



City of Westminster

Strategic Review of Housing Management Options

Final Report

September 2018

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1. EXECUTIVE SUMMARY

Introduction

- 1.1 City of Westminster (Westminster) has commissioned a strategic review of its future housing management options, having regard to the current management arrangement between the Council and its ALMO, CityWest Homes (CWH). The effectiveness of the arrangement has come into question following a period of service-wide transformation in 2017, which, whilst modernising service delivery and realising significant savings, has put considerable strain on the relationship with key stakeholders – residents, Members and Council officers.
- 1.2 The operational and reputational damage sustained by CWH raises wider questions of the robustness of clienting and governance, whether the ALMO model still represents best value for money for Westminster, and whether moving forward it will maximise desired outcomes. The review considers four future management options:
- Option 1:** Retain and refocus the current devolved management arrangement;
 - Option 2:** Return the provision of housing management services to the Council;
 - Option 3:** Adopt an alternative delivery model in the form of a trading company;
 - Option 4:** Outsource the service to one or more external providers.
- 1.3 The review considers the most cost-effective model for Westminster to deliver housing management services, taking into account the Council's financial sustainability, the long-term viability of the Housing Revenue Account (HRA), and the Council's priorities and strategic direction.

Strategic and operational context

- 1.4 At the core of Westminster's housing strategy are the objectives to achieve rapid increase in the supply of affordable homes whilst making best use of existing stock; drive forward neighbourhood renewal; and enable residents to fulfil their potential.
- 1.5 The housing delivery model in Westminster is complex, with services delivered through a network of inter-connected organisations and management arrangements, cliented directly by the Council or CWH.
- 1.6 The challenging operating environment and the scale of the response needed in light of the Grenfell fire, as well as with the range of potential changes outlined in the Social Housing Green Paper, highlight the need for strong housing management leadership and expertise, and a clear operational focus on delivering core housing services.

Assessment of current service delivery and efficiency

- 1.7 Through stakeholder interviews and desktop analysis of key management documentation, we have formed the opinion that over time CWH has achieved a good level of operational performance and broader value-add outcomes for Westminster, with correspondingly high levels of resident satisfaction. However, the quality of customer care, service delivery, local ownership and connection with residents has been

significantly compromised over the course of last year as CWH implemented its new Target Operating Model.

- 1.8 This transformation caused significant operational problems that have at their root weaknesses in the oversight and management of the service. Firstly, the leaders of the change were not sensitive enough to its potential impact or flexible enough to change direction when there was an obvious need to do so. Secondly, the Board was seemingly ill-equipped and unsighted in assessing the risks associated with the change and in providing the necessary challenge once things started to go wrong. Thirdly, the clienting model and relationship was not robust enough to identify the risk associated with the change at an early stage or the performance issues as they arose.
- 1.9 The immediate priorities for CWH's new Chief Executive must therefore be to re-establish residents at the heart of the organisation's culture. A full review of the structure and governance processes is recommended to ensure the Board can re-establish its proper role, and, moving forward, a partnership approach is required, backed up by a refreshed Management Agreement.
- 1.10 A central question posed of this review is how efficient the current delivery model is. From our analysis of the evidence provided to us, we can conclude that the HRA is in a strong position and with resources to both sustain the existing stock and drive substantial levels of investment and regeneration. CWH makes operational surpluses and is on track to deliver £5.2m savings in implementing the new operating model, further efficiencies can be made to benefit the HRA and fund the business plan

Facing the future

- 1.11 Westminster, in common with every other local authority and social housing provider, is moving forward through a challenging operating environment that is subject to a fundamental reshaping driven by changes in Government policy (rent cap, Right to Buy, end of lifetime tenancies etc.), likely strengthened regulation (consumer standards and risk management) and market forces.
- 1.12 The viability of the current universal nature of the service offer is also open to question, particularly the sustainability of the high levels of customer demand, and service response offered, when matched against income generated. This may require resetting residents' expectations of the service and managing contentment against sustainable levels of service. The foundations for sustaining the service must be rooted in a laser-like focus on collecting rent and managing stock effectively. This will require both strategic direction and oversight, but also experienced housing professionals to deliver the outcomes.

Assessment of the delivery options

- 1.13 Analysis of Options 1 and 2 confirm that both are valid paths for the Council to select, each having associated strengths and weaknesses, opportunities and risks. Options 3 and 4 introduce the potential for a wider restructuring and refocusing of the service, potentially realising wider benefits, but at greater risk.

