City of Westminster

Committee Agenda

Title:	**Housing, Finance and Corporate Services Policy and Scrutiny Committee**
Meeting Date:	**Wednesday 10th June, 2015**
Time:	**7.00 pm**
Venue:	**Rooms 5, 6 & 7 - 17th Floor, City Hall**
Members:	**Councillors:**

Councillors:

Brian Connell (Chairman)	Richard Holloway
Antonia Cox	Guthrie McKie
Paul Dimoldenberg	Adnan Mohammed
Peter Freeman	Gotz Mohindra

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall from 6.30pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.

An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Reuben Segal; Senior Committee and Governance Officer.

Tel: 020 7641 3160; email: rsegal@westminster.gov.uk
Corporate Website: www.westminster.gov.uk

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Head of Legal & Democratic Services in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1.   MEMBERSHIP

The Head of Legal and Democratic Services to report any changes to the membership.

2.   DECLARATIONS OF INTEREST

To receive declarations by Members and Officers of the existence and nature of any personal or prejudicial interests in matters on this agenda.

3.   MINUTES   **(Pages 1 - 8)**

To sign the minutes of the previous meeting as a correct record of proceedings.

4.   WORK PROGRAMME   **(Pages 9 - 14)**

5.   UPDATE FROM CABINET MEMBERS   **(Pages 15 - 20)**

An update from the Cabinet Member for Housing, Regeneration, Business and Economic Development on key areas within the portfolio is attached.

6.   CONSULTATION ON THE COUNCIL'S NEW HOUSING STRATEGY   **(Pages 21 - 80)**

Report of Executive Director Growth, Planning and Housing.

7.   REVIEW OF HOUSING MANAGEMENT OPTIONS   **(Pages 81 - 168)**

Report of Executive Director Growth, Planning and Housing.

Peter Large
Head of Legal & Democratic Services
2 June 2015

CITY OF WESTMINSTER

MINUTES

Housing, Finance and Customer Services Policy & Scrutiny Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Housing, Finance and Customer Services Policy & Scrutiny Committee** held on **Monday 27th April, 2015**, Rooms 5, 6 & 7 - 17th Floor, City Hall.

Members Present: Councillors Tim Mitchell (Chairman), Antonia Cox, Paul Dimoldenberg, Peter Freeman, Richard Holloway, Gotz Mohindra, Guthrie McKie and Adnan Mohammed

Also Present: Councillors Melvyn Caplan, Cabinet Member for Finance, Corporate & Customer Services

1   MEMBERSHIP

1.1   It was noted that there were no changes to the membership.

2   DECLARATIONS OF INTEREST

2.1   There were no declarations.

3   MINUTES

3.1   **RESOLVED**: That the minutes of the meeting held on the 9 March 2015 be signed by the Chairman as a correct record of proceedings.

4   WORK PROGRAMME

4.1   The Chairman informed members that suggestions were sought for the work programme for the coming year. He advised that a public consultation was due to be undertaken over the summer on the Council's New Housing Strategy and that if the timetable did not fit with the committee's meeting cycle a task group would be set to provide comments.

4.2   A request was made to include a follow-up item on Housing Associations and RSL's tenant satisfaction levels. This should include information on the number of calls made per provider to residential environmental health.

4.3   The Chairman advised that the aborted committee visit to an intermediate housing scheme in Westminster was due to be rescheduled for mid June. A review and feedback session on scrutiny over the last 12 months was due to be held for all policy and scrutiny members in the Lord Mayors parlour on Tuesday, 16 June. Invitations to both events would be circulated shortly.

4.4   **RESOLVED**:

1.   That reports on the new Housing strategy, review of housing management options and Finance, Annual Accounts and Forward Planning be submitted to the next meeting on 10 June.

2.   That the responses to actions and recommendations set out in the tracker be noted.

5   UPDATE FROM CABINET MEMBERS

5.1   The Committee received a verbal update from the Cabinet Member for Finance, Corporate and Customer Services on the following aspects of the portfolio:

5.1.1   That the Finance team was working to improve on last year's achievement of accelerating the closure of the Council's annual accounts. He thanked the City Treasurer and his team for all of their work over the course of the year to achieve this objective. He informed the committee that the annual accounts would be considered by the Audit & Performance Committee on 21 May.

5.1.2   That as forecast the budget for 2014-15 came in on target. This had been achieved through considerable hard work. Notwithstanding the outcome of the general election he expected there to be continued pressure on budgets next year.

5.1.3   That he had signed off an executive report approving the establishment of a Tri-borough Legal Services team. He advised that an Appointments Sub Committee Panel would be meeting in due course to appoint a Head of Tri-borough Legal Services. A consultation on IT services had just concluded and a decision on this would be taken in the next few weeks.

5.1.4   The Managed Services Programme for HR and procurement went live a couple of weeks previously. There has been a high volume of small issues but no fundamental problems. The former included some members of staff not being paid on time or being underpaid. Some members of staff had also experienced overpayments in pension contributions. In most cases the former was resolved in 1 to 2 days while the pension related issue would be resolved next month. Extra support was being provided to schools which had only recently returned from the Easter break and were catching up on these issues.

5.2   The committee noted the written update from the Cabinet Member for Housing, Regeneration, Business and Economic Development on key aspects within the portfolio.

5.3   Further to the written update the Executive Director for Growth, Planning & Housing informed the committee that the council had recently submitted a bid of £20-£25 million to the GLA for housing growth zone funding of in the Church Street area to speed up the delivery of housing renewal. Officers had attended an initial meeting with the GLA. The next stage would be to present a challenge bid at the GLA on 13 May.

5.4   In the absence of the Cabinet Member, the committee submitted questions to Ben Denton, Executive Director for Growth, Planning & Housing.

5.4.1   The Executive Director was asked for details about the appointment of a new chief executive for CityWest Homes. He informed members that Jonathan Cowie had been appointed. Mr Cowie was currently the chief operating officer of Sovereign Housing, one of the largest housing associations in the South and South West of England. He had previously worked at GEC so had both commerce and affordable housing sector knowledge. He was due to start on 16 June and there would be some overlap with the current Chief Executive. Mr Cowie's locus would be to maintain leaseholder and tenant satisfaction ratings.

5.4.2   The Executive Director was asked how long and how much it would cost to decant those parts of the Ebury Bridge estate that are required to facilitate the regeneration scheme. The committee was informed that the total cost of acquisitions and decants including acquiring those homes within the estate owned by Soho housing would be approximately £55 million. To date about 20% of properties required in the estate had been acquired. The council was currently acquiring about two homes per week. A report would be submitted to the relevant Cabinet Members for a CPO approval in due course. It would take approximately 2 years for the entire CPO process to be completed. In the interim some of the vacated accommodation on the estate would be used as temporary housing. The regeneration scheme would be funded from the Housing Revenue Account, the Affordable Housing Fund and Westminster Community Homes.

5.4.3   Mr Denton was asked for further information about the Right to Buy Social Mobility Funding scheme. He explained that this was an alternative to Right to Buy where qualifying tenants can be provided with cash grants to buy out of borough on the open market. This allows mobility from the council housing stock. The scheme is a GLA initiative where the GLA would match fund cash grants provided by the council. Take-up of the funding has been relatively slow.

5.4.4   Members asked whether the council had improved its processes following the judgement of the Supreme Court against the council on a temporary accommodation case. The committee was informed that the council has had counsel's opinion on a revision to the wording of its offer letter and that it hoped to start using this from the following week. A number of approaches used by the Housing team would be strengthened by formally adopting processes as policies. The council will also test with Counsel how it clarifies to homeless households how it allocates properties and prioritises in-borough

placements for those who are homeless versus those on the council's social housing list. Mr Denton advised that there were a further 4 court cases pending relating to other local authorities and that these processes would get tested again in court.

5.4.5 In response to a supplementary concern raised by a member regarding the lack of social and affordable housing in the city the Executive Director advised that at present there was an imbalance between the number of households accepted as homeless by the council and the availability of housing. In the past demand and supply was roughly equal. Of those households which are homeless only 30% include one person in work. The council is working with the remaining 70% to address the barriers to employment in order to stop them being affected by the cap on benefits. This includes helping people to develop employability skills and developing models for local affordable childcare. The council is also trying to develop low-cost rented accommodation which is only slightly above social housing rent levels.

5.4.6 Mr Denton was asked for information about the timeframe for delivering the Tools for Our Future programme. The programme will support and inform the decision-making of young people aged 16 to 24 when moving into employment, education and training. He advised that a team would be established within the next six months to deliver the programme. He explained that many initiatives had been developed and were available to help young people, however navigating through them can be confusing for customers. The programme aims to join up existing teams to offer a tailored offer to young people. In response to a supplementary question, the Executive Director advised that the council was currently reconfiguring its employment programme. Those that have worked well to date have included initiatives to support youth employment. Those that had proved challenging have included helping the long-term unemployed, those who are 50 years and over and individuals with complex issues. These groups require a much more joined up approach involving health practitioners, Housing and Adult Services.

6   IMPLEMENTATION OF THE NEW CUSTOMER CONTRACT AND THE BACK OFFICE CONTRACT (TO FOLLOW)

6.1   The Committee received a report that provided an overview of the implementation of the contact centre and back office contract awarded to Agilisys which commenced on 3 November 2014. This included changes resulting from the new contract, and benefits to the customer experience and contract performance.

6.2   It was noted that the report was circulated separately to the main agenda and did not meet the statutory deadline. The chairman agreed to accept the paper as a late item.

6.3   The Committee considered the report and asked questions on a range of issues as follows:

6.3.1 Members asked a number of questions around contract performance including how quality is monitored; how underachievement is evaluated;

whether customer feedback is requested following an interaction with an adviser and the checks and balances in place to ensure that the model of payment per transaction is not misused. The committee also wished to know about the resources required to monitor the contract.

Suzanne McArdle, Head of Digital, informed members that advisers have a random selection of their phone conversations with customers checked each month for quality. The contract is monitored by specific key performance indicators (KPIs) covering call answering, customer satisfaction, quality, e-mail handling and web chat responses. The payment for a phone transaction is £1.48 in hours and out of hours £4.25 and an email is £3.26. There are penalties on a sliding scale when the KPI's are not met. The KPI's are checked on a monthly basis. Feedback isn't requested following an e-mail exchange however there is a facility on the Council's website to rate web services through a 'rate this page' function. Due to the payment per transaction model, it was recognised that while it was in the contractor's interest to engage in as many contacts as possible this is closely monitored. This would include ensuring that the contractor does not reply to customers unnecessarily or deflect users towards a particular form of interaction. A close check would also be kept on the handling of out of hours calls as the payments for these are more expensive. Miss McArdle advised that the monitoring of the contract did not require lots of resources and was handled predominantly by her and a contract manager.

The Cabinet Member for Finance, Corporate & Customer Services advised in relation to the KPIs for call answering that while these are not quite being met the council had set the bar quite high and therefore the majority of customers would be happy with these response times.

6.3.2   The committee then asked a number of operational questions. This included a request for information about the new Customer Relationship Management (CRM) system which is used for logging contacts, capturing customer details and scripting processes to ensure consistent information and guidance is provided. Members also queried whether Agilisys receives a notification from the relevant service area when an issue they have forwarded on has been dealt with.

Miss McArdle informed members that when the council migrated to the new system there was initially some data loading issues as well as some bugs, however, this is not unusual when launching a new system. These were resolved with the system provider. There was also some teething issues at the start with agents not accurately capturing customer details. This was picked up and addressed during quality checks. She confirmed that Agilisys did receive feedback from service areas once an issue had been dealt with.

One of the members informed Miss McArdle that he had sent an e-mail to the Environmental Action Line last week but had not received a reply. He asked whether issues were being passed to the relevant parts of the Council. He also commented that there didn't appear to be any monitoring of the issues being reported as some were notified repeatedly. While they were dealt with what was required was a proactive long-term solution rather than a piecemeal

reactive response. Miss McArdle advised the Councillor that he should have received a reply and she undertook to look into this. The Cabinet Member advised that all cleansing related issues reported online were sent directly to the council's contractor Veolia. He acknowledged that while issues get dealt with there may not be an assessment of how often the same issues are reported. He agreed that there was merit in reports being segregated and analysed.

6.3.3 Attention was then turned to the customer experience. It was noted that the move towards online functionality promotes a change in customer behaviour enabling and empowering customers to transact with the council through a comprehensive range of web and automated telephony services. Miss McArdle was asked whether the council had any projections about the likely shift in transactional methods used by customers over the next few years. She was also asked whether it would be possible for customers to provide their details once and for these to be shared as necessary across all transactions.

The committee was informed that indicators suggested that the Customer Digital Programme would result in a 30% drop in direct customer interaction with the council by the end of the contract's term. The council has set a target of 15 to 20%. Miss McArdle advised that the technology existed to share a customer's details for all transactions across the council, however, issues around data sharing and data protection would need to be explored and resolved before such a function could be considered for introduction. The Cabinet Member advised that while he was initially in favour of such a joined up approach he was now more neutral about its merits. He explained that it would require a significant number of people to sign up to it in order to make the cost per individual per transaction viable. He questioned whether this would be achievable given the large churn in population that occurred each year in the city.

6.3.4 The Committee asked about opportunities to further improve the customer experience, in particular whether the council should be responding to tweets and the possibility of customers interacting with the council via mobile applications. Miss McArdle advised that she had experience of working with channels such as Twitter. She stated that the council would need to think carefully about adding any additional channels as this would require an investment in greater resources as the number of tweets received would quickly escalate. She stated that as a middle ground the council could respond to essential tweets or direct people to the proper reporting channels. Similarly, while the council could develop an app, an additional channel would involve extra costs to the council. She clarified that the council's website is a responsive system which can be used on mobile phones.

6.4 It was noted that the new contract includes the potential for a further three year extension. The Cabinet Member was asked when a decision on this would be taken. He advised that the council has until the spring of 2017 to make a decision. The council would consider such matters much earlier as if it did wish to procure a different provider it would need a good lead-in time to facilitate the procurement.

6.5　**RESOLVED**: That the report be noted.

6.6　**ACTION:**

1. Provide the committee with metrics on customer satisfaction, call answering, e-mail handling, quality and volume of interaction including by service area. (**Action for Suzanne McArdle, Head of Digital**)

2. Investigate and provide a response to Councillor Dimoldenberg about why he has not received a reply to issues reported via e-mail last week to the council's Environmental Action Line. (**Action for Suzanne McArdle, Head of Digital**).

7　ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT: TREASURY OUTTURN 2014-2015

7.1　In accordance with the council's treasury management practices, the Committee received a report that set out the Council's Annual Treasury Outturn for 2014-15.

7.2　It was noted that the paper had been circulated separately to the main agenda and did not meet the statutory deadline although it had been on the committee's work programme for many months. The chairman agreed to consider the paper as a matter of urgency as it would be appropriate for the capital outturn to be considered at about the same time that the accounts as a whole are considered by the Audit Committee.

7.3　The committee noted that the weighted average interest rate of return on cash investments over the year was 0.60% which reflects the annual investment strategy's priorities of security of principle then liquidity over yield. Only about £25 million in cash deposits had been invested in terms deposits greater than one year. Steve Mair, City Treasurer, informed members that officers are currently exploring a range of options to improve on the treasury management and related investment strategies to ensure the best use of the available resources. This would include considering options for investing in longer term deposits as well as whether it is possible to invest surplus cash in the council's pension fund which would in turn help to address it's deficit. A report on future initiatives will be presented to committee during 2015-16.

7.4　It was noted that this would be the last meeting attended by Jonathan Hunt, Director of Corporate Finance and Treasury Management, who was leaving the council for a new job. The committee thanked Mr Hunt for his work and wished him well in his new job.

7.5　**RESOLVED**: That the report be noted.

The Meeting ended at 8.30 pm

CHAIRMAN: _____   **DATE** _____

Work Programme

Housing, Finance and Corporate Services Committee

ROUND ONE - 10 June 2015 Main Theme –Housing, Regeneration, Business and Economic Development		
Agenda Item	**Reasons & objective for item**	**Represented by:**
Cabinet Member Q&A Housing, Regeneration, Business and Economic Development	A Q&A session with the Cabinet Member for Housing, Regeneration, Business and Economic Development	• Cllr Astaire
Housing Strategy	An opportunity to scrutinise the new Housing Strategy and consider the responses to the consultation exercise. This will also include information on the supply and allocation of social housing.	• Andrew Barrypurssell • Cecily Herdman
Review of Housing Management Options	The council recently carried out a review of its **housing management options**. This is an opportunity for the Committee to discuss the findings of the Altair review and see proposals for the implementation of the recommendations.	• Jake Mathias • Sheila Sackey

ROUND TWO - 16 September 2015 Main Theme – Finance and Corporate Services		
Agenda Item	**Reasons & objective for item**	**Represented by:**
Cabinet Member Q&A Finance & Corporate Services	A Q&A session with the Cabinet Member for Finance and Corporate Services	• Cllr Mitchell
Property Investment Strategy	To consider how the property investment strategy is contributing to the Council's financial and social returns.	• Guy Slocombe
Treasury Performance Full Year Statutory Review	To review treasury performance.	• Steve Mair

ROUND THREE - 18 November 2015
Main Theme – Housing, Regeneration, Business and Economic Development

Agenda Item	Reasons & objective for item	Represented by:
Cabinet Member Q&A Housing, Regeneration, Business and Economic Development	A Q&A session with the Cabinet Member for Housing, Regeneration, Business and Economic Development.	• Cllr Astaire
Housing Associations (RSL and PRP) – Performance Review	An opportunity for the Committee to hold to account Housing Association management in relation to performance.	• Three RSLs • Fergus Coleman
Tenant Satisfaction Surveys	At the session last year on RP performance, members felt that the customer satisfaction surveys CWH carried out did not get responses from all the target audience, and may exclude the hard to reach and discontented. This item provides an opportunity for members to consider whether improvements have been made to the way in which information on tenant satisfaction is gathered.	• Fergus Coleman • CityWest Homes

ROUND FOUR - 6 Jan, 2016
Main Theme – Finance and Corporate Services

Agenda Item	Reasons & objective for item	Represented by:
Cabinet Member Q&A Finance & Corporate Services	A Q&A session with the Cabinet Member for Finance and Corporate Services	• Cllr Mitchell
Draft Treasury Management Strategy 2016/17	To assess the draft treasury management strategy prior to submission to Council for approval.	• Steve Mair
Treasury Performance Half Year Statutory Review	To review treasury performance.	• Steve Mair

Work Programme

Housing, Finance and Corporate Services Committee

ROUND FIVE - 9 March 2016		
Main Theme – Housing, Regeneration, Business and Economic Development		
Agenda Item	**Reasons & objective for item**	**Represented by:**
Cabinet Member Q&A Housing, Regeneration, Business and Economic Development	A Q&A session with the Cabinet Member for Housing, Regeneration, Business and Economic Development	• Cllr Astaire
Supply and Allocation of Social Housing	To scrutinise the supply and allocation of social housing (the issue of local connection in terms of how housing is allocated to homeless households according to the Housing Act and the length of connections will also be covered).	• Greg Roberts

ROUND SIX - 13 April 2016		
Main Theme – Finance and Corporate Services		
Agenda Item	**Reasons & objective for item**	**Represented by:**
Cabinet Member Q&A Finance & Corporate Services	A Q&A session with the Cabinet Member for Finance and Corporate Services	• Cllr Mitchell
Treasury outturn for 2014/15	Statutory review of the treasury outturn for 2014/15. Report to include an update on progress in signing up to a Municipal Bonds Agency in the Treasury Outturn report for 2014/15 (as per Committee decision of 9 March 2015)	• Steve Mair

Other Committee Events & Task Groups		
Briefings	**Reason**	**Date**
Intermediate Housing Visits	Site visit to Intermediate Housing in Westminster	15th June
Budget Monitoring Task	Standing task Group to consider the budget of Council	Jan/ Feb 2016

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ROUND ONE (16 June 2014)		
Agenda Item	**Action and responsible officer**	**Update**
Item 7 – Worklessness	Provide the Committee with a map that outlines the different local employment support programmes, the agencies involved and the money invested to identify whether there are any gaps or overlaps in provision. **(Steve Carr – Head of Economic Development)**	Strategy being produced and will be circulated to members in due course.

ROUND TWO (17 September 2014)		
Agenda Item	**Action and responsible officer**	**Update**
No outstanding actions.		

ROUND THREE (19 November 2014)		
Agenda Item	**Action and responsible officer**	**Update**
Item 4 – Work Plan	That the previously scheduled visit to intermediate housing in Westminster be rescheduled to take place before the end of the municipal year.	This visit is confirmed for Monday 15 June.

ROUND FOUR (26 January 2015)		
Agenda Item	**Action and responsible officer**	**Update**
Item 4 – Work Plan	To note that consultation on the draft Housing strategy would not be available for the next meeting on 9 March as planned and request an explanation why the consultation on the Housing strategy has been delayed until summer. **Cabinet Member for Housing, Regeneration, Business & Economic Development and the Executive Member for Growth, Planning & Housing**	Committee provided with update at meeting of 9 March. **Action complete.**
Item 5 – Cabinet Member Updates	In relation to Delivering Housing Renewal – that members be provided with an explanation as to why there were no firm dates attached to the project milestones for Tollgate Gardens and Ebury Bridge as there are for the other	Committee provided with update at meeting of 9 March. **Action Complete.**

	renewal areas? **Executive Director for Growth, Planning & Housing**	
Item 5 – Cabinet Member Updates	In relation to Bayswater BID - the committee commented that the area consists of a demographic of businesses that is different to other BID areas which might explain why it has not been successful. It was suggested that any future BID in this area would need to be different in character and nature. The committee asked whether the council has captured information about what did and did not work and any lessons learnt? Looking forward what should be borne in mind when engaging different businesses in this area? **Executive Director for Growth, Planning & Housing**	Committee provided with update at meeting of 9 March. **Action Complete.**

ROUND FIVE (9 March 2015)		
Agenda Item	**Action and responsible officer**	**Update**
Item 5 – Update from Cabinet Members	Provide Councillor McKie with a final schedule for major works on the Hallfield Estate **(Councillor Daniel Astaire, Cabinet Member for Housing, Regeneration, Business and Economic Development).**	**To be addressed.**

ROUND SIX (27 APRIL 15)		
Agenda Item	**Action and responsible officer**	**Update**
Item 6 – Customer Services	Provide the committee with metrics on customer satisfaction, call answering, e-mail handling, quality and volume of interaction including by service area.	**Sent on 30th May (with note)**
Item 6 – Customer Services	Investigate and provide a response to Councillor Dimoldenberg about why he has not received a reply to issues reported via e-mail last week to the council's Environmental Action Line	**Sent on 19th May**

Housing, Finance and Corporate Services Policy and Scrutiny Committee Briefing

Date: **10th June 2015**

Briefing of: **Head of Cabinet Secretariat**

Portfolio: **Cabinet Member for Housing, Regeneration, Business and Economic Development**

Please contact: **Jeremy Day x 5772**
                                  jday@westminster.gov.uk

Please find below an update on key areas of activity from the Housing, Regeneration, Business and Economic Development portfolio since the committee last met.

Housing

1. Delivering Housing Renewal

In the period since the last committee meeting there has been particular activity around Ebury Bridge, Tollgate Garden and Church Street

Ebury Bridge Estate

Since I last reported to the committee 25 leaseholders and 35 tenants have now been successfully decanted off the estate so far. This leaves 41 leaseholders and 71 tenants to be decanted before we begin the regeneration programme. Also, 18 of the remaining 71 leaseholders have accepted equity loans on the estate in the new build and so do not need to be decanted.

Over the next quarter, I expect us to be working towards appointing a preferred development partner to deliver the redevelopment. This will be alongside continuing negotiating to acquire third party interests.

Tollgate Garden

The compulsory purchase order has been set for the 9th June subject to any objection. Affinity Sutton has been confirmed as the Council's preferred development partner and I look forward to seeing this scheme start on site as soon as possible.

2. Church Street:

Luton Street

The next step is to work up detailed design for entire project in conjunction with the various stakeholders. View to submit planning application summer 2015.

Improving the public realm: Orchardson Show House

Practical completion is anticipated for August 2015.

Paddington Green

There have been updates since my previous report. The invitation to tender is out and expected to be back on the 11 May 2015. Planning and coordination of major works programme in Paddington is currently in progress and the commissioning of building surveys is due back on 27th June 2015.

3. Ashbridge Street

This former BT Reverter site was purchased by the City Council in autumn 2015, with the intention of bringing forward a new build redevelopment to provide affordable housing. I have secured £14m to be delivered for the project.

Pocket Housing has been appointed by the Council as the Interim Development Manager to take this project through to pre-planning application stage (RIBA). A professional team of architects, planning consultants and other disciplines have also been appointed to progress this scheme.

The draft design proposals are to be presented to Westminster by Haworth Tomkins on 29th May – these proposals include provision for up to 38 homes including a mix of 1 and 2bed homes built over five stepped back floors with provision of a courtyard amenity space at ground floor and roof terraces.

A meeting has been arranged with Westminster planners on 25th June 2015. Following consultation with local residents and stakeholders, it is anticipated that a formal planning application will be submitted in autumn 2015, with commencement of works in early 2016. The project is likely to take 18 months to build.

4. GLA Housing Zone Bid

Offers presented on the 13th of May to the Challenge Panel Group including the deputy London mayor for housing, for a grant for Church Street Phase 2 regeneration proposals, totalling £25.5m. Feedback is very positive and a final decision will be made at the Housing Investment Group on the 19th of June 2015.

5. 291 Harrow Road

The situation remains the same and discussions with representatives from the Department of Health are on-going.

6. The Supreme Court decision

As we said at the time, we were disappointed with the ruling as the court of appeal had previously upheld the council's decision on this individual case from 2012. Nevertheless, we have been taking on board what the court has said and we will continue to review our procedures and make any necessary changes to the way in which decisions are explained to applicants.

However, we are pleased that the ruling does not, in any way, bring into question the principle of this or other authorities housing people out-of-borough where it is necessary. This could have had major financial implications for central London authorities in particular.

7. Housing Strategy 2015-2020

By the time this paper is read the Housing Strategy will have been launched for consultation.

Economic and Growth

8. Business Improvement Districts (BIDs)

BIDs Update

The next Westminster member/BID meeting is on 30th June 2015.

Heart of London Business Alliance ballot of property owners for its Property Owner BIDs at Leicester Square/Piccadilly Circus and Piccadilly/St James's, the plans for which I endorsed on behalf of the Council, started on 21st May and closes on 19th June. Assuming that the votes by local property owners are in favour, the new HOLBA BIDs will be operational on 1st July. These would be the first property owner BIDs in the country. NWEC, are now preparing their own property owner BID to sit alongside its occupier BID and is intending to ballot owners in its area in October to be live with the new BID at the end of the year.

Edgware Road Group has now won support and funding from the Mayor of London to set up a BID for Edgware Road which is to be called the Marble Arch BID, and we will be asked for our views on the groups subsequent plans later this year.

The Fitrovia BID is still in discussions with us about extending its relationship with businesses in Westminster along our side of Tottenham Court Road and Charlotte Street and we are cooperating with the BID on this and talking with Camden officers.

A major conference on BIDs is planned by UK BIDs and the Mayor of London on 25th June where we expect to find out what actions the new Government propose as a result of the consultation.

9. Employment

Working Capital (ESF Funded Central London Forward ESA contract)

The tender process is on track with an expected completion date in June/July this year.

JSA Work Programme Leavers (funded via DWP)

The programme is in the first month of delivery and both employment coaches are building up their caseload at a good rate. Since April, 40 long-term unemployed clients have been engaged to the programme and 30 are active on the programme. Clients have been referred by local JCP officers and participate on the programme on a voluntary basis developing refreshed action plans with clients, detailing steps to move closer and into sustainable employment. Coaches are providing a holistic support package - advising and signposting on a range of barriers to employment including housing and health, whilst utilising the network of local employment and skills providers to refer clients to range of sector specific skills training courses such as SIA and forklift training.

WCC FACES update

The WCC delivery team had a successful pilot year in 14/15. Working with a combined caseload of 83 residents. Qualitative feedback from clients has been positive, demonstrating that the programme has filled an urgent gap in local employment provision for vulnerable/at risk young people and families.

In this financial year, the service will grow – with additional funding from New Homes Bonus and continued funding. To support this expansion a new Service Manager was recruited in April 2015 who will lead a team of 6 employability coaches (4 in post and 2 currently being recruited) and a part-time business support officer, as well as oversee 2 embedded JCP staff who are due to start in June.

The council staff will work with 400 clients in the year and aim to achieve 100 job starts. Targets for JCP staff are being developed in collaboration with JCP managers. The head of service will work closely with economic development colleagues during the year to source new funding.

CLF Construction Careers Programme

This is a 2 year sector specific skills training and job brokerage programme being developed in partnership by the 8 inner London CLF boroughs with the support of industry professionals. Design work for the specification of the programme is in progress and once commissioned   delivery   is   expected   to   start   in   late   2015/16.

4

10. 'Made At Somerset House'

Utilising 36,000 sq. ft. of derelict space within Somerset House New Wing, 'Made At Somerset House' represents a new flagship enterprise space project for Westminster and will be announced as part of the West End Partnership launch.

Supporting a community of around 250 micro businesses, 'Made At Somerset House' will offer affordable co-working spaces, small studio spaces, and public facing events and pop-up spaces.

With funding support from the Council's LEP funded 'Places of Work' initiative, refurbishment works will begin on 'Maker Street' comprising 18 vault spaces in the summer and be completed in autumn 2015. The funding provided by the Council will have conditions attached designed to maximise benefit for local people. For example, businesses based at Somerset House will take part in outreach, youth enterprise, and work experience opportunities working closely with One EBP service (our Education Business Partnership').

'Made At Somerset House' spaces will have a limited tenure of between 6 months and 2 years during which they will receive affordable space and a programme of business support. Beneficiaries will be selected through an application process overseen by a volunteer 'Curatorial Board' consisting of four industry-leading external practitioners.

Enterprises focussed on the following sectors will be sought: Visual artists; creative technologists; dance-makers; designers and critical engineers; makers; musicians and composers; producers; speculative architects; software engineers; and theatre creators.

11. Global Entrepreneurship Week

This year, the Economic Development Unit will facilitate a series of events to coincide with Global Entrepreneurship Week – the world's largest campaign to promote entrepreneurship. The events (for example, 'Dragon's Den' style events with test trading grants, business space and mentoring prizes) will encourage the next generation of entrepreneurs to consider starting up their own business. We will mobilise businesses and enterprise support providers across Westminster to volunteer their support for this initiative which will take place 16-22nd November.

12. Workspace Plus

The Council is working with Capital Enterprise and a range of different enterprise space / business incubation providers to submit an ERDF funding application to the London Enterprise Panel (LEP) for a new 'Workspace Plus' initiative.

WorkSpace Plus would represent the biggest partnership of workspace providers in the UK, and support 500 businesses over a 3 year period. LEP funding would enable co-working space providers to deliver enhanced business support services to early stage growth-potential businesses in a range of sectors including health, food, creative, cultural, digital, retail, consumer businesses operating in the city's co-working spaces.

The Council will be co-leading the bid with Capital Enterprise who would lead programme management.

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City of Westminster

Housing, Finance and Corporate Services Policy & Scrutiny Committee

Date:	10th June 2015
Classification:	Public
Title:	New Westminster Housing Strategy for Consultation
Report of:	Julia Corkey – Director of Policy, Performance and Communications Ben Denton- Executive Director of Growth, Planning and Housing
Wards Involved:	All
Policy Context:	Housing, growth and prosperity, City for All
Financial Summary:	No specific financial implications
Report Author and Contact Details:	Rebecca Fuhr, Principal Policy Officer, Tel: 0207 641 2342 Email: rfuhr@westminster.gov.uk Cecily Herdman, Principal Policy Officer, Tel: 020 7641 2789 Email:cherdman@westminster.gov.uk

1. Executive Summary

1.1 The draft housing strategy (attached) has been developed over the past year in consultation with the Cabinet Member, Cllr Daniel Astaire and in discussion with other stakeholders. It was discussed at Growth Board, Health and Wellbeing Board and the Executive Management Team (EMT). It is underpinned by independent research in some key areas and by further qualitative research on intermediate housing.

1.2 The draft strategy is closely aligned with the council's City for All vision. It is directed at encouraging prosperity for all in Westminster, contributing to the city's growth and helping residents share in the benefits of that growth. Proposals include; increasing the supply of affordable housing; changing planning policy so that in new developments 60% of new affordable housing is intermediate and

40% is social rented, to better match demand; stimulating a London wide debate on the best way to tackle homelessness in the capital; and investing £12m in council housing to tackle damp and cold.

1.3 The draft strategy is being publically consulted upon throughout June and July and will be completed in December. Committee members are invited to consider and give their views on the draft strategy and to comment on the consultation process.

2. Developing the strategy

2.1 The draft strategy has been developed over the past year in conjunction with the Cabinet Member, Cllr Daniel Astaire and his relevant Cabinet deputies. It has also benefitted from review and input by the Growth Board, Health and Wellbeing Board, Executive Management Team and other stakeholders.

2.2 It is informed by independent research:

o Ecorys and Wessex Economics reports on Westminster's housing market. These are available on line at: www.westminster.gov.uk/housingstrategy

o Centre for Economic and Social Inclusion research into the reasons for lower levels of employment amongst council residents and the success of associated employment programmes (this is available on request).

o Public Health research into the relationship between poor health and poor quality council housing locally (this is available on request).

