

Date of Cabinet: 29 November 2023

Title of report: Housing Transfer Programme

Name of Cabinet Member: **Councillor Irim Ali**

Responsible Director: **Mark Nicholson** Chief Finance Officer

Report Author: **Saskia Neibig** Senior Specialist - Transformation

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No

Key Decision

Report summary and link to Council priorities:

Ensuring that every person and family is able to access housing that is fit for purpose is a priority for the council, and this is secured mainly through the services and investment funded through the Housing Revenue Account (HRA).

In July, Cabinet received the conclusions of a review of housing services and decided to test resident opinion on the preferred option for re-organisation: to transfer services from YHN to the council. This report sets out the conclusions drawn from a test of opinion exercise, which found support for that recommendation.

This report also sets out further details on the benefits, risks, implications and change involved in proceeding with a Housing Transfer Programme, including implications for subsidiaries of YHN, Abri and Leazes Homes.

This report also includes an Integrated Impact Assessment.

Summary of decision being asked:

Cabinet is asked to agree the following:

- Note the findings of a test of resident opinion, conducted by Social Engine in the attached report;
- Agree the transfer of YHN into the council in principle, and authorise the Chief Finance Officer, in consultation with the portfolio holder, to implement the transfer

of YHN into the council; with an intended date of transfer of July 2024 subject to Cabinet approval in June 2024;

- Authorise the additional spending required to achieve long-term improvements and savings.
- Note that for operational reasons it may be necessary to transfer in distinct groups of YHN colleagues to NCC ahead of July 2024; and to authorise the Chief Finance Officer in consultation with the portfolio member to make the arrangements necessary to make such a transfer;
- Note the decision of the board of Leazes Homes that Leazes Homes will not be transferred to the council;
- Authorise the Chief Finance Officer to work with the board of YHN to agree a transfer of Abri shares to the Council so that it becomes a commercial subsidiary wholly owned by the council.
- Authorise the Chief Finance Officer in consultation with the Assistant Director Legal Services to complete any documentation required to give effect to the decisions contained in this report.

1 What is the report about?

- 1.1 This report sets out the conclusions drawn from a test of opinion exercise conducted with residents following July Cabinet decision on the Housing Review.
- 1.2 This report also sets out further details on the benefits, risks, implications and change involved in transferring services from YHN to the council, including implications for subsidiaries of YHN.
- 1.3 This report also includes an Integrated Impact Assessment.

2 What decisions are being asked for?

2.1 Cabinet is asked to:

- Note the findings of a test of resident opinion, conducted by Social Engine in the attached report;
- Agree the transfer of YHN into the council in principle, and authorise the Chief Finance Officer, in consultation with the portfolio holder, to implement the transfer of YHN into the council; with an intended date of transfer of July 2024 subject to Cabinet approval in June 2024;
- Authorise the additional spending required to achieve long-term improvements and savings.
- Note that for operational reasons it may be necessary to transfer in distinct groups of YHN colleagues to NCC ahead of July 2024; and to authorise the Chief Finance Officer in consultation with the portfolio member to make the arrangements necessary to make such a transfer;
- Note the decision of the board of Leazes Homes that Leazes Homes will not be transferred to the council;
- Authorise the Chief Finance Officer to work with the board of YHN to agree a transfer of Abri shares to the Council so that it becomes a commercial subsidiary wholly owned by the council.
- Authorise the Chief Finance Officer in consultation with the Assistant Director Legal Services to complete any documentation required to give effect to the decisions contained in this report

3 Why are the proposals being put forward?

- 3.1 The current arrangements with Your Homes Newcastle (YHN) date back to 2004. Under these arrangements, the Council remains the owner of the housing stock and therefore the legal landlord but YHN are responsible for the management of the housing stock. YHN fulfil a wide range of NCC's statutory duties, delivering valued services. YHN colleagues work in partnership with a range of services to make important contribution to the homes and lives of Newcastle's residents.

- 3.2 The financial incentives for arms-length management no longer exist, and the rapidly changing regulatory, policy and financial context for housing services prompted the council to undertake a review of all housing services.
- 3.3 The Housing Review reported to Cabinet in July, summarising the economic and regulatory pressures on the Housing Revenue Account (HRA) and concluding that the current arrangements are no longer suited to the requirements of a core city delivering strategic housing and landlord roles. Opportunities for greater alignment of resident services were identified, and there were also opportunities for efficiencies by merging organisational functions.
- 3.4 The Housing Review presented three options and recommended that conducting a test of resident opinion on the transfer of all YHN services in-house to be integrated with the council. This involves the return of all services currently provided by YHN to the council, with all housing services brought together under a single housing lead officer and back-office services and non-housing services relocated to the relevant directorate within the Council.