Option 1: Retain the ALMO with service refocused

- 1.14 Whilst CWH has operated effectively at 'arm's length' within the terms of its original Management Agreement, and has (as we understand it) delivered relatively efficiently over the past 16 years, the implementation of the new Target Operating Model has stretched the trust and belief in the organisation. It is less clear that the strategic aims and objectives of Westminster map directly to CWH's delivery priorities. Lines of communication have become less clear and this review has highlighted shortcomings in management, governance and clienting, as well as in CWH culture.
- 1.15 For CWH to be considered as a fully credible retained delivery vehicle for the housing service moving forward, a refocusing is recommended. This would create a 'new deal' for current and future stakeholders of the housing service in Westminster, based upon closer alignment with the Council's vision, strategic ambitions and resource priorities, a clear scope of service and sustainable service specification with non-core activities stripped away, refreshed governance and clienting arrangements to provide a more robust level of oversight and challenge, and closer partnership working with the Council and external delivery partners.
- 1.16 We anticipate that refocusing CWH would deliver broadly the same operational cost reductions as are currently planned as part of the ongoing programme to deliver cost savings of £5.2m. By refocusing CWH's services on a core offering and reducing the scope of the organisation's business activities, the directly controlled annual budget for CWH would reduce by £7.129m, with £3.443m of this transferring to other parts of the Council for continuing delivery. This refocusing would yield an initial reduction for the HRA of £1.444m, after taking into account the costs of procuring replacement services and making clienting improvements. These savings deliver broadly the same level of operational savings for the HRA, when compared with the existing savings programme. Delivery of this option would require development and implementation of a detailed plan, and would incur one-off implementation costs, which we have estimated at £350k.
- 1.17 For this approach to work, the relationship between the Council and CWH needs to be reset through the governance and clienting structures, recognising CWH as the Council's delivery vehicle and that whilst CWH is responsible for delivering landlord services, the Council is the accountable body. On CWH's side, there is a need to appreciate that its role is to operate to Westminster's agenda, and it should not view the relationship as 'us and them'. On the Council's side, there is a need to recognise that real potential benefits accrue from the arm's length nature of CWH's operation, specifically because of its single focus on housing delivery and improvement.
- 1.18 The strength of this option is that it maintains continuity and avoids any possible loss of focus, whilst accelerating efficiency gains already gained by CWH. The main risks associated with retaining the ALMO are inherent in the additional management cost of the model and that Westminster is dependent on the effectiveness of the relationship to deliver key service objectives.

Option 2: Return the service in-house

- 1.19 Activities outlined for retaining CWH must also be delivered within this option, namely redefining the strategic vision and service specification, developing plans for managing resources, and delivering more affordable housing and value-add services.
- 1.20 Financially, bringing the service back in-house should accrue annual savings to the HRA in the region of £2.755m (i.e. £1.305m on top of the £5.2m savings already scheduled for CWH to deliver in the last two years of the current programme). The gains identified are a combination of staff savings and non-payroll costs (including Board costs) related to the operation of CWH. Alongside these operational savings, however, there are one-off implementation costs that will be needed to deliver the gains identified and in determining and implementing Westminster's 'offer' to residents. We have estimated these costs at £2.8m. The authority would also reabsorb any net assets held by CWH, and we have assumed a one-off £0.500m net gain to HRA balances from the receipt of net current assets held by CWH.
- 1.21 Engaging with residents will be critical and should be facilitated on the basis of a 'residents offer', with clarity of the vision and plans for housing (including development and regeneration), the proposed service structure and operational arrangements of the in-house service, the expected improvements and efficiencies that will be realised (including transition costs), and the alternative structures for resident engagement.
- 1.22 The transition back to the Council will also require careful planning and transition management, with a communication plan that engages staff and stakeholders. A clear target organisational design will be required that addresses current apparent cultural weaknesses. The service model must maintain focus on operational delivery and performance improvement.
- 1.23 The strength of returning the service to Westminster is that it gives direct control over the service at a time of considerable operating challenge. The main risks with returning the service to Westminster are the loss of momentum gained by CWH in its current turnaround phase, and a loss of focus at a time and in an environment when it needs to achieve demonstrably more.

Option 3: Alternative delivery model

- 1.24 Delivering housing services through a trading company would potentially provide Westminster with a vehicle to reshape fundamentally the way it delivers the service and accelerate its growth aspirations, whilst retaining a level of control of the approach and outcomes.
- 1.25 The potential benefit of this approach is that it would create a holistic management framework for the housing service and could draw in associated support services. At the same time, by bringing together the governance and leadership of Westminster's currently separate housing delivery vehicles, it should provide for greater consistency in direction and delivery, as well as enabling integrated clienting arrangements. It could further facilitate some savings through integrated 'back office' operations. The main drawbacks are that LATCs can be complex structures and have associated levels of overheads.

- 1.26 It is not possible to quantify adequately the financial benefits or legal considerations within the scope of this review. A close analysis of requirements and business case definition would be required to move this option forward.

Option 4: Outsourcing the service

- 1.27 Outsourcing has proved to be a 'double-edged sword': while it has cut away outdated service delivery models and practices in many cases, it has also exposed shortcomings in strategic leadership and clienting, and has exposed authorities to market risks and corporate frailties.
- 1.28 That said, Westminster currently delivers significant elements of the housing service through third-party contracts, directly (homelessness and housing options service – RMG), or through CWH (repairs and maintenance service - Morgan Sindall; facilities management - Pinnacle PSG). These organisations have long-term contracts and established relationships with the Council and are well placed (potentially through a non-disclosure agreement) to help define a value-add delivery model and market proposition, potentially within the context of a trading vehicle, to create a new 'Westminster way'. This approach could be worked upon whilst the immediate problems of the service are resolved.
- 1.29 Again, it is not possible to quantify adequately the financial benefits or legal considerations within the scope of this review. A closely analysis of requirements and business case definition would be required to move this option forward.