2.3 It has also been informed by the work that has been done on other council strategic documents, including the development of proposals for revision of the City Plan policies dealing with housing issues and work on employment and enterprise.

2.4 Additionally, seminars were held on intermediate housing in Westminster. These looked both at need for intermediate housing and the products available. Alongside these focus groups of households on the intermediate register were held. A survey of local residents and businesses was also undertaken, asking for their views on how important they thought it was for the council to focus on affordable housing, compared with other issues, and how the lack of affordable housing in the city affected them.

2.5 The draft strategy is aligned with the council's City for All vision and is directed at encouraging prosperity and choice for all in Westminster, contributing to the city's growth and enabling all residents to enjoy the benefits of that growth. It emphasises the importance of housing in creating high quality neighbourhoods in

which people are glad to live. It also highlights a number of other cross cutting themes that are impacted on by housing, including health, social care needs, sustainability and the environment.

3. Themes and proposals

3.1 A summary of the main proposals and the reasons for them is below. They are grouped around four themes; Homes, People; Places; and Prosperity.

3.2 **Homes** – this theme looks at the mismatch between supply and demand for affordable housing in Westminster and proposes to develop 250 new affordable homes each year, a target which is beyond past levels of delivery. Over and above this, it suggests some out of borough affordable housing is investigated, as we can never meet all our demand in Westminster and a more strategic capital-wide approach would improve customer choice and contribute to meeting London's housing shortages. It is also proposed that planning policy is changed so 60% of affordable housing in new developments is intermediate and 40% is social rented (currently planning policy asks for the reverse). This responds to the research findings which show a greater demand for intermediate housing than social rented across the city and to the need to grow the intermediate sector from a very low base. This will help to provide a more balanced housing market in Westminster which will in turn support the strength and diversity of the local and London economy. In particular, it is proposed to investigate new forms of intermediate housing that can help people into home ownership and to provide a greater range of products for lower income households.

3.3 **People** – this theme looks at the impact of housing on different aspects of a person's life such as their health and wellbeing. Proposals respond to the challenges of providing suitable housing for vulnerable people. A review of the council's sheltered housing stock is proposed, alongside research into the housing needs of vulnerable people more generally. The strategy seeks to tackle poor housing conditions in view of the impact they can have on health and proposes; investing £12m to tackle cold and damp in 5,800 council homes and working with tenants at particular risk of poor health and working with them to improve their living conditions. It also proposes a range of measures to tackle overcrowding in social housing. A London wide debate on homelessness is suggested – as homelessness is a national or regional issue, but is addressed locally and this results in poor outcomes for homeless people. As demand from homeless households is very high and affordable housing supply is low in Westminster, homeless people often face very long waits in temporary accommodation.

3.4 **Places** – this theme highlights the benefits of our housing renewal programme, which not only provides better quality and more homes but also provides greater opportunities with better shops; business workspace infrastructure and community facilities and improves local environment quality. It sets out that we

will deliver our existing renewal programme and that we will work with the Mayor to secure Housing Zone status for Church Street Phase 2 – which will support and accelerate the delivery of affordable homes there. It is proposed that housing renewal becomes business as usual across the city. This theme also looks at how we can improve places in partnership with registered providers (housing associations), for example by having a shared vision for an area and by looking at how they might run services and community programmes from our buildings.

3.5 **Prosperity** – this theme looks at the connections between housing and the local and London economy and at ways of supporting social housing residents into jobs that help to enable them to make their own housing choices in the future. Those in social housing have lower rates of employment than other tenants so, in line with the council's wider Public Service Reform agenda, we will be providing targeted, tailored support to help the long term unemployed move towards work. At the same time we want to help low income working households find suitable housing. Businesses in the centre of London need a ready local supply of staff, but many people on lower incomes are not eligible for social housing and find themselves priced out of the private rented market and are forced to move out of London. In addition to growing the supply of intermediate housing (see theme 1 Homes), the strategy proposes to allocate up to 100 social homes, over time and where supply allows it, to low income workers that wouldn't ordinarily have priority. However it highlights that this has to be done in ways that doesn't compromise our responsibilities towards homeless households.

4. Consultation and timescales

4.1 The consultation period will run from 2nd June until 31st July. It will be opened   by way of a press release. During the consultation period officers will attend a range of meetings/partnerships as and when they occur, to take the opportunity to gather views. A list of meetings where the housing strategy is already on the agenda is in Appendix 1 and officers will attend any further meetings as they occur or where requests are made.

4.2 Links to the draft strategy and the summary document have been sent out to over 400 stakeholders including; registered providers, health professionals, business representatives, developers, think tanks, the GLA, housing applicants, providers and resident and neighbourhood groups.

4.3 All stakeholders are able to respond to the consultation face to face by way of the above meetings, by post or electronically via a dedicated email address. The strategy asks a number of specific questions about the proposals and consultees are invited to answer these, or to comment on any other aspects of the strategy, or on areas they think should also be included. All consultation documentation is available online via the council website, and in hard copy as appropriate and required. We will also be making use of social media.

4.4 To support the consultation we have prepared a brief summary of the document in plain English, which will be used at consultation meetings and will be distributed more widely such as in libraries and area housing offices.

4.5 Half way through the consultation period a further email alert will be sent highlighting that there is "still time to respond" and a "One week to go" reminder will also be sent.

4.6 With the consultation underway, the Committee are invited to consider the main themes and proposals put forward in the draft strategy and give views on what is being suggested and any areas where we could do more or are not included. There are a number of specific consultation questions in the strategy which the committee may wish to respond to. Any comments will be taken into account as the strategy is refined, following the consultation period.

5. Financial Implications

5.1 None

If you have any queries about this Report or wish to inspect any of the Background Papers please contact: Cecily Herdman, telephone 020 7641 2789, email cherdman@westminster.gov.uk

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APPENDICES

1. List of Consultation Meetings

2. Westminster draft Housing Strategy and summary document for consultation (attached)

BACKGROUND PAPERS:

1. Ecorys: Westminster Housing Market Study. Final report to Westminster City Council www.westminster.gov.uk/housingstrategy

2. Wessex Economics: Westminster Housing Market Analysis: Final Report December 2014 www.westminster.gov.uk/housingstrategy

3. Wessex Economics: Westminster Housing Market Analysis: Summary Report December 2014   www.westminster.gov.uk/housingstrategy

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Appendix 1 – Meetings where the draft housing strategy is being discussed

Meeting	Date/time	Attendees
Members		
Policy and Scrutiny Committee	10/6 – 7pm	Committee members
Government		
Communities and Local Government Officers (special meeting)	4/6 – 3pm	Senior policy officers
CityWest Homes		
CityWest Board	2/6 - 5.30pm	Mixture of residents, councillors and independent representatives
CityWest managers meeting	9/6 – 11am	Managers reporting directly to the Chief Executive
Residents/housing applicants		
Service Improvement Group	17 June 10.30am	People in temporary accommodation and some overcrowded social housing tenants
CityWest Strategic Committee	30/6 – 6pm	Resident representatives interested in the overall strategic direction of CityWest Homes. Other representatives from the Area Management Committees are also invited
Registered providers		
Housing Association Chief Executive Group	12/6 – 12midday	Chief Executives of registered providers or delegated people
Partnerships meetings		
Health and Wellbeing Board	9/7 - 4pm	Range of councillors, council officers and health professionals
Voluntary/community sector		
Community Network	24/6- 9.30am	Representatives from groups, mainly voluntary organisations, operating in Westminster
Westminster Advice Forum	July (date pending)	Advice agencies – mainly voluntary sector

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Westminster Housing Strategy

**Draft for public consultation
Westminster City Council**

June 2015

City for All

City of Westminster

westminster.gov.uk #CityforAll

Introduction

Introduction
Foreword

Cllr Daniel Astaire
Cabinet Member for Housing, Regeneration, Business and Economic Development

I am extremely pleased to be bringing forward our proposals for an ambitious new housing strategy.

Our aim is set out in the council's new "City for All" vision. To create an unrivalled city of choice where everyone plays their part in and benefits from our city's continued success.

We'll do this by creating a city of aspiration. Housing has a key part to play in making this a reality.

Our strategy aims to create great places to live, work and enjoy. To contribute fully to London's need for more homes for all its people. Looking after our most vulnerable, whilst also encouraging prosperity for all.

We view housing as not just bricks and mortar, but as a catalyst for personal development, inspiration and positive change. Having a good home gives people the stability to take decisions that are right for them and their families, improving health and shaping neighbourhoods where people look out for one another and are proud to live.

By securing more affordable homes we will be able to support those who need help to get on the housing ladder while not diminishing our ability to help those most in need. We want to promote opportunity, especially for people on comparatively lower incomes who work in crucial jobs contributing to Westminster's economic success.

Housing is a journey. There is much the council can do to help people move onwards and upwards, giving them housing options that give them the ability and confidence to make their own decisions while also allowing the council to help more people in need. We will help empower people; in return there is an obligation on individuals to engage with us and the support we will provide.

We are a council of action, not words. This year we'll lay foundations for 350 new homes in Church Street and Ebury Bridge, as part of an investment of over £60 million to provide more high quality homes. Over the next five years we will build 1,250 affordable homes. We will invest £12 million to tackle cold and damp conditions; we will identify tenants most at risk of poor health and work with them to improve their homes.

The council cannot deliver this ambitious agenda by itself. This document shows how we will work with other housing providers and the range of agencies providing public services in Westminster, addressing the often complex needs of the people we house and the places we shape.

We have to recognise that we do not have the resources to help everyone. Demand for housing in Westminster is high while the space and money to meet it are both constrained. We have hard choices to make and cannot please everyone. This document sets out the direction and priorities the council considers will make the best use of the resources it has to deliver its vision for the city.

Pressure on housing in central London is unprecedented and enormous. No one local authority acting alone can solve this very complex problem. As we explain, we will work with the Mayor and other boroughs to encourage a London-wide strategic response.

This document sets out clear ambitions for the people of Westminster. We want to hear from as many of you as possible about how we can deliver our vision of a "City for All".

Introduction

Overview: Context and Strategy

In 2015 the council published "City for All", a bold new vision for Westminster into the 2020s based around the three themes below.

Housing underpins everything we want for our lives and neighbourhoods. Good homes enable healthier and more economically active and successful lives. They make for high quality, sustainable neighbourhoods in which people are proud to live. They are also vital to supporting the most vulnerable and in tackling problems of disadvantage and ill-health. Quite simply, good housing is integral to a successful, sustainable city and an essential foundation for its growth and prosperity.

A new vision means that now is the right time for a new Housing Strategy that is equally as ambitious and ground-breaking.

As this document shows, the council has key roles to play in making sure that housing in Westminster helps deliver the three 'City for All' themes at a time of huge change in London and against a background of constrained resources. We want to maximise the benefits for local people and places through innovation and

creativity. The fact we are also revising our planning, economic development, health and other strategies at the same time means we can make sure what we do in these areas is aligned and interlinks so we make the best use of our finite resources, working with our partners and other public services to deliver the best outcomes for local residents and businesses.

This document is the first stage in developing the council's Housing Strategy. It sets out what we intend to do and explains why we propose to do it, showing how each proposal contributes to the

'City for All' themes and to Westminster's continued success as the engine of London's economic growth. It shows how housing will contribute to and support that growth – and help ensure all residents share in its benefits to ensure a thriving population.

The housing issues faced in a world city such as Westminster are complex and challenging. Westminster is currently home to 235,000 residents and 115,000 households – by 2030 there are projected to be nearly 25,000 more residents and over 26,000 more households.

City of **ASPIRATION**

We will enable all our communities to share in the economic prosperity of the city.

City of **CHOICE**

We will create opportunities for residents, businesses and visitors to make responsible choices for themselves, their families and their neighbourhood.

City of **HERITAGE**

We will protect and enhance Westminster's unique heritage so that every neighbourhood remains a great place to live, work and visit both now and in the future.

To accommodate this growth, Westminster will need to intervene to facilitate this in ways which also protect and enhance the amenity of the area.

We will need to deliver more homes of all kinds in an already densely developed city where space is both limited and expensive. There will be a particular need for more affordable housing - to help the most vulnerable, to ensure Westminster can house the people its growing businesses need and to provide genuinely mixed and balanced communities. At the moment, because of the unique housing market in Westminster, the number of people we accept as being in housing need hugely outstrips the number of homes we have, with the result that many homeless households have to wait long periods in temporary accommodation.

This is the fundamental challenge we face. Increasing the number of affordable homes we deliver is key to meeting it. That is why the commitment to deliver 1,250 more affordable homes is at the core of this document. Growing the supply of affordable housing will enable us to help those most in need, while also giving more scope to offer help to a wider range of people

who aspire to live in the city but do not yet have the opportunity to do so. Recycling existing homes is also essential, so we can make sure we assist the largest number of people; helping to empower them to take up the job opportunities being created in the city which, in turn enables them to move along the housing journey from social to intermediate housing – and then on into the market; freeing up homes that can then be used to help those most in need.

Tackling these issues requires us to look at everything we do to support our people and places. We need to join up everything we do to support people at different stages in their lives – childcare, supporting vulnerable children, adults and older people, helping people into work, health and social care. We also need to look at the total needs of places and the value we can add through housing in delivering well-designed, environmentally sustainable and economically successful neighbourhoods that support people in achieving their aspirations. These joined-up, multi-faceted approaches mean the council cannot deliver on its own, and a key theme of this document is how we can work with other housing providers and agencies in the health, employment and other sectors to deliver the objectives we set out here.

The document is divided into four chapters dealing with Homes, People, Places and Prosperity. These explain in more detail how we intend to address these issues. It is intended to provoke debate and comment, within Westminster and across London – as many of the issues we face need to be addressed across the capital.

Introduction

More homes

At its heart are proposals to deliver more good quality housing to help us meet these demands and to sustain high quality neighbourhoods in ways that empower and support people in making their own choices.

We have set ourselves an ambitious target for 1,250 new affordable homes to be developed in the city over the next five years and are developing City Plan policies to help ensure delivery. While this goes well beyond previous rates of delivery, we will always be constrained by the shortage and high cost of land here. This is why, like other central London boroughs, we consider it would be a cost-effective use of our resources to develop some homes outside Westminster - over and above the 1,250 - in order to provide more choice to our residents and help meet London's overall housing needs.

Helping a wider range of people

By delivering more affordable homes, we will have greater flexibility to address a wider range of housing needs without reducing our ability to help those with immediately urgent needs. In particular, we propose to provide more housing for low to middle income workers whose

contribution is vital to the city's continued growth and success – and to the prosperity of London and the UK as a whole.

Without this, there is a danger that only the very rich and poor will live in Westminster. If people in the kinds of jobs Westminster needs to sustain its growth and continue its contribution to national prosperity are priced out of the city, not only will ours be an increasingly unbalanced community but, as businesses are increasingly pointing out, growth and competitiveness here will suffer. We will address these issues in two ways.

First, we will use our expansion of affordable housing to grow the "intermediate" housing sector. This is currently very small (1.5% of Westminster's housing stock) compared to our social housing stock (25% of the stock). New intermediate housing will be developed at a faster rate than has been the case in the past. This will lead to a more balanced housing market - where there are not only more opportunities for low and middle income working people but also support for them to move through different tenures, making for greater flexibility to support a larger number of people overall.

Second, we will start opening up some social housing to lower income working people who, until now wouldn't ordinarily have had priority for it. Homelessness has become the major route into social housing and we want a broader group of people to benefit from its stability and low rents. Again, boosting the overall supply of social housing will mean this does not reduce our ability to help those needing urgent help.

We will continue to do everything we can to support homeless households through the range of help, advice and support we and our partner agencies provide. Part of this will be making more use of the private rented sector so they can be accommodated more quickly. We will also provide a range of services to improve the employment prospects of social housing applicants and residents. Compared with other tenures, they are more likely to be long term unemployed so we intend to work with partners to help them into work. A good job is the best way out of disadvantage and getting people into work will enable them to make their own housing choices in the future, with a wider range of intermediate housing giving them greater scope to do so. This focus on jobs will also run through the other strategies we are developing as the

benefits of getting it right will be felt across the board, including supporting growth and improving health.

Helping people to be mobile and to move forward and through different housing tenures is therefore a key part of our strategy. Similarly it places an onus on people to engage with this help.

Building for the future

This document explains how the council will make its own contribution to delivering its ambitions through our housing renewal programme. We are committed to ensuring this delivers places of which the whole city can be proud now and into the future; delivering new housing embodying the highest standards of design, environmental performance and public realm required by our City Plan, but also supporting enterprise through local shops and other enterprise spaces and - working with our partners - providing the community facilities successful neighbourhoods need. It also announces £12m of investment in our own stock to tackle damp and cold in 5,800 homes.

A joined-up approach

There is a particular need to address the increasing challenge of providing the right homes and support for vulnerable people in ways that meet their needs and preferences, coordinating housing, social and health care provided by a range of agencies to ensure the services people need are provided efficiently and effectively. The work we plan to do in this area includes a review of the sheltered housing currently provided for older people.

Working with others

This document sets out an ambitious agenda. The council will have to work closely with other housing providers (including the forty housing associations active in Westminster) and other agencies that provide health, social care, employment and other support for the people we house. Many of these partners are already breaking new ground and we will want to learn from their experience and make sure these lessons are passed on more widely. We will also see if we can work with them to make sure that the resources we have – such as space on our estates – can be used more creatively to provide

facilities and services to support our residents. Changes in the way public services are provided are gathering pace and we will find ways of ensuring peoples' needs are met as seamlessly and effectively across agencies as possible.

High quality places need good management, particularly to ensure they are safe (and are felt to be safe) by those living in and using them. In conjunction with our partner agencies we will look at ways of using the enforcement and other powers we have to deal with anti-social behaviour proactively to ensure a consistent approach to enabling a good quality of life for all residents.

We have a particular role to play in this through our own housing provider, CityWest Homes. This gives a high quality service appreciated by those who use it. But its costs put it among the most expensive 25% of providers and we will be looking at ways of delivering the same high level of services while making savings in overheads. This in turn will free up resources that we can use to provide more homes.

Introduction

Many of the issues in this document are Londonwide in scale. In particular, there is a pressing need for a Londonwide debate about the best ways that everyone concerned with housing can use their powers and resources to respond to London's homelessness and affordability problems.

We simply do not have enough social housing to accommodate all of the homeless households that we have duties towards. Like many other boroughs facing the same issues, we do not raise this to avoid responsibility for the homeless households that approach us, but to consider if there are better, fairer and more cost-effective ways of doing things.

A good home is an essential building block in providing opportunities for aspirational individuals, families and communities from every background to contribute to - and share in - the city's prosperity. It is a key element in empowering the vulnerable and disadvantaged to make the best of these opportunities and take their own housing decisions - at all stages of their lives. It is integral to achieving the three goals of 'City for All'. This document outlines a strategy aimed at bringing the benefits of living at the core of a world city in reach for a wider range of people. The strategy aims to make the

best use of the resources we have to deliver the best services that deliver true value for money – and a "City for All".

Purpose of the document

This document outlines our plans to address housing related issues over the next five to ten years. It focuses on new directions and proposals and therefore does not review every area of housing policy (especially where things are already working well). A range of other housing policies explain our existing approach.

Responding to the consultation

Before finalising our strategy, we want to know what you think of our proposals. We will take the views expressed and use them to help us draw up our new strategy.

Throughout the document we have included questions to prompt thinking about a particular topic.

Please answer these and also provide us with additional comments you may have on any of the proposals we are making by **Friday 31st July 2015**. We would also like to know if you think there is something we have overlooked.

How to respond:

- Complete the online feedback form which you can find on the council website www.westminster.gov.uk/ housingstrategy

- Complete the paper feedback form, which can be found at the end of this document, and send it to our Freepost address below.

- Email us at: **housingstrategy@westminster.gov.uk**

- Write to us at **Westminster Housing Strategy, FREEPOST LON 17563, 19th Floor City Hall, 64 Victoria Street, London SW1E 6QP**

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Homes

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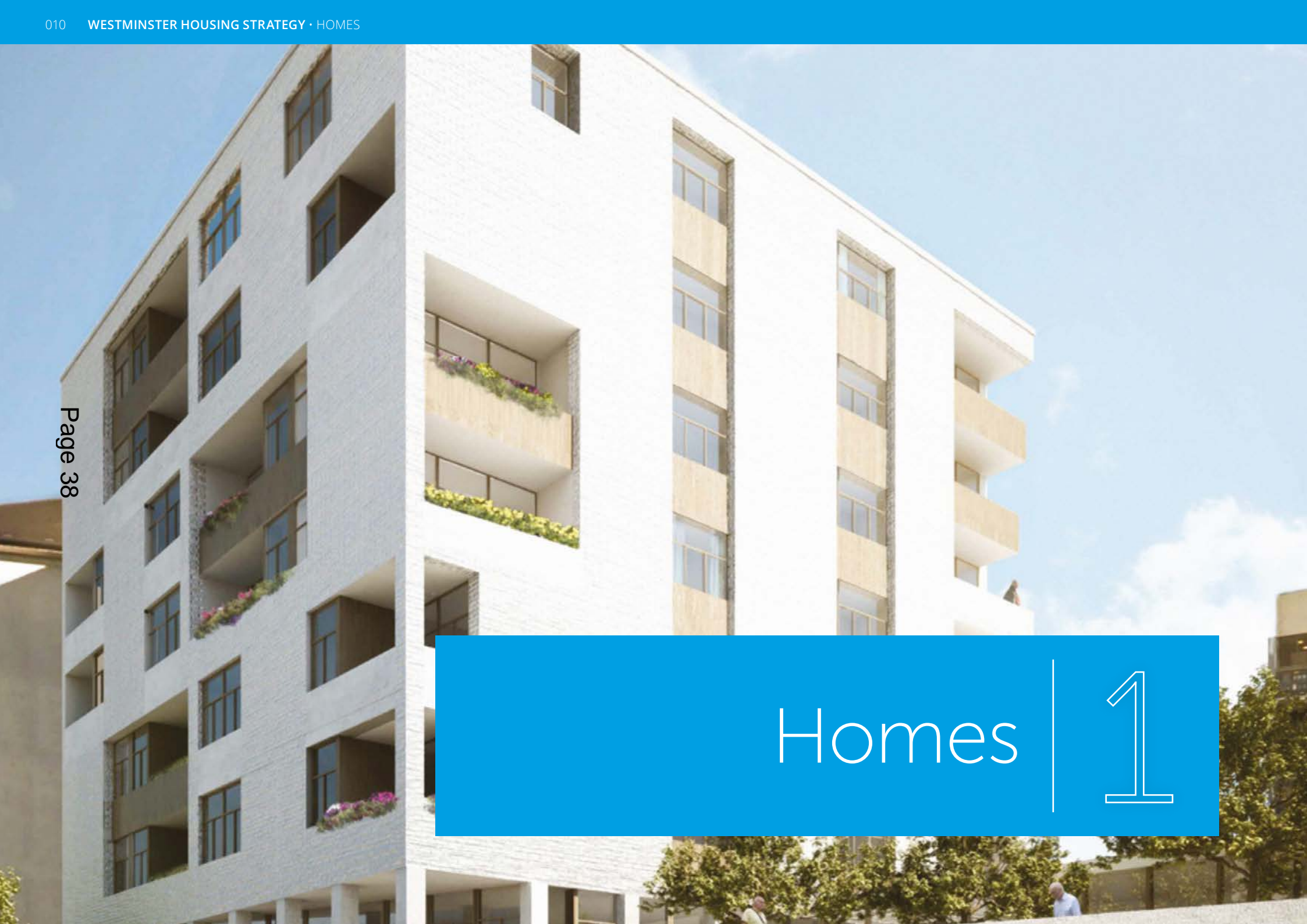
What are our objectives?

- We want to maximise the delivery of affordable housing in Westminster and provide for a range of housing needs. In particular, we want to deliver more affordable homes for low and middle income working households to address significant unmet need; to promote work; and to support the local and London economies.

- We want to create more mobility in the intermediate sector so people can move from one product to another and on to market housing, to help us make the best use of the homes we have available. With products that better meet peoples' needs we also want to encourage more social housing applicants into intermediate housing.

- We want to optimise the value of our own assets; improving those we want to keep and disposing of those that that are not financially or socially viable, so that our housing portfolio aligns with our long term needs.

- We want the management of our own housing stock to be top quality and to provide value for money for Westminster residents.

Why is this important?

- Our research suggests that 420 new affordable homes will be needed in Westminster each year over the next 20 years. This is about 200 more than historic rates of delivery.

- The research suggests that, of the 420 new affordable homes needed per year, 180 will be required to meet social housing demand and 240 for intermediate housing.

- In a recent survey, residents were most likely to select affordable housing as an issue the council should prioritise in the coming years. A small survey of businesses operating in Westminster also identified a need for more affordable housing to rent and buy for their staff.

- The housing market in Westminster is characterised by social housing accessible by those in most need, and very expensive private housing for those who can afford it. There is very little intermediate housing for low and middle income workers and little transition from social into intermediate housing.

- If people are forced to leave Westminster to find suitable, affordable housing our communities will become more socially and economically polarised. Local employers will also find it increasingly difficult to recruit suitable workers.

- Much of the council's housing stock is relatively old and costly to maintain. A large portion of our stock are small units (studio and one-bedroom units), with relatively few family-sized homes.

- Our housing manager – CityWest Homes – is popular with residents, with some of the highest satisfaction ratings in the country. CityWest Homes' costs are some of the highest in the country.

Homes

What we plan to do

- We will set a target to deliver 1,250 new affordable homes over the next five years. This will be reflected in the new planning policies we are developing as part of the review of the City Plan.

- We will make the most of opportunities to develop new homes on our estates, improving design and making the most efficient use of land to meet demand pressures and to deliver new homes that better meet needs.

- We will make best use of our assets, disposing to reinvest in new and more appropriate housing.

- We will work with government to further lift restrictions so we can borrow against our own assets to develop more affordable homes

Our ambition is to deliver a minimum of 1,250 new social and intermediate homes over the next five years, to help meet some of the housing needs in the city. We recognise that this is less than the need suggested by our research; but it represents a realistic and stretching target, and will exceed what has been delivered in recent years.

There are several ways we can do this:

- through section 106 agreements on private development schemes;

- through redeveloping our own housing estates;

- by working with our housing association registered provider partners to create new development opportunities; and

- by purchasing existing homes.

Very few developments are started by affordable housing providers in Westminster, as they cannot compete with the private sector for development sites. The bulk of new affordable housing is delivered as a result of private developments, through agreements linked to their planning consent. We have a target in our planning policy that aims to exceed 30% of all new housing developed in the city to be affordable housing.

We are actively reviewing our property portfolio, including our housing estates, to identify opportunities for new development on under-utilised spaces or redevelopment of poorly performing properties. The Housing Renewal Programme (discussed under the Places theme) is part of this and will deliver hundreds of new homes built to modern standards.

We have also identified some small scale development opportunities to deliver over 80 new homes on our estates. These include building on the ends of existing blocks, converting or redeveloping redundant storage rooms and garages and, in some instances, redeveloping small blocks.

From disposing of poorly performing properties, we have built up a fund that can be used to pay for these developments which will increase our housing stock. Through 2015/16 we will begin to discuss these schemes with residents and submit planning applications.

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In the past five years the council and housing associations (known formally as registered providers) have acquired around 60 existing homes each year and converted them into affordable housing. These units tend to be ex-council properties on our estates, which therefore reduces the tenure diversity that has built up over time and does not help deliver the kind of mixed and balanced communities we want to see. It does not add to the overall supply of housing either. For these reasons, it is not an ideal way forward, but it is a quick way of increasing affordable housing supply. Where the opportunity arises to purchase a suitable property and it makes good business sense, this option will still be considered.

Much has been done by government to lift restrictions to enable local authorities to borrow against their housing stock assets to build more affordable homes. However, further lifting these restrictions - known as the "debt cap" - could help councils develop even more homes.

Homes
More intermediate housing

What we plan to do

- We will change planning policies so that in new developments we will ask for 60% of new affordable housing to be intermediate and 40% social, as this better matches demand.

- When developing on our own land, we will emphasise delivery of affordable housing.

Intermediate housing means homes for working people on low to moderate incomes who are not eligible for social housing and who cannot afford to buy or rent a home without accessing welfare benefits.

Currently, they often have no choice but to rent privately. This is particularly expensive in Westminster. Even the cheapest one bedroom property can cost £330 per week and needs an income, without benefit, of £61k. A two bedroom property, which could cost £600 per week, needs an income of £111k.

Two of the most well-known products are shared ownership and intermediate rent, most commonly operated by registered providers.

In Westminster there are approximately 1,600 intermediate homes, compared with over 27,000 social rented homes. But the demand for intermediate housing is nearly as high as for social housing and opportunities for the 3,800 households on the waiting list are very limited.

We consider this means there is a need to boost the supply of new intermediate homes in Westminster and to provide more opportunities within the existing affordable housing stock for households that are working, but whose incomes are low. Our aim is therefore to increase new supply of intermediate housing to better match demand.

We propose to change planning policy so that in new affordable housing developments, 60% of homes will be intermediate housing compared with 40% now [1]. This will not reduce our supply of existing social housing but will help to grow the intermediate sector more quickly, from a low base.

We aim to deliver at least 750 new intermediate homes over the next five years, through section 106 planning obligations linked to planning permissions for developments of homes to be sold on the open market, or through our own redevelopment schemes.

For developments on the council's own land, intermediate homes will be prioritised unless there is a particular local social housing need, such as overcrowding, which could be addressed through the new development. We will look at schemes on a case by case basis and in their local context.

Most of the sites we have identified are very small and will deliver fewer than 10 units. Under planning policy these sites fall below the size threshold above which affordable housing is sought, so they could be developed. Our proposal therefore will boost affordable housing supply over and above what would otherwise occur.

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[1] For further details, see the "Affordable Housing" consultation booklet published as part of the review of the City Plan.

Homes
New kinds of intermediate housing

What we plan to do

- We will run a competition on one of our sites for an intermediate housing development that delivers a new, innovative type of intermediate housing (or "product"). If this is successful we will roll it out more widely.

- We will develop and offer our own intermediate housing products where it makes sense to do so, to help plug the gaps in the current product range.

- We will carry out a further review of intermediate housing to ensure it promotes mobility and allows future generations to benefit

Households registered for intermediate housing have a range of different incomes (eligibility, which is set by the Mayor of London, is currently for households with an income of up to £80k), but most commonly their incomes are between £20k to £40k. As the existing low cost home ownership products are linked to market values, much intermediate housing is only affordable to those with incomes of £40k or more and with significant savings.

The upper end of the intermediate sector is well provided for by existing products and housing providers. So we see the council's role as addressing the needs of those in the lower and middle income groups: households with incomes of up to about £40k. Where possible we will develop our own intermediate housing products tailored for these households.

We have identified a need to develop a greater range of intermediate housing products that work in our high value property market. We want to provide the right product for people at different stages of their lives and, in particular, more products for people with lower incomes and without significant savings.

Due to the high property values in Westminster, and the structure of the mortgage market, it is hard to develop more affordable intermediate housing products to buy which are 'mortgageable'. We have been speaking to the Council of Mortgage Lenders about this and propose to initiate a competition on one of our development sites, to see if a provider/developer/financier can come up with a viable home ownership product suitable for those on our waiting list.

We are also in discussions with one of our partners about supporting a product that mimics home ownership by giving a resident a return on 'equity', but doesn't rely on the resident obtaining a mortgage. This product would enable those with only small deposits to live in an intermediate housing property in Westminster for three years, after which their deposit would have grown to an amount that would enable them to access ownership. Still in its early stages as an idea, we will be working on this in the coming year and aim to build up to a portfolio of around 100 properties of this kind. With each property turning over every three years, there is potential to assist 500 households into home ownership over a 15 year period.

We want intermediate housing to provide a 'step up', but not always to be for life in Westminster. This would enable us to help more people, as properties can be relet as people move on to their next step on the housing ladder. We will therefore continue our research and engagement with experts across the housing sector to review how intermediate housing can facilitate mobility, so people don't get 'stuck' with no way of progressing on their housing journey.

Homes
Disposal of affordable properties

One further step we intend to take for lower income households is to work towards allocating up to 100 social housing lettings per year in ways that do not affect our ability to address homelessness. This proposal is dealt with in more detail under the Prosperity theme.

Westminster is an expensive and attractive place to live which is home to over 600,000 jobs. We can never meet potential demand for intermediate housing from everyone that would like to live here. But we will review our current priorities to ensure we are prioritising the right households for intermediate housing.

What we plan to do

- We will work with local registered providers to ensure disposal receipts are reinvested in Westminster, and promote stock rationalisation among registered providers where this is financially viable.

- We will seek to negotiate nomination rights to homes delivered outside Westminster where registered providers are unable to reinvest disposal receipts back in the city.

Due to financial, regulatory and business pressures, registered providers are increasingly engaged in actively managing their assets, much like the council is now doing. This sometimes means that they seek to dispose of their high value assets and reinvest the proceeds in delivering more housing in cheaper areas. Homes in Westminster are obviously high value assets and are likely targets for these disposal programmes.