Test of Opinion

- 3.5 Social Engine were commissioned to conduct a test of resident opinion, which they did through two short surveys, of tenants and leaseholders, and the general public, which were open for response for six weeks, from 1 September to 15 October.
- 3.6 The process was promoted on the Council website, social media channels and posters city-wide. An invitation to respond to the survey and information explaining the proposed changes were sent to all tenants and leaseholders, via email, text message, a postal survey or a phone call. Periodic reminders were sent to those who had not yet completed the surveys, and for the second half of the survey period, tenants and leaseholders were targeted for reminders in wards where response rates were low relative to the share of council housing.
- 3.7 Information about the consultation was made available in easy-read, British Sign Language video and other formats. In-person opportunities for input were available at the Jobs Fair in the Civic Centre, the Galafield Centre, West End CSC, St Martins Community Centre, City Library and Kenton CSC.
- 3.8 Voluntary and community service organisations were engaged to respond.
- 3.9 Tenants, leaseholders and other residents were asked: "Do you support the proposal to transfer housing services managed by YHN back into the council?" 85.7% of tenants and leaseholders responding supported the proposals, out of 4,323 responses. With a response rate of 14.7%, there is a confidence interval (margin of error) of +/-1.4%. This means that there can be confidence (with 95% certainty) that support for the proposed transfer would be between 84.3% and 87.1% if every single tenant and leaseholder had responded.
- 3.10 There were 202 responses from residents who weren't tenants or leaseholders, of whom, 79.9% supported the proposals.
- 3.11 Tenants and leaseholders were asked: "Do you understand that the proposed changes will not affect your tenancy, rent or lease conditions?" 87.1% said they understood this. 2.5% said they didn't understand this and 10.4% said they didn't know. Further communications would be needed for the minority of tenants and leaseholders who expressed a lack of clarity on this, so as to clarify that rent and lease conditions would not be affected by this process.

- 3.12 The test of opinion also invited to comment on the proposals and ideas for service improvement. These comments have been analysed by theme. Hopes for service improvements were a theme for those responding in favour of the proposals, and there were positive comments about YHN's support and services from those opposing the changes.
- 3.13 The appended report by Social Engine outlines the process and findings of opinion test in full. The Integrated Impact Assessment outlines how the council will communicate with residents to ensure that residents are not needlessly concerned about a change to their tenancy, rent or lease conditions. This will include direct communications with tenants and leaseholders, confirming that there will not be any changes to tenancy, rent or lease conditions as a result of this transfer.

4 What impact will this proposal have?

Delivering transfer

- 4.1 Should Cabinet agree the recommendation of officers to proceed transfer as outlined in this report, this will initiate a programme of change transferring services, employees and finances to the council. This includes:
- Transfer of Undertakings (Protection of Employment) Regulations (2006) process, also known as TUPE. This protects the rights of employees when the work they do is transferred from one organisation to another. All YHN colleagues will be in scope of a TUPE process, but people have a choice about transfer right up until the date of transfer, meaning that the total change in NCC headcount won't be known with 100% certainty until the 1st July 2024. This process includes meaningful consultation with our recognised trade unions and colleagues affected in both organisations from the point of the decision to the point of transfer.
 - Novation or termination of commercial agreements and contracts.
 - Disaggregation of current YHN budgets and consolidation within the council.
 - Alignment of organisational policies relating to HR, ICT, health and safety, data protection etc.
 - Reconciliation of ICT, finance, communications and other systems and processes.
 - Amended estate strategy for office accommodation.
 - Winding up the YHN legal entity and completing accounts, audit and reporting for YHN's legal obligations afterwards.
 - New executive governance in the Newcastle Charter to meet responsibilities as a landlord.
 - Business continuity planning.
 - Delivering action plans to realise the full benefits of the programme throughout its delivery, including customer journey mapping and service reviews. The detailed findings of the Opinion Test process will inform this work, highlighting customer experience and contact as a key area for improvement, as well as improvements in accountability.
 - Governance, oversight and risk management of the overall process.

Leazes Homes

- 4.2 The Board of Leazes Homes have considered the options available to them outside of YHN Group. Having decided on aligning the organisation with an independent registered provider, rather than a local authority, the Board has written to the Leader of the Council with its decision not to transfer to NCC. Leazes Homes would remain a key strategic partner for Newcastle's housing, care and support services.
- 4.3 NCC will work with YHN and Leazes Homes to support a successful disaggregation of the YHN group, and supporting service continuity where there is joint working.

Abri

- 4.4 As a commercial trading subsidiary of YHN, Abri has multiple service offers with social and financial value:
- The Newcastle Furniture Service (NFS): Newcastle's affordable furniture service, helps to tackle furniture poverty, prevent debt, sustain tenancies and wellbeing, and reduces voids.
 - Ostara 24-hour response and support service for residents who need emergency assistance if they fall or feel unwell.
 - Palatine Beds, a manufacturer for both the retail and contract market, with a large customer portfolio. They offer some supported employment of disabled people.
- 4.5 The dividends that the Council has received from Abri Trading have contributed to funding resident services, alleviating pressure on the General Fund, and dividends were agreed until this financial year. The Council's continued involvement in Abri would benefit residents. The council would work with the YHN board to agree a transfer of YHN's four voting shares in Abri, to support the Council's long-term interest in Abri.