Considering the delivery options

- 1.30 Retaining CWH in its current form is not an option. If the Council decides to retain the ALMO, it will need refocusing to deliver the core housing service, with refreshed governance and clienting arrangements. However, building on its current strengths, it could make a contribution to delivering more affordable homes and value-add services that address Westminster's wider service priorities. With a new management agreement, and robust governance and clienting arrangements in place, this is a low risk option.
- 1.31 Returning the service to direct control could enable Westminster to reshape services more widely and also couple more closely with the development of affordable homes. It would give Westminster control over the service at a time of turbulence within the operating environment, without the current additional layer of CWH management.
- 1.32 We anticipate that returning CWH services to direct management by Westminster would reduce annual operating costs to the HRA by £3.494m, compared with £2.282m under the option that retains CWH. The option to return services to the Council would also see the reabsorption of CWH assets into the HRA, which would generate further financial capacity in the form of additional HRA balances. However, implementation of the return option would cost more initially, and could lead to a £0.300m increase in the client-side costs that fall to the General Fund, unless steps are taken to reduce the residual client-side costs.

- 1.33 Whilst the potential savings of returning to direct control are greater, so is the risk, as another period of change would be required on top of the one that the service is undergoing. Due consideration must also be given to creating the optimal service model within Westminster, how the transition will be managed, and how residents would be engaged in the process.
- 1.34 Removing CityWest Residential from the portfolio of services managed by CWH is the largest contributor to savings within both the 'retain' and 'return to direct control' options. A costed appraisal of the overall value of that business to Westminster (financial, social value etc.) is required to ascertain its future, and if it is of ongoing value, where else it could be more effectively and efficiently managed within the Council, compared with the present arrangements.
- 1.35 Whilst both of the primary options of retaining and refocusing the service or returning the service to direct control could potentially yield annual savings, the choice between them hinges on which of the strengths and risks associated with retaining CWH, or those associated with returning to the Council, are more likely to enable or hamper the delivery of service priorities. There is also a timing issue, in that a retained CWH can commence proposed changes immediately, whereas with returning to the Council, there would be a period of transition. We would anticipate that both options can be delivered within existing budgets and resources.
- 1.36 Adopting an Alternative Delivery Model such as a Local Authority Trading Company requires considerably more scoping and detailed analysis to enable viable comparison with the other two options. However, given the commissioning model already established within Westminster, and the fragmented delivery of the full housing service, it could provide a pathway to converging the service over time to realise greater value and outcomes. In the event that the Council opts to retain and refocus CWH, we would recommend that this option is scoped and explored in further detail with a view to a potential phased transition to a LATC group structure.
- 1.37 Adopting some form of outsourcing arrangement again also requires considerably more scoping and detailed analysis to enable viable comparison with the other options. However, it could also provide a pathway to converging existing services and outsourcing arrangements over time to realise greater value and outcomes. In the event that the Council opts to retain and refocus CWH, we would recommend that this option is scoped and explored in further detail alongside the evaluation of adopting an LATC group structure.

Recommendations

- 1.38 Accordingly, our recommendations are as follows:
- (a) That whichever management option the Council chooses for the future management of the housing service, the immediate priority for the service remains operational recovery and rebuilding stakeholder confidence, whilst reappraising service goals and delivery mechanisms, by:
- (i) Aligning resident participation and engagement arrangements through Area Panels and Residents Council, building a single view of customer and

- community needs and expectations that can help shape neighbourhoods and services more broadly across Westminster;
- (ii) Developing strategic thinking to reshape services that respond to local priorities and operating environment;
 - (iii) Ensuring the best balance of service speed of throughput and one-and-done performance is established, with a focus on ensuring that a resident's circumstances and needs are understood, and the root cause of a problem resolved;
 - (iv) Ensuring resident communications explain change, are proactive, and are honest and open when problems occur;
 - (v) Ensuring that the housing management service operates in support of the wider delivery objectives of Westminster's housing and aligned services, at optimised cost;
 - (vi) Realising the potential efficiencies outlined above, and moving to a lower cost-base of service provision. Making best use of the HRA and General Fund and release funds to maximise efficiency through integrated business and financial plans that deliver objectives whilst making best use of skills and resources;
 - (vii) Ensuring the right leadership team and organisational culture is in place to deliver the above, with the right level of housing management experience and the nurturing of and responsiveness to specialist knowledge and local insight.
- (b) That if CityWest Homes is to be retained as the Council's ALMO, immediate steps are taken to strengthen governance and clienting arrangement, by:
- (i) Establishing a shared vision for CWH and clarity of purpose and goals with stakeholders, and to restate the strategic objectives of CWH within the framework of Westminster's overarching objectives and targets;
 - (ii) Reshaping and re-equipping the Board to enable it to lead the organisation and respond to the priorities of the client, and ensure that the Board provides effective strategic leadership and control of the organisation;
 - (iii) Ensuring that the quality of information and analysis provided to the Board is improved and that the Board is equipped to make informed, timely and effective decisions, with the necessary skills development in place;
 - (iv) Ensuring that the relationship between the Board and Executive Management Team is both challenging and supportive and that the relationship between the Board and the Council is clear;
 - (v) Revising the Council's clienting arrangements on the basis of an *Intelligent Clienting* approach, to maximise the value of each organisation to the other.
- (c) That if management of the service is to be returned to the Council, full consultation and detailed planning arrangements are implemented, by:
- (i) Establishing a clear and coherent 'offer' to tenants and residents, against which full stakeholder consultation and a Test of Opinion will be undertaken;
 - (ii) Ensuring engagement and direct accountability to residents will not be diminished through the transition period or when the service is run directly;