When the council disposes of a property, the receipt is ring-fenced for reinvestment in the city. By contrast, there is no requirement for a registered provider that disposes of a property to reinvest the proceeds in that local area. Since 2006, over 240 registered provider properties have been sold on the open market in Westminster.

The council has few levers to stop this happening; but we are working with registered providers to minimise the impact. We can, for example, introduce a system of 'Preferred Partner' status, whereby only those that meet certain standards will be recommended by the council as development partners on schemes delivered through council planning policy, or be granted subsidy from the council's Affordable Housing Fund for their schemes; or we could use our Affordable Housing Fund monies to procure the properties where this makes economic sense.

We can also seek to negotiate nomination rights to properties outside Westminster that have been funded from proceeds arising from disposals in the city. All of these options are being considered by the council.

Homes
Homes outside Westminster

What we plan to do

- We will investigate the potential delivery of affordable homes beyond our borders.

No matter what we do, we will never provide enough homes in Westminster for everyone who wants to live here. Even if we meet our target of delivering 250 homes per year, that is still 170 less than our housing needs assessment suggests. So we need to start thinking about whether some people's needs can be better met by us helping them to access housing outside Westminster, or even by direct provision by the council of housing outside the city.

When considering development of homes in areas outside Westminster we will have be mindful of the pressures also faced in these areas and to meet our legal duties. Wherever possible we aim to use our resources to their best effect to support regeneration activities and to ensure the sustainability of local communities.

Westminster is part of a Londonwide housing market and supporting the London economy and addressing London-wide housing needs should be our aim.

Homes
Reviewing CityWest Homes

What we plan to do

- We will implement the actions arising from our review of CityWest Homes, focusing on costs and value for money.

Our housing management provider – CityWest Homes – has been in operation since 2001 and is very popular with residents. The council has a ten-year management agreement with CityWest Homes which runs until 2022, with a break clause in 2016.

The council recently undertook a review of housing management options which concluded that there is no financial or performance imperative to bring our housing management provider back in-house, as many other councils are currently doing. There are, however, a number of areas to focus on in the future.

There is a high standard of service and the quality of our estates is also high; but this comes at a cost. When compared with other similar housing managers, CityWest Homes' costs are some of the highest in the country. This is partly because Westminster housing stock is expensive to maintain and repair, but the management cost base is also high.

For example the network of 12 estate offices is twice the number of the closest comparator borough. The repairs service is highly responsive, and residents are very satisfied with the service, but this results in a high cost per home and the age of the stock means the average number of repairs per property is relatively high.

The review also highlighted that CityWest Homes has a major stake in many neighbourhoods in need of improvement and can play a strong regeneration role. It has an enduring relationship with many Westminster residents with multiple needs and can do more to deliver the council's objectives around tackling social disadvantage; supporting residents to be healthy, independent and economically active.

We propose to continue with the current management model through CityWest Homes, at least until the end of the current management agreement. We will also refocus our attention on driving value for money and transforming the business to more closely align it with the council's wider service agendas.

Homes
Making homes more energy efficient

What we plan to do

- Lobby with our partners for a fairer share of funding for energy programmes for central London.

While we have programmes to improve council homes and make them more energy efficient, the nature of the stock in Westminster and in much of central London means private properties can be particularly difficult to make more energy efficient. This is because they are often in conservation areas and in blocks in multi-ownership, so there are legal barriers to making alterations and improvements. As a result, central London properties have received less from national energy programmes compared with other areas. Together with our partners - such as the Mayor and London Councils, we will lobby for a fairer share of this funding and for joint work to be done to resolve these legal barriers.

Homes
What do you think?

1. Do you think our target of 1,250 new affordable homes over five years is reasonable? Do you have any ideas about ways we could boost delivery even further?

2. Do you agree we should focus on growing the intermediate sector in Westminster and focus on developing more products for people with lower incomes?

3. What are the characteristics of an 'intermediate' home or housing product that households in this sector most need?

4. Are there any groups of workers that particularly need to work in Westminster and should have higher priority? If so, why?

5. What is the best approach to ensuring that receipts from disposal of affordable properties in Westminster are re-invested in Westminster? Is it more important to ensure the London-wide supply of affordable homes is increased?

6. Do you think Westminster should be using its resources to deliver homes outside the borough boundaries?

7. Do you agree that we should continue with our current housing management model, and retain CityWest Homes as our housing management provider?

People | 2

People

What are our objectives?

- We want to improve health outcomes for people whose housing conditions are affecting their health.

- We want to provide a wider range of housing options for older people and reduce the pressures on adult and health care services.

- We want to relieve the pressures of overcrowding faced by many households.

- We want to have a coordinated response to homelessness and its prevention and to use all the tools available to manage high demand.

- We want to involve a broader range of people in the development of our housing policies.

Why is this important?

- Excess cold, damp and condensation are the main health hazards in poor housing. They can lead to increased winter deaths and greater risk of heart attack and stroke, particularly in older people.

- Poor quality housing can lead to poor health outcomes. It is estimated to cost the NHS £600m per year nationally. Locally, the cost is estimated at between £750k and £2 million.

- Westminster's population of older people is growing, and people are living longer into older age. The population aged 65+ is projected to increase to 37,052 by 2034 (43% increase over 20 years). The population aged 85+ is projected to nearly double over 20 years, from 3,370 to 6,541.

- Of the population aged 65-84, 45% own their own homes, while 35% live in social housing and 18% rent privately.

- Despite concerted effort in recent years to find solutions, overcrowding remains an issue for council tenants. There are currently just over 1,000 households on our waiting lists awaiting a transfer due to overcrowding.

- Each year we have responsibilities to house between 600-700 homeless households but our ability to accommodate them is very limited by available supply.

- We want everyone to give their views on our housing services and have a say on what we should concentrate on in future.

People
Improving residents' health

What we plan to do

- We will invest £12m to tackle structural cold and damp in over 5,800 homes.

- We will identify 450 tenants most at risk of poor health and work with them to improve their living conditions.

- Where unhealthy properties cannot be improved cost-effectively, we will dispose of them and reinvest the proceeds in better homes.

Poor housing can have a detrimental impact on the health and wellbeing of residents living in affected homes. Hazards such as damp, mould, condensation and excess cold are particularly likely to impact the health of residents and lead to increased risk of winter deaths, heart attack and stroke, particularly among older people. This might suggest that capital investment programmes targeted at rectifying these hazards across the portfolio would improve health outcomes overall.

However, evidence from local Public Health research shows that in Westminster, even properties with the worst thermal performance are not necessarily giving rise to worse health outcomes in Westminster. This is why a two pronged approach is needed; investing in our stock to ensure properties are not damp and cold which will prevent associated health problems from arising, alongside a more intelligence-led and person-centred approach, that targets interventions to the homes of residents who are particularly vulnerable.

With the support of funding from the council's Public Health Service, we have begun a programme of identifying vulnerable residents whose homes are in poor condition; and taking a proactive approach to agreeing and prioritising a programme of capital works to these homes.

In line with this, we will be educating residents on healthy practices in the home to reduce instances of mould and condensation. Most of our housing stock is located within conservation areas, or is in a listed building, which often limits the physical alternations that we can make.

Over the next five years we aim to identify 450 council properties where a resident's health is at risk, and address property conditions where required. We also plan to invest £12m in addressing damp, condensation and cold in over 5,800 properties.

In some cases, it may not be cost effective to make improvements to a property and, where appropriate, we will consider disposal. In these cases we will earmark the receipt for reinvestment in new, better quality housing to replace the homes lost.

People
Housing and support for vulnerable people

What we plan to do

- We will work with our partners to jointly identify the future housing needs of vulnerable people

- We will work with housing partners on meeting the requirements of the Care Act 2014 to help provide integrated care, support and prevention services.

- We will look at the way public services are provided to vulnerable people and consider ways in which they can be made more efficient and joined up. We will integrate any new ways of working into our Housing Options Service when it is re-commissioned in 2017.

We provide housing and support services for a wide range of people through residential care, supported housing and through support at home; however, we face significant challenges in meeting their needs and in understanding these as they change and become more complex.

We need to work more closely with our partners to jointly identify the housing needs of vulnerable people as they change so we can commission the right services. A particular need has been identified to review our provision of older people's housing (see the next section).

The Care Act 2014 aims to ensure the wellbeing of the person needing care and their carer, and to prevent and delay the need for care and support. The provision of suitable accommodation plays a key role in this, as does the right advice and information about housing options and services which prevent the need for care, such as handy person services.

Housing workers coming into contact with people who may need care and support have a role in providing broader advice on preventative services. We are training front line staff on this. We need to work with our partners and the services that we commission to ensure their staff are also giving the same advice.

The council is also looking at the way public services (including housing) are provided to vulnerable people, as often they approach multiple services provided by a number of the organisations (including the council and health services). Coordination is needed to ensure the best use is made of resources and peoples' needs are met in a holistic way. We will consider ways of doing this when we re-commission our Housing Options Service which carries out homelessness assessments.

People
Older people's housing fit for the future

What we plan to do

- We will work with Adult Social Care and health services to establish the role of housing services in meeting the future needs of older people.

- We will review our portfolio of older people's housing to ensure it is right for the future.

Westminster wants to ensure that older residents live longer, healthier, independent lives and are empowered to play as full a role in society as possible. Our Adult Care Service's key priority for older people is to reduce entry to hospital and residential homes and to assist swift discharge from hospital when people are ready to leave.

Housing plays an important role in supporting these objectives: by keeping people in their own homes for as long as possible; by preventing the need for hospitalisation or care; by delivering an appropriate range of housing that meets older people's needs; and through community support and involvement.

By addressing housing conditions that affect people's health, we can help to reduce the demands on the Health Service.

Westminster's older population is growing, with a particularly high increase projected for those aged over 85. As this older population grows, illnesses such as dementia will also increase. A high proportion of older people in Westminster lives alone and compared with national figures there is a low level of unpaid care provision. These factors significantly increase demands on adult social care services which could be improved by the type of housing and related services we provide.

Adaptations are also important, as they enable older people to remain living in their own home and can prevent a move into specialist accommodation. Each year around 200 clients are referred to CityWest Homes for adaptations, the majority of whom are aged between 51-80 years old. Since 2012 there has been an increase in more complex and urgent cases with over 30% of referrals being due to the risk of falling.

We currently have a stock of around 1,000 units of Community Supportive Housing (sheltered housing), with similar numbers provided by registered providers. Some of this stock is considered to be of poor quality and is unlikely to be adequate to meet the needs of our older population in the future. Some 42% of units are

studios; only 6% are fully wheelchair accessible. People do not always want to move to these types of homes and there is also no tenure choice available. The options for older Westminster residents who own their own homes (including council leaseholders) are very limited.

There are a number of options we might consider if we reshape Community Supportive Housing. However, given the predicted growth in the older population - which will place increased demands on health and adult care services - and likely changes in the kind of homes older residents will need and want, we need to ensure that our housing assets are being used most efficiently. We also need to ensure that housing services are aligned to and complementing the wider objectives of Adult Social Care and health services and delivering cost effective services.

To do this we will need to work with Adult Social Care and health services to establish the role for housing services in meeting the future needs of older people. So in the coming year, we plan to fully review our provision of older people's housing to meet identified needs and deliver the type of housing people aspire to live in.

People
Tackling overcrowding

What we plan to do

- We will address overcrowding for 1,000 households over five years through a range of measures.

There are currently over 1,000 households on our housing waiting lists that are living in overcrowded conditions. This is one of the more serious housing issues we are aiming to tackle, as it can have a significant detrimental impact on the health of residents, children's education and family relationships. It can also affect neighbours and communities.

Each year we rehouse around 60 overcrowded households, but are hindered by the make-up of our social housing stock. With over half of our stock studio or one-bedroom units, few opportunities are available for larger families in overcrowded properties to move to a bigger home. As part of our asset management plans, we are reconfiguring the council's housing stock: increasing the number of family-sized units through new acquisitions and developments, and disposing of some smaller properties.

There are a number of regional and national schemes to which the council subscribes, through which overcrowded households can move to homes better suited to their needs. For instance, Homeswapper and House Exchange enable tenants across the country to swap their homes. Others, such as the Seaside and Country Homes Scheme, Housing Moves and Homefinder are schemes through which vacant social homes are advertised and overcrowded tenants are prioritised. These schemes are regularly publicised and promoted to Westminster residents.

We also continue to promote downsizing among existing tenants, encouraging residents with spare rooms to move to smaller, more appropriate properties so these homes can be made available for overcrowded families.

People
Addressing homelessness

What we plan to do

- Where possible, we will discharge our housing duty to homeless households who are able to manage a tenancy into the private rented sector.

- Stimulate a debate across London on a different approach to managing homelessness which results in better outcomes for those affected.

Homelessness places significant pressure on our housing services. Each year we accept 600 – 700 homeless households requiring housing from the council. Households accepted as homeless are placed in temporary accommodation to wait for a social home to become available. An increasing trend in Westminster is for households to have been made homeless through the ending of a private sector tenancy. Our waiting list is 75% higher this year than it was in 2010.

With early notification, we will aim to work with the household and their landlord so that they can remain in their home, or so that we can assist them to find alternative accommodation before becoming homeless. This is not always possible and the household then moves into a temporary home.

Where possible, our approach will be to make homeless households a direct offer of a private tenancy, when they can manage one, into suitable and good quality housing, so they can move into settled accommodation more quickly rather than facing long waits in temporary accommodation. Most of these offers will be outside Westminster where properties are affordable to non-working people on benefits.

With Westminster's high private rents (a two-bedroom property can cost over £600 per week) it has not been possible to procure enough temporary accommodation inside the city which is affordable to non-working people on benefits. As a result around 50% of temporary accommodation is outside city boundaries. All London boroughs face similar pressures so it can also be difficult to procure enough affordable temporary accommodation within London, due to the competition for properties and rent levels.

People
A new approach to homelessness in London?

Westminster's homelessness acceptances are in the top 10 of all London boroughs[2] but our ability to offer homeless households social rented housing is more limited compared with other areas because of the lack of land to develop new social homes in the city and the high cost of what land is available. Also, simply not enough existing social homes become available to accommodate them – less than 600 each year. Already around 70% of all social homes are let to homeless households and we also have to consider other groups in need of housing.

This results in homeless households having very long waits in temporary accommodation which they may not face in other areas. This is not a satisfactory solution for these households. It is also very expensive.

The council would support a fairer financial settlement for the funding of homelessness and temporary accommodation which enables local authorities to meet their statutory duties, whilst covering costs, particularly in high value areas. We would also support a debate on the best way to address homelessness in London as these are problems faced by many of the capital's boroughs. One option could be for the Mayor to take a more strategic approach to meeting the needs of homeless households across London.

People
Involving people

The council is reviewing how it engages with people and gets their views on its services and priorities for the future. Using new methods will help us know what a broader range of people in the community think about housing issues, which has traditionally been the case.
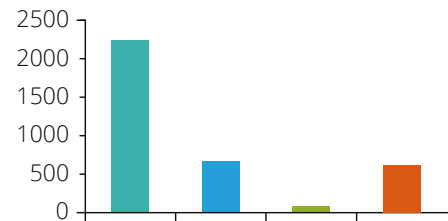
■ Existing households in temporary accommodation
■ New homeless acceptances each year
■ New housing supply each year
■ Existing properties becoming vacant each year

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[2] In 2013/14 Westminster accepted the 9th highest number of homeless households out of the 32 London boroughs.

People
What do you think?

1. What do older people want and need in terms of housing in Westminster?

2. How can housing services best help to reduce the burdens on adult social care and health services?

3. Are there better ways to address London's homelessness problem?

4. What is the best way of getting people's views about housing policies?

Places | 3

Places

Page 59

What are our objectives?

- We are committed to delivering great neighbourhoods which support a good and improving quality of life for all residents, working with local people to build positive and sustainable places.

- We are committed to the successful delivery of Phase 1 of our housing renewal programme.

- Once Phase 1 is delivered, we intend to make housing renewal business as usual so that we continually ensure our homes and estates are up to modern standards, meeting the needs of residents now and in the future and supporting London's overall growth.

- We want all landlords involved in our communities to be managing their properties properly, to be responsive to residents' needs, and to invest in our local communities and neighbourhoods.

- We want to improve the use of our community buildings and estate offices.

Why is this important?

- Elements of our housing stock are reaching the end of their economic life and need updating to maintain the health, safety and comfort of our residents.

- Our estate renewal programme has been in the planning stages up until now. Now we need to get on and deliver.

- Demand for affordable housing in Westminster is high. We need to make the most of all opportunities within our land holdings to boost supply.

- There are over 40 registered provider landlords that own or manage approximately half the affordable housing in Westminster, leading to a wide range of management standards and practices.

- The council has a wide range of local facilities from which services can be better coordinated and more effectively delivered.

Places
Delivering estate renewal

What we plan to do

- We will focus on high quality delivery of the existing estate renewal schemes.

- We will continue to review our estates so that, once Phase 1 of the renewal programme is delivered, renewal becomes 'business as usual'.

Our Housing Renewal Strategy was published in 2010, setting out plans to deliver five major regeneration schemes: Church Street/Paddington Green; Tollgate Gardens Estate; Ebury Bridge Estate; Brunel Estate; and Westbourne Green. Three of these are now progressing. As Brunel and Westbourne residents voted against the proposals to renew their areas, renewal plans in those places are not being pursued.

Over the past few years we have been working with residents and design professionals to develop firm plans for these three areas. Planning permission has now been granted for Tollgate Gardens, Ebury Bridge and the first few sites to be developed in Church Street. Projects in this first renewal phase will deliver in the region of 160 additional affordable homes and significantly improved homes to replace the 320 social and private homes that will be demolished as part of the plans. There will also be more than 400 new private homes plus new commercial and community facilities. Our aim is to make the best possible use of our assets and to maximise the benefits and opportunities they provide.

We are focused on ensuring these projects get delivered, and that wider regeneration benefits are also well integrated into the schemes.

In our renewal areas we aim to improve the business infrastructure and retail offer available, including increasing the number of affordable workspaces designed for start-up businesses and small enterprises. We also aim to deliver new and improved community facilities and to significantly improve areas of public realm, open space and wildlife habitats.

New buildings in our renewal areas will meet high standards in terms of design, sustainability and energy efficiency - bringing benefits to residents in terms of reduced energy bills, better health outcomes, and wider environmental benefits. Environmental sustainability is fully integrated into our plans in these areas.

We intend to incorporate high standards of sustainable and inclusive design and architecture in all new developments and to protect, enhance and sensitively upgrade buildings located within conservation areas. Our aim is for our renewed estates to pass the test of time so they will be places that people want to live in now and in the future.

Renewal schemes have a long lead-in time, and are costly to implement. Early and continuing engagement with residents and identifying funding are crucial to progressing schemes and maintaining momentum.

We will continually review our estates to identify where renewal is needed. Estate renewal will become 'business as usual' for us, to be considered as an option for all estates when investment is planned.

Places
Better management and use of community facilities

What we plan to do

- With CityWest Homes, we will explore establishing partnerships with other housing providers, as well as healthcare, social and employment organisations in order to meet customers' needs in one place.

- We will seek to incorporate renewable and decentralised energy provision in our housing renewal schemes.

Housing services are often located in neighbourhoods where there are residents with a range of needs, many of them relying on other council and public services for support. As housing managers, CityWest Homes and registered providers need to show leadership in the places and for the communities where they work.

This means not just providing housing services or managing major works, but taking a broader view of local economic, social and environmental needs such as: helping people into work; considering the care, support and health needs of vulnerable residents; and working to ensure Westminster's housing estates are fully integrated with the neighbourhoods in which they are located and support their success.

We are fortunate to have a network of community buildings, estate offices and housing teams based across the city. We need to ensure we work with residents and residents' associations to make the best use of these assets in helping to meet the needs of the whole community. We will investigate offering a broader range of services from our estate offices and we will work with residents and the voluntary sector to further improve the use of these and our other community buildings on estates.

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Places
Church Street Phase 2

What we plan to do

- We will work with the Mayor to secure Housing Zone status for Church Street Phase 2 so we have resources available when the time is right.

We are working with the Mayor of London on the possibility of designating a Housing Zone around Church Street and Edgware Road. Housing Zones are areas where local authorities, providers and other stakeholders work with the Mayor of London to accelerate delivery of housing to meet the capital's needs, backed where necessary by additional funding. Such a designation would bring additional financial capacity to help us deliver new homes here earlier than planned. It may also lead to private sites coming forward for development too.

Plans for Church Street Phase 2 are currently being developed and will be discussed with residents.

Places
Working with registered providers

What we plan to do

- We will work with registered providers to have a joined up ambition for a local area and investigate with them how we can jointly respond to anti-social behaviour.

- We will offer registered providers the opportunity to run services and community programmes from council buildings.

- We will investigate options for offering CityWest Homes management services to registered providers who don't have a local management presence.

- We will investigate operating a preferred partner system for registered providers that meet our standards relating to management, condition and provision of performance information.

There are over 40 registered providers operating in Westminster, with responsibility for just over 15,000 affordable housing units. These registered provider landlords are independent of the city council and are regulated by the Homes and Communities Agency. The council does not have direct control over registered providers but works in partnership with them to meet the needs of Westminster residents.

Many registered providers are doing innovative work locally to support their tenants and to make contributions to communities. We want to learn from their experiences and also to work with them to have a joined up ambition for the local area.

Of the 40 registered providers, we work most closely with 11 who own over 70% of the housing stock. The remainder have relatively small stock holdings. It is rare for a registered provider to own a large housing estate in Westminster; they traditionally have small blocks in various locations dotted across the city.

Westminster is concerned that all social tenants and leaseholders should be provided with a good housing management service regardless of their landlord. This should include minimum standards relating to response times, complaints and repairs requests, carrying out repairs and cleaning to an acceptable standard and dealing with anti-social behaviour.

It is recognised that delivering this can be difficult for a landlord with no local presence, so the council is investigating ways in which landlords can work better together to deliver a consistent service for residents.

Of our 11 major registered provider partners, only four have an estate office located in the city for their general needs residents and only one is open Monday to Friday. Two registered providers hold regular housing surgeries in the city and two have offices specifically for sheltered or supported schemes.

The majority of registered providers have a centralised call centre, to handle all aspects of housing management enquiries.

CityWest Homes currently operates a network of 16 area or estate offices across the city, some of which are not regularly used by the council's own tenants. We are looking at the way these offices run and if they meet customers' changing needs.

The council may be able to share capacity at a number of these offices with registered providers who could use these facilities to engage with their own local tenants and provide services from these buildings. Our emerging Employment and Enterprise strategies will also help to identify gaps in services and opportunities for provision.

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A lot of the stock owned by different registered providers and that are owned by the council overlap by postcode location and even on a street level. There may be opportunities for stock transfers or management arrangement between various landlords with the potential to improve efficiency and effectiveness which will lead in turn to improved performance and tenant satisfaction levels.

The council will initiate discussions with registered provider landlords and then develop business plans for implementation where it is considered such transfers or management arrangements may be suitable.

Many councils operate a preferred partner system, whereby they direct new development opportunities only to those registered provider partners that have qualified to join their list by satisfying certain performance criteria. At present Westminster does not operate such a list and developers providing for affordable housing required through the planning system are free to approach any affordable housing provider they wish.

Development opportunities in Westminster are attractive to those organisations aspiring to grow. Operating such a preferred partner list may be one lever that the council can use to encourage better performance standards across the sector. Registered providers meeting Westminster's performance criteria would then be entitled to bid for funding from the Affordable Housing Fund, and would be supported as potential affordable housing partners on future section 106 sites.

We will investigate whether establishing such a preferred partner system would be appropriate in Westminster.

To ensure that complaints from tenants about properties owned by registered providers are dealt with in a timely manner, we will request that all our major registered provider landlords enter into a Joint Working Protocol with the council's Residential Environmental Health Service linked to investigations into housing conditions. Signing up to such a protocol could also be a requirement to becoming a preferred partner.

We also want to have a consistent approach across the city to tackling anti-social behaviour. New legal powers enable members of the community to trigger a full case review where there is anti-social behaviour and we would like all registered providers to participate in these reviews, although of course many already do. Additionally we also want to work with registered providers on how we can better prevent gang related anti-social behaviour.

Places
What do you think?

1. Are there any estates that you would suggest for inclusion in the future estate renewal programme?

2. How are residents best involved in plans for renewing an estate?

Prosperity | 4

Prosperity

What are our objectives?

- We want to open up social housing to a broader range of households so more low income working people who are vital to Westminster's economic success can benefit.

- We want to support social housing residents experiencing long-term unemployment to overcome barriers and move towards employment.

- We want to ensure that social housing residents from all areas of Westminster, including those with specialist needs, can benefit from the economic opportunities in and around the West End.

Why is this important?

- High homeless demand from vulnerable households means that our ability to provide social housing solutions for a wider range of households, such as low income workers, is limited.

- Social housing residents have lower rates of employment compared with other tenures and this has significant knock-on impacts on health and wellbeing, as well as on the financial security of individuals and families and their ability to secure housing that meets their needs.

- Access to local job opportunities reduces travel costs and commuting time for the individual and also helps Westminster's employers to secure locally-based staff they can count on having good access to the workplace.

Prosperity
Flexibility in allocating social housing

What we plan to do

- We want to allocate some social housing to low income working households that wouldn't ordinarily have priority for it. Our long term ambition is to let 100 social homes each year to this group, but only where supply allows, and in ways that also take account of our duty to the homeless.

Over time, the range of households that have been able to live in social housing has diminished. High demand from households to whom we have a statutory housing duty means that there are few lettings available each year for those without a priority need. Social housing in Westminster has, in effect, become off limits for anyone who isn't vulnerable in some way.

Working people that aren't in priority need for social housing, and with low incomes of around £20k or less, have few housing options in Westminster. Even intermediate housing is too expensive for them and their incomes are better matched to council rents which are on average around £122 per week.

Not being able to afford rents in London's private rented sector, these households are forced out of London and faced with expensive and long commutes to their workplaces. This affects not only their home lives, but the businesses in which they are employed, particularly if the employee is required to be at work at unsocial hours when public transport is less available.

We therefore propose to work towards allocating up to 100 social housing lettings per year, over time and where supply allows it, to low income working households that are eligible for social housing but wouldn't ordinarily have priority for it. Although the fact that we will increase new social housing supply (see the Homes theme) means that the number of social homes available for vulnerable people will not reduce, we intend to make sure this step does not affect our ability to address homelessness. These lettings will be into studio and one-bedroom units, for which turnover is relatively high. We also intend to establish benchmarks – such as the number of households in temporary accommodation - to guide us about when this approach should be introduced and the

number of homes it should cover each year. Supporting social housing residents and applicants into work will also help as many people as possible to benefit from this opportunity.

Prosperity
Helping long-term unemployed residents

What we plan to do

- Work with partners to provide intensive, tailored support to social housing residents experiencing long-term unemployment to help them move towards work.

- Continue to broaden our 'Recruit London' programme to help social housing residents into West End jobs, including adding a specific focus on residents with disabilities or other specific needs.

Recent research[3] shows that around half of all Westminster social housing residents in receipt of Housing Benefit also claim Employment Support Allowance or Incapacity Benefit, meaning that they have a health condition – mental or physical – which has presented a barrier to employment. Over half of those economically inactive in social housing are long-term sick or disabled. Caring responsibilities, and the cost of childcare, are also a significant factor.

In recent years we have run a number of successful projects focused on housing estates for Westminster residents in housing need. Key examples include the HELP and HELP Enterprise projects focused on helping local people in temporary accommodation into sustained employment or self-employment through tailored advice, guidance, mentoring and support.

We announced in "City for All" our aspiration to work with and challenge partners to reduce significantly long term unemployment in Westminster. In recent months we have trialled new services such as the Welfare Reform Team within the Housing Options Service and the Families and Communities Employment Service (FACES) which have provided tailored support to unemployed residents, helping them to navigate through the system and access specialist services to address their barriers to work.

We are expanding this approach through our participation in the Central London Forward Working Capital pilot, which will support individuals with health conditions who have left the national Work Programme without securing work. We will look at how we can build on this experience to put employment at the heart of the council's work with people through health, adult and children's services.

The West End – as well as being home to around 59,000 Londoners – has one of the largest and most diverse concentrations of jobs anywhere in the UK, hosting 610,000 employees. Yet the fringes of the West End include areas of significant unemployment, particularly among social housing residents.

Linking to our aspirations to address long-term unemployment, we plan to continue our successful Recruit London programme, managed by Cross River Partnership and run in conjunction with a range of private sector partners. Recruit London provides a free recruitment service for West End employers, with specialist 'job brokers' working with employers to identify vacancies, pre-screening candidates referred by Westminster's range of employment support providers and helping them prepare for interview. It then provides on-going support while a candidate is settling into their new job to ensure all goes well.

We will also expand the programme to add a job broker who focuses specifically on securing jobs and work experience opportunities for residents with more specialist support needs.

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[3] *Social tenants and economic wellbeing in Westminster June 2014 (Centre for economic and social inclusion).*

Prosperity
What do you think?

1. What other approaches could we consider to help address long-term unemployment and help local people access the economic opportunities in the West End?

2. Should we allocate some social housing to low income working households that wouldn't ordinarily have priority? If so, what should be taken into account when deciding when to do this?

Glossary and more information

Glossary

Adult Social Care

The team at the council that offers advice and support to adults who need help or are at risk.

Affordable housing

This is housing for eligible people who are unable to afford market housing. There are two different types:

- Social housing – rented housing which is let by local authorities or registered providers (housing associations). There are two different products: social rented housing, where rents are set through a national formula; and affordable rented properties, where rents can be up to 80% of local market levels.

- Intermediate housing – homes for sale or for rent which are below market prices but higher than social rents (see Intermediate Housing for more information).

Affordable Housing Fund

Planning policy requires there to be affordable housing on some new development sites. If this is not possible or viable, "payments in lieu" are made into the council's Affordable Housing Fund. This is then used to fund new affordable housing elsewhere in the city.

Community Supportive Housing (also known as sheltered housing)

In Westminster this is housing for people aged 60 or over which includes a personal alarm, a link line (so residents can alert help if they need it) and a scheme manager.

Children's Services

The team at Westminster that provides a range of support services to children, young adults and their families.

City Plan

A spatial plan for Westminster to guide new development e.g. housing, conservation, transport and the economy.

Council of Mortgage Lenders

A trade association for mortgage lenders.

Disposal receipts

Money generated when council or registered properties are sold.

Homes and Communities Agency

The regulator for social landlords (councils and registered providers). They also administer and run funding programmes for new affordable housing.

Housing Options Service

The service at Westminster which gives advice, help and support to anyone that is or about to become homeless.

Intermediate housing

Homes for sale or for rent which are below market prices but higher than social rents. The most common forms are 'shared ownership' and 'intermediate rent'. The overall eligibility and priority for intermediate housing is set by the London Mayor, but some local priorities can also be set. This kind of housing is often sought by people working in professional, public or service occupations.

Glossary (continued)

Public Health Service

The service, which is now part of the council, aims to prevent disease and help people live longer and healthier lives.

Registered providers (also known as housing associations)

Not for profit organisations which provide, develop and manage affordable housing.

Section 106 Agreements and Sites

The planning system can require developers to provide additional benefits on some sites to meet new demands created by the development. These benefits can include affordable housing. The details of what is being provided are set out in legal agreements between the council and the developer. These are commonly known as section 106 agreements after the legislation that establishes them.