5 What are the climate implications?

- 5.1 There are no direct climate implications arising from this report, although there are significant challenges in ensuring the housing stock can be improved to meet the Council's net zero ambitions. Alongside other factors, the cost pressures of meeting these ambitions helped drive the initial housing review process and the recommendation to proceed with this transfer programme.

6 What is the timetable for implementation?

- 6.1 Subject to final Cabinet approval of the recommendations, the target for legal transfer would be July 2024, with further work to integrate the organisation and deliver benefits of change, completing in the financial year 2025/26. An evaluation of the programme would be conducted within two years of the legal transfer.

7 What are the legal implications?

- 7.1 The comments of the Assistant Director Legal Services have been included in the body of the report.

8 What are the finance implications?

- 8.1 Transferring housing management from YHN to the council offers opportunities for efficiencies and cost avoidance. These could come from reducing the cost of governance and by integrating services. There will be some one-off costs of transfer, currently estimated to be £0.8m over the lifetime of the programme.
- 8.2 The estimated savings amount to £0.9m per annum from 25/26, with a smaller proportion of those savings crystallising in 24/25. The payback period is less than two years, with net savings to the Housing Revenue Account realised in the financial year 2025/26. Total savings by 2033 net over £6m.
- 8.3 A loan from NCC to YHN would need to be repaid from cash balances prior to transfer. A plan for debtors and creditors and cash balance repayments will be implemented, with minimal overall effect on balance sheets. The cost of leasing for fleet vehicles would transfer from YHN to NCC with no impact. An NCC contingent liability in relation to a pension guarantee would be removed on transfer, as all employees transferring to NCC would transfer along with their pension fund arrangements held in the Tyne and Wear Pension Fund.
- 8.4 There are loans from the Council to Leazes Homes, which could continue as it would remain a separate entity with a future outside of the Council or YHN Group. Leazes Homes is financially viable and loans are secured against properties. Continuing with these loans would benefit residents by supporting tenants of Leazes Homes.

9 What are the procurement implications?

- 9.1 The Commissioner Trading & Resources has been consulted and confirms any elements of change delivery required to be procured would adhere with the Councils Procurement Procedure Rules.
- 9.2 Items include: legal and financial advice; ICT architecture mapping; externally provided training and training tools.

10 What are the key risks and how are they being addressed?

- 10.1 The two most significant risks associated with the recommendation are:
- 10.2 **Vacancies:** Recruitment is challenging for a range of factors in all sectors nationally and regionally. The council and YHN have experienced the same recruitment challenges in recent months. These steps are designed to reduce the risk of an increased number of vacancies during the transition phase:
 - To support valued, skilled and experienced colleagues through the transfer, staff and trade union consultation would comply with TUPE regulations and best practice to address staff concerns and successfully transfer employee terms and conditions.
 - Support and mentoring would support that process, to engage and support staff at work and sustain quality services.
 - Where necessary, early TUPE transfer for service areas at risk could help to meet critical business needs and support colleagues. This would be done in consultation with the portfolio holder.
- 10.3 **Disruption:** There is a risk that this transfer reduces capacity for business-as-usual delivery, although the costs identified for the delivery of the transfer

programme mitigate against this. Relatedly, there is a risk that the transfer of employees, systems or locations results in temporary disruption to residents' services. This would be mitigated:

- Some of the costs estimated for the programme are to provide sufficient capacity to ensure there is no reduction in usual business.
- The Council has robust business continuity processes in place, aligning to ISO standards for business continuity. Any service affected within the Council or YHN will align with the agreed corporate business continuity policy for Newcastle City Council.
- Any changes during the transfer process would be staggered to prevent disruption, meaning that legal transfer; reviews of services or systems, and the delivery of an estate strategy would happen separately.

10.4 However, alternative courses of action also present risks:

- Residents have expressed robust support for the proposals and given recommendations in favour. In line with a resident-centred service offer, lessons should be learned from the findings and used to inform meaningful change. Building on YHN's successes, this could deliver more alignment and accountability in services. Better alignment of strategy and delivery would improve the Council's ability to direct and deliver a whole-housing approach for residents.
- The economic, policy and regulatory pressures on the HRA remain. This programme alone won't resolve that pressure, but a better alignment of strategy and delivery would improve the Council's ability to direct and deliver a robust asset management strategy.
- Failure to maximise efficiencies would undermine the Council's ability to secure best value for residents, whereas efficiencies in integration can be used to secure savings for the HRA, to be invested in the housing stock and services to tenants.

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