- (iii) Considering how the housing service would best fit within Westminster's structure to best meet strategic objectives and realise efficiency savings;
 - (iv) Seeking full legal advice on the regulatory, employment and commercial implications of winding up the ALMO;
 - (v) Defining a robust and appropriately resourced transition plan that would manage the transition process without compromising service delivery.
- (d) That if the Council decides a new approach to delivering the service is required through a trading company or outsourcing arrangement, that an in-depth analysis of the potential is developed, by:
- (i) Agreeing the objectives and outcomes sought from creating a new delivery vehicle or entering into a long-term partnership arrangement, and establishing clear service delivery priorities with stakeholders;
 - (ii) Working with the market to understand how different approaches could be supported from within existing partnerships or by shaping tenders to create new ones;
 - (iii) Developing a fully-costed and risk-assessed business case before proceeding with full stakeholder consultation.
- 1.39 In the final analysis, the Council and CWH are accountable to the residents of Westminster. We recommend that the opportunity is used to engage effectively with as many residents and stakeholders as possible, seeking to draw people into a debate about the nature of services delivered and the priorities for the future.

2. INTRODUCTION

2.1 Westminster has commissioned a strategic review of its future housing management options, having regard to the current management arrangement between the Council and its ALMO, CityWest Homes (CWH).

2.2 In considering the arrangements for the future delivery of housing services to Westminster's tenants and leaseholders, the overarching consideration should be the achievement of key objectives. From our understanding of the Council's position, and from our discussions with stakeholders, we consider these to be:

- Provision of high quality and cost-effective management services;
- Maximisation of resources available for the provision of affordable housing;
- Potential to 'add value' for Westminster tenants;
- Potential to accelerate the delivery of the Westminster Housing Strategy;
- Potential for wider 'added-value' across Westminster.

2.3 The review has been commissioned following a period of service-wide transformation, which, whilst modernising service delivery and realising significant savings, has put considerable strain on the relationships with key stakeholders – residents, Members and officers. The principal elements of the multi-layered change were to:

- Introduce a single point of entry into the service through a contact centre, while reducing the number of local service access points;
- Introduce a new systems architecture to support the above;
- Introduce a new repairs contract with new terms of reference - and in the event with insufficient mobilisation time allowed;
- Introduce a new staffing structure with revised roles and new specialist teams.

2.4 These changes were delivered within a new clienting framework and against the backdrop of the Grenfell fire and the run-in to the local government elections. The combined effect of all these factors led to an unmanageable surge in demand, which, compounded by the evident frailties of the new service model, led to a significant drop-off in operational performance, and a consequent drop in customer satisfaction and loss of stakeholder trust.

2.5 The operational and reputational damage sustained by CWH in 2017/18 raises wider questions of the robustness of clienting and governance, whether the ALMO model still represents best value for money for Westminster, and whether it is the best model moving forward to maximise outcomes for the City. The specific aims of this review are to advise the Council, residents and stakeholders on the best arrangements to ensure that:

- Services delivered make the most efficient use of resources and deliver the best value for money;
- Governance and risk arrangements are robust;
- Services are being provided to the highest and most consistent standards that resources will allow;
- Services are fully compliant with health and safety regulations and best practice.

The brief for the review is set out at Appendix 1.