Further information

The following documents were used to help develop this draft strategy and are available online at:
www.westminster.gov.uk/housingstrategy

Westminster Housing Market Analysis Final Report: December 2014 (Wessex Economics)

Westminster Housing Market Analysis Summary Report: December 2014 (Wessex Economics)

Westminster Housing Market Study Final Report to Westminster City Council (Ecorys)

Some facts and figures

Our population

- The GLA's population projection (central scenario) suggests our population will grow by 10,300 people between 2013 - 2018

- Annual churn rates are 29-31%

Local incomes

- The average annual gross household income in 2013 was £43,000 (CACI Paycheck)

Property prices

	Westminster	London
Lower quartile flat/maisonette	£506,666	£250,000
Average flat/ maisonette	£992,790	£422,512

(Hometrack)

Private rents

Per week	Westminster	London
Lower quartile 2 bed	£515	£276
Median 2 bed	£625	£322

(GLA London rents map)

Households waiting for social housing in Westminster in 2015

	Studio	1 bed	2 bed	3 bed	4+ bed	Total
Homeless	138	24	1,233	737	203	**2,335**
Transfer	49	475	529	512	156	**1,721**
Other	313	106	37	29	11	**496**
Total	**500**	**605**	**1,799**	**1,278**	**370**	**4,552**

(Westminster Records)

Homeless acceptances compared with other boroughs (2013/14)
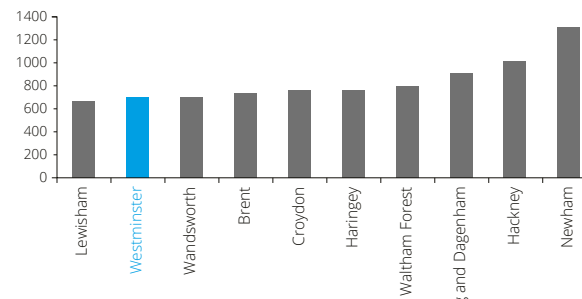
(Department for Communities and Local Government)

Social properties that become available to let each year in Westminster

	2011/12	2012/13	2013/14	2014/15
From existing stock	732	681	568	582
From new supply	51	109	97	122
Total	**783**	**790**	**665**	**704**

(Westminster Records)

New affordable housing delivery in Westminster

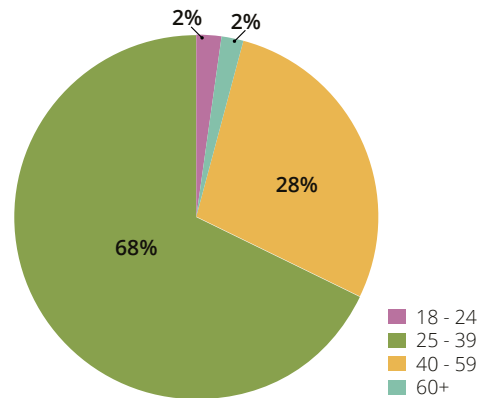|	Social rent	Intermediate	Total
2004 - 2013	1,396	426	1,822
%	77%	23%	
Average no. per year	140	43	183
%	77%	**23%**	

(Westminster Records)

Some facts and figures (continued)

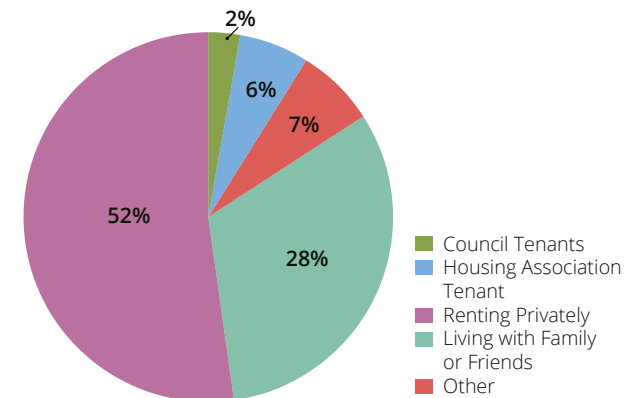## Affordable housing delivery compared with other boroughs (2010-13)

(GLA data)

Our intermediate housing customers

The 3,800 households registered for intermediate housing work in a range of professions and include; teachers, nurses, chefs, architects, administrative workers, postal workers, IT managers, business analysts, theatre staff, hotel staff, artists and solicitors.
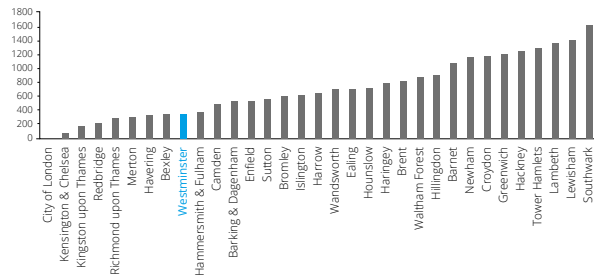
Age breakdown of intermediate households

- 18 - 24
- 25 - 39
- 40 - 59
- 60+

Housing status of intermediate households

- Council Tenants
- Housing Association Tenant
- Renting Privately
- Living with Family or Friends
- Other

Income of households registered for intermediate housing

	1 bed	2 bed	3 bed	4 bed	Total
No	2,474	1,251	144	9	3,878
Lower quartile income	£26k	£28.4k	£25.7k	£22.8k	
Average income	£32.5k	£37.3k	£36.2k	£30k	
Upper quartile income	£42.5k	£48.9k	£50k	£37.7k	

(Westminster records)

Feedback form

Responding to the consultation

Before finalising our strategy, we want to know what you think of our proposals. We will take the views expressed and use them to help us draw up our new strategy.

Throughout the document we have included questions to prompt thinking about a particular topic.

Please answer these and also provide us with additional comments you may have on any of the proposals we are making by **Friday 31st July 2015.** We would also like to know if you think there is something we have overlooked.

- Complete the online feedback form which you can find on the council website www.westminster.gov.uk/housingstrategy

- Complete this form and send to our freepost address below.

- Email us at: **housingstrategy@westminster.gov.uk**

Westminster Housing Strategy, FREEPOST LON 17563, 19th Floor City Hall, 64 Victoria Street, London SW1E 6QP

Homes What do you think?

1. Do you think our target of 1,250 new affordable homes over 5 years is reasonable? Do you have any ideas about ways we could boost delivery even further?

2. Do you agree we should focus on growing the intermediate sector in Westminster and focus on developing more products for people with lower incomes?

3. What are the characteristics of an 'intermediate' home or housing product that households in this sector most need?

4. Are there any groups of workers that particularly need to work in Westminster and should have higher priority? If so, why?

5. What is the best approach to ensuring that receipts from disposal of affordable properties in Westminster are re-invested in Westminster? Is it more important to ensure the London-wide supply of affordable homes is increased?

6. Do you think Westminster should be using its resources to deliver homes outside the borough boundaries?

7. Do you agree that we should continue with our current housing management model, and retain CityWest Homes as our housing management provider?

People What do you think?

1. What do older people want and need in terms of housing in Westminster?

2. How can housing services best help to reduce the burdens on Adult Social Care and health services?

3. Are there better ways to address London's homelessness problem?

4. What is the best way of getting peoples' views about housing policies?

Places What do you think?

1. Are there any estates that you would suggest for inclusion in the future estate renewal programme?

2. How are residents best involved in plans for renewing an estate?

Prosperity What do you think?

1. What other approaches could we consider to help address long-term unemployment and help local people access the economic opportunities in the West End?

2. Should we allocate some social housing to low income working households that wouldn't ordinarily have priority? If so, what should be taken into account when deciding when to do this?

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City of Westminster

Housing, Finance & Corporate Services Policy and Scrutiny Committee

Date:	10 June 2015
Classification:	General Release
Title:	Review of Housing Management Options
Report of:	Jake Mathias, HRA Strategy Manager
Cabinet Member Portfolio	Councillor Daniel Astaire, Cabinet Member for Housing, Regeneration, Business and Economic Development:
Wards Involved:	All
Policy Context:	The review of housing management options highlighted the need for CWH to align its corporate objectives with the Councils City for All agenda. This report explains how CWH will work with the Council to deliver the priorities in the City for All plan.
Report Author and Contact Details:	**Jake Mathias** **jakemathias@westminster.gov.uk**

1.   Executive Summary

1.1   CityWest Homes (CWH) manages the council housing stock on behalf of Westminster City Council. It is an arm's length management organisation (ALMO) funded via the Housing Revenue Account (HRA). The HRA is the ringfenced account within which the income and expenditure related to the Council's housing stock 'council housing' is accounted for.

1.2   The Council commissioned Altair consultants in September 2014 to carry out a review of its housing management options taking into consideration the current arrangements between the Council and CWH.

1.3   The Altair review included a desktop review, workshops with residents and councillors, analysis of other housing management models and a financial analysis.

1.4 Altair concluded that the HRA is financially strong and there is no financial or performance imperative to either bring the management function back in-house or to transfer the stock to an outside body. The review has highlighted particular areas of focus for the Council and CWH.

1.5 The Council and CWH are now working together to develop a new strategic framework which will set CWH's long term priorities and align these with those of the Council and enable the Council to monitor change projects and 'business as usual'.

1.6 In response to the Altair review, CWH is implementing transformation plans which will change its service delivery model through innovative IT solutions and developing plans to save £5m over the next 5 years.

1.7 This report details the findings of the Altair review and explains how the Council and CWH will take forward the recommendations.

2. Key Matters for the Committee's Consideration

- Does the Committee agree with the recommendations of the Altair review?

- Are there any other specific areas in terms of the housing management service that are not highlighted by Altair that should be explored?

- CWH provides a high quality service which results in high costs. Is offering a lower cost service with the attendant risk of decreasing customer satisfaction acceptable?

- Does the Committee agree with the Council's approach to the implementation of the recommendations?

3. Background

3.1 In 2002 the Council created CityWest Homes an arms length management organisation to manage its housing stock. Arms length management was one of the options promoted by the Government in 2000 as a means by which local authorities could meet a number of the policy objectives of the time: the separation of strategic and operational housing roles; facilitating decent homes investment to improve the social housing stock; and giving tenants a greater say in the management of their homes.

3.2 ALMO management has overall been a positive experience for Westminster Council. CWH has delivered strong performance, a significant improvement to the quality of the housing stock, a close alignment with the Council's strategic objectives and has demonstrated its ability to deliver savings and improve value for money.

3.4 The Council and CWH signed a new 10 year management agreement in 2012. The agreement has a break-clause at year 5 which is in March 2017.

3.5 The Altair review was commissioned by Westminster Council in September 2014 to highlight the successes and advantages of the current ALMO as well

as help the Council to improve performance and generate efficiencies where possible. The review has given the Council an opportunity to consider new options that may have emerged in the marketplace and have an external validation of current arrangements.

4. The Altair Review

4.1 The approach taken by Altair included:

- **Internal assessment:** The internal assessment provided a strong basis for understanding the current position, context and objectives of WCC. Activities included:

  - Document review.
  - Review of the HRA Business Plan.
  - Interviews with stakeholders, including: senior CWH staff, CWH Board members, CWH residents , WCC staff members , WCC councillors , external stakeholders, Pinnacle (a CWH contractor) and Peabody (a major local social housing provider).

  These activities enabled Altair to complete a detailed appraisal of the current model at CWH. This appraisal included an assessment of costs and performance, and an identification of strengths and weaknesses. It also included views on the current model from a wide range of stakeholders.

- **External review:** The external review included benchmarking activity and the development of case studies. It provides the Council with a strong understanding of "best in class" and contemporary initiatives being used by others to improve their housing management services. It also provided evidence to help assess the options available to the Council to achieve its priorities.

- **Options development and assessment:** To inform consideration of how the Council might wish to organise its future management arrangements, Altair developed a set of alternative social housing management models for consideration. Table 1 below details these options and provides the strengths and weaknesses of each approach as well as their applicability to WCC's context and objectives. For each model Altair provided a high-level analysis of the financial and legal implications.

  Altair concluded that there is no performance or financial reason for the Council to move away from an ALMO model of housing management. Altair considered that the Council needs to decide which, of the 'thin', 'fat' or 'super' ALMO options outlined in Table 1, it feels best meets its priorities. The review found that stakeholders were most comfortable with the idea of a 'thin' ALMO focused on core services and delivering efficiencies, although they were open minded about the idea of some diversification (ie. some elements of a fat ALMO). In the longer term, if CWH were to increase its commercial service offering or diversify into new

areas, it could reduce the net financial impact on the HRA and General Fund.

Table 1

Model	Impact on CWH	Legal/Consultation	Financial	Strengths	Weaknesses
In-house management	Significant change	Tenant consultation required Would be possible to end Management Agreement	Initial cost, but potential savings	• Potential efficiency • LA control • Closer working with LA departments	• Dilutes housing focus • Cost of bringing in-house
Thin ALMO	Minimal change	No consultation required	Limited change	• Focussed service • Clear objectives • Fit to skills of executive	• Less 'value added' • Loss of synergies • Restricted growth
Fat ALMO	Some change	May need to alter Management Agreement and Articles of Association	Income generation	• Business diversification • Efficiencies of scale • Broad reputation-building potential	• Business risk • Disparate business streams – skills required for senior management
Super ALMO	Significant change	Joint ownership of the ALMO, and alignment of management agreements required	Potential savings	• Efficiency savings • Focus on service delivery	• Agreement on strategy needed • Loss of local accountability
Stock transfer	Significant change	Ballot would be required	Negligible benefit	• Quality and cost performance • Financing opportunities	• Loss of control • Cost to General Fund • One-way process

5.   Key Findings of Altair Review

5.1   *Overall conclusions of the review*
        Altair's review concluded that the HRA is financially robust and there is no
        financial or performance imperative to bring the ALMO back in-house. Overall,
        CWH delivers a high-quality service and is an excellent housing manager.
        While CWH has its challenges with value for money, it has great potential for
        both residents and the Council.

5.2   *CWH Performance*
        CWH is maintaining very high levels of satisfaction, often significantly out-
        performing comparator organisations. These high levels of satisfaction are
        seen in response to service provision, quality of home and responsive repairs.
        High quality service delivery, for example through the 'CityWest Standard' may
        be partially responsible for these high scores. However, consideration needs
        to be given to the delivery cost, and whether offering a significantly cheaper
        service, with the risk of decreasing customer satisfaction, is a more viable
        option.

5.3   *Value for Money*

5.3.1   Benchmarking identified that CWH is expensive when compared with similar
        organisations. Overheads, staffing, housing management, responsive repairs
        and void works, and major works management were identified as areas of
        particular high-cost relative to comparators.

5.3.2   Altair's view is that high costs in responsive repairs and void works are likely
        to be the result of the relatively large proportion of CWH's stock that is listed
        (17%) and the higher 'CityWest Standard' applied to void work. Repairs and
        voids costs are expected to reduce as a result of increased investment in the
        major works programme and efficiencies realised with the introduction of
        improved mobile working.

5.3.3   CWH has some of the lowest average salaries for staff, but still has some of
        the highest staff costs per property. Staff turnover is also high. Altair advised
        that that staff structures in the organisation need to be reviewed, to ensure
        that correct skills are being deployed appropriately and efficiently.

5.3.4   Improvements in mobile working and finance software are opportunities that
        may result in a reduction in staff numbers. CWH has also identified possible
        restructuring arrangements in CityWest Direct that will improve its ratio of
        housing management staff to properties under management from 2015. CWH
        is also investigating the establishment of a subsidiary with a defined
        contribution pension scheme rather than a local authority career average final
        salary scheme.

5.3.5   Altair also found that CWH's overheads are high. This includes office costs, IT
        and finance services. High office costs are likely to be a reflection of both the

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number of estate offices that CWH maintains, and the high cost of CWH's head office. CWH needs to assess what value each of its offices adds to the business and whether the costs are justified. A review of the opportunities for savings from mobile working may be needed.

5.3.6 IT costs are high in comparison with other housing organisations. This is due to additional IT support that CWH provides to other organisations and council teams. A high number of non-standard user requests are also thought to increase costs. CWH hopes to reduce the number of non-standard requests with the introduction of improved and more user-friendly software.

5.4 *Alignment with Westminster*
There is a need for better alignment between the goals of the Council and CWH. There is little evidence of formal integration or alignment of strategic goals outside those specified in the management agreement. As a significant client and sole shareholder of CWH, WCC's strategic priorities could be better represented in CWH's strategies.

5.5 *Westminster's role*
The Council needs to provide stronger client engagement and raise awareness of the ALMO. The Council needs to raise the profile of the ALMO and its work with Councillors. There must be better sharing of objectives and wider strategic goals between the Council and CWH which will create better strategic alignment. The Council should encourage CWH to take more responsibility in its approach to managing the HRA.

6. What does CWH need to improve?

6.1 The review highlighted the following specific areas of service delivery which CWH should address in more detail:

- Communications:
    - consultation with residents regarding major works
    - complaint and enquiry handling
    - resident engagement
    - Councillor engagement
- VFM
    - Responsive repairs costs
    - ICT and other overhead costs
    - Staffing
- Formal alignment between the strategic goals of WCC and CWH

6.2 These findings make clear that the focus for CWH must be to reduce core costs and focus on improvements in communications with residents on major

works. CWH must also become more aligned with the Council's strategic goals.

6.3 CWH has already started to address a majority of these areas through its Transformation Plans over the next 5 years. The challenge for CWH will be making cost reductions and implementing significant service changes while still maintaining high quality services.

7. What does the Council need to change?

7.1 Altair also concluded that the Council has a role in improving the housing management function. The Council needs to focus on the following:

- Stronger client awareness, management and performance management of the ALMO, including delivery against business plans and objectives.

- Ensuring Westminster's strategy and objectives are reflected in those of CWH and that the implementation of CWH's plans are properly scrutinised, and targets are met.

- Clearer line of sight on CWH's performance within the Council at Councillor level.

- Consideration of the level of responsibility devolved to CWH, in some areas giving CWH more responsibility will result in better decision making.

8. Next Steps for the Council

8.1 **Development of Strategic Framework**
To enable the Council to implement the findings of the Altair review, the Council and CWH are working together to develop a new strategic framework. The framework will form the basis of the client monitoring role for the Council. The strategic framework will allow the Council to set long term strategic savings measures, focus on service changes as well as 'business as usual'. It includes new longer term strategic measures, a new Performance Framework and a new governance structure

8.1.1 **Strategic Measures**
The strategic measures will focus on the change and areas of improvement for CWH over the next 3 - 5 years. These measures will be based on:

- *Value for money in terms of management, overheads, staffing and repairs costs.*
CWH is developing plans on how to save 20% (£5M) of its core operating costs over the next 5 years. The Council will work with CWH to develop measures which are achievable and ensure the risks associated with service delivery changes are mitigated.

- *The contribution to the Council's wider corporate and civic agenda*

The Council is organising a workshop with CWH and Council Heads of Service to agree how CWH can assist in delivering the Council's City for All vision. CWH is a key partner in delivering many of the plans for the Council over the next 3 years, this must be reflected in commissioning arrangements by the Council.

- *Improving communications with residents and councillors, notably on major works*
  The Council is working with CWH to develop a new communications strategy. CWH accepts that this is an area for improvement and welcomes Westminster's support in this area. The strategy will enable CWH to make significant improvements in how it consults with residents on major works schemes. It will also allow the Council and CWH to agree a longer term strategy in terms of channels of communications with councillors.

- *Long term value to the Housing Revenue Account*
  The Council will be working to enable an input by CWH into the annual HRA review process. This will ensure CWH is taking more responsibility in terms of the Council making best use of its financial resources.

- *Value to the council as a sole shareholder*
  The Council would like CWH to focus upon developing commercial activities which will generate profit that can benefit the General Fund.

8.1.2 Performance Framework

The performance framework between the Council and CWH will be based on specific business as usual annual performance measures and an incentive mechanism. This enables CWH to access modest funds over and above their core management fee if they meet specific targets. The areas of business as usual focus are:

- Delivering Excellent Customer Service
- Transforming Lessee Satisfaction
- Improving the Quality of Housing through Long Term Asset Management & Planning
- Improving the Quality of Life in Safe and Secure neighbourhoods
- Improving Efficiency

8.1.3 New governance structure

The Council and CWH are developing a new governance meetings structure. This new way of commissioning CWH will allow the Council to have stronger client management of the ALMO. The structure will include a new change board which will monitor the delivery of a variety of change projects. A new Partnership, Regeneration and Communities Board will enable CWH to make links to wider Council services and assist in delivering the Council's City for All vision.

8.2   **Continuation of Management Agreement with CityWest Homes**

8.2.1   **Consultation**
        The Council will consult with residents and stakeholders in July / August 2015 about its intention to continue the management agreement with CWH up until 2022. This consultation is not a statutory requirement but the Council feels input from residents about the future housing management model is crucial to make sure that the model meets the needs of our residents.

8.2.3   **Report to Cabinet Member**
        A report will be presented to the Cabinet Member for Housing in September 2015 to agree the continuation of the management agreement between the Council and CWH to March 2022.

9.   **Health and Wellbeing Implications**
        Improvements to the housing stock will have a positive impact on the health and well-being of residents.

10.   **Financial Implications**

10.1   The HRA is a ring fenced account therefore the main changes explained in this report do not directly affect the Council's General Fund.

10.2   The purpose of the Altair review was aimed at maintaining CWH's high service standards but also increasing efficiencies and ensuring the effectiveness and alignment of initiatives with the Councils City for All strategic vision.

10.3   The changes proposed in governance and consultation will not have any direct financial costs as these will be contained in existing budgets. The proposed service delivery changes will generate significant HRA savings of approximately £5M by year 5. CWH aims to achieve these savings by:

        • Developing online digital services
        • Embedding mobile working capability in their delivery model
        • Reviewing the services proposition of the estate offices including how to redesign the model into community spaces focused on resident needs

10.4   In addition CWH currently contribute £311k a year to the Councils Medium Term Plan savings target through income earned from existing non-HRA commercial activity. CWH plans to increase this through commercial activity by establishing a subsidiary company to maximise its third party income.

11.   **Risks and Mitigations**
        As CWH implements the recommendations of the Altair review and makes changes to its services there is a risk of a negative impact on service quality. To mitigate this, the Council will ensure as part of the performance framework that CWH are monitored on their business as usual performance.

APPENDICES

Appendix 1: Altair Report – Review of City Management Options

Appendix 2: CityWest Homes response to Altair Review

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Westminster City Council

Review of housing management options

February 2015

This report has been condensed for publication.

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Executive Summary

Introduction

This strategic review examines the housing management options for Westminster City Council (WCC). It highlights the successes and advantages of the current ALMO, CityWest Homes (CWH), as well as helping WCC to improve performance and generate efficiencies where possible. It covers the following key areas:

- A review of:

  a. the ALMO housing management model

  b. CWH as a housing manager, in relation to successes, failures, costs and benefits. This includes comparative and benchmarking analysis.

- An evaluation of housing management options analysing the costs, benefits, drawbacks and legal requirements of each. This takes into account the objectives set out by WCC as landlord and the needs of the residents.

- Consultation – information on what level of consultation is required and how each option will affect residents and external stakeholders.

- Recommendation – a clear set of evidence-based conclusions for WCC to consider, taking into account the Council's objectives as a landlord.

Our approach to the project has four key components:

- Project-briefing and management

- Internal assessment – including a document review, benchmarking exercise, assessment of the Housing Revenue Account (HRA) Business Plan, and interviews and workshops with key CWH and WCC staff, councillors and residents.

- External review – including a housing management sector overview, case studies showing the diverse approach to housing management in the UK, and an overview of international housing management models.

- Options development and assessment – including an assessment of the implications of each model for WCC.

This review was carried out between September and December 2014.

Section A: Review of CWH as a housing manager

This phase of the review examined the strengths and weaknesses of CWH as a manager of homes, delivering housing management, maintenance and refurbishment, and neighbourhood services on behalf of WCC to 12,170 rented properties and 9,000 leasehold properties. We drew on a range of primary sources, including key documents, financial and performance data, and stakeholder views to consider CWH's current position.

Section A consists of:

- Document review – including strategy documents, business plans, the CWH Management Agreement, financial accounts, performance data, and board and committee papers and presentations.

- Benchmarking – including both detailed benchmarking using the latest Housemark data, as well as an assessment of HRA assumptions per property with reference to our experience of working with other housing providers.

- Review of high-cost areas and value for money considerations – we looked at reasons for high-costs in areas identified as such through our benchmarking exercise. We also considered CWH's transformation plans in these areas and made recommendations related to existing plans, and additional measures that CWH could investigate.

- Stakeholder views – we gathered views from CWH staff, members, WCC staff, and external stakeholders, via surveys, interviews and a number of workshops.

- Baseline financial position – we reviewed the current HRA Business Plan by considering the reasonableness of the underlying assumptions, commenting on the financial strength and the available capacity for improvement.

We have grouped our key findings into four categories:

Successes

CWH has one of the highest satisfaction ratings in comparison with other London ALMOs, local authorities and local housing associations. CWH has the highest satisfaction rating for service provided (88%) when compared with 14 of its peers among London local authorities and ALMOs. CWH also achieves higher satisfaction rates with service provided than local housing associations such as Peabody and Octavia. Only AmicusHorizon among the largest housing associations in London achieves slightly higher satisfaction scores.

CWH also has a high rating among tenants for satisfaction with the overall quality of their homes (82%). This is the second highest satisfaction score when compared with 14 London local authorities and ALMOs in CWH's peer group.

High satisfaction with overall home quality may be explained by the high standards of refurbishment that CWH maintains in its tenanted stock. After achieving Decent Homes, CWH now has over half of its stock at a higher 'CityWest Standard'.

CWH has recently performed well against KPI targets set in line with the Management Agreement, with only the repairs costs and lessee satisfaction with major works underperforming against targets set.

Internal CWH staff satisfaction with the organisation is high. WCC officers also have a generally positive perception of CWH and its contribution to Council objectives. However, based on the small sample of responses to the councillor's survey, external perceptions of CWH do not match the reality of its performance, suggesting that CWH needs to communicate its successes better.

Areas for improvement

Through our benchmarking exercise, document review and stakeholder interviews we identify a number of areas that require improvement.

Despite overall satisfaction being high, satisfaction with major works consultation remains very low (41%). The performance figures were supported by first-hand evidence provided by resident representatives. They reported that information about plans for major works is often provided late to leaseholders, leaving them with little time to plan payments for the work.

Major works itself was an area that residents reported as being the source of significant dissatisfaction. This was largely due to a major works not being programmed and delays in major work projects.

Complaints handling is another area that was reported as poorly performing. Both councillors and residents highlighted this as a concern. CWH executive staff have acknowledged this as a problem and are working to make improvements.

There is a need for better alignment between the goals of WCC and CWH. Some effort has been made by CWH to highlight alignment where it occurs. In practice, there is little evidence of formal integration or alignment of strategic goals outside those specified in the Management Agreement. As a significant client and sole shareholder of CWH, WCC's strategic priorities could be better represented in CWH's strategies.

Better strategic alignment between WCC and CWH could be achieved through stronger client engagement and awareness from WCC. WCC should be adequately consulted during the development of CWH's strategy and WCC should share its wider strategic objectives with CWH.

Costs

Although CWH achieves one of the highest levels of satisfaction, it is also one of the most expensive housing providers (per property) in comparison with peers. Housemark data indicates that CWH's total housing management cost per property is £506 against a peer group median of £383. This makes CWH the second most expensive in term of housing management among a group of 17 comparable London local authorities and ALMOs. However, a reduction in average management costs is being actively pursued by CWH; performance reports show that CWH has exceeded stretch targets in this regard.

CWH's overheads are also expensive. The cost of overheads as a percentage of turnover is the second highest out of the same group of comparable organisations: CWH's overhead cost as percentage of turnover is 10.36% compared with a median of 8.36%.

CWH is also more expensive than the median when it comes to the cost of responsive repairs and void works per property: £996 compared with a median of £907. CWH is a top quartile performer for average cost of responsive repair but, as it delivers a comparatively high number of responsive repairs, the service is still costly per property. Performance reports show CWH has not achieved its base target for reducing repairs costs, although there has been significant progress on 2012/13 figures.

There are a number of reasons behind CWH's relatively high key costs. These include:

- High number of staff and labour intensive manual processes.

- High number of local and estate offices (CWH maintains three times the number of offices than its closest peer). Office premises costs are high.

- Westminster operates 12 Tenant Management Organisations, with associated costs.

- CWH provides IT support for other organisations and council teams and processes a high volume of non-standard IT solutions.

- High proportion of listed properties. Maintenance and refurbishment costs on listed properties can be up to 20% higher compared with non-listed.

- High pension costs due to a final salary pension scheme.

Efficiency and achieving better value for money are key strategic priorities for CWH. It has recognised and begun to reduce its high management costs. It plans to reduce like-for-like annual operating costs by 20% by 2018/19 through the implementation of its Six Sigma programme, the development of a new value for money strategy, the establishment of a transformation programme, and generating external revenue.

While CWH's costs are currently high, there is scope for cost reduction and improved value for money. The successful implementation of CWH's transformation plans, in line with our recommendations, has the potential to yield savings of up to 20% across its core operating costs. We recommend that CWH target 20% reduction in the wider costs to the HRA that CWH can control, rather than just core operating costs.

Making savings across this wider cost-base would be facilitated by CWH taking more responsibility for the HRA as a whole. This should be encouraged by WCC.

We have also identified further steps that CWH could take which could result in savings of a further 3-5%. However, benchmarking suggests that there may be a trade-off between cost and quality the more savings are made past 20% of current costs.

Benefits and opportunities

There is both the financial capacity in the HRA and the ambition within CWH to deliver a range of new services to third parties thereby generating income for WCC.

WCC's HRA Business Plan is currently viable and indicates the financial strength to provide additional services or further investment. Financial capacity could be further increased through:

- earlier use of the headroom available up to the increased borrowing cap

- delayed repayment of loans

- efficiency savings within management and revenue maintenance costs.

New services could be either for WCC or, commercially, to other organisations and customers. CWH's current focus is on expanding its business with third parties. CWH aims to generate 'at least 20%' of revenues from third party sources by 2018/19.

CWH has identified parts of its existing business that have potential for commercial expansion within Westminster and further afield. These business areas include lessee services, CityWest Direct (which manages Westminster Community Homes stock), CWResidential (private lettings, sales and property management agent) and the regeneration team.

These opportunities, using available resources, have the potential to support WCC through generating additional net income for either the HRA or WCC general fund.

Section B: Review of housing management models

This section of the review considers a range of different models for delivering social housing management and repairs and maintenance. Trends in the sector, domestically and internationally, were assessed and models of management were analysed. This enabled us to outline the options for housing management and evaluate them according to the benefits, drawbacks and legal implications for WCC.

In the UK as a whole there is a divergence in housing management practice; new ALMOs are being created, but in London there is a trend to bring ALMOs in-house. This is particularly pronounced for round 3 and 4 ALMOs created between 2004 and 2006.

We considered five models of council housing management across the spectrum of arrangements from those fully owned and managed by the council, through to those owned and managed by an independent entity:

- **In-house management:** In this model council housing is managed within the local authority. Around 100 local authorities in England manage their own stock.

- **Thin ALMO:** The ALMO focusses on delivering only core housing and maintenance functions such as tenancy management, repairs and maintenance, and neighbourhood management (such as ASB). A thin ALMO may also include a housing development function.

- **Fat ALMO:** Alongside housing management functions, a fat ALMO will deliver a range of additional services, either for its parent local authority or commercially.

- **Stock transfer:** Stock transfer organisations are formed through the transfer of stock ownership from the council to a Registered Provider. Over 1.3 million homes have transferred from 130 local authorities in England since the 1980s.
- **Super ALMO:** Super ALMOs are formed when a number of local authorities share their housing management.

The advantages of having a 'Thin' or 'Fat' ALMO are that the ALMO focuses solely on delivering housing services and can achieve efficiencies in this area through control of costs and processes. Having an ALMO also allows the council to focus on strategic priorities, as delivery is managed by the ALMO.

Section C: Recommendations/options

Our review, benchmarking and interviews of key stakeholders indicates that the ALMO is financially strong and there is no financial or performance imperative to either bring the ALMO back in-house or to transfer it. Overall, CWH delivers a high-quality service and is an excellent housing manager. While CWH has its challenges with value for money, it has great potential for both its residents and WCC.

There are, however, particular areas of service delivery which CWH should address in more detail. These include:

- Major works

- Consultation with leaseholders regarding major works

- Complaint and enquiry handling

- Formal alignment between the strategic goals of WCC and CWH

- Responsive repairs costs
- ICT and other overhead costs
- Staffing
- Communication with residents and councillors.

We also recommend that WCC exercises stronger client awareness, management and performance management of the ALMO, including delivery against business plans and objectives. WCC should ensure that its strategy and objectives are reflected in those of CWH, that the implementation of CWH's plans is properly scrutinised, and targets are met. There should also be a clearer line of sight on CWH's performance within WCC at councillor level.

While there is scope for cost savings to be generated through efficiencies, there will be a tipping point at which a lower cost service will also be a lower quality service. WCC must make clear its quality of service, resident satisfaction and cost priorities.

While, as stated above, we do not feel there is a case to either bring the ALMO back in-house or to transfer it, WCC should consider which ALMO model best suits its needs and ambitions; whether it be a thin ALMO model focussed on generating efficiencies for the HRA; a fat ALMO which can generate income for the general fund; or even a Super-ALMO sharing services across a number of local authority boundaries.

It would be most acceptable to stakeholders for CWH first and foremost to focus on improving performance and value for money in the areas identified as weak in this review. There was a general consensus among councillors and residents that CWH should remain a

housing provider at heart and that it had work to do to improve core services. Stakeholders we spoke to were generally open minded about the prospect of CWH diversifying into some areas in the longer term. Diversification into other service areas or offering existing services to third parties could improve CWH's net financial benefit to the HRA and general fund.

1 Introduction

1.1 Context of the review

1.1.1 In 2002 the Council created CityWest Homes (CWH), an arms length management organisation (ALMO) to manage its housing stock. Arms length management was one of the options promoted by the government in 2000 as a means by which local authorities could meet a number of the policy objectives of the time: the separation of strategic and operational housing roles; facilitating Decent Homes investment to improve the social housing stock; and giving tenants a greater say in the management of their homes.

1.1.2 Since that time many ALMOs have completed their initial objectives and subsequently been brought back into local authority management (in-house), while others have diversified and taken on new roles supporting their local authority (Fat ALMO).

1.1.3 Seven of the 19 ALMOs in London have been brought back in-house with a number of others having announced plans to do so soon. Most recently LB Hounslow has announced that Hounslow Homes will return to in-house management. Currently there are 47 ALMOs, a significant reduction from the 70 that existed in 2009.

1.1.4 The WCC and CWH have recently (2012) signed a new 10-year Management Agreement. The Agreement has a break-clause at year five, which is in March 2017. WCC has procured this review to highlight the successes and advantages of the current ALMO, as well as to help the Council improve performance and generate efficiencies where possible. This review provides WCC with an opportunity to consider new options that may have emerged in the marketplace.

1.1.5 Its focus is upon 'housing management', which we have defined as core activities taken on by a social housing landlord to ensure that stock and tenancies are maintained. This includes; tenancy management, repairs and maintenance, and neighbourhood management (for example anti-social behaviour). While we have also discussed regeneration and development in this review, we do not include it within our definition of 'housing management' as we feel these are additional responsibilities outside those required from a landlord.

