants and leaseholders. The copy of EIA has been included in Appendix A of this report.

5.2 The EIA reveals that the Council's proposal has been assessed as having 'neutral impact'. Therefore, if the Cabinet adopts the Council's proposal there are no negative consequences for residents from any specific social, economic or demographic groups.

5.3 Cabinet is asked to consider this EIA before making their final decision on the Council's proposal.

## **6. COMMENTS OF ASSISTANT DIRECTOR (LEGAL & DEMOCRATIC SERVICES)**

- 6.1 The Management Agreement between the Council and the ALMO expires on 31 March 2011.
- 6.2 The legal requirements in relation to consultation are set out in the body of the report. Officers are of the view that a proper and lawful consultation process has been carried out and Cabinet are required to conscientiously take the product of the consultation into account when reaching a decision. Cabinet must also have due regard to the Council's equalities duties and these are summarised at paragraph 5 and dealt with in more detail in the impact assessment at Appendix A.
- 6.3 The management agreement contains provisions which will enable both parties to effect an orderly transfer and comply with the TUPE obligations.
- 6.4 Following the successful transfer of the undertaking the ALMO, which is a company limited by guarantee with the Council as sole member, will be wound up in due course.

## **7. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES**

- 7.1 The ALMO was originally established on the recommendation of the Housing Commission in 2002 as the only way to access Decent Homes funding. The decent homes program is now completed and the planned new funding regime does not confer any additional advantages on ALMO's. Therefore the additional cost of managing and operating an ALMO can no longer be justified.
- 7.2 There will be some immediate savings of circa £700k that flow from the integration of the ALMO as a result of the deletion of vacant posts, which would otherwise be duplicated in the new structure, and the elimination of agency workers and contractors to whom TUPE does not apply.
- 7.3 Funds contained within the ALMO will pass back into the HRA on winding up of the Company and existing contracts will be novated to the Council.

## **8. CONCLUSION**

- 8.1 The housing services provided by the Council affect over one in three (34%) of Hammersmith and Fulham's households. The integration of H&F Homes into the Council will provide a sound platform for improving the overall satisfaction of residents in the borough by bringing into a single structure all the services which bear on housing needs and the creation of an environment which will enhance the quality of life and opportunity of residents.

- 8.2 The consultation process has clearly demonstrated that tenants are in favour of creating a single directly managed Housing Department that is managed by the Council.
- 8.3 The proposed Housing and Regeneration department will match the existing structures within H&F Homes and the Council. We will ensure that our obligations under TUPE are fully met and formal consultation with employee representatives will begin immediately following the authorisation of the arrangements appropriate to a transfer.

**LOCAL GOVERNMENT ACT 2000**  
**LIST OF BACKGROUND PAPERS**

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext of holder of file/copy</b>	<b>Department/ Location</b>
1.	ALMO Management Agreement	Batool Reza Ext 1633	H&F Homes
2.	Related ALMO Guidance and Regulation	Batool Reza Ext 1633	H&F Homes
3.	Performance Reports	Nick Johnson	H&F Homes
4.	ALMO Future (2009 Cabinet Paper)	Nick Johnson	H&F Homes
<b>CONTACT OFFICER:</b>		<b>NAME: Nick Johnson</b> <b>EXT. 4207</b>	