- 2.6 The review builds upon detailed operational analysis and service delivery recommendations reported by Campbell Tickell in March 2018. It has been undertaken over a short timescale, and the findings are based primarily on a desktop review of key management documents, together with interviews with a number of core stakeholders. It has not been possible, however, to involve residents (the key stakeholders) to an extent that would normally be appropriate for a review of this nature, nor has the timescale for the review enabled us to observe a CWH Board meeting.
- 2.7 The review will consider the most cost-effective model for Westminster to deliver housing management services, taking into account the Council's financial sustainability, the long-term viability of the Housing Revenue Account (HRA), and the Council's priorities and strategic direction.
- 2.8 CityWest Homes is a fully constituted legal entity, and consequently there are a number of considerations in completing this business appraisal, whether as a result CWH is retained or wound up. Whilst we have highlighted the main legal considerations, this report does not constitute legal advice, and therefore full legal advice would have to be sought before any decision to proceed with winding up CWH.
- 2.9 Four options are being considered:
- Option 1:** Retain and refocus the current devolved management arrangement;
 - Option 2:** Return the provision of housing management services to the Council;
 - Option 3:** Adopt an alternative delivery model in the form of a trading company;
 - Option 4:** Outsource the service to one or more external providers.
- 2.10 The assessment of each option includes:
- Analysis of the costs, savings, benefits, potential operating structures and legal requirements;
 - The strengths and weaknesses of the option in terms of its ability to sustain and deliver a cost-effective service, its ability to generate surpluses through which new affordable homes can be provided, and its ability to support the strategic direction of the Council, balancing service quality, value, cost and risk.

3. METHODOLOGY

Objective

3.1 This review has evaluated the options for the provision of landlord services for Westminster's housing stock as the basis for an appraisal report for the Westminster City Council Cabinet.

Assessment of the current delivery model

3.2 A desktop assessment of the service delivered by CWH has been made against:

- Westminster's strategic plans and strategies;
- CWH business plans and strategies;
- Governance and clienting documents;
- Housing Revenue Account (HRA) and General Fund (GF) business plans;
- Annual budgets and returns.

3.3 A full list of the documents reviewed is set out at Appendix 2.

Financial analysis

3.4 We have provided an indicative financial analysis of the two principal options under consideration, but not for the third (the alternative delivery model) at this point, due to its complex nature. This analysis is based on a high-level assessment of the potential impact of the options on the current budgets for services provided by CWH (as reported to the CWH Board). In assessing the potential impact of these options, we have taken into account the likely action to be taken for each service, and the potential for reducing operating costs as a result of the option.

3.5 For each service provided by CWH, we have assumed one of the following actions:

- (a) No change (services continue as at present);
- (b) Reduce (costs are trimmed, protecting services where possible);
- (c) Transfer (the service continues to be delivered by another part of the Council, or one of its companies);
- (d) Eliminate (the service is terminated and no longer provided).

3.6 We have also identified the potential for some services to reduce their variable costs, whether by introducing efficiencies, reducing staffing levels, or by closer alignment with other CWH services or services provided by the Council.

3.7 Appendix 5 shows the full list of services, the action assumed for the two main options and the reduction in variable costs that has been assumed. Please note that our financial analysis purely provides an indication of the potential cost reductions that could be made. Further detailed analysis would be required to calculate firmer figures, as part of the Council's next steps in choosing and implementing its preferred option.

3.8 In addition to the service level analysis, we have conducted a high-level assessment of potential one-off and implementation costs in relation to the two main options. We have

also provided an indication of their potential long-term impact on the authority's GF and HRA.

Stakeholder consultation

- 3.9 Interviews have been conducted with a range of stakeholders, including Westminster Councillors; Westminster officers; the Chair of the CWH Board; CWH officers; Chair of the Residents Council; local housing partners; and service delivery contractors. We attended a meeting of the Residents Council on 29 July 2018 and a meeting of tenants and leaseholders on 9 August 2018. In addition, we attended a meeting of the Policy & Scrutiny Committee's Task Group on CityWest Homes on 16 August 2018.
- 3.10 Opinions regarding service performance, tenant engagement, the current role of CWH and future aspirations for the service have been sought.
- 3.11 A full list of interviewees is presented at Appendix 4.

4. SERVICE DELIVERY FRAMEWORK

4.1 In assessing the relative options for managing the housing service moving forward, it is important to understand the strategic priorities Westminster has set for the service; the local and national operating context that shapes the priorities and constrains the delivery of the service; the financial priorities that underpin the sustainment of the HRA and GF; and the components of the as-is housing service delivery model.

Strategic Housing Priorities

4.2 The Westminster strategic plan *City for All* has the objective of creating a City where people are born into a supportive and safe environment, grow and learn throughout their lives, build fantastic careers in world-leading industries, have access to high quality, affordable homes and retire into the community with dignity and pride.

4.3 Westminster's Housing Strategy (2015) sets out a direction of travel for the provision and management of housing within Westminster, it has four overarching themes - *Homes, People, Places* and *Prosperity*.