1.2 WCC housing arrangements

1.2.1 Alongside its ALMO, WCC also holds a 33.3% share in a Registered Provider (RP), Westminster Community Homes (WCH).. WCH was formed in 2010 to allow WCC to access additional funding opportunities to develop new stock. WCH has nearly 400 properties, all of which are managed by CWH through City West Direct (CWD). Whether WCC or WCH owns stock does not affect the housing management function which is the primary focus of the review. However, the existence of the RP alongside the ALMO does mean that WCC has more options than other local authorities when considering development and diversification.

1.2.2 Within the ALMO, CWH is not solely responsible for the operational delivery of housing management. WCC has 11 Tenant Management Organisations (TMOs). Local Management Agreements (LMAs) are in place to give these groups of residents control of cleaning and grounds maintenance services. In these areas CWH only provides a partial housing management service, dealing with tenancy management and repairs and maintenance.

1.2.3 Additionally, the management of 10,000 homes, approximately half of WCC's stock, is contracted to Pinnacle. CWH performs the client function on behalf of WCC and maintains overall responsibility for housing management. The current contract with

Pinnacle commenced in June 2011 and runs for five years, however Pinnacle has been working with CWH and WCC since 1995. As the focus of this review has been the performance of CWH, we have not considered separately how Pinnacle delivers housing management as the contract management of this service is a responsibility of CWH. We have however noted the impact that Pinnacle's service has on CWH's costs.

1.3   Review objectives

1.3.1   The purpose of this review is to work with WCC to deliver a strategic review of housing management options. Key areas of work completed as part of this project are:

- A review of:

    (a) CWH as a housing manager, in relation to successes, failures, costs and benefits. This included a comparative/benchmarking analysis

    (b) the ALMO housing management model.

- An evaluation of housing management options analysing the costs, benefits, drawbacks and legal requirements of each option. This takes into account the objectives set by WCC as landlord and the needs of the residents.

- Consultation – information on what level of consultation is required and how each option will affect residents and external stakeholders.

- Recommendations – a clear set of evidence-based conclusions for WCC to consider, taking into account the Council's objectives as a landlord and its requirements to secure high quality and efficient management of its housing portfolio, and deliver high levels of customer satisfaction.

1.3.2   This report includes our detailed findings.

1.4   Our approach

1.4.1   Our approach to the project, as detailed in the proposal, has four key components:

- **Project briefing and management:** We:

    - Held a full briefing with officers at the outset of the project – in which we agreed the scope, confirmed our approach and set milestone dates

    - Set up a full project plan to monitor progress against these milestones

    - Scheduled regular verbal updates between officers and our project lead

    - Nominated a single point of contact for all day-to-day enquiries on the project.

- **Internal assessment:** The internal assessment formed our initial research for completing the review. It provided a strong basis of understanding the current position, context and objectives of WCC, and furnished us with valuable information which we have used to review the current model and identify options for the future. Activities included:

    - Document review.

    - Review of the HRA Business Plan.

    - Interviews with stakeholders, including

- Senior CWH staff
- CWH board members
- CWH residents
- WCC staff members
- WCC councillors
- External stakeholders, Pinnacle and Peabody.

These activities enabled us to complete a detailed appraisal of the current model at CWH. This appraisal included an assessment of costs and performance, and an identification of strengths and weaknesses. It also included views on the current model from a wide range of stakeholders.

- **External review:** The external review formed our additional research for the review. It included benchmarking activity and the development of case studies. It provides WCC with a strong understanding of "best in class" and contemporary initiatives being used by others to improve their housing management services. The review also provides evidence to help assess the options available to WCC to achieve its priorities.

- **Options development and assessment:** We developed options for the future of WCC's housing management services using evidence from the internal and external review. We then completed a detailed evidence-based assessment of each option for WCC to consider.

1.4.2 We present the information from these activities in three sections, in line with the brief provided by WCC;

- **Section A: Review of CWH as a housing manager**: This section focuses on CWH's performance, providing an analysis based on our internal review and benchmarking. Overall, we found that CWH provides a high quality, high cost housing management service.

- **Section B: Review of housing management models**: This section considers different delivery models and recent trends in both the UK and abroad. We assess five UK models of housing management for their impact upon, and suitability for, WCC.

- **Section C: Recommendations for future delivery:** We consider how WCC and CWH could better ensure that WCC's housing management objectives are achieved, making recommendations for both CWH and WCC.

1.4.3 This review was conducted between September and December 2014.

Section A: Review of CWH as a housing manager

Introduction: CWH as a housing manager

Our assessment drew on a range of sources to consider CWH's current position. We have completed a document review, benchmarking and a review of CWH's financial position.

The information from these activities, and our knowledge and experience of best practice in the sector, has enabled us to identify strengths and weaknesses of CWH's approach. We have used this to assess different housing management models in section B.

2   Document review

2.1   Introduction

2.1.1   Both WCC and CWH provided us with access to a wide range of documentation appropriate to this review. This included:

- Strategy documents
- Business plans
- CWH Management Agreement
- Financial accounts
- Performance data
- Board and committee presentations.

2.1.2   A full list of the documents we reviewed is provided at Appendix A.

2.1.3   The purpose of the document review is to provide the background context to the services provided by CWH, how it interfaces with various parts of WCC, and what the organisation's current strategic direction of travel is. Some comments on the documents we have reviewed are provided below.

2.2   Delegation of activities/responsibilities

2.2.1   CWH is responsible for the management of WCC's housing stock and contributes to the development of relevant Council strategies, policies, plans and initiatives.

2.2.2   CWH provides core housing management services such as tenancy management repairs and maintenance, and neighbourhood management/services. As part of managing WCC's housing stock, CWH has a number of related responsibilities which are detailed in the Management Agreement for 2012-17. These services/responsibilities include:

- Undertaking relevant resident consultation and involvement processes.
- Commissioning major works and refurbishments (within approved limits of delegation).
- Implementing home ownership policies including Right to Buy determinations.
- Providing Support Services under the Supporting People regime.
- Youth and Community engagement.
- Creating employment opportunities for residents.

2.2.3   Outside the core housing management services mentioned above, CWH has an in-house regeneration and development department which provides project

management and technical skills on such housing regeneration schemes as directed by WCC.

2.2.4 Housing Options is managed by another contractor for WCC (Residential Management Group Ltd) as are housing benefit claims (Capita). However, CWH procures units directly to be used as temporary accommodation.

2.2.5 WCC sets strategic direction, approves any contracts outside CWH delegation limits, manages disposals, manages commercial property, and manages media relations.

2.3 Direction and Strategy

2.3.1 WCC is in the second year of a five-year plan to make WCC a safer, healthier, more enterprising and more connected authority. **Better City, Better Lives** is built on the guiding principles of fairness, opportunity and responsibility[1].

2.3.2 In pursuit of these principles there is a strong commitment to local residents taking more responsibility for health, well-being, care, and obtaining information from WCC. There is also an emphasis on opportunity through investment in start-ups and SMEs as well as supporting people into employment.

2.3.3 Value for money is a strong theme of the plan: efficient new ways of working, and the sharing of responsibility with residents, means that WCC's money goes further and achieves best value. It is part of the vision of a more 'enterprising city' with enterprising and sustainable local public services making council funds go further. This priority is perhaps the one most immediately relevant to CWH.

2.3.4 The Better City, Better Lives vision is supported by a number of objectives in the **Housing and Property Service's business plan (2014/15)**. Priorities for the housing service for 2014/15 include:

- Active homelessness casework to prevent 525 households from becoming homeless.

- Delivering over 200 new homes at target and affordable rent, and over 200 new homes for shared ownership by March 2016.

- Progressing the regeneration of six Westminster neighbourhoods and estates.

- Development of new employment programme targeted at residents – helping 40 households affected by the household benefit cap into work.

- Achieving value for money in services and buildings.

2.3.5 CWH supports WCC's objectives outlined in Better City, Better Lives. A CityWest document describes CWH's contribution. This information was used to demonstrate the alignment of CWH strategy with the Better City, Better Lives plan in a presentation (**Our strategic plan 2014-2019**) by Nick Barton, then CWH CEO, to the Housing, Finance and Customer Services Policy and Scrutiny Committee in June 2014, and in a similar presentation to the CWH Board in November 2014.

2.3.6 The evidence details the following activities that support the WCC plan:

- A healthier, safer city

  o CWH has refocused its ASB services since 2011, placing an ASB expert in each of its four areas and increasing partnership working with WCC and the police.

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[1] WCC's new strategic vision 'City for All' was not published when this review was carried out.

- o CWH works with the Primary Care Trust to profile health inequalities around the city.

- o CWH provides estate-based youth clubs which offer sports and playground facilities.

  - ▪ An enterprising city

    - o CWH's employment team is a partner in the Westminster Works project. CWH has assisted 130 residents back into work and given support to a further 350.

    - o CWH introduced an apprenticeship programme across the frontline service several years ago and are now seeing the first middle managers who have come up through this programme

    - o CWH delivers sustainable services through partnerships with private sector service providers such as Pinnacle and RMG. In-house teams claim to be at least as good as the best private sector equivalent.

  - ▪ A more connected city

    - o CWH involves residents within its governance structures. Area Management Committees scrutinise service delivery and drive service improvement.

    - o CWH conducts contract management meetings in a transparent way by enabling residents to attend and request agenda items.

2.3.7 While the evidence we have reviewed shows some alignment between WCC's Better City, Better Lives vision, we are not aware of any formal, published or easily accessible internal trackers or strategy papers that define direct links between the WCC strategy document and CWH's corporate strategy.

2.3.8 As a significant client and sole shareholder of CWH, WCC's strategic priorities could be better represented in CWH strategies. WCC strategy should be considered closely in the development of any CWH corporate strategy.

2.3.9 CWH's draft strategy for the current five years, **Living our Vision (Draft strategy 2014-19)**, uses the proposed priorities specified in the Management Agreement with WCC as its starting point. The Management Agreement identifies three areas of particular priority. These are:

  - ▪ Transforming lessee satisfaction (expressed as "improving services for leaseholders" in the CWH draft 2014/19 strategy).

  - ▪ Improving the quality of housing through long-term asset management and planning (expressed as "develop a joined-up and long-term approach to asset management and investment" in the CWH draft 2014/19 strategy).

  - ▪ Improving efficiency and value for money (expressed as "improve value for money" in the CWH draft 2014/19 strategy).

2.3.10 Alongside the objectives drawn from the Management Agreement, CWH has an overarching vision to become "the leading provider of housing services". This is defined by CWH as achieving resident satisfaction above all peers and reaching a top five position according to HouseMark benchmarks for efficiency and cost.

2.3.11 There is a strong financial imperative behind the draft 2014/19 strategy. CWH is facing rising costs due to forecast increases in inflation and the cost of regulatory changes. It is CWH's objective to reduce operating costs and increase revenue from

third parties. CWH also intend to "lay down a vision for the future that aims to generate a growing dividend stream for [WCC]".

2.3.12 The dual objectives of reducing operating costs and generating a dividend stream for WCC form a significant part of CWH's vision for the future. CWH hopes to reduce its like-for-like annual operating costs by 20% by 2018/19 through the implementation of Six Sigma practices and the adoption of leading-edge IT applications. CWH also aims to generate 'at least 20%' of revenues from third-party sources by 2018/19. It is important to note that these objectives are consistent with WCC's vision of an 'enterprising city' and with 'enterprising and sustainable local public services'.

2.3.13 However, the source of the 20% target is not clear, and this objective does not appear to be linked to the HRA Business Plan, as discussed in chapter 3 below. Moreover, the monitoring of this target and accountability for its achievement is not well-defined. These are issues that can be resolved by a more engaged clienting approach from WCC. WCC should play a more active role in ensuring targets are aligned with the HRA Business Plan and that target monitoring is adequately defined and performed.

2.4 Strategic growth ambitions

2.4.1 CWH intends to increase the proportion of its revenue from third parties from its current share of 3.2% to at least 20%. In pursuit of this objective CWH has identified lessee services, CityWest Direct (which manages Westminster Community Homes stock), CWResidential (private lettings, sales and property management agent) and the regeneration team as parts of the business with potential to expand commercially.

2.4.2 Commercial expansion would primarily involve the provision of services to third party organisations or landlords both within Westminster and further afield. CWH proposes to establish a business development function to draw up business cases and an operational plan. CWH intends to invest £150k to fund the work of this business development group from 2016/17 onwards, once planned business transformation and value for money activities have begun to be embedded.

2.4.3 Using established teams to diversify into service provision to third parties is a strategy that has been employed by a number of other ALMOs. Many of the services identified by CWH have precedents in the ALMO sector. For example, Colchester Borough Homes offer letting and tenancy management services as well as neighbourhood warden services, communal cleaning and ASB services to private sector and non-profit landlords.

2.4.4 A number of ALMOs have established development and regeneration functions which allow them to act as the local authority's developer of choice. Examples of these in the case studies below are Lewisham Homes and Barnet Homes.

2.5 Performance and KPIs

2.5.1 Performance and KPI data is reviewed in the benchmarking section of this report. However, as part of our document review we examined reports on the performance of CWH that have been provided to WCC Cabinet.

2.5.2 The **Summary of CWH Performance 2013/14** prepared by the WCC HRA and Strategy Team shows performance of CWH against targets linked to incentive funding. The performance summary shows very good performance in tenant and lessee satisfaction against targets (90% and 70% respectively against stretch targets of 84% and 63%). The sole exception is lessee satisfaction with consultation regarding major works which is 41% against a base target of 50%.

2.5.3 Asset management and planning targets were met, with strong performance in the number of new schemes with timely starts on site as well as good performance in the number of additional units acquired. There is still some work to be done in both bringing more units up to the CityWest Standard (56% achieved against a stretch target of 58%) and in resident satisfaction with major repairs (72% against a stretch target of 76%). There is also room for improvement in satisfaction with how ASB cases are handled (77% against a stretch target of 90%).

2.5.4 With regard to driving efficiencies, CWH is shown not to have achieved its base target for reducing repairs costs, although there has been significant progress on 2012/13 figures. Rent collection exceeded stretch targets (achieving 98.68%) as did the reduction in average management costs. Overall, CWH has recently performed generally well against KPI targets with the repairs costs and lessee satisfaction with major repairs consultation being the most underperforming areas.

2.6 Budget

2.6.1 The **2014/15 CWH budget report** shows a decrease in fees from WCC for a fourth consecutive year. The 2014/15 budget shows a decrease on the previous year in budget for CWH, CWD and the development team. Lettings income has increased. Overall staff costs have increased by 2.6% on 2013/14 but non-staff costs have decreased by 9.5%. However, staff numbers have also increased by over 4%.

2.6.2 The budget report states that increases in staff costs are due to previous savings that were made in directors' posts and other vacancies which have now been filled. There are also increases in costs for resources for an online services project, the development team and right to buy activity, all of which are said to be offset by income.

2.7 Value for money

2.7.1 Providing high quality and value for money services to residents is a priority for WCC's Housing Services client team. One way they are seeking to achieve this is by supporting CWH in being "more commercially-orientated, offering a better return to the Council as shareholder". The Housing business plan also states that Housing Services expects CWH to focus on improving the customer experience, particularly in the provision of online services.

2.7.2 CWH's strategy also prioritises achieving value for money. As detailed above, in its draft 2014-19 strategy, CWH is focused on reducing costs while improving both customer satisfaction and quality of housing. CWH has responded to Housing Services' expectations for improved online services with a two-year strategy which concentrates on online services and mobile working, business software solutions, and cloud computing. CWH is also considering other cost saving measures, such as outsourcing its IT service desk function. By 2018 CWH forecasts a £1.4m per annum saving as a result of more online services and an improved IT capability. CWH's strategy estimates implementation costs of around £3.3m to achieve these improvements.

2.7.3 While CWH is currently a high-cost organisation when compared with other ALMOs in London (this is explored in the benchmarking chapter), it should be noted that we reviewed a number of documents that indicate progress in reducing costs and improving value for money.

2.7.4 Possibly the most significant drive toward achieving value for money is CWH's Six Sigma programme. Known as C2, CWH's continuous improvement programme,

based on Six Sigma methodology, was launched in June 2014. C2 is expected to deliver both an improved quality of service and improved efficiency and effectiveness.

2.7.5 Over 50 staff have already attended awareness training; the intention is to initially train four staff across the organisation as Six Sigma 'Green Belts'[2]. These first 'Green Belts' will lead a process improvement project with 'Yellow Belt' trained staff members.

2.7.6 The first process improvement projects include:

- a process to prioritise IT projects

- a process to halve the time taken to deal with temporary parking requests

- a project to reduce the time it takes to approve recruitment to a position from 20 to 8 days

- a project to increase the number of repairs fixed first time.

2.7.7 The programme document gives reasons behind the selection of these processes for Six Sigma methodology. The rationale for prioritising IT projects is that the IT team receives a high number of requests for non-standard services, and that a system of prioritisation is needed. However, a high number of non-standard services may itself be cause for concern: one that is not addressed in any of the documents that we have reviewed.

2.7.8 CWH hopes to reduce its like-for-like annual operating costs by 20% by 2018/19 through the implementation of Six Sigma practices and the adoption of leading-edge IT applications.

2.8 Conclusion

2.8.1 Although independent, the ALMO is keen to align its strategy with that of WCC. However, there are no formal published or easily accessible documents that directly link CWH and WCC's strategies. We would expect CWH, as a significant client and shareholder, to better reflect WCC's strategy in its published documentation and objectives. The social impact scorecard work currently being developed may go some way to address this as we understand there is a greater focus on alignment, and that the CWH team are working to reflect WCC goals in the transformation plan.

2.8.2 Online services are named in the Housing Services Business Plan as a particular area for CWH to focus on to achieve better value for money. This is reflected in CWH's draft strategy which includes the implementation of full online service capability. This part of its IT improvement strategy with a target completion in the financial year 16/17.

2.8.3 Overall, CWH has recently performed well against KPI targets set in line with the Management Agreement, with only the repairs costs and lessee satisfaction with major works consultation underperforming against targets set.

2.8.4 There is a strong financial imperative behind CWH's draft 2014/19 strategy, with the dual objectives of reducing operating costs and generating a dividend stream for WCC. CWH is setting ambitious targets for the future. CWH hopes to reduce its like-for-like annual operating costs by 20% by 2018/19 and aims to generate 'at least 20%' of revenues from third party sources by 2018/19. However, it is not clear where these targets have originated from, or how performance against these objectives is being measured.

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[2] Six Sigma champions are referred to as 'Black Belts', 'Green Belts' or 'Yellow Belts'.

2.8.5 The Six Sigma programme being introduced by CWH represents its most significant drive toward achieving better value for money. However, the Six Sigma programme states that CWH has a high number of bespoke IT projects which may significantly contribute to costs.

3 Baseline financial position – HRA business plan

3.1.1 Following our review of CWH's documents, we have reviewed these documents and models to assess the current financial capacity of WCC's HRA Business Plan:

- HRA Business Plan and Asset Management Strategy v11 – May 2013
- Cabinet Report Housing Management Strategy and HRA Business Plan – 24 February 2014
- HRA Self-financing Model 2014 version 30 (Excel Model)
- HRA Self-financing Model 2015 base (Excel Model approved by Cabinet in December 2014).

3.1.2 Based on the 2015 Model, we have reviewed the main underlying assumptions, commented on the financial strength of the Business Plan, and considered whether there is any available capacity to further improve services or benefit the Council. This has allowed us to further develop insights from the document review and better understand how the performance and strategy of CWH is linked to the HRA. Please note that the 2015 HRA business plan which was approved by Cabinet in December 2014 has significantly improved the position of the HRA, with £50 million additional headroom over the first ten years, and no additional borrowing required.

3.2 Review of assumptions

3.2.1 The financial projections within the 30-year HRA Business Plan model assume underlying inflation of 2.0% throughout, which we consider to be a reasonable assumption. Rent increases of 3% for 10 years are in line with current government policy of CPI + 1%, thereafter rent increases of 2% have been assumed, which is a prudent approach. All other income (except for commercial income in year 2 which has been increased by 3%) has been increased by inflation of 2% only, which is also prudent. Management cost savings are assumed over the first 3 years (real increases of -1%) then increases of inflation only. These increases may be difficult to achieve over the life of the plan and will require continued efficiency savings. Repairs costs are assumed to increase at inflation + 0.5% which is in line with our expectations.

3.2.2 The model assumes voids of 2% in 2015/16 and 2016/17 then 3% for 5 years to allow for the impact of welfare reforms, reducing to 2% from year 8 onwards. Bad debts increase from 2.14% in 2015/16 to 2.74% from year 5 onwards. Both appear to be reasonable assumptions.

3.2.3 General management costs within the model are high but CWH is already addressing this through a programme of efficiency savings. The net management cost within the 2015 model, having deducted leaseholder costs recharged, is £17.3m or £1,432 per unit. We would expect general management costs within London (including housing management staff costs) to be in the range of £1,000 to £1,500 per unit per annum.

3.2.4 In addition to the relatively high management costs, it should also be noted that the HRA Business Plan includes a further £9.7m cost per annum for central overheads, WCC recharges, corporate property costs and contingencies. We understand that these charges have recently been reviewed by WCC and that they are considered to be legitimate HRA costs. We recommend that these costs are reviewed periodically to ensure that they are both appropriate and reasonable. WCC's costs are high due to the way the housing service is delivered with a large number of estate offices and 12 Tenant Management Organisations, the large number of lessees, high pension costs due to a final salary pension scheme, high corporate recharges and its central London location.

3.2.5 As highlighted in section 2.7 above, as part of its ongoing strategy CWH is aiming to reduce operating costs by 20% by 2018/19 through the Six Sigma programme and other value for money measures. Although there was a 4% reduction between 2014/15 and 2015/16, the HRA Business Plan shows a 1% increase for the next 3 years (i.e. inflation of 2% less 1% real decrease). Between 2014/15 and 2018/19 this is a 4% increase. The management accounts for period 5 2014/15 show costs above budget, so no sign of the targeted savings. This again highlights a lack of alignment between CWH strategy and WCC Business Plans. It is also important that WCC measures any savings or overspend in the management accounts against CWH targets and holds CWH to account.

3.2.6 However, all overspend on costs is offset by increased income. As well as ensuring that targets are reflected in the Business Plan, it is important to ensure that the findings of benchmarking Westminster's costs against other similar organisations are taken into account to ensure all efficiency savings are achieved.

3.2.7 Having deducted £3.65m of leaseholder costs and 0.5m of corporate property costs, revenue repair costs are included at £15.5m in year 1 reducing to £13.8m by year 21 or £1,285 per unit reducing to £1,142 per unit. These costs seem reasonable compared with our expected range within London of £950 to £1,450 per unit.

3.2.8 The total 30-year maintenance spend on existing stock (including both capital and revenue repairs), having deducted the leaseholder recharges, is £1,054m or £87,246 per unit. This is higher than our expected range of £55k to £80k per unit, partly due to the central London location and the fact that CWH manages a large number of listed buildings.

3.3 Financial Strength

3.3.1 Despite the high management and maintenance costs assumed within the Business Plan, the model is still viable and shows that CWH's ambitious proposed investment plans can be achieved. This is due to high average rents of £125.67 per unit[3] and a relatively modest opening debt per unit of £22,983 with an average cost of debt of 4.67%.

3.3.2 The base 2015 Business Plan model shows borrowing increasing from £278m in 2015/16 to £284m from year 2 to 12 to fund the high investment in the existing stock (£224m over the first 5 years), the housing estate renewal programme (net cost of £44m), and the proposed investment in new developments (£29m). In addition to borrowing, capital receipts, grant and the Major Repairs Reserve, £207m of revenue contributions are used to fund the overall capital programme over the first 10 years.

3.3.3 Once the higher capital investment requirements of the first 10 years reduce, the revenue contributions required are less and debt is assumed to be repaid, resulting in the revenue balances building up to a healthy £211m by year 20 and £575m by year 30.

3.3.4 The peak debt over the 30-year Business Plan is £284m in years 2 to 12; this reduces to £53m by year 30, compared with a borrowing cap of £333m.

3.3.5 Within the new Business Plan for 2015, there are management cost efficiency savings of 2.25%, a reduction in development costs from £129.5m (468 units) to £108.9m (379 units) and a reduction in other capital spend from £19.25m to £8.1m, increased rental income and a reduction in the impact of Right to Buy sales. This has resulted in a much stronger Business Plan than the forecasts in 2014.

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[3] This is due to the rent setting regime where rents are partially set based on the value of the properties and partially on relative county earnings, both of which are high in Westminster

3.4   Additional capacity available

3.4.1   WCC's borrowing cap set by the government at the onset of the self-financing regime was £325m. However, for 2015/16 WCC has negotiated an increase in the debt cap to £333m. As the peak debt in the 2015 plan is £284m, there is additional capacity within the plan to borrow an additional £49m to invest in housing.

3.4.2   Another option for WCC to increase its capacity to provide additional services or investment is to reduce the level of debt repayment beyond year 12. Different scenarios could be investigated to test what levels of longer term debt the Business Plan could sustain.

3.4.3   As mentioned in paragraph 3.2.3 above, both the management costs and revenue maintenance costs appear to be relatively high. WCC and CWH should therefore investigate areas to make efficiency savings within these activities; this would release additional resources to provide extra services or further invest in housing.

3.5   Conclusion

3.5.1   WCC's HRA Business Plan is currently viable and indicates the financial strength to provide additional services or further investment. Financial capacity could be further increased through the following routes:

- Use of the headroom available up to the increased borrowing cap
- Delayed repayment of loans
- Efficiency savings within management and revenue maintenance costs.

This capacity fits well with the picture, clear from reviewing CWH's documents, of an ambitious organisation. The Six Sigma programme documentation we reviewed shows that CWH is beginning to address the high costs we have identified within the HRA.

4 Benchmarking

4.1.1 Following our assessment based on CWH and WCC's documents, we consider how CWH performs in comparison with other similar housing organisations. This allowed us to test the view CWH has of itself against the market, and to identify areas of comparative weakness and best practice.

4.1.2 Much of this data is based on information collected as part of the HouseMark 2012/13 assessment (unless otherwise stated), although information has also been used from Altair's databases, and additional research.

4.1.3 As noted in the introduction, Pinnacle is responsible for managing 10,000 units of WCC stock. It is not possible to separate Pinnacle's costs separately; this means that HouseMark's benchmarking data provides information on the combined delivery by Pinnacle and WCH. The effect of Pinnacle on CWH's costs is discussed in Chapter 5.

4.2 Value for money

4.2.1 The main areas where CWH does not achieve the best value for money due to high costs, as highlighted by the benchmarking are:

- Staffing
- Overheads, including ICT, finance, central service and office premise costs
- Housing management
- Major works
- Responsive repairs and voids work.

		CWH	Rank	Worst	Best	Median
High Costs	Overhead cost as % of turnover	10.36%	15/16	11.16%	4.88%	8.36%
	Housing management total cost per property (CPP)	£505.59	16/17	£507.51	£258.07	£382.60
	Major works (management) total CPP	£279.02	17/17	£279.02	£60.74	£106.02
	Responsive repairs & void works CPP	£996.46	13/17	£1211.58	£506.02	£907.19
Satisfaction	Respondents very/fairly satisfied with service provided	88.00%	1/15	61.80%	88.00%	75.00%
	Respondents very/fairly satisfied with the overall quality of their homes	82.00%	2/15	57.00%	83.00%	71.00%

Cost and Satisfaction Benchmarking
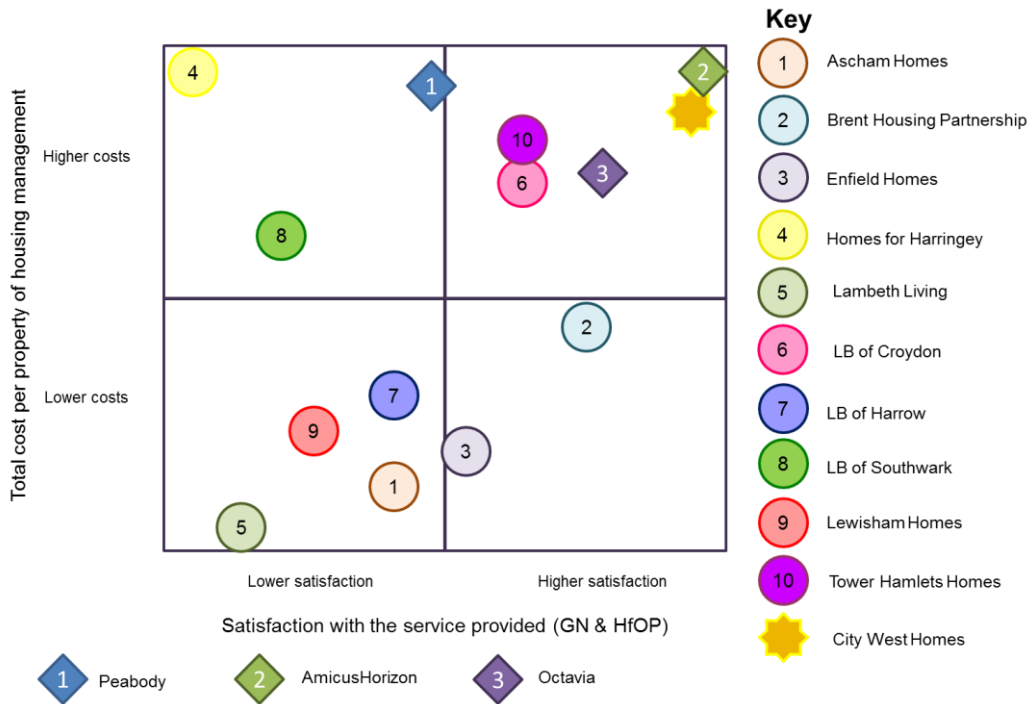
4.3 Service delivery

4.3.1 Across a range of measures, benchmarking consistently showed that CWH delivers a high quality service compared with its peers. When compared with other similar London ALMOs and local authorities, CWH has the highest scores for overall satisfaction. However, CWH also provides one of the most expensive housing management services and is comparatively expensive in a number of other measures. This is shown in the chart above.

4.3.2 Both estates services and lettings are delivered at a relatively low cost (Q2 and Q1) in contrast with the high cost trend described above. In both of these areas satisfaction remains high. ASB costs are also only slightly more expensive than the median organisation, but CWH is still delivering good results for both ASB resolution and for satisfaction with ASB. This suggests that, while overall CWH delivers a comparatively high cost, high performance service, in some areas excellent delivery has been built without large expenditure.

4.3.3 For repairs, CWH has a slightly below average total cost per property of major works, and is a top quartile performer for the costs of major works and cyclical maintenance as a percentage of adjusted turnover. Despite these low costs CWH is still achieving relatively high satisfaction of 82.0% with the overall quality of its homes.

4.3.4 CWH is a top quartile performer for average cost of responsive repair, delivering repairs at better than half the cost of the most expensive comparators. However, CWH delivers a comparatively high number of responsive repairs. Therefore, per property CWH is still expensive in terms of responsive repairs. As with other areas CWH is a top performer on repairs satisfaction. This suggests that CWH needs to review its approach to responsive repairs, to understand why it carries out such a high number, and how this can be reduced.

		CWH	Rank	Worst	Best	Median
Repairs[4]	Average number of repairs per property	4.5	11/13	5.4	2.3	3.4
	Average cost of responsive repair	£126.31	5/18	£188.08	£90.11	£138.79
	Repairs completion time (days)	8.79	6/11	19.77	3.51	8.79
	Repairs completed on first visit	80%	7/11	74.6%	96.9%	88.6%

4.3.5 When considering service delivery models CWH is currently using a model based on four management areas, subdivided into villages. Other housing organisations are using a range of approaches. A geographic split is most common, as would be expected given the estate-based nature of the majority of social housing, with very small providers most likely to operate a single centralised service. However, there is variation in the level at which geographic divisions operate. For example:

- Notting Hill Housing Group has recently adopted a model that relies on generic neighbourhood officers with a very small patch size of approximately 150 properties

- Peabody Housing Group has a 'neighbourhood charter' model based on delivering services to a self-defined neighbourhood based on need (there may be more than one neighbourhood within an estate)

- Thames Valley Housing groups its properties into areas with teams of tenancy support and housing officers

- Hyde housing has local residents services teams with a mixture of specialist and generic officers

- Innovatively, one Registered Provider (RP) has set up a system to allocate resources at a neighbourhood level based on a 'vitality index' (covering a wide range of measures such as health, deprivation, crime, ASB, education etc.). This ensures that area-based teams are fully focused on individual neighbourhoods The index effectively assesses the need for intervention in each individual neighbourhood; staffing resources are then allocated to the areas of highest need.

For CWH, contracting half of the housing management to Pinnacle reduces its flexibility to reorganise its delivery model. However, this may be an area for future review when CWH considers how it could deliver efficiency savings.

4.4 Corporate Costs

		CWH	Rank	Worst	Best	Median
Corporate Costs	IT costs % turnover	2.58%	13/16	3.15%	0.78%	1.73%
	Finance costs % turnover	1.52%	11/16	2.26%	0.60%	1.34%
	Central costs % turnover	4.14%	10/16	5.77%	1.40%	3.84%
	Office premises costs % turnover	2.12%	15/16	2.63%	0.50%	1.21%

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[4] 2013/14 Housemark data

4.4.1 CWH also has a high office premise cost (as a percentage of turnover). This may be due to the buoyant property market in Westminster, but could also suggest that work needs to be undertaken to assess the actual business requirement, in terms of offices, and to encourage flexible working. This could reduce the office costs for the business.

4.4.2 CWH has thirteen local offices, compared with between one and four offices for other London ALMOs. This suggests that further investigation should be made into the cost of the offices. While having a large number of offices is not necessarily a weakness, it is important that their value for money is proven. If local offices are providing additional services and ensuring community need is met, they may be worth the extra expenditure.

4.4.3 A further area in which CWH's high spend was noticeable was IT, where the organisation spends more as a percentage of turnover (2.58%) than any of its peers. It was not clear from the documents we examined why expenditure was this high and our other work suggest that CWH are not receiving a high performing service for this investment. Comments made by CWH senior management about IT performance indicate that the spend is increased by a number of factors including cost of ownership of Orchard, high number of requests for IT reports due to inflexibility of system and providing services to HOS, Vital and others. However, the IT costs should reduce as the Business transformation team are now evaluating IT requests more thoroughly and the need for IT to run reports will reduce once Orchard move to a browser enabled system.

4.4.4 CWH has a higher number of employees per property than similar organisations in a number of areas, including housing management and rent arrears collection. However, the average employee cost, is much lower at CWH than other local authorities/ALMOs. Staff turnover is also high. This may indicate that work needs to be undertaken to ensure the correct skills and number of posts exist within CWH's structures.

		CWH	Rank	Worst	Best	Median
Staffing	No. of employees housing management per 1000 properties	8.46	17/17	8.46	3.98	5.47
	No. of rent arrears and collection employees per 1000 properties	2.12	15/17	2.69	0.07	1.71
	No. of resident involvement employees per 1000 properties	0.80	13/17	1.52	0.19	0.51
	No. of anti-social behaviour employees per 1000 properties	0.97	10/17	1.58	0.18	0.89
	No. of tenancy management employees per 1000 properties	3.97	17/17	3.97	0.82	1.55
	Staff turnover rate	16.3%	16/16	16.3%	3.1%	8.1%

4.5 **Housing association benchmarking**

4.5.1 CWH's performance appears more favourable when compared with that of London Housing Associations operating within a small geographic area (mainly one - five boroughs), for example Octavia Housing and Wandle Housing Association. These associations generally have high costs and lower satisfaction than CWH. However, although these organisations are similar to CWH in that they operate in a limited geographic area, they are generally much smaller, with between 3,500 and 5,500 units. When CWH's performance is compared with members of the G15 group of housing associations, CWH is more expensive than similar sized members on a number of measures, including housing management, although the median of the

group is more expensive than CWH. These RPs have stock spread over a wider area than CWH, but are much more comparable in terms of stock numbers. This is shown in the chart below:

Cost and Satisfaction Benchmarking
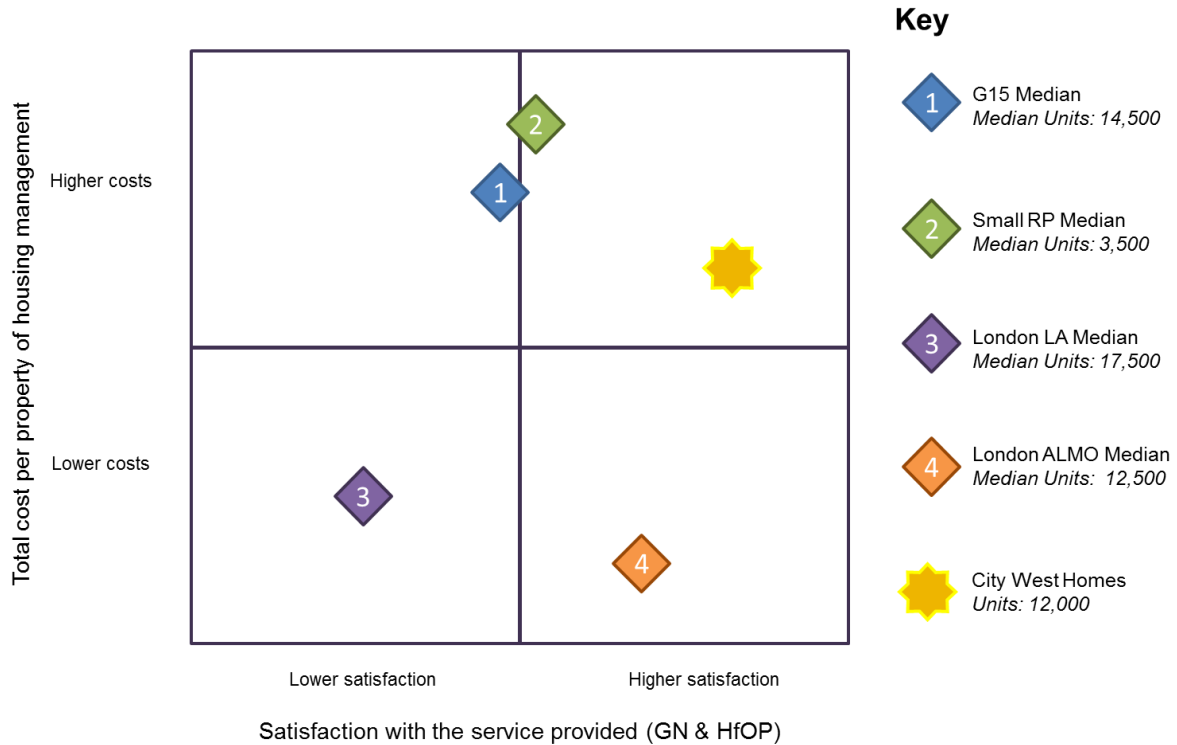
4.6   Inner London benchmarking

4.6.1   To consider whether CWH's costs and performance is linked to its area of operation in Central London we have compared its performance to five other inner London boroughs and seven housing associations that operate in Westminster.

4.6.2   With regard to overheads, CWH has higher cost as a percentage of adjusted turnover than the inner London local authorities and ALMOs in the benchmarking group. However they performed better than all the RPs we compared them with. CWH has a high percentage of staff who are 'overhead employees' (18.47%) which is a higher proportion than all the LAs/ALMOs and three of the seven RPs.

4.6.3   Corporate costs, in particular IT and office costs, are identified as an area of high spend above average. As with overall overheads CWH performs poorly compared with inner London authorities and just above the median compared with RPs for both office premise and IT costs.

4.6.4   In terms of housing management, CWH is again an expensive provider compared with inner London LAs and ALMOs, but performs well compared with RPs. CWH's major works costs are lower than most LA/ALMO comparators, but higher than in the RPs working in Westminster. CWH's major works management costs are the highest in the benchmarking group, and costs for responsive repairs management are also high. For responsive repairs and void work CWH's costs are just above the median.

4.6.5 For both tenant arrears and ASB resolution rate CWH performs very well compared with all comparators. CWH's satisfaction scores are either first or second best across all measures.

		CWH	LA / ALMO Median	RP Median	Overall Median	Overall Rank
Costs	Overhead cost as % of turnover	10.36%	10.29%	11.95%	10.76%	6/12
	Office premises costs as a % of adjusted turnover	2.12%	1.70%	2.37%	1.95%	7/12
	IT costs as a % of adjusted turnover	2.58%	2.16%	2.63%	2.57%	7/12
	Total CPP of housing management	£505.59	£404.95	£564.17	£483.84	8/13
	Total CPP major works management	£279.02	£137.86	£75.31	£101.02	13/13
	Total CPP responsive repairs management	£320.22	£294.40	£190.76	£203.22	12/13
Performance	Total tenant arrears %	3.21%	5.93%	6.89%	6.08%	2/13
	% of anti-social behaviour cases resolved successfully	97.54%	91.40%	77.04%	83.69%	1/10
	% of respondents very or fairly satisfied with the overall quality of their homes	82.00%	65.00%	78.00%	77.70%	2/10
	% of respondents very or fairly satisfied with the way their social housing provider deals with repairs and maintenance	82.00%	66.00%	71.70%	69.50%	1/10

4.7   Future ambition

4.7.1 As identified in the document review, CWH hopes to reduce its like-for-like operating costs by 20% by 2018/2019. We have shown what impact this would have on CWH's comparative performance in the table below:

		CWH -20%	Rank	Worst	Best	Median
Future Performance	Overhead cost as % of turnover	8.29%	3/12	14.38%	5.35%	10.76%
	Housing management total CPP	£404.47	6/13	£630.59	£266.74	£483.84
	Major works management total CPP	£223.22	11/13	£256.57	£59.59	£101.02
	Responsive repairs management total CPP	£256.18	10/13	£332.15	£59.08	£203.22

4.7.2 This shows that a reduction in costs of 20% would help improve CWH's cost performance compared with its inner London peers in those measures which it currently delivers at a high cost. As others are also likely to be seeking to generate efficiencies and improve their performance, the targeted 20% reduction is not enough to transform CWH into a low-cost organisation. However, due to the very high performance levels of CWH and the plans to increase third party revenues to at least 20%, it would certainly go a long way to achieving improved value for money.

4.7.3 It is important to note that the cost figures for the comparator organisations used will include costs, such as repairs, that sit outside of CWH's direct operating costs. This may suggest that CWH could achieve a further reduction in the wider costs to the

HRA that they control, such as the repairs contracts, rather than just their core operating costs.

4.7.4 The 20% like-for-like reduction focuses on costs, and does not consider the quality of services that CWH delivers. The table below compares the performance of CWH with six housing organisations with relatively high satisfaction ratings to show what satisfaction scores may be possible with reduced costs.

	Housing Management Total CPP	Satisfaction with Service provided
CWH (-20%)	£404.47	Appox. 83-86%[5]
CWH 2012/13	£505.59	88.00%
Brent Housing Partnership	£382.60	79.00%
Enfield Homes	£314.75	75.00%
Hounslow Homes	£258.07	82.00%
Sutton Housing Partnership	£391.55	84.80%
Octavia	£511.78	81.90%
AmicusHorizon	£669.30	95.60%

4.7.5 Overall, this shows that other housing organisations are able to achieve high satisfaction scores while spending less on housing management than CWH would after a 20% like-for-like reduction. However, with the exception of AmicusHorizon, these satisfaction scores are lower than those currently being achieved by CWH. It may be the case that there is a trade-off between cost and quality.

4.7.6 We have also considered how this future ambition compares with two other inner London boroughs in the table below[6]

	Housing management total CPP	Satisfaction with service provided
CWH (-20%)	£404.47	Appox. 83-86%[7]
CWH 2012/13	£505.59	88%
LB Hammersmith & Fulham*	£507.92	74%
LB Camden*	£344.58	77%

*2013/14 data

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[5] Based on what the corresponding satisfaction score (on a line of best fit) would be against a cost per property of £404.47, taking into account the fact that CWH currently perform better than the line of best fit would suggest.

[6] We only have 2013/14 data available for the boroughs indicated. However, as the data is being used to consider possibilities for the future, rather than to draw a comparison with CWH currently, we do not feel that the use of 2013/14 data is problematic

[7] As above.

4.7.7 Both boroughs have satisfaction scores significantly below those achieved by CWH. While for Camden this is achieved at a spend that is 32% below CWH's current position, Hammersmith & Fulham currently spend 0.5% more than CWH at present and achieves lower satisfaction.

4.8 Conclusions

4.8.1 Overall, the benchmarking shows that CWH's service is relatively expensive, even within inner London, but that resident satisfaction and other quality measures are high. We identify a number of areas where CWH may seek to make efficiency savings, in particular we suggest the following are reviewed

- Staffing – staff numbers seem high, although average salaries are low

- IT – costs are much higher than other organisations and, anecdotally, performance does not match this

- Offices – CWH is spending more on offices than other ALMOs, and also has considerably more offices. While this may represent good value for money, the usage and need for the offices should be reviewed.

- Responsive repairs – while the cost per repair is low, a large number of repairs is carried out making the service expensive. We recommend that this is investigated.

4.8.2 According to current benchmarking figures, if CWH succeeds in reducing costs by 20%, CWH would remain more costly than other organisations who achieve high satisfaction ratings. This suggests that CWH could target the wider costs to the HRA that CWH has control of, such as repairs, rather than just its own core operating costs. It also suggests that CWH could reduce these costs by 20% without necessarily damaging its resident satisfaction performance.

4.8.3 While there is significant scope for CWH to deliver efficiencies without necessarily impacting service quality, there will be a tipping point at which cost reductions will also mean reductions in the quality of service and resident satisfaction

4.8.4 Within section 5 we consider why costs are high and what is already being done and what can be further improved to ensure a reduction in costs and therefore achieve better value for money.

5 Value for money considerations

5.1 Analysis of costs

5.1.1 It should be noted that CWH already has a value for money (VFM) programme to generate savings. These are to ensure costs are maintained within the CWH fee which reduces by 1% each year. Over the last four years CWH has achieved business transformation and other VFM savings of over £3m per annum, as noted in the VFM register.

5.1.2 However, the benchmarking exercise undertaken as part of our review of CWH as a housing manager highlighted a number of areas where CWH still appears to have high costs in comparison with peers. These areas, set out in section 4, are overheads (IT, finance, and office premises), housing management (including staffing levels), responsive repairs and voids works, and major works management.

5.1.3 In discussions with CWH, and based on our review of CWH's documents, we have considered the reasons for CWH's high costs in these areas, reviewed its plans for improvement and considered other options to reduce costs.

5.2 Overheads

5.2.1 Benchmarking shows that overheads are high at CWH, particularly in the areas of IT, finance, and office premise costs.

5.2.2 IT

5.2.3 It should be made clear that CWH's IT systems are shared with Westminster Housing Options, Vital Regeneration (a local charity) and Westminster Community Homes. CWH estimate that its IT team supports around 600 users in total, around 200 of whom are not CWH employees. CWH's IT team includes two analysts who provide support to these other users. The additional cost to the IT function of supporting these additional users makes it difficult to make accurate comparisons with the cost of IT in other organisations. Consideration needs to be given whether IT costs are being recharged correctly between organisations.

5.2.4 There are signs of possible efficiencies that could be made within the IT team. The Six Sigma programme documentation refers to a high number of 'non-standard' IT projects that CWH carry out. Bespoke IT solutions can increase the cost of IT delivery as they require more development time, and can incur higher levels of on-going support. Where bespoke programmes result in a higher quality of IT delivery their use may be justified. However, in interviews CWH senior management raised IT quality and delivery as an area of weakness.

5.2.5 The high number of 'non-standard' projects may be due to the lack of a user-friendly IT system resulting in a high number of user requests. CWH's software supplier is improving the software and it is hoped that, by the first quarter of 2016, CWH will move to a browser enabled system, which should reduce user requests to the IT team by around 50%.

5.2.6 While CWH's draft strategy identifies the need for a new approach to IT, based on flexibility and efficiency, an initiative to investigate and address the high number of 'non-standard' projects could be included.

5.2.7 IT features heavily in CWH's transformation plans. A three-pronged approach is being developed that is comprised of the following initiatives:

- Increasing mobile working – Currently, much of the reporting and data collection completed by frontline staff occurs through manual processes which can add unnecessary delays in the reporting, updated and checking of information. Mobile working offers a responsive and more efficient solution.

- Digital channel shifting – Channel shifting customers from expensive forms of communication such as face-to-face or telephone contact to internet-based communication can save time and costs as well as offering customers a more convenient method of contacting their landlord. CWH is planning to provide all of its residents with broadband through their Community Fibre programme.

- Improving back-office IT solutions - through the implementation of CRM (Customer Relationship Management) and document management systems. CWH plans to review existing IT solutions with recommendations ready for procurement by the second quarter of 2015.

5.2.8 Digital channel shifting is best achieved when customers are offered multiple platforms/channels through which to communicate. CWH understands the need to provide a number of digitally-based channels and its Community Fibre project will enable both web-based computer communication and internet-enabled television. In addition, consideration should be given to developing mobile phone applications, 2-way SMS messaging, and social media networks.

5.2.9 In addition to reducing IT costs, the CWH transformation plans above should dramatically change the way the housing service is provided. CWH estimates that around 50% of frontline staff time is spent at their desks, something that mobile working could significantly improve. Any resulting increases in efficiency should lead to a more responsive service and a reduction in staff numbers.

5.2.10 Finance

5.2.11 Finance costs as a percentage of turnover are slightly above the median level when compared with other London Boroughs and ALMOs. Unlike other ALMOs, CWH is a limited company and is responsible for statutory reporting of its accounts, as well as managing the HRA and providing financial services to Westminster Community Homes. This may increase costs when compared with other London Boroughs and ALMOs. Also CWH is recharged finance and audit costs from WCC.

5.2.12 CWH plans to introduce a new invoicing system in 2015/16 which will involve outsourcing some functions as part of a tri-borough agreement. CWH expects this to result in greater efficiencies and an estimated reduction in the number of finance staff by two positions.

5.2.13 Office premises costs

5.2.14 Benchmarking has shown office premises costs to be high. CWH maintains more than three times the number of offices than its closest peer. There are a number of additional costs that are associated with having a significant number of offices. These include staffing, maintenance and utilities. CWH estimates that it could make this model more efficient by carrying out a detailed review of their functions. CWH's

head office is located in a prime office location on Grosvenor Place. The head office adds considerable cost (around £900k per annum) to overall premises costs.

5.2.15 There is a break in the lease for the Grosvenor Place office at the end of 2017. Consideration should be given to moving the head office to premises which offer better value for money. There is also a decision to be made about the future purpose of the current estate offices in the context of digital channel shifting strategies. We understand that rent costs for the estate office premises are funded directly by the HRA. CWH should take greater responsibility for the HRA as a whole and seek to achieve better value for money for the HRA where possible.

5.2.16 CWH estimates that it could generate savings of over £500k per year by transforming and modernising its operating model, making it both more efficient and more relevant to evolving customer needs. This might include, for example, the development of multi-purpose offices and more accessible digital and estate based customer contact opportunities.

5.2.17 As part of its transformation programme, CWH is considering a customer based-strategy and expanding the services available at the estate offices to cover Jobs Plus, NHS and housing management activities. This is considered to be important due to the high proportion of tenants with learning difficulties and an ageing population (39% of tenants over 60 and 25% over 75). A pilot is scheduled for the Church Street Estate office which is one of the most deprived estates in the Borough.

5.2.18 Expanding the service offering from estate offices would be an excellent way to obtain additional value from the existing premises. Successful partnering with other organisations and WCC departments would be essential to such an approach.

5.2.19 **Other overhead costs**

5.2.20 In addition to general management costs, there are corporate recharges from WCC of £6.4m included within the HRA Business Plan. Whilst we understand that these charges have recently been reviewed by WCC and are considered to be legitimate HRA costs, we recommend that these costs are reviewed periodically to ensure that they are appropriate to the HRA and to consider whether there is any scope for savings.

5.3 **Housing management**

5.3.1 **Staff**

5.3.2 Benchmarking indicates that CWH has a low average salary, but the number of staff it has per property is much higher than comparator organisations. This has led to comparatively high total staff costs.

5.3.3 The high staff numbers may be linked to the number of local offices CWH maintains. CWH estimates that around 4 staff members are required for each of the 14 estate offices to run the customer services desk.

5.3.4 CWH are currently operating with more housing management staff per property than Pinnacle, which runs two of the housing management areas. In Westminster Pinnacle manages 147 units per member of staff, whereas CWH manages 142 units for each staff member. CWH have investigated where it can reduce staff numbers and estimate that it can manage 151 units per staff member from 2015.

5.3.5 The current delivery of the housing management service is very labour intensive due to manual systems. Within CWH's transformation programme, there are plans to move towards mobile working; it is expected that this will considerably reduce the staff numbers within both housing management and the management of the repairs service. For example, 4,000 tenancy checks are carried out per annum, currently taking 65 minutes each. With mobile working it is aimed to reduce these checks to 20 minutes.

5.3.6 Pensions

5.3.7 Another reason for CWH's high staffing costs is that they operate a final salary pension scheme with a rate of charge of 19.1% on salary. It is estimated that this adds £1.2m to the overall staff cost for CWH. While consistent with other ALMOs, only around 10% of RPs still operate a final salary pension scheme. Most RPs operate a defined contribution scheme with typical employer contributions of between 3 to 10%.

5.3.8 As part of its VFM strategy, CWH is currently investigating the possibility of hiring new staff under a subsidiary company who could offer a defined contribution pension scheme based on match-funded contributions up to 6%. This would mean a reduction in the pension cost associated with some new employees that could make some parts of CWH's business more competitive. A subsidiary with lower pension liabilities could also pay dividends to WCC as a shareholder.

5.3.9 Further work is required by CWH to forecast the overall pension savings, but it is hoped that this will make CWH more competitive in the market and contribute to a significant long-term reduction in costs.

5.3.10 Other housing management factors

5.3.11 CWH operates 11 TMOs and, through these, some management services have been delegated for the 801 rented properties and 962 leasehold TMO units. The cost of the 11 TMOs is around £2m per annum. Tenanted TMO units cost CWH £1,285 per property which is lower than the average cost for all CWH stock as shown above in 3.2.3. However, the costs of other services to the TMOs from other providers have not been included in this figure. The level of service provision from both CWH and other providers varies amongst the TMOs and the costs of other providers would have to be included to get a true measure of the cost of TMO management.

5.3.12 CWH has a very high proportion of leaseholders (12,000 tenanted properties plus 9,000 leaseholders). Consequently and as such the housing management teams deal with many leaseholder issues, the cost of which may not always be recharged to lessees. We would recommend that a review is carried out to ensure costs are allocated correctly between tenants and leaseholders, and that leaseholder costs are appropriately recovered.

5.4 Responsive repairs and voids work

5.4.1 While CWH is a top quartile performer for average cost of responsive repair, it delivers a comparatively high number of responsive repairs and therefore, per property, CWH is still expensive in terms of responsive repairs. The high number of repair jobs may be due to the age of CWH stock when compared with comparator organisations. Around 25% of CWH stock was built before 1900, and 50% built before 1945. Older stock often presents maintenance challenges that differ from

those common in more recently built properties. This should be investigated to understand the underlying reasons for the high frequency of repairs; preventative measures may be helpful in reducing their frequency and overall cost.

5.4.2   Around 17% of WCC stock is listed, with 50% in conservation areas. Maintenance and refurbishment costs can be around 20% higher on listed properties compared with non-listed[8]. This could therefore account for up to 3.4% of CWH's total repairs and maintenance costs. However, even taking into account these costs, CWH is still comparatively high cost in terms of repairs.

5.4.3   Voids are refurbished to the CityWest Standard, which is of higher cost and quality compared with Decent Homes. However, many housing providers now maintain a comparable Decent Homes Plus standard, so CWH's relatively expensive performance cannot be fully attributed to this. Moreover, refurbishing to a higher quality of stock is a choice, and a basic Decent Homes standard could be reintroduced if delivering a lower cost service was prioritised.

5.4.4   Despite refurbishments meeting a higher standard, CWH feels that there has been a general underinvestment in major works in recent years. While this is being addressed through the Better Homes Programme (which will see investment increase to around £50m a year in major works), it has been suggested that the past underinvestment in major works has contributed to a greater volume of responsive repairs.

5.4.5   CWH recognises that its repair reporting systems are outmoded and too manual. Currently, if estate management team members want to report a repair, they cannot record it on the system until they return to the office. Repair inspections and post-inspection satisfaction information gathering is all conducted manually.

5.4.6   CWH has plans to improve the speed and efficiency of repairs reporting through the introduction of mobile working; this should considerably reduce the management cost of the repairs service. Currently, within the existing repairs call centre, it costs around £10 to £11 per call, compared with an industry standard of £2-3 per call, so there is great potential here to make efficiency savings with the correct technology.

5.4.7   As well as improving the efficiency of the current responsive repairs service, CWH should also consider developing more preventative measures. Some housing providers now offer a property 'MOT' to their tenants. The maintenance team or contractor spends a short time evaluating the property and potentially carrying out preventative action.

5.4.8   Housing Solutions, an RP with over 8,000 units across the South East, uses a targeted MOT service. Housing Solutions offers £100 as an incentive to the most prolific users of its repairs service to make fewer demands on the facility. This was after finding that 2.5% of residents were using 11% of its annual repairs budget. On average, the customers involved reduced their use of the repairs service by 60%, saving £87,000 in the schemes first year of operation.

5.4.9   De Alliantie, a Dutch housing association, has used a repairs MOT for its homes in and around Amsterdam. Residents receive a scheduled visit every 18 months. During this visit a handyman carries out central-heating safety checks and minor repairs

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[8] Part of this cost is due to the delays both in obtaining consent and in resolving the details of discharging conditions during the contract.

which tenants request in a questionnaire sent out a month before the visit. The scheme resulted in a 25% reduction of unplanned maintenance costs over four years.

5.4.10 CWH already inspects heating pipework in properties connected to district heating systems annually before systems are used in the winter months. A similar approach to the 'MOT' schemes mentioned above could be considered for the properties currently receiving the most responsive repairs.

5.5   Major works management

5.5.1   Housemark data shows that the cost of CWH's major works management per property is the highest in their comparator group. CWH recognises that major works has been an area of poor performance that is being actively addressed. CWH's Better Homes Programme sets out a plan to invest £50m a year in major works. This is an ambitious target that will need to be carefully managed. This level of investment in the stock should reduce responsive maintenance in the longer term.

5.5.2   Our discussions with residents highlighted delays in major works as being a source of dissatisfaction with CWH. Delays in major works add to the cost of major works management.

5.5.3   CWH suggest that an important factor in causing delays with major works is the procurement process. The procurement of major works is inefficient due to the number of gateways and approval processes that are required before procurement can be signed off. The procurement process is largely manual and can involve assessing up to 30 responses per contract. CWH accepts that the quality of proposals and reports submitted to WCC has been poor on occasion. Work has had to be resubmitted to WCC with associated delays.

5.5.4   In the past, the procurement process for large contracts was around 18 months. This has reduced to between 12 to 14 months due to changes already instigated by the new director of major works. These include the existing procurement team now reporting to WCC. This review of major works procurement is on-going. WCC should participate fully to ensure Council processes and gateways are as efficient as possible so as not to add to any delays.

5.6   Other ideas for cost savings/increased value for money

5.6.1   From our work with other housing organisations, we feel that there is potential to increase value for money by changing how some housing services are provided by CWH. Examples of new practices from around the sector have informed the recommendations included in the sections above. The following ideas are not directly related to the business areas already discussed but are nonetheless examples of how other housing providers are developing the way they provide services.

5.6.2   Flexible resourcing

5.6.3   As part of its transformation programme CWH is considering the development of social impact reporting. Using social impact reports and customer insight data, services could be flexed to neighbourhood needs with resources focused on areas of greatest need. Focused use of resources and improved use of customer insight data could achieve efficiency savings and improvements to resident satisfaction.

5.6.4   A national RP, has set up a system to allocate resources at neighbourhood levels based on a 'vitality index' (covering a wide range of measures such as health,

deprivation, crime, ASB, education etc.). The index assesses the need for intervention in each individual neighbourhood; staffing resources are then allocated to the areas of highest need. As interventions have an effect, the 'vitality index' rating is amended and resources moved to another area. This approach should enable a highly targeted approach to using available resources.

5.6.5 This approach would benefit from advanced customer insight data practices and a sophisticated partitioning of customer groups. For example, Midland Heart, a Midlands based RP, has used customer insight data to partition customer groups to find where different levels of satisfaction were occurring. Moving away from common groupings, such as gender, age, location and ethnicity, Midland Heart grouped customers by 'lifecycle' stages to create distinct subgroups of tenants that have different needs and aspirations.

5.6.6 CWH has advised us it is already beginning to consider developing customer insight data practices. Flexible resourcing in a model similar to that of Home Group would also require a highly developed measure of social impact. CWH's draft transformation plan currently includes the development of social impact reporting. These data practices should be highly developed and tested before they are used to influence the allocation of resources should this approach be taken.

5.6.7 **'Jam-jar' financial products**

5.6.8 With the advent of Universal Credit there are financial products, such as Visa cards and e-accounts, that have 'jam-jar' functionality which can 'ring fence' money for rent. Registration for such accounts by residents is encouraged through the use of special offers and cashback schemes linked to particular retailers. These incentives can be used to encourage a range of behaviours such as paying rent on time, being present for repairs and gas servicing visits, reducing energy usage and fixing minor repairs.

5.6.9 Significant adoption by customers of such financial services could result in reductions in rent arrears, missed appointments, ASB costs, and assist both customers and CWH in managing the potential adverse impact of Universal Credit. The Universal Credit pilot scheme in Southwark showed arrears levels for council residents increasing by around 7%.

5.6.10 These accounts can be funded in a variety of ways. Retailers often contribute to the costs as they stand to benefit from an increase in patronage from the account group but it is usually the landlord that bears the cost. By potentially saving a significant amount of money for WCC (by reducing arrears), there is a case to be made for the Council to fund or part-fund the implementation and maintenance costs of the account system.

5.6.11 **Neighbourhood partnerships**

5.6.12 Peabody, another housing provider in Westminster, works with other social landlords as part of a local neighbourhood in Dalgarno, North Kensington. The Dalgarno Neighbourhood Management Alliance comprises the five main social landlords in the area and is supported by the police and the RB Kensington and Chelsea.

5.6.13 The cost of the neighbourhood management services is split between the providers according to the number of properties each of the five housing providers has. Thus, one of the providers with 33% of the total properties pays 33% of the total cost for neighbourhood management services. Additional services such as caretaking,

cleaning and landscape gardening services are used by some but not all of the providers. The cost of these services is split between the relevant users, again dependent upon the number of properties receiving the additional services.

5.6.14 In addition to sharing costs of neighbourhood management, the Alliance adds value to the local area by seeking to make visible improvements to the area and increase residents' perception of safety.

5.6.15 CWH could consider establishing similar partnerships with other housing providers, as well as healthcare, social and employment organisations, as part of an integrated system of service delivery. Such an approach could be particularly effective if adopted alongside a repurposing of estate offices for the delivery of multiple services.

5.7 Additional income generation

5.7.1 In addition to measures to reduce the costs of providing the housing services, another area for CWH to improve value for money is to increase the revenue generated from third parties. CWH should take greater responsibility in its approach to managing the HRA as a whole and target revenue from third parties that will benefit either CWH's income or the HRA directly. CWH has already made considerable progress in this area, with additional revenue of £6.8m produced in the four years to 2013/14 as recorded in the VFM register.

5.7.2 In order to become more competitive within the market it is essential that CWH drives through its proposed transformation programme and, in particular, reduces their staff costs by establishing a cheaper pension scheme option and increasing staff efficiency through improved IT solutions, mobile working and the introduction of CRM.

5.7.3 Once these improvements have been established, CWH will be able to make the most of the following high performing services by marketing them to third parties:

- Handyman services,

- Neighbourhood upkeep scheme,

- Revenue collection,

- Lessee services,

- Anti-social behaviour and social cohesion services.

5.7.4 CWH Residential Letting currently generates revenue of £800k per annum with a 25% margin, and there are plans to expand this to a £2m business over the next five years. Following the success of CWH Residential, CWH may also wish to consider expanding into the commercial property market. However, this would be best explored once the CWH Residential brand is more established in the local market. Such a venture should be considered in 2-3 years' time.

5.7.5 Regeneration work has already identified by CWH as an area for potential expansion. CWH have an in-house development team and expect this work stream to expand with the increase of investment in major works. A number of ALMOs have development programmes as it has been seen by some local authorities as a natural extension to other housing services. CWH could also provide communications and consultation services for regeneration schemes.

5.7.6 Another area where some housing providers have ventured is re-ablement accommodation. Re-ablement services are aimed at helping people regain the ability to look after themselves following illness or injury. These are currently provided by Housing and Care 21 and other providers in partnership with NHS Westminster and Westminster Adult Services. However, we are not aware of any specialist re-ablement accommodation available in the Borough.

5.7.7 Midland Heart has developed a partnership with two of their local hospitals in the Midlands to open a re-ablement service. Through redeveloping a ward at the hospital they have provided a purpose-built facility. The re-ablement centre provides specialist support to free up hospital beds that would otherwise be occupied by patients unable to live alone. The hospital trust funds the revenue costs and funded the initial capital costs for redesigning the ward. NHS funding is available.

5.7.8 While re-ablement accommodation would represent a totally new product offering for CWH, it would be worth considering if an appropriate refurbishment opportunity arose and there was sufficient room for investment.

5.8   Summary

5.8.1 From our discussions with CWH and our review of the documents, we have categorised the main high-cost areas as follows:

Categorisation of Cost Drivers	
Costs imposed by external factors ▪ High repairs costs due to number of listed buildings ▪ Cost of TMOs	**Elective costs** ▪ High overheads and staff costs due to 14 estate offices ▪ High head office cost of CWH ▪ High repairs management cost due to labour intensive manual system ▪ High repairs and major works cost due to the demands of CWH Standard
Cost which can be reduced by VFM ▪ IT costs reduced by moving to a browser enabled system (tbc) ▪ Staff costs reduced by rationalising the number of estate offices and moving to multi-purpose offices ▪ Staff costs reduced by introduction of mobile working and CRM	**Costs based on internal culture** ▪ High IT cost due to inflexible system and large number of bespoke projects approved ▪ High WCC corporate recharges ▪ High major works cost due to lengthy procurement process

▪ Pension costs reduced by setting up a new subsidiary with a defined contribution pension scheme ▪ WCC corporate recharges reviewed to establish efficiency savings ▪ Repairs management costs reduced by introduction of mobile working ▪ Major works costs reduced by improved efficiency in the procurement process	

5.8.2 CWH already has an outline transformation programme in place to use technology to radically change the way the housing service is provided. Our view is that these plans need to be further developed, along with other options we have suggested, to drive through efficiency savings and ensure value for money is achieved.