- 4.4
- Homes** Deliver 1,250 affordable homes over next five years;
 Make the best use of our assets, disposing to reinvest in new and more appropriate housing;
 Implement the actions arising from our review of housing management options, focusing on costs and value for money;
- People:** Invest £12m to tackle damp and cold in Westminster homes;
 Identify 450 council tenants most at risk of poor health and work with them to improve their living conditions;
 Work with partners to identify the housing needs of vulnerable people and commission the right services for them;
 Review how the Council engages with people and gets their views on its services and priorities for the future;
- Places:** Deliver high quality estate renewal schemes and make estate renewal 'business as usual';
 With CityWest Homes, explore establishing partnerships with other housing providers, as well as healthcare, social and employment organisations in order to meet customers' needs in one place;
- Prosperity:** Allocate some social housing to low income working households that wouldn't ordinarily have priority for it (100 homes per year);
 Work with partners to provide intensive, tailored support to social housing residents experiencing long-term unemployment to help them move towards work.
- 4.5 CWH is cliented by the Growth, Planning and Housing Department. Its delivery plan (2018) shapes the vision for the housing service: *give residents the opportunity to live in an affordable, safe, quality home that meets their needs.*

- 4.6 The plan sets out a collaborative approach to achieving this vision by listening to residents, businesses and stakeholders, to shape and enable seamless solutions, making the most of Westminster's exceptional assets, whilst working carefully to the highest professional standards.
- 4.7 The specific objectives of the plan are to deliver a range of housing outcomes that tackle homelessness, increase the supply and type of accommodation available, and to improve the quality of homes:
- Work together to exceed the 1,850 *City for All* affordable housing target;
 - Expand the EaSI Help scheme to develop an integrated approach to solving the housing and employment needs of residents;
 - Continue the successful collaborative approach to tackling rough sleeping;
 - Optimise development opportunities through estate planning, out-of-borough collaboration and innovative thinking;
 - Reduce/eradicate disrepair claims on properties. Tackle damp and mould;
 - Provide a comprehensive range of rental products that accommodate a broader range of residents.

Operating context

- 4.8 Westminster and CWH operate within an increasingly challenging environment, driven by recent and planned legislation, the roll-out of universal credit and the fundamental rethink of housing provision nationally and London-wide following the Grenfell fire.
- 4.9 Affordability challenges are increasing the level of homelessness. There is potential for an increasing number of private tenants to lose their homes due to rent shortfalls, and presenting as homeless. This places significant demands on local authorities, as the duties of the Homelessness Reduction Act 2017 require councils to help all at risk of homelessness, not just those falling within a priority need group.
- 4.10 The Grenfell fire has necessitated a nationwide response to fire safety, building design and management. The Hackitt report – *Building a Safer Future* - is a call to action for the whole housing industry to implement a universal shift in culture, with:
- Clear roles and responsibilities across the whole life-cycle of a building;
 - A golden thread of compliance, with raised levels of competence in the inspection and maintenance of high-rise residential buildings and complexes, backed by stronger and more effective enforcement activity;
 - The residents' voice centre stage, to ensure a clear, quick and effective route for residents' concerns to be addressed, and they have assurance that effective systems are in place to maintain safety in their homes.

Resource priorities

- 4.11 The resource position of the HRA became more challenging with the introduction of a four-year rent reduction policy in 2016/17, which required rents for sitting tenants to be lowered by 1% a year in cash terms until March 2020. It is important that Westminster exercises strict control over the costs of operating and investing in its housing stock,

whilst making optimal use of the considerable revenue and capital resources at its disposal.

The Council's housing delivery structure

4.12 WCC delivers its statutory housing obligations and management services through a set of well-established commissioned arrangements, with its own subsidiary companies and in partnership with market providers.

- (a) **CityWest Homes**, an Arms-length Management Organisation (ALMO) wholly-owned by Westminster has provided core housing management services to the Westminster's 11,000 tenants and 9,000 leaseholders under the terms of a Management Agreement since 2002; the current 10-year management contract was signed in 2012. In addition to delivering a portfolio of management services, CWH operates a residential lettings and sales agency (CityWest Residential), operates the Pimlico District Heating Undertaking (PDHU) and clients Westminster's nine Tenant Management Organisations (TMO).
- (b) **CityWest Residential** was set-up in 2009 and provides lettings (managing over 1,000 properties) and sales services to Westminster residents and more widely across London. CityWest Residential has a £2.1m budget that is funded through a combination of income generated from residential sales and lettings, plus fees chargeable to the Council. Approximately £1.4m of the expenditure incurred by CityWest Residential is financed from outside the Council and its related businesses. A proportion of the profits are reinvested in the local community, funding football pitches, employment teams and youth clubs. However, it has recently been fined £15,000 for three breaches under the Consumer Rights Act, including not advertising the fees charged to tenants.
- (c) **Tenant Management Organisations (TMOs)** – the nine TMOs cliented by CWH on behalf of Westminster, range in size from an estate of 560 homes, to those managing individual blocks of homes. CWH provides a limited range of operational services to a number of these organisations, primarily rent collection and arrears management services.

4.13 Westminster has three other delivery partnership arrangements in place: with Westminster Community Homes, a wholly-owned registered provider; with a recently formed wholly-owned development company; and an outsourced partnership arrangement with the Residential Management Group (RMG) and Shelter and The Passage, which delivers the homelessness and housing options services.