5.8.3 CWH should seek to achieve value for money across all of the costs to the HRA which it controls. We believe that there are opportunities for CWH to generate income and achieve greater value for money for the HRA through taking greater responsibility in their approach to managing the HRA.

5.8.4 As well as developing the transformation plans outlined above, work should be done to define the criteria for success of these plans and outline the process of monitoring targets. WCC should be a stronger client and play a more active role in monitoring performance and ensuring that targets are adequately defined.

5.9 Conclusion and recommendations

5.9.1 CWH has already set the following objectives within its Strategic Plan:

- 20% reduction in annual operating costs by 2018/19

- Generate at least 20% of revenues from third party sources by 2018/19.

5.9.2 We believe that CWH could target a 20% reduction in wider HRA costs that they can control, such as repairs costs, rather than just its own core operating costs. These are ambitious targets and it is not yet clear from CWH's VFM and transformation plans how they will be achieved. To ensure they are met, we recommend adhering to the following processes:

    a) Further develop plans to introduce mobile working, digital channel shifting, browser enabled IT system and CRM as per CWH transformation plan

    b) Assess the implementation cost of introducing these changes and the potential future savings through improved efficiency and reduction in staff numbers

c) Following the pilot at the Church Street Estate office, CWH to put a proposal to WCC to review the use of the 14 existing estate offices with a view to turning them into multi-purpose area offices where appropriate. This may result in a more efficient use of staff in estate offices and potentially result in other income or value derived from other services.

d) Review the allocation of costs of housing management costs between tenants and leaseholders. Once the exercise is completed CWH should provide forecasts of potential cost savings

e) We understand that CWH plans to set up a subsidiary with a defined contribution pension scheme. We recommend that CWH calculates estimates of likely staff numbers within the new subsidiary within the first four years and forecasts pension cost savings

f) WCC should work alongside CWH to improve the efficiency of the procurement process for major works. The length of the procurement process for large contracts has already reduced from 18 to 12-14 months. There is a need to set a target for the future, and estimate the cost savings generated from the improved efficiency in the process

g) Once the new pension arrangements are in place and CWH is more competitive in the market place, CWH should develop detailed proposals (including estimates of costs and forecast increase in revenue over the next four years) to consider expanding or developing the following services:

- Handyman services

- Neighbourhood upkeep scheme

- Revenue collection

- Lessee services

- Development and regeneration services

- Anti-social behaviour and social cohesion services

- Pimlico District Heating Unit

- CWH Residential Lettings

- Commercial lettings

- Re-ablement accommodation.

5.9.3 We believe that the successful implementation of CWH's transformation plans, in line with our recommendations above, has the potential to yield savings of up to 20% across its wider cost base, including repairs. We have also identified further steps that CWH could take. The following measures could result in savings of a further 3-5%:

h) CWH to consider developing a mobile phone application, 2-way SMS messaging, and a social network to broaden access to services, improve

quality of insight data and increase the efficiency of communication with customers. We understand that this forms part of CWH's current thinking on channel shifting.

i) CWH to investigate preventative repairs measures, including an 'MOT' scheme targeted at properties that are the most costly in terms of repairs.

j) As already planned, CWH should develop its social impact reporting practices. CWH should also investigate the application of its planned social impact reporting scorecard to the flexible allocation of neighbourhood management resources.

k) CWH to investigate the feasibility of working with a provider of 'jam-jar' accounts.

l) WCC to be a stronger client in regards to monitoring and scrutinising the implementation of CWH's value for money and transformation plans.

m) CWH to take more responsibility for the HRA as a whole.

n) WCC to encourage CWH to take more responsibility in its approach to managing the HRA.

6   Stakeholder views

6.1.1   We interviewed a range of stakeholders to establish their views on the strengths and weaknesses of CWH, and their thoughts on the future direction the organisation should take. This provided us with an opportunity to sense-check information obtained from the document review, HRA review and benchmarking. It also provided new perspectives on this information, and allowed us to identify areas of particular concern to key stakeholder groups.

6.1.2   For the surveys, as is noted below, low response rates mean that the data obtained is not robust. However, the surveys formed only a small part of our evidence gathering activities: we are satisfied that we were able to gain a full and rounded understanding of stakeholder views.

6.2   CWH staff senior management

6.2.1   Senior staff at CWH were positive about the organisation, and emphasised the high staff and customer satisfaction that was being achieved. There was concern that, while CWH successfully managed the majority of customer interactions very well, those who were dealt with poorly were treated badly and generated a lot of 'negative noise' for the organisation. Interviewees were keen to stress that, despite high satisfaction scores, the organisation was not complacent and that they were keen to improve services. They felt that they were engaging well with stakeholders, and were particularly proud of the work they were doing to sustain tenancies.

6.2.2   Some operational areas were flagged as being weak, in particular lettings, major works, IT, leaseholders and 'first response' to customers. This was often linked to a concern over bureaucratic governance, and a failure to ensure that processes work for customers. Interviewees indicated that they felt CWH was on a 'journey' which had started relatively recently. There was a desire to develop a way of working that puts customers at the heart of delivery. Some staff said there was a need for more commercial management skills.

6.2.3   In terms of the relationship between WCC and CWH it was felt that there was a good relationship with council officers, but getting the relationship right with councillors was an area for ongoing attention.

6.2.4   Finally, we asked for views on the future direction of CWH. Senior staff expressed a desire to be a more trusted partner in work with WCC, and also a wish to get involved with the tri-borough agenda. CWH staff felt that there was an opportunity to do more - areas of interest included development and regeneration, health and wellbeing and the financial inclusion agenda. They also spoke about the possibility of working beyond Westminster. Regarding the future delivery model there was a focus on community hubs, and the need to be 'invisible' in service provision – working so smoothly that customers did not notice their interaction.

6.3   Members - survey

6.3.1   Between the 10th and 31st October 2014, 8 of WCC's 60 councillors responded to a short survey about their views on CWH. This survey supplemented the evening focus group also held with councillors (see analysis below), and gave those who were unable to attend the meeting an opportunity to share their views. The questions were generally open-ended to allow comment and opinion to be shared. The low response rates mean that it is not possible to draw significant conclusions from the data, but we have included key themes that were raised.

6.3.2   When asked what CWH services they were satisfied with councillors responded with a number of areas including housing management, and grounds maintenance (these were listed as examples in the question), as well as estates offices, lessee services

and response to fraud. One respondent felt that all services could improve. Respondents also identified a number of services which they were dissatisfied with. These included leaseholder services, responsive repairs, major works and voids.

6.3.3 The majority of councillors (57%) identified housing management as CWH's most important service. Other areas identified as important included major works, leaseholder services, bringing empty properties back into use, responsible repairs and ASB prevention. Many councillors were unsure whether or not CWH represented good value for money.

6.3.4 Councillors commented that they would like benchmarking done against private sector organisations, not just other ALMOs. They also identified failures of property management, major works and the office at 21 Grosvenor Place as areas which may be poor value for money.

6.3.5 The majority of respondents felt that the carrying out of services provided by CWH could be described as 'average', or 'well'. This indicates that there are not significant concerns about CWH's performance amongst the survey group.

6.3.6 Comments from councillors showed they felt that '[compared with] other housing providers, CWH is neither outstandingly better nor outstandingly worse'.

6.3.7 When asked whether there are other services outside of housing that they would like CWH to consider offering, respondents were generally negative. Most felt that CWH should concentrate on 'getting its core obligations right' and delivering efficiencies in housing to WCC. Some respondents chose to make final comments regarding CWH:

- 'The question that needs to be asked is this: Are there any ongoing advantages in CWH being an arms length service, as compared to a department of WCC?'

- 'I think CWH senior staff probably compare well with other ALMOs, but I am suspicious of satisfaction surveys from a limited number of tenants. Getting repairs, major works and management of ASB right is more important than the 'soft stuff' like running resident fun days.'

6.3.8 Overall the survey indicated that councillors feel that CWH performs either averagely or well. It was notable that the views of the councillors on CWH's performance contrasted with the findings from the internal assessment. There was not an appetite for the ALMO to expand, instead it was felt a focus on efficiency is required. The low number of respondents means that it is difficult to draw further conclusions from the survey.

6.4 Members – focus group

6.4.1 On the 12th November 2014 we met with a group of eight councillors to receive their views on CWH. There was broad consensus within the group on a number of key points.

6.4.2 One of these was concern about CWH's performance which was described as 'mixed' and 'inconsistent'; performance was recognised as strong in many areas, but very poor in others. The areas that were considered poor included major works, communication with residents and councillors, and the handling of complaints.

6.4.3 A number of reasons for these apparent failures where cited. A lack of concentration on technical concerns such as legal or procedural issues had led to the non-recovery of rechargeable funds. It was suggested that CWH had a high staff turnover which led to continuity and consistency problems.

6.4.4 It was also claimed that there was a cultural unwillingness to learn from mistakes, leading to problems with difficult cases. There was broad agreement that the ALMO lacked 'institutional humility' which is demonstrated both in an unwillingness to learn from mistakes and a lack of communication between the leadership team and councillors.

6.4.5 Concerns about organisational culture were related to another major theme that emerged from the Councillors' Workshop; this was concern about the complexity and ambiguity of the ALMO's governance arrangements. Councillors felt that there is an attitude within CWH that the ALMO is only responsible to its shareholders (ie. WCC) rather than to residents or particular councillors. It was suggested that this attitude is held within the context of a culture that does not welcome challenge from the board. The ability to challenge is also negatively affected by the fact that resident board members are not as well linked to resident structures at lower levels as they could or should be.

6.4.6 Aside from these concerns, the culture was otherwise described as very 'operational' and very commercially minded. It was acknowledged that CWH had been asked to be more commercial in its approach and that this had taken place. However, some councillors felt that the balance between seeking a commercial approach and efficiencies on the one hand, and recognising its roots in social housing on the other, had not been achieved by CWH.

6.5 Residents – survey

6.5.1 Between the 3rd and 17th October 2014, 7 of the 40 residents invited to participate in the survey responded with their views on CWH. The survey supplemented the evening focus group held with members of the resident area panels (see analysis below) and gave those who were unable to attend the meeting an opportunity to share their views.

6.5.2 The questions asked about CWH's performance in a number of key areas as well as asking about any additional services that they would like CWH to offer. As with the councillor survey, the low response rate means that it is not possible to draw significant conclusions from the data, but we have included key themes that were raised.

6.5.3 Leaseholder services and major works were raised as areas of concern. Respondents had a mixed view of CWH's performance across a number of areas (management, repairs, major works) with some residents selecting 'excellent' and others 'very poor'. Most residents said that they were satisfied with all of CWH's services, although one resident expressed dissatisfaction with all services.

6.5.4 A number of residents felt that CWH should improve its communications and engagement with residents. One respondent felt that CWH often adopts a 'condescending attitude' and another suggested that CWH does not adequately listen to the needs of residents.

6.5.5 Suggestions on how communications could be improved were varied. One respondent claimed that the poverty of resident engagement was largely due to the "breakdown in residents associations no longer being active on some estates". Another felt that better consultation exercises were needed.

6.6 Residents – focus group and interviews

6.6.1 On the 19ᵗʰ November we met with a group of seven residents from the North, West and Central Area Management Committees (AMCs). Members of the South AMC were invited but were unable to attend. We interviewed the chair of the South AMC separately.

6.6.2 Much of the discussion was concerned with a perceived lack of communication between CWH and its residents. It was felt that communication with residents was poor in a number of aspects and was described as a problem with CWH's corporate culture. Focus group members stated that acknowledgements are not given in response to email queries; that one query can often generate up to ten emails as initial emails are not responded to or acknowledged; and that there is a perception that CWH staff are reluctant to share information.

6.6.3 However, a resident who directs all of their queries through the reception at their estate office felt that they always receive a prompt response and they were aware of whom to contact in the event of their estate office being closed or the receptionist absent. It was felt from discussions with other AMC members that the quality of communication varied between areas. For example, response to emails was considered better by residents in the South than in the North management area.

6.6.4 With regards to formal resident engagement, some felt that there is very little feedback from the board to the AMCs and that resident items had been given insufficient time on the board's agenda.

6.6.5 Lessee services were suggested as an area that could be improved, particularly the time taken to approve alterations to properties. It was also reported that information about plans for major works is often provided very late to leaseholders, leaving them with little time in which to plan payments for the work.

6.6.6 Major works in general was an area of significant dissatisfaction among the focus group members. It was explained that there is a 'general lack of major works' and these are subject to significant delays. A number of examples were given, including major work that was eight years late. Delays across a number of projects were said to result in leaseholders receiving notices of recharges in close succession putting an otherwise avoidable financial strain on leaseholders.

6.6.7 Estate offices were considered to be a very important part of CWH's service by the focus group. Focus group members claimed that estate offices were 'necessary', especially for older residents who are less likely to contact CWH through other means. However, the majority of the focus group did not use the estate offices as their primary means of communication with CWH. Most preferred to communicate with CWH via telephone or email.

6.6.8 There were a number of suggestions as to how estate offices could be improved. Primarily it was felt that estate office reception staff were often the most inexperienced staff, who would eventually be moved on in the organisation once they had gained some experience. This was felt to be a by-product of CWH's career development programme. It was claimed that CWH undervalues the estate office receptionist role and that more experienced members of staff should hold these roles.

6.6.9 Another suggested improvement to the estate office service was extending or changing opening times to outside of normal working hours to accommodate working residents. This was echoed for services provided by contractors and resident consultations.

6.6.10 Another strong theme was the inconsistency of service quality across the geographical areas covered by the AMCs. Examples cited were a lack of a consistent approach regarding block reps, with some blocks having them and others not. The

quality of service in estate offices was also cited as inconsistent between areas. There were claims that the Youth Service varied across areas and that budgets were not split equally among the areas.

6.6.11 Despite this perception of inconsistency, the Youth Service and homework clubs were seen as valuable and successful CWH services. Some residents also expressed satisfaction with CWH's responsive repairs service. One resident stated that they had been satisfied with all the responsive repairs that they had had from CWH. Focus group members generally had a positive perception of CWH staff, but felt that the organisation was often hindered by its IT systems.

6.6.12 On the question of other services that CWH could provide, it was largely felt that CWH should continue to predominantly be a housing provider. However, it was suggested that CWH could do more with primary school age children and do further work to encourage community cohesion. Other suggestions included more partnership work on healthcare and policing issues.

6.7 WCC staff

6.7.1 We spoke to a number of senior council officers from a range of departments including Economic Development, Community Protection, Family Services, Adults' Services and Finance.

6.7.2 Senior council officers were mostly very positive about the contribution CWH makes towards WCC's objectives and the ALMO's performance as a whole.

6.7.3 Senior council staff were also very positive about the working relationships between officers and CWH staff. CWH were described as engaged and successfully involved in joint working. It was felt by a number of WCC officers that CWH is the most engaged, best responding and easiest housing provider that they work with.

6.7.4 CWH were identified as strategic partners in a number of areas. Although senior officers were not aware of any formal harmonisation of objectives between CWH and their teams, they felt that there was certainly implicit alignment with their objectives.

6.7.5 However, it was felt that CWH could do more to understand social care and the legal context in which WCC's objectives are set. For example, it was felt that CWH sometimes fails in seeking to keep vulnerable people in their homes and community: a key aim for WCC.

6.7.6 Some WCC staff felt that CWH could do more outside housing management that would assist other council departments to meet their objectives. However, other senior officers did not see a need for additional services and felt that the ALMO met their expectations, describing themselves as a 'happy customer' of CWH.

6.8 External stakeholders

6.8.1 One external stakeholder described CWH as 'lean' and 'professional', but raised concerns over a perceived lack of commerciality in their contracts. Both external stakeholders expressed a desire to work in partnership with CWH and to share resources. This would require longer term planning and joint mapping of opportunities.

6.9 Conclusions

6.9.1 Senior CWH staff have a generally positive view of CWH and are ambitious for the organisation to grow. However, senior staff recognise areas of weakness, particularly

with communication. There is also an acceptance that delivering excellence in core housing functions should be prioritised before taking on any new areas of work

6.9.2 Members have a view about CWH's performance and services as 'mixed' and 'inconsistent'. Communication between CWH and residents and members was cited as poor, as was CWH's handling of complaints. Members felt that there is an institutional reluctance to learn from mistakes and a lack of challenge from the board. However, the views on CWH's performance given by members were more negative than, our research suggests, is justified.

6.9.3 Like members, residents also raised concerns about a perceived lack of communication from CWH and inconsistencies in service provision. Dissatisfaction was also reported with major works and the lack of appropriate consultation about major works, something supported by our findings in the document review.

6.10 WCC staff were mainly positive about the contribution CWH makes towards WCC's objectives, as well as about CWH's overall performance. Although staff were unaware of formal strategic alignment between WCC and CWH, most staff felt that CWH performed well as a partner.

7 Summary: CWH as a housing manager

7.1.1 We have used a range of information to assess CWH's performance as a housing manager, including:

- Internal documents,
- Benchmarking data,
- Stakeholder interviews and focus groups,
- Financial assessment of the HRA Business Plan.

7.1.2 The key findings from this work can be grouped into four thematic areas;

- Successes,
- Areas for improvement,
- Costs,
- Benefits and opportunities,

7.2 Successes

7.2.1 CWH is maintaining very high levels of satisfaction, often significantly out-performing comparator organisations. These high levels of satisfaction are seen in response to service provision, quality of home and responsive repairs. High quality service delivery, for example through the 'CityWest Standard' may be partially responsible for these high scores.

7.2.2 However, consideration needs to be given to the delivery cost, and whether offering a significantly cheaper service, with the potential for decreasing customer satisfaction, is a more viable option. CWH appears to acknowledge the need to address the cost of its service, undertaking the Six Sigma review, and setting a 2014/19 draft strategy target of reducing like-for-like annual operating costs by 20% by 2018/19. The HRA Business Plan currently only shows a reduction of 1% per annum in the CWH fee, so there will be a need to ensure the full efficiency savings are reflected correctly within the HRA Business Plan.

7.2.3 CWH is also viewed very positively by both its own staff, shown by high staff satisfaction scores, and by WCC officers.

7.3 Areas for improvement

7.3.1 In contrast with other measures, satisfaction with major works consultation remains very low. The resident focus group also expressed dissatisfaction with major works, citing delays and a lack of clarity. This was particularly frustrating for leaseholders, and is an area that CWH will need to address if it is to meet its lessee satisfaction targets.

7.3.2 Another area in which CWH needs to make improvements is complaints handling. Members identified this as an area of concern, and it may have contributed to the mismatch between councillors' perceptions and our findings from benchmarking. CWH executives have acknowledged CWH's difficulties in this area and are working to make improvements.

7.3.3 Finally, CWH needs to improve its alignment to WCC. As a significant client and sole shareholder of CWH, we would expect WCC's strategic priorities to be better reflected in CWH strategies. Although there was some indication that this had been considered internally, we did not find evidence of any formal, published or easily accessible internal trackers or strategy documents that draw direct links between WCC's key strategy document and CWH's corporate strategy.

7.4 Costs

7.4.1 Benchmarking identified that CWH is expensive when compared with similar organisations. Overheads, staffing, housing management, responsive repairs and void works, and major works management were identified as areas of particular high-cost relative to comparators.

7.4.2 High costs in responsive repairs and void works are likely to be the result of the relatively large proportion of CWH's stock that is listed (17%) and the higher 'CItyWest Standard' applied to void work. Repairs and voids costs are expected to reduce as a result of increased investment in the major works programme and efficiencies realised with the introduction of improved mobile working.

7.4.3 CWH has some of the lowest average salaries for staff, but still has some of the highest staff costs per property. Staff turnover is also high. This suggests that staff structures in the organisation need to be reviewed, to ensure that correct skills are being deployed appropriately and efficiently.

7.4.4 Improvements in mobile working and finance software are opportunities that may result in a reduction in staff numbers. CWH has also identified possible restructuring arrangements in CityWest Direct that will improve its ratio of housing management staff to properties under management from 2015. CWH is also investigating the establishment of a subsidiary with a defined contribution pension scheme.

7.4.5 CWH's overheads are also high. This includes office costs, IT and finance services. High office costs are likely to be a reflection of both the number of estate offices that CWH maintains, and the high cost of CWH's head office. CWH needs to assess what value each of its offices adds to the business and whether the costs are justified. A review of the opportunities for savings from mobile working may be needed.

7.4.6 IT costs are high in comparison with other housing organisations. This is due to additional IT support that CWH provide to other organisations and council teams. A high number of non-standard user requests are also thought to increase costs. CWH hopes to reduce the number of non-standard requests with the introduction of improved and more user-friendly software.

7.5 Benefits and opportunities

7.5.1 Our assessment of the HRA Business Plan shows that the HRA has the capacity to enable CWH to deliver ambitious investment plans despite the high management and maintenance costs. The Business Plan is viable and has the financial strength to allow for the provision of additional services or further investment.

7.5.2 The desire to make the most of this ability to diversify was apparent in both the documents we considered and in the interviews. The documents showed that CWH is ambitious, with an objective to "lay down a vision for the future that aims to generate a growing dividend stream for [WCC]"[9]. The stakeholder interviews identified a number of areas where CWH felt it wanted to expand, in particular development and regeneration, health and wellbeing and financial inclusion.

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[9] We understand that CWH currently provide a £300k dividend annually to the General Fund.

Section B: Review of housing management models

Introduction: Housing management models

To inform consideration of how WCC might wish to organise its future management arrangements, we have reviewed a number of approaches to social housing management. For each of these we have considered the strengths and weaknesses of the approach as well as their applicability to WCC's context and objectives.

For each model we have provided a high-level analysis of the financial and legal implications. It is important to stress that these do not form a comprehensive assessment, and WCC should seek detailed, specialist legal and financial advice before any change to current arrangements is made.

8   In-house Management

8.1.1   For CWH this model would be a significant change as the ALMO would be dismantled and brought back into WCC. Although there would be an initial cost to transferring CWH, this may be offset by long-term savings. For CWH to pursue this model a full assessment and business case would need to be developed.

8.2   Financial implications

8.2.1   We anticipate that bringing the service in-house would result in cost savings for the service in both one-off savings and annual savings. The principal areas where we would anticipate cost reductions are:

- Executive staffing costs
- Office accommodation costs
- Contract monitoring
- Board costs.

> **Case Study: LB Hillingdon**
>
> LB Hillingdon brought its ALMO in-house in 2010. The Borough manages approx. 11,000 council homes.
> It cost Hillingdon £300,000 to bring the ALMO in, but it estimated it would save the equivalent each year.
> LB Hillingdon delivers a low cost management service, but does not measure customer satisfaction. Residents have limited power to shape service delivery.

8.2.2   If provision of housing management were to return to an in-house council service we would expect the senior management structure for CWH to be rationalised to fit within WCC's management structure. The actual structure would be a matter for discussion. For the purposes of this assessment, we have assumed potential cost savings of around £300k per annum assuming that the Chief Executive, Finance Director and HR Director for CWH would no longer be required.

8.2.3   Although there would be savings in contract monitoring and board costs, the CWH board would be replaced by the consideration of housing issues at full council, cabinet and other committees. The saving in contract monitoring would be offset by the additional time council officers would need to spend on the housing service. The net saving of these costs and office accommodation has not yet been quantified so, to be prudent, we have assumed no additional saving. Any saving could be used to offset potential redundancy costs associated with the loss of the CWH executive posts and restructuring the housing service.

8.2.4 Other than the potential cost reductions identified above, we have assumed that an in-house service would operate as at present with the same assumptions for the HRA Business Plan as the base case scenario.

8.2.5 The effects of these changes are reflected in the table below, which compares the in-house management option with the base case self-financing option.

	Revenue Surplus by year 5 £m	Revenue Surplus by year 30 £m	Peak Debt £m	Year of Peak
Base 2015 CWH Business Plan	53	575	284	2-12
In-house management	55	587	284	2-12

8.2.6 Due to the potential savings assumed, the in-house scenario shows an improved revenue position compared with the existing 2015 CWH HRA Business Plan, with the overall revenue surplus after 30 years increasing from £575m to £587m. This indicates that, if the assumed savings of £300k per annum could be achieved by dismantling the ALMO, the in-house management of the housing service could provide additional financial capacity to provide additional services or further investment in the housing stock.

8.2.7 More detailed work would be needed on the potential savings that would arise if WCC decided to pursue this option. Research in the housing sector suggests that planned savings on mergers are often not realised; this would be a risk for WCC. Experience from other mergers, although not directly comparable, serves to highlight the potential risk.

8.2.8 The most significant financial risk with this option is failure to make the savings assumed in the financial modelling.

8.2.9 The major operational risk is that the benefits of a single purpose, tenant-focused organisation would be lost which could lead to a deterioration in service delivery standards and a consequent decline in tenant satisfaction.

8.3   Legal implications

8.3.1 WCC is the sole shareholder of CWH. As such, it can terminate the Management Agreement by the following methods:

8.3.2 **Expiration of time (see clause 22):** The Management Agreement is for a period of 10 years expiring on 31 March 2022 unless it is terminated:

- After the five-year break point (clause 22.1)
- An event covered by clause 27 (Termination) occurs
- By consent of both parties.

8.3.3 **WCCs rights as sole shareholder (see clause 18):** As sole shareholder, the Council can appoint or remove board members or "issue directions to CWH or its board". Under this clause WCC can direct CWH to agree to terminate the Management Agreement or to remove board members who fail to follow this direction

8.3.4 **Termination of the Management Agreement (see clause27):** WCC may terminate the agreement "at any time if the council deems in its absolute discretion that" any number of defined circumstances occurs. The defined circumstances include a "significant change of housing strategy" and/or CWH being in material breach of the Agreement.

8.3.5 If the Management Agreement is terminated by WCC and the service taken back in-house it is likely that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will take effect. Colleagues employed by CWH immediately before the transfer back shall transfer to WCC on no less favourable terms and conditions as those enjoyed before the transfer, and those colleagues shall have continuity of employment. There has been a great deal of TUPE litigation, and on whether the new employer will be providing the 'same service' after termination. Specialist legal advice will be required before taking this step. But our view is that if the general housing management function is taken back in-house and is delivered in the same manner, TUPE is likely to apply to all colleagues affected.

8.3.6 WCC will also need to take specialist pension advice to make sure its actions do not cause a pension scheme to be terminated, thereby causing a deficit to become payable.I If any colleagues are to be made redundant any potential 'strain payment' due under the pension scheme should be calculated in advance. 'Strain payments' for older colleagues can be very expensive.

8.4 Consultation

8.4.1 Under Section 105 Housing Act 1985, local authorities are required "*to maintain such arrangements as it considers appropriate*" with "*its secure tenants*" who are likely to be "*substantially affected by a matter of housing management*". Section 105 adds "*the authority shall, before making any decision on the matter, consider any representations made to it in accordance with those arrangements*".

8.4.2 WCC last consulted on or around the autumn of 2011. At that time, the Council received approximately 250 responses from a tenant and leasehold cohort of approximately 21,000 homes (1.2%). Of those responding, 49% were "*broadly positive*" about the service they receive from CWH or were "*supportive of the in principle decision to renew the agreement*" (0.58%). The number of responses received was very low indeed. Some may argue this 'consultation' did not meet the requirements of section 105 above.

8.4.3 If WCC were to pursue in-house management they would need to complete consultation with all relevant stakeholders. The method of consultation varies from organisation to organisation. WCC would need to be able to prove that the outcomes represent a statistically valid response.

8.4.4 By section 137 Housing Act 1996, "*every body which lets dwelling-houses under secure tenancies*" is required to publish information "*in simple terms*" as to the effect of such agreements. There are also similar obligations to consult and publish information under the Localism Act 2011.This means that WCC would need to ensure there is a full and complete consultation process with all key stakeholders. Failure to consult effectively could expose WCC to judicial review.

8.5 Strengths and weaknesses

8.5.1 Strengths of the in-house management model include:

- Opportunity to improve efficiency and reduce costs through rationalising governance and support services

- WCC regains direct control of housing

- May encourage closer working between housing and other council departments, and ensure delivery of WCC's objectives

8.5.2 Some weaknesses of in-house management may be:

- Dilution of housing focus, and reduction of opportunity for residents of council homes to be on the CWH board and hold the housing management function to account

- Less attractive to tenants who are happy with CWH

- Cost of transferring the service in-house and risk that anticipated cost savings are not achieved

- Potential loss of performance culture and reduced scrutiny may lead to a reduction in performance

- Reduced staff morale within the housing service.

9 Thin ALMO

9.1.1 For CWH this model would mean little change as the ALMO is already primarily focused on housing. However, the current management of the district heating and the lettings agency (CWResidential) would fall outside the scope of a typical thin ALMO model.

9.2 Financial implications

9.2.1 As CWH is already essentially a thin ALMO, we have not carried out any further financial modelling for this option. As detailed in section 3, Baseline financial position, CWH currently has additional capacity available. The figures for the base 2015 HRA Business Plan are as follows:

	Revenue Surplus by year 5 £m	Revenue Surplus by year 30 £m	Peak Debt £m	Year of Peak
Base 2015 CWH Business Plan	53	575	284	2 -12

9.2.2 The peak debt of £284m is £49m below Westminster's increased borrowing cap, so there is potential to borrow more to provide additional services, further invest in the existing housing stock, or provide additional new homes in Westminster. Also the revenue balances are higher than the minimum balance required throughout, suggesting the availability of further capacity.

9.3 Legal implications

9.3.1 As noted in the financial implications information, the thin ALMO model represents limited/no change for CWH. Therefore there are no legal implications to CWH continuing in this way.

9.4 Strengths and weaknesses

9.4.1 The strengths of the thin ALMO model are:

- As it focuses solely on delivering housing services it can achieve efficiencies in this area, through tight control of costs and processes

- It is able to develop a clear brand, goal and visions, which is transparent to all those who interact with it

- Being engaged in fewer types of business activity may allow the organisation to operate without the broad skill set among senior management that is required in organisations with more diverse business activities

- The current HRA Business Plan indicates that this option is viable with additional capacity to further invest in the housing stock.

9.4.2 The weaknesses of the thin ALMO model include:

- 'Value added' by the ALMO to the local authority is only in housing services; benefit is not felt in other services

- There is a loss of the synergies that may exist between housing management and other delivery areas

- Limitation on how much the ALMO can grow, restricting opportunities to generate income for the local authority.

Case Study: Lewisham Homes

Lewisham's ALMO was established in 2007 and manages approx. 13,000 homes. Lewisham Homes is focusing on the delivery of core housing management functions, alongside a new development program. They deliver a low-cost management service and, although their satisfaction scores are currently low, they are increasing.

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10   Fat ALMO

10.1.1 Alongside the core housing services usually delivered by ALMOs, additional services may be delivered by a fat ALMO:

- Landlord licensing
- Homelessness service
- Adult social care
- Private rented sector management
- Schools management and maintenance
- Gardening and handyman services.

Case Study: Barnet Homes

Barnet's ALMO was established in 2004 and manages approx. 15,000 homes.
Since 2012 Barnet Homes has been part of a local authority trading company which has included a sister social care company – Your Choice Barnet.
Barnet Homes has also expanded commercially, operating a lettings service and lifeline alarms.
It has delivered large savings (over £800,000 in 2012/13) for the Council and won a number of awards for its work.

10.1.2 For CWH this model would mean taking on additional services, either through these being transferred from WCC, or through commercial services being developed. A feasibility study of the market for services would need to be completed, as well as consideration of the skills of the senior management team required to operate the new service areas. This skills analysis would be particularly important in light of the current need to recruit a new chief executive to the organisation.

10.2   Financial implications

10.2.1 We have calculated the impact on the HRA of the ALMO generating £500k of net income per annum from additional housing services. Please note that these figures would increase if RTB receipts were taken into account within the HRA Business Plan, and also if WCC takes the decision not to repay the HRA debt at the current rate.

10.2.2 The figures in the table below show the Fat ALMO option with additional £500k of net income from year 1 onwards, compared with the base 2015 HRA Business Plan:

	Revenue Surplus by year 5 £m	Revenue Surplus by year 30 £m	Peak Debt £m	Year of Peak
Base 2015 CWH Business Plan	53	575	284	2-12
Fat ALMO: £500k net income per annum	56	596	284	2-12

10.2.3 This scenario increases the revenue resources building up within the HRA and indicates that there is further capacity to provide additional services, invest more in existing housing, or provide new affordable homes within Westminster.

10.2.4 If WCC decides to pursue this option, the net income generated or net costs of the additional services it intends to provide would need to be fully assessed and fed through the current HRA Business Plan to ensure they were viable.

10.2.5 We have assumed in this example that £500k of net income is generated for the HRA through housing services. However, if the additional services were outside HRA housing, the Fat ALMO could generate net income towards the WCC General Fund.