- (a) **Westminster Community Homes (WCH)** was created by Westminster in 2008 as a Co-operative and Community Benefit Society (CCBS), with two-thirds of voting shares owned by the Council and one-third held independently. It became a Registered Provider in 2009. WCH works with Westminster to increase the provision of affordable housing and other related activities which assist in the delivery of the City Council's strategic housing objectives:
 - Negotiate the acquisition of lessee interests in the regeneration areas;
 - Provide additional Intermediate rented units;

- Provide out of borough units for temporary accommodation and discharge of duty.

In December 2017, Westminster allocated additional funding of £250k from the Affordable Housing Fund to make future spot purchases of homes in Westminster and allocated of a further £2.6m to enable WCH to convert homes in Ladbroke Grove from shared ownership to intermediate rent.

In response to legislative changes impacting Council voting shares, Westminster opted to make WCH a wholly-owned subsidiary, consolidating it into group financial statements, whilst maintaining its not-for-profit Registered Provider and Charity status.

WCH currently manages over 400 social and intermediate homes, but outsources most service delivery activities to CWH. Of the five staff members at WCH, two work solely on leasehold negotiations.

- (b) A **Wholly-Owned Housing Company (WOC)** is being established by Westminster to deliver intermediate and market housing in the first instance, enabling Westminster to develop at the scale and pace to meet its strategic objective of providing at least 1,850 affordable homes by 2023, giving the flexibility to either sell, transfer or let residential properties, and reduce exposure to VAT. The WOC has two subsidiaries. Westminster Housing Investments Limited (WHIL) and Westminster Housing Developments Limited (WHDL). WHIL holds 100% of the shares of WHDL., which will provide homes for private sale and rent.

The key role of the WOC is to expedite housing renewal and infill programmes that will require extensive community engagement and management of resident expectations. The WOC will allocate the intermediate housing it holds in line with local priorities set by Westminster's intermediate housing policy. Homes will be managed via Homeownership Westminster, delivered through CityWest Homes.

- (c) **Homeownership Westminster** is a Westminster service delivered by CWH, which enables people eligible for intermediate housing to be prioritised for home ownership and intermediate rental opportunities in Westminster. The service was established in 2009 and has so far helped over 1,000 applicants to find a home either to buy or rent within Westminster or outside the city.
- (d) **Homelessness and Housing Options Services** – Westminster first outsourced the provision of homelessness prevention and housing advice services in 2002. The contract was recently relet to a multi-agency partnership led by Residential Management Group (RMG), a subsidiary of Places for People, working with Shelter and The Passage. The redesigned service is designed to be community-focused and better tailored to dealing with residents' problems in full the first time they access the service, and before more complex issues develop. The service has four management strands:
- Frontline housing advice, homelessness prevention and support services;
 - Single person, homeless service;

- Housing assessment, allocations and nominations;
- Procurement and management of homeless accommodation.

This new multi-partnership approach has increased the advice and guidance capacity of the service, as well as additional temporary accommodation capacity (the service currently supports 2,500 families). The focus on early intervention, mediation and working with landlords, employers and reconnection services is expected to reduce service delivery costs by 10% (£3million a year) as fewer residents access the statutory homelessness services.

The partnership is cliented jointly by the Homelessness Service, and the Allocations and Temporary Accommodation Service within Westminster.

Summary

- 4.14 The core strands of Westminster's housing strategy are rapidly to increase the supply of affordable housing, to ensure the existing stock is decent and used to best advantage, to enable residents to live fulfilled lives, and to deliver rolling neighbourhood renewal based on stakeholder priorities. The challenging operating environment and scale of the response needed in light of the Grenfell fire highlight the importance of strong housing management leadership and expertise, and a clear operational focus in delivering core housing services.
- 4.15 Westminster delivers housing services and manages growth through a network of interconnected organisations and management arrangements. The establishment of the WOC, the changed status of WCH, and the new multi-agency partnership approach for delivering homelessness services make this an appropriate point to review overarching governance and clienting structures to maximise integration and outcomes, at the same time as considering which configuration of delivery vehicles will best deliver the Council's strategic outcomes while making best use of resources.

5. ANALYSIS OF CURRENT MANAGEMENT MODEL

Local Authority Arm's Length Management Organisations

5.1 CWH was amongst the first tranche of ALMOs, launched in 2002, as a way of achieving social housing investment (Decent Homes funding) without transferring ownership of stock, whilst ensuring higher quality management, more effective investment and greater involvement of tenants. The rationale for establishing an ALMO was:

- The split of strategic and operational roles enables the local authority to focus on strategic direction and the ALMO on operational delivery;
- An independent ALMO Board can enable faster decision-making and a more responsive service;
- Residents can participate directly in the governance of an ALMO at the highest level and help set priorities based on direct experience of local need;
- ALMOs have the potential to be flexible local vehicles that local authorities can use to deliver wider social benefits to their communities;
- ALMOs as separate trading companies can provide income-generating services that can reduce the Council's revenue support;
- An ALMO Board can provide a focal point or community leadership.