10.2.6 For example, LB of Newham has set up a private company, Red Door Ventures Ltd with the specific business purpose of being a private developer and landlord. Through this company, LB of Newham hopes to build up an investment fund of £75m by year 10 to invest in new projects, earn interest on the loan provided to Red Door, and receive a return on its equity of £18.5m per annum from 2024/25 onwards.

10.3 Legal implications

10.3.1 If a new Management Agreement is negotiated in which CWH is given extra powers to 'trade for profit' both within the local authority area and further afield, WCC and CWH will need to be aware of EU Procurement Regulations and, in particular, the Teckal exemption. Under Teckal, it is important that the *"substantial majority"* of CWH's services need to be provided to WCC. If not, EU Procurement Regulations take effect.

10.3.2 In the event of a new Management Agreement being negotiated and wider powers being given to CWH to provide new services and to generate income from non-council sources, the Articles of Association of CWH will need to be amended. The new Articles will need a wider 'objects' clause drafted and will need to include reference to the Companies Act 2006 to ensure they are compliant with the new Act.

10.4 Strengths and weaknesses

10.4.1 The strengths of the fat ALMO model are:

- Its ability to build a strong reputation across a range of services, through interactions with a large number of customers
- Potential for net income generation from the additional services, particularly commercial services to third parties
- Able to deliver efficiencies of scale as the ALMO grows
- Allows WCC to focus on strategic priorities, as delivery is managed by the ALMO.

10.4.2 The weaknesses of the fat ALMO model include:

- The ALMO needs to be able to deliver savings to WCC across a wide range of services, which may require new skills and approaches
- The introduction of disparate business streams may lead to the development of silos and different non-cohesive cultures within the organisation.

11 Super ALMO

11.1.1 A super ALMO is formed for the management of a number of local authorities' housing stock.

11.1.2 For CWH this model would mean finding partners to work with, possibly building on existing tri-borough arrangements. CWH would need to agree responsibilities and align models with any other ALMO/LA housing departments.

11.2 Financial implications

11.2.1 Based on the Leeds ALMO Business Centre, the likely savings CWH could expect to achieve are in the region of £360k per annum. The impact of these savings on the 2015 HRA Business Plan is shown in the table below:

	Revenue Surplus by year 5 £m	Revenue Surplus by year 30 £m	Peak Debt £m	Year of Peak
Base 2015 CWH Business Plan	53	575	284	2 -12
Super ALMO – savings £360k[10]	55	590	284	2-12

11.2.2 As with the in-house option, if the savings can actually be achieved the revenue position will improve with the revenue surpluses after 30 years increasing from £575m to £590m.. As the savings assumed within the Super ALMO are higher than those of bringing the service back in-house, the benefit to the HRA Business Plan would be greater; this would generate additional capacity to improve existing services, provide additional services, or further invest in the existing or new housing.

11.3 Legal implications

11.3.1 Many of the legal implications in setting up a 'normal' ALMO apply to a super ALMO. However, ownership of the ALMO will be by one or more local authorities, and the ALMO will have different management agreements with each council. Close partnerships between each local authority are required to ensure that management agreements mirror each other. This is to prevent difficulties in the ALMO's operation arising from having to operate on different terms with each partner.

11.4 Strengths and weaknesses

11.4.1 The strengths of the super ALMO are:

- Significant efficiency savings
- Focus on high quality service delivery

11.4.2 The weaknesses of the super ALMO model include:

- Strategic direction needs to be agreed among the local authority partners
- Compromises have to be made between maintaining local accountability and ensuring consistency of service delivery.

> **Case Study: East Kent Housing**
>
> East Kent Housing was established in April 2011, to manage the housing stock of four local authorities in East Kent. The super ALMO manages approximately 17,500 homes and is the largest social landlord in Kent
> In its first year of business the ALMO delivered £700,000 savings to the four councils. The ALMO has also improved performance on rent collection.

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[10] Based on data from savings generated by East Kent Housing, modified to take into account CWH's circumstances. This figure is for guidance only; a full business case would need to be developed before this option was taken forward.

12 Stock transfer

12.1.1 As WCC's housing stock is already managed by a separate entity, the ALMO CWH, the most sensible option would be a LSVT to CWH. This would mean that CWH would take ownership of the housing stock it already manages at a valuation based on the formula set by the government. CWH would need to register for this purpose with the Homes and Communities Agency (HCA) as a Registered Provider

12.1.2 For CWH this would mean changes to the governance arrangements of the organisation, although most staff would transfer across through TUPE arrangements. It may give CWH more access to capital, but could reduce the control and accountability that WCC has over its housing stock. A consultation and ballot of tenants would be required, and WCC would have to show that the transfer would represent value for money.

> **Case Study: Richmond Housing Partnership**
>
> Richmond Housing Partnership was established in 2000, from a transfer of LB Richmond's stock and manages approx. 8,000 homes. In 2005 Co-Op Homes joined as a subsidiary. Richmond Housing Partnership has maintained a strong relationship with LB Richmond, but has been able to use its increased freedom to develop new homes both in and outside the borough.

12.2 Financial implications

12.2.1 Following the introduction of self-financing in April 2012, the government overhauled the transfer process by issuing a Housing Transfer Manual in November 2013 aimed at reducing the financial impact on the public purse. The latest guidance on stock transfers is the Housing Transfer Manual published in July 2014. The government now requires a strong business case to prove that stock transfer provides the best value for money. Hence, in general, the government expects the value of a transfer to be based on the 2012 self-financing valuation, which was considered to be the financial value of each local authority's housing stock.

12.2.2 However, as the transfer application is now required to show value for money, there is no real financial incentive to transfer the housing stock unless WCC is unable to fund the required capital programme within its existing borrowing cap. As WCC is able to do so, we have assumed that it would not be interested in pursuing a stock transfer and have not undertaken the financial analysis required to derive the stock valuation of such a transfer.

12.2.3 It should be noted that the transfer value is the amount the new landlord will pay for the housing stock, based on the guidance set out in the Housing Transfer Manual. This values the housing at the on-going tenanted value based on discounted cash flows; this is considerably lower than the open market value or Right to Buy value.

12.3 Legal implications

12.3.1 For a LSVT, a council would need to submit an application to the HCA (or for London, the GLA) which includes a five-part business case for transfer: Strategic, Economic, Commercial, Financial and Management, and include a full cost-benefit analysis as part of the economic case. For transfers to take place, the consent of the Secretary of State under sections 32-34 and/or 43 of the Housing Act 1985 is also required. Where government support for overhanging debt write-off is sought, as would be the case for WCC, the application would be assessed by the GLA (or HCA) in conjunction with the DCLG and HM Treasury; the decision on whether to provide the overhanging debt support would be made by the DCLG.

12.4 Strengths and weaknesses

12.4.1 The strengths of the stock transfer model are:

- It allows the full programme of works identified in the Stock Condition Survey to be carried out

- It is traditionally able to raise more finance than a local authority or ALMO (although WCC is currently able to operate within the borrowing cap, so there is no need for additional finance).

12.4.2 The weaknesses of the stock transfer model include:

- Loss of local authority control of social housing

- Transfer is the option of greatest change and will have the most effect on WCC, staff and tenants

- Tenants must vote in favour of a stock transfer in order for it to proceed, so the set-up costs before the ballot are at risk

- Local authority is unlikely to receive any capital receipts due to HRA self-financing debt, and there will be a cost to the general fund to be managed

- Transfer is a one way process and stock cannot be transferred back in-house.

13 Summary: Review of housing management models

13.1.1 We have considered how social housing is provided both across the UK and internationally. In the UK the model changed significantly throughout the twentieth century as different forms of organisation were developed. Since the early 2000s ALMOs have been a feature of the social housing sector. We considered a number of management forms:

- In-house council housing management: *In this model housing services are managed by the local authority, either because no ALMO was created or because the ALMO has been brought in-house. Around 100 local authorities in England manage their own stock.*

- Stock transfer: *Large scale voluntary transfer (LSVT) is the most extensive option, where stock is transferred as well as management. Over 1.3 million homes have transferred from 130 local authorities in England since the 1980s. With the introduction of HRA self-financing this model now has negligible benefit.*

- ALMOs: *The option of creating an ALMO to deliver Decent Homes was set out in 2000. At the peak of the ALMO movement there were 70 ALMOs managing over half of councils' housing stock, although this has now declined to 47 ALMOs. However, alongside ALMOs being taken in-house, four have been created. Some ALMOs are also taking on additional services either commercially or from their parent local authority.*

13.1.2 Looking particularly at London the current trend has been for council's to bring their ALMOs back in-house. Currently in-house management accounts for 45% of all management and next year, following the announcement that three more ALMOs are being reintegrated, this will stand at 55%. Overall we found that round one and two ALMOs are more likely to have remained independent. Where London ALMOs have been brought in-house the political control of the council does not appear to be a deciding factor.

13.1.3 Internationally, we considered models in New York, Paris and Amsterdam. In each of these cities there has been a different approach to social housing, with the financing model, and policy context creating a different approach. For example in Paris growth has been prioritised, while in Amsterdam regeneration is the focus of housing associations.

13.1.4 Overall, the sector presents a picture of divergence, as providers innovate in the current difficult economic climate, although overall the number of ALMOs is declining. While some local authorities are setting up new ALMOs, others are taking them in-house and new stock transfer organisations are being created. Where ALMOs have been retained different models are being pursued:

- Thin ALMO: *Focused on the delivery of core housing management services. May be involved in some development, but does not take on services beyond traditional housing.*

- Fat ALMO: *Alongside housing management functions, a fat ALMO will deliver a range of additional services, either for its parent local authority (e.g. housing options) or commercially (such as schools management).*

13.1.5 The matrix below presents a summary of the main housing management models analysed.

Model	Impact on CWH	Legal/Consultation	Financial	Strengths	Weaknesses
In-house management	Significant change	Tenant consultation required Would be possible to end Management Agreement	Initial cost, but potential savings	• Potential efficiency • LA control • Closer working with LA departments	• Dilutes housing focus • Cost of bringing in-house
Thin ALMO	Minimal change	No consultation required	Limited change	• Focussed service • Clear objectives • Fit to skills of executive	• Less 'value added' • Loss of synergies • Restricted growth
Fat ALMO	Some change	May need to alter Management Agreement and Articles of Association	Income generation	• Business diversification • Efficiencies of scale • Broad reputation-building potential	• Business risk • Disparate business streams – skills required for senior management
Super ALMO	Significant change	Joint ownership of the ALMO, and alignment of management agreements required	Potential savings	• Efficiency savings • Focus on service delivery	• Agreement on strategy needed • Loss of local accountability
Stock transfer	Significant change	Ballot would be required	Negligible benefit	• Quality and cost performance • Financing opportunities	• Loss of control • Cost to general fund • One-way process

13.1.6 In the next section we draw together the options presented here with the analysis of CWH presented in Section A. This allows us to make recommendations for CWH's future delivery model.

Section C: Recommendations for future delivery

14 Recommendations/options

14.1.1 In this section we have used the evidence collated in sections A and B to develop a series of recommendations for WCC's future housing management.

14.2 WCC's objectives

14.2.1 'WCC Better City, Better Lives' strategic vision focuses on creating

- A safer, healthier city
- A more connected city
- An enterprising city.

14.2.2 In addition, as previously mentioned, the Housing and Property Service's Business Plan (2014/15) outlines a number of key priorities. The areas of relevance to the future delivery of housing management are:

- Delivering over 200 new homes at target and affordable rent, and over 200 new homes for shared ownership by March 2016
- Progressing the regeneration of six Westminster neighbourhoods and estates
- Programming a new multi-purpose development at Huguenot House
- Development of a new employment programme targeted at residents – helping 40 households affected by the household benefit cap into work
- Achieving value for money in services and buildings
- Investigating the economic benefits of heating systems at Church Street and of a Nova to Pimlico District Heating Undertaking.

14.2.3 When developing recommendations we have considered how best to achieve these goals, as well as considering, in line with the brief, the needs of residents and WCC's desire to 'secure the high quality and efficient management of its housing portfolio and deliver high levels of customer satisfaction'.

14.3 Recommendations

14.3.1 Our review, as documented in sections A and B, has found that the ALMO is financially strong and ambitious. While there are areas that need to be addressed, particularly the cost of service delivery, there is no financial or performance imperative to bring CWH in-house, or undertake stock transfer.

14.3.2 Areas where we found improvements could be made are outlined below.

14.3.3 CWH

- Major works: *CWH needs to address both the perception of a general lack of major works and delays in major works contracts.*

- Consultation with leaseholders regarding major works: *This has consistently emerged as a problem throughout our document review and our interviews with councillors and residents. We are aware that this is a KPI that is being monitored by WCC, but we have not seen satisfactory evidence of improvement in this area.*

- Complaint and enquiry handling: *We recognise that the Six Sigma review currently underway is likely to result in improvements in the complaints and enquiry process. We recommend that this area of work is prioritised and that,*

alongside process mapping, complaints monitoring and learning mechanisms are put in place to ensure this vital aspect of customer service, with associated reputational risk, performs as well as possible.

- Formal alignment between the strategic goals of WCC and CWH: *As was highlighted in the document review, we would expect CWH to reflect the strategic priorities of its key client and only shareholder, WCC. To ensure transparency and understanding between the two organisations we feel this is best done through open strategy setting by CWH, and a clear publicly-facing document that links CWH's strategy to that of WCC.*

- Communication with residents and councillors: *To build its reputation, CWH needs to communicate more effectively with both councillors and residents. For councillors this communication should centre on strategic direction, alignment to WCC and performance information, particularly successes, as well as how it deals with difficult issues. For residents, CWH should seek to keep them informed about its plans, and ensure that encounters with frontline staff are positive, as recommended above.*

14.3.4 A significant area for improvement for CWH is its relatively high costs in comparison with other housing organisations. CWH has already set objectives within their Draft Strategic Plan to both reduce annual operating costs by 20% by 2018/19 and generate at least 20% of revenue from third party sources by 2018/19. However, we recommend that CWH target 20% reduction in the wider costs to the HRA that CWH can control, rather than just core operating costs. To ensure that these objectives are met, we recommend the following processes:

- IT improvements: *Further develop plans to introduce mobile working, digital channel shifting, browser enabled IT system and CRM. Assess the implementation cost of introducing these changes and the potential future savings through improved efficiency and reduction in staff numbers.*

- Premises costs: *To put a proposal to WCC to review the use of the 14 existing estate offices with a view to converting them into multi-purpose area offices where appropriate. Alternative head-office accommodation which might offer better value for money should also be considered.*

- Recharging leaseholder costs: *Review the allocation of housing management costs between tenants and leaseholders.*

- Responsibility for the HRA: *Take more responsibility for the HRA with particular focus on achieving value for money for all elements which are under CWH's control.*

- Pension costs: *We understand that CWH plans to set up a subsidiary with reduced pension costs, making parts of their business more competitive and allowing for dividend payments from the subsidiary to WCC as a shareholder.*

- Increasing revenue from third parties: *Once the new pension arrangements are in place and CWH is more competitive in the market place, CWH should develop detailed proposals (including estimates of costs and a forecast increase in revenue over the next four years) to consider expanding or developing the services listed in the recommendations of section 5 of this report.*

14.3.5 **WCC**

- Client awareness: *WCC needs to have more oversight of the performance of CWH, exercising stronger client awareness, management and performance management including delivery against business plans and objectives. This may mean that it needs to be a more challenging client in some areas. WCC should ensure that its strategy and objectives are reflected in those of CWH and that the implementation of CWH's plans is properly scrutinised. Stronger clienting should also involve appropriate monitoring of performance including, for example, leaseholder consultation on major works. There should be a clearer line of sight on CWH's performance within WCC at councillor level.*

- Cost-quality balance: *WCC needs to decide how it feels cost and quality should be balanced within housing management. While there will be significant scope for CWH to deliver efficiencies without impacting service quality, there will be a tipping point at which cost reductions will also mean reductions in the quality of service and resident satisfaction. WCC needs to make clear its priorities on cost and quality to enable CWH to meet this.*

- HRA recharges: *WCC should periodically review all of the central overheads and other costs that are currently recharged to the HRA and consider whether they are all appropriate for the HRA and whether there is any scope for savings.*

- Responsibility for the HRA: *WCC to encourage CWH to take more responsibility in its approach to managing the HRA*

- Thin-fat preference: *We have found no performance or financial reason for WCC to move away from an ALMO model of housing management. WCC needs to decide, of the 'thin', 'fat' or 'super' options outlined in Section B, which type of ALMO it feels best meets its priorities. Our review found that stakeholders were most comfortable with the idea of a 'thin' ALMO focused on core services and delivering efficiencies, although they were open minded about the idea of some diversification (ie. some elements of a fat ALMO). In the longer term, if CWH were to increase its commercial service offering or diversify into new areas, it could reduce the net financial impact on the HRA and general fund.*

- Major works procurement: *WCC should work alongside CWH to improve the efficiency of the procurement process for major works. Targets need to be set and estimates calculated of the cost savings to be generated from improved efficiency in the process.*

- CWH transformation: *WCC to take an active role as part of a CityWest Transformation Working Party*

14.3.6 We feel that, if both organisations address the areas outlined above, it will not only improve the relationship between them, but also help to ensure the delivery of an efficient housing management service, with which both WCC and residents are satisfied.

15   Summary and conclusions

15.1.1 Overall this review has considered both CWH's specific performance as a housing manager, and the broader context of the housing management models available, particularly within the UK, but also abroad.

15.1.2 The goal of this review was to highlight the successes, and advantages of CWH, as well as helping WCC to improve performance and generate efficiencies; we have therefore made a number of recommendations to both CWH and WCC.

15.1.3 Through a document review, benchmarking exercise, financial assessment of the HRA Business Plan, and interviews, workshops and surveys with key internal and external stakeholders, we were able to build a detailed analysis of CWH as a housing manager. Overall we found that CWH delivered a high cost, high quality service. Our detailed findings can be grouped under four key headings.

15.1.4   Successes

- Very high satisfaction ratings - for many measures the best in its peer group of London ALMOs and local authorities.

- Good performance against the majority of KPI targets.

- Good reputation with WCC staff.

- High internal staff satisfaction.

15.1.5   Areas for improvement

- Major works and major works consultation are areas of significant dissatisfaction.

- Complaints handling has been poor. This has been acknowledged by CWH executive staff who already seeking improvement.

- There is a need for CWH to have better alignment with WCC's strategic priorities.

15.1.6   Costs

- CWH is one of the most expensive (per property) housing organisations compared with its peers.

- We identified a number of reasons for CWH's relatively high costs and have concluded that, if CWH's transformation plans are successfully executed in line with our recommendations, it can achieve its objective of a 20% reduction in its core operating cost base, as well as other costs to the HRA that they have control over, by 2018/19.

- We have also identified a number of further measures which we believe could yield further saving of between 3-5% of current cost base.

15.1.7 Benchmarking against other organisations with high satisfaction but lower costs than CWH suggests that customer satisfaction ratings can be maintained despite a 20% reduction in cost. Further cost reduction past 20% of current costs is likely to result in a trade-off against satisfaction.

15.1.8   Benefits

- The HRA has the financial capacity and CWH has the ambition to diversify their services to generate income for WCC

- WCC's HRA Business Plan is viable and indicates financial strength.

15.1.9 Our review of housing management models identified a number of trends in housing management. Two areas of note for WCC were the decline of stock transfers since 2006, particularly since the introduction of HRA self-financing; and the trend, especially pronounced in London, to bring ALMOs in-house. However, we identified a number of local authorities that were countering these trends, showing differing priorities and diversity in approach to achieving value for money in housing management.

15.1.10 From our research we identified five models for local authority housing management, which were assessed for their applicability to WCC/CWH:

- **In-house management:** Local authority direct management of council housing stock. This would represent a significant change for WCC. It is possible that it may deliver long-term savings, although new costs may offset these. The cost of bringing the service in-house would make the failure to deliver savings a serious risk to WCC if it pursued this option.

- **Thin ALMO:** An ALMO focused on only core housing and maintenance functions. This is the closest option to CWH's current position and requires no additional investment from WCC, although there may be opportunity costs.

- **Fat ALMO:** An ALMO that takes on additional services, either from its parent local authority or commercially. Diversification fits with the HRA's capacity and CWH's ambitions, and could generate additional revenue for WCC. However, stakeholders expressed a preference for CWH to focus on core housing management.

- **Stock transfer:** Formed through the transfer of ownership of council stock. Due to recent HRA refinancing reforms, and the requirement to show value for money when pursuing stock transfer, this is unlikely to be a viable option for WCC.

- **Super ALMO:** A 'shared' ALMO that manages stock for a number of local authority areas. The development of a super ALMO may fit with WCC's shared services and tri-borough agenda.

15.1.11 From our review of both CWH and of housing management models more generally we were able to develop a number of recommendations for WCC's housing management. These were designed to meet the objectives laid out in the brief and in WCC strategic documents. Recommendations were made for both CWH and WCC:

15.1.12 CWH should

- Improve major works delivery

- Provide better consultation with leaseholders regarding major works

- Develop more rigorous complaint and enquiry handling

- Ensure formal alignment between the strategic goals of WCC and CWH

- Reduce responsive repairs costs (including understanding and addressing the high volume of repairs)

- Review the allocation of housing management costs between tenants and leaseholders.

- Consider how best to deliver IT solutions

- Assess the value for money of spend on overhead costs, particularly offices

- Review staff resourcing
- To take more responsibility for the HRA
- Be clearer and more transparent in communication with residents and councillors.

15.1.13 WCC should

- Maintain a stronger client awareness, with better oversight and constructive challenge on performance
- Make clear how it prioritises the balance between cost and performance
- Periodically review all of the central overheads and other costs that are recharged to the HRA
- Encourage CWH to take more responsibility in its approach to managing the HRA
- Decide whether it wants CWH to pursue a 'fat' or a 'thin' ALMO approach
- Work with CWH to improve major works procurement
- Take an active role as part of a CityWest Transformation Working Party.

15.1.14 While CWH already delivers a high quality service, we feel these recommendations will strengthen CWH as a housing manager, and enable it to deliver better value for money. Overall, CWH is an excellent housing manager. It has its challenges, but it also has great potential for both its residents and WCC.

Appendix A – Documents reviewed

CWH documents

- City West Homes Draft Strategy 2014-19 (Draft: 4 Feb 2014)
- Strategic Priorities Dashboard 2014-15
- Staff structure charts
- CW stock profile
- CityWest Homes Financial Summary Period 5, 2014/15Budgets 2014-15 Draft (4 February 2014)
- Satisfaction surveys 2010-2014
- Your Say staff surveys 2014
- Six Sigma programme
- Performance reports sent to WCC
- HouseMark reports/data 2012/13
- Our strategic plan 2014-2019 (Presentation to Board – Nov 2014)
- Better City Links document
- Draft Transformation Programme (Dec 2014)
- Proposed Social Impact Scorecard (Dec 2014)
- Comparison of CWD and Pinnacle staffing numbers (Dec 2014)

WCC documents

- Management Agreement 2012-17
- Better City, Better Lives Year 2
- Housing Renewal Strategy 2010
- Westminster Housing Strategy 2007-12
- HRA Business Plan and Asset Strategy May 2013
- HRA Business plan model
- KPIs/performance data
- Cabinet reports – HRA Business Plan 2015-16
- Westminster's Investment Strategy
- Housing and Property Business Plan 2014-15
- Performance report 2013-14 Q4
- Discussion paper, housing management and estate services benchmarking (June 2013)

Appendix B – Stakeholders interviewed

CWH senior staff/board members interviewed:
- Nick Barton, Chief Executive
- Philip Jenkins, Asset Development and Property Director
- Petros Christen, Director of Strategy and Finance
- Jo Bowles, Director of HR and Corporate Communications
- Marc Wolman, Business Transformation Director
- Andrea Luker, Head of Housing Services
- Adam Humphryes, Chair of CWH Board
- Ian Adams, board member
- Cllr Mukherjee, board member

CWH resident focus group attendees and telephone interviewees:

North AMC
- Elsie Hall-Thompson
- Susan Lambert
- Mary Doherty

West AMC
- Grant Halstead
- Michael Wills - Lessee

Central AMC
- John Figgett – Tenant
- Carole Spedding – Lessee

South AMC
- Aly Valli

WCC staff interviewees
- Community protection – Mick Smith
- Economic development – Steve Carr
- Adult's services – Malcolm Rose
- Children's services – James Thomas
- Finance – Dick Johnson

WCC members' focus group invitees
- Cllr Jonathan Glanz

- Cllr Ian Adams
- Cllr Adam Hug
- Cllr Jan Prendergast
- Cllr Angela Harvey
- Cllr Barbara Arzymanow
- Cllr David Harvey

External Stakeholders

- Sandra Skeete, Executive Director of Housing, Peabody
- Roger O'Sullivan, Pinnacle

CWH Response to Altair Review

Marc Wolman
Director of Customer Services & Business Transformation
mwolman@cwh.org.uk

Introduction

This report outlines the CityWest Homes (CWH) response to the Altair findings, detailing the planned actions to achieve the improvements and recommendations highlighted within the Altair report.

We have summarised our plans to respond to the Altair recommendations within the following sections of this report.

Background

We are considered to be one of the leading housing providers in the sector when compared to our peers with high levels of resident satisfaction, high debt recovery rates and excellent satisfaction with repairs. However, we also recognise that we have to make improvements in achieving VFM, major works and communications and our digital services capabilities. There is also a financial imperative where future expected financial pressures would mean our costs would continuously increase if we did not offset these with productivity improvements. We therefore produced a new strategic plan in 2014 with the following main ambitions:

- Improve VFM across our business by driving up quality and in so doing reduce costs with a relentless and structured focus on Continuous Improvement and utilising smart IT.

- Develop multiple 3rd party revenue streams to offset costs.

- Redefine our asset strategy for the benefit of existing and future residents.

- Improve our communications with our residents, councillors, WCC and other stakeholders particularly in areas of major works.

- Develop digital services to transform customer service delivery.

This plan is now underpinned by a comprehensive transformation strategy and execution plan that focuses on transforming customer services and the operating model through the innovative use of digital services.

Moving forward

Since the publication of our plan we have had the opportunity to have it and our overall business model scrutinised by Altair. The CityWest Executive Team welcomed the engagement of Altair and the subsequent publication of the review as it created the opportunity to take an independent look at the strategic plan, benchmark against the industry as well as identify other opportunities for improvement.

CWH Response to Altair Review

Marc Wolman
Director of Customer Services & Business Transformation
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Overall, Altair's recommendations were helpful and were supportive of our strategic plan. However, as mentioned above there were areas for improvement identified and where necessary we have now refined and reprioritised our plan to align to the priorities of Westminster, linking into the "City For All" strategy, and Altair's key findings. These were summarised on paragraph 5 in the 'Review of Housing Management Options' paper dated June 2015.

The Altair review also highlighted the following specific areas of service delivery, which we should address in more detail - (paragraph 6 in the 'Review of Housing Management Options' paper):

- **VFM**
  - o Major works
  - o Responsive repairs costs
  - o ICT and other overhead costs
  - o Staffing
- **Communications**
  - o Communication with residents and Councilors
  - o Consultation with leaseholders regarding major works
  - o Complaint and enquiry handling
- **Formal alignment between the strategic goals of WCC and CWH**

This report summarises CWH's progress to date in addressing the above:

VFM:

- Incorporating major works, responsive repairs, staffing and restructuring ICT & other overhead costs. Our target is to achieve £5m of annual savings to the HRA by 2020. This will be achieved by: Transforming our service delivery through innovative digital solutions, extending our call centre capability and realigning our face-to-face interactions to meet residents' needs including:
  - o Developing online digital services not only focused on streamlining interactions with CWH and WCC but also on addressing broader lifestyle needs of CWH's residents and other stakeholders.

- o Embedding mobile working capability to create greater flexibility in CWH's delivery model enabling more local surgeries, increased service availability and tailoring of services to resident needs / availability.

- o Reviewing the services proposition of our estate offices including how to redesign the model into community spaces focused on resident needs.

- Restructuring the approach to maintenance & other outsourced contracts whilst maintaining service levels, by 2018. By way of background to the opportunity: The majority of our responsive repairs and maintenance is delivered through 'term contracts' expiring Q1, 2017. Currently as part of this service provision we in-source the maintenance client function and call centre. In addition, the HRA major works programme, which consists of circa 40 people annually procures through a series of location-specific contracts, which is also managed by an in house team. In total the annual spend is around £75m. To identify future VFM opportunities:

  - o We have established a dedicated team to fundamentally review during the next two years our operating model for delivering all of these services. We will research the market and benchmark against other service providers and suppliers to create a suite of option appraisals and business cases for delivering services more efficiently. In doing so we will consider in-sourced, out-sourced and blended models. Our future team structure will be within the scope of this exercise. Our responsive repairs service achieves 92% resident satisfaction and so we will need to carefully consider with WCC the potential impact on our residents of lower-cost options.

  - o CWH delivered 60% more volume of major works in 2014-15 than in 2013-14 and achieved a 6 basis point increase in resident satisfaction (to 80%). This direction of travel is as a result of new leadership, increasing the proportion of professionally qualified staff, separating procurement and construction delivery teams, a relentless focus on improving quality through better design and better contract management and a fully resourced team.

  - o Whilst we are seeing a growth in volume and satisfaction, we remain committed to further improving value for money, quality of works and improving our 'right first time' success rate.

- Reducing overheads including reviewing central requirements, restructuring overhead departments and reducing staff costs through a subsidiary company. Final target date 2020.

CWH Response to Altair Review

Marc Wolman
Director of Customer Services & Business Transformation
mwolman@cwh.org.uk

Communications:

We will focus on improving all aspects of our communication activities, which will incorporate reviewing consultation with leaseholders regarding major works, complaint & enquiry handling and communication with residents and councillors.

This will be achieved as follows:

- o CWH are in the process of developing an innovative new digital engagement channel for major works to engage with all residents on the Major Works activities taking place in their localities. This is planned for launch latest Q3, 2015.

- o Undertaking new voice of the customer research to develop an AS-IS and TO-BE customer journey map to transform the approach to complaint handling.

- o Review the impact and success of current resident engagement structures and implement improvements as required. This will lead into September / October 2015 when new members are required to be elected for the Area Management Committees.

- o We are also looking to develop and implement a new approach to front line service delivery training.

- o Design and implement a formal programme of councillor engagement activities including an estate walk about programme, briefing sessions and improved written communications.

- o In addition, we have asked Westco to review our communications and identify further options for improvement. Westco will advise on structure, the corporate narrative and key messages, effective channels for reaching internal and external target audiences, including key stakeholder analysis. We will be starting this work shortly and the initial review will take around 6 weeks.

Formal alignment between the strategic goals of WCC and CWH:

- • We see this as a critically important area for CWH and WCC to focus on as closer integration of CWH with the City For All ambitions in particular is crucial to ensure we can continue to make a long term and positive impact on our residents. We plan to improve our focus in this area through the following:

  - o Develop social impact reporting to monitor, report on and measure the impact of activities that align to WCC's City For All ambitions. Our first report will be published in June 2015.

o Work with WCC Officers to identify opportunities for further engagement with WCC.

o Review our youth engagement programme to identify options to improve the quality of engagement with young people in WCC. This will include opportunities to work on increasing awareness about child obesity and finding innovative ways to engage young people, potentially through promoting social enterprise opportunities, particularly in digital services.

o CWH digital services programme is not only focused on enabling its residents to engage through a different media but to use this channel to address issues of digital, social and financial exclusion that affect a large number of its residents. This could include helping to find employment, develop job seeking skills, making financial savings online and more broadly reducing social isolation. Objectives aligned to WCC's City for All objectives.

o We have created in partnership with WCC a new 'asset strategy & regeneration' team to lead our 30-year HRA business planning. We have externally recruited new leadership to shape this function, to provide much stronger thought leadership as managers of WCC's valuable residential real estate assets. We expect this new team will strongly demonstrate to WCC our ability to perform a more strategic role in HRA business planning, building on our strengthening partnership with the recently restructured WCC Growth, Planning & Housing directorate. We will focus on adding value to the HRA, both financially, in terms of improving homes and communities, and in terms of increasing the supply of high quality new homes. 25% of our existing built assets are over 100 years old and a key component of our asset strategy is to recycle aging stock to acquire or develop lower-cost, energy efficient homes.

o CWH's asset development & property directorate has new leadership. We have worked hard during the past year to ensure our focus is on delivering results for WCC and specifically the HRA business plan. CWHs strategic plan published in 2014 is evolving in response to WCCs change in housing strategy and policy, to ensure it fully reflects the requirements of the HRA business plan, to deliver WCCs 2018 City for All strategy and to more swiftly address some of the potential improvements highlighted by Altair. We are working closely with WCC to develop efficient, streamlined governance and

performance management metrics so that the focus of the CWH executive and board is fully aligned with WCCs business plans.

All initiatives will be carried whilst we continue to ensure high quality service delivery and maintain customer and stakeholder satisfaction.

Closing Comments

We recognise the significant responsibilities and trust placed in us by WCC to manage the assets in our portfolio. In addition we are very focused on ensuring these assets are maintained to the highest possible standard.

We are also equally focused on ensuring that in everything we do we continue to find ways to positively impact the lives of our residents and improve the communities within which they live.

The Altair report has enabled us to consolidate our focus in certain areas but has also provided strong validation for our strategy to transform our service delivery model.

We remain committed to this strategic plan and to ensuring we deliver the commitments to change set out in this report.