5.2 Whilst over 30 ALMOs have been dissolved as their original purpose was fulfilled, as a management model the vehicle still holds appeal for many: currently 33 ALMOs manage over 450,000 homes on behalf of 36 authorities. 25 ALMOs have had their Management Agreements extended beyond 2020, with a number having long-term agreements up to 30 years; the remit of others has been broadened; and new ones created. Shropshire Towns & Rural Housing (2013) and Northampton Partnership Homes (2015) were both launched with long Management Agreements.

5.3 The broader remit fulfilled by many ALMOs is evidenced by over half of ALMOs managing homes for other social housing landlords and delivering services to wider markets. ALMOs also manage over 1,700 private rented sector properties on behalf of landlords. Many fulfil a broader social mission by running programmes for troubled families and training unemployed people to help them find work (85% of ALMOs have mechanisms in place to help tackle unemployment). More broadly, others offer IT, human resources, legal services, adult social care, environmental services, and the facilities management of schools and corporate properties.

CWH Remit

5.4 Westminster established CWH under section 27 of the Housing Act 1985, delegating the management of its housing stock of 11,000 rental homes and 9,000 leasehold dwellings. The precise scope of the relationship is defined through a Management Agreement, last renegotiated in 2013 and extended to a 10-year term to March 2022, with a five-year break clause in 2017.

5.5 The scope of services delegated to CWH and those retained by Westminster, is set out at Appendix 3. The services delegated to CWH include:

- Managing and maintaining the housing stock;

- Managing the annual capital programme;
 - Collecting rent and managing arrears;
 - Delivering tenancy and estate management services;
 - Providing tenancy support service to sustain tenancies;
 - Working in partnership with the Council, police and other agencies in providing safer neighbourhoods, reducing crime and dealing with anti-social behaviour;
 - Administering the Right to Buy function on behalf of Westminster.
- 5.6 Westminster retains responsibility for the strategic management of the HRA and business plan, and for the completion of annual returns. Westminster also retains responsibility for defining allocations strategy and policy, rent setting, tackling anti-social behaviour (ASB), and leasehold service charges. Responsibility is shared for making best use of the stock, prevention of homelessness and managing resident involvement. Regardless of who delivers the service, as the landlord, Westminster is ultimately responsible for compliance with all statutory requirements.
- 5.7 The Management Agreement permits CWH to undertake new build and infill development under the Council's direction and to link capital works schemes with regeneration proposals. The agreement also allows for further services to be delegated to CWH, based on regulatory changes, the Council's requirements, CWH's capacity and capability, and the need to preserve focus on CWH's core activities.
- 5.8 In 2014, Westminster commissioned a strategic review of housing options. Stakeholders were consulted on the continuation of the Management Agreement through the consultation on Westminster's Housing Strategy in 2015. Whilst there were mixed views amongst stakeholders about CWH, Westminster did not seek to invoke the break clause in 2017.
- 5.9 A refreshed Management Agreement has been in preparation for over a year and is currently in negotiation. The key change to the Agreement has been an updated set of priorities for CWH:
- Supporting City for All;
 - Getting the basics right – embedding new operating models;
 - Fire safety;
 - Communications;
 - Culture and our people;
 - Digitalising services;
 - Asset strategy;
 - Value for Money.
- 5.10 The new Agreement also seeks to reflect arrangements, objectives and performance targets that have changed or come into being over the life of the existing contract.
- Recognising that CWH has been carrying out some functions for the Council outside the current Agreement, including managing regeneration development projects, HRA acquisitions and stock disposals, management of temporary accommodation,

and acquisition and management of an intermediate housing portfolio. CWH will be paid £5.7m for additional services in 2018-19;

- Setting CWH a target to achieve annualised savings against the management fee of £850k in 2018-19, £500k in 2019-20 and £500k in 2020-21, meeting a transformational savings target of £5.2m by March 2021;
- Incentivising CWH by allowing it to retain and allocate 50% of any surpluses achieved towards projects and initiatives agreed annually with Westminster;
- Remunerating CWH for its work on HRA regeneration development projects as part of its services fee (£375k in 2018-19);
- Formalising the arrangement for CWH to provide professional services in respect of new build development work;
- Regeneration scheme support (Ebury and Church Street).

5.11 The new Agreement also includes a change control process that allows Westminster and CWH to vary its terms to reflect operational needs. It further recognises that the non-core services that CWH delivers are correctly recognised and remunerated through the change control process. In addition, a new strategic and performance framework links to a maximum incentive payment of £100K.

5.12 The joint working approach adopted in developing the Agreement provides a sound basis for resetting and managing the relationship between CWH and its stakeholders:

- Providing greater clarity of purpose and objectives;
- Ensuring greater transparency of delivery;
- Better supporting joint, longer-term planning;
- Providing more flexibility to respond to changes in the operating environment;
- Better enabling controlled, risk-assessed change.

Effective use of resources

5.13 Westminster's Housing Investment Strategy and HRA Business Plan indicate that there are sufficient resources to manage and maintain the existing housing stock, while providing substantial levels of investment and regeneration. These plans utilise the full range of revenue and capital resources available to the authority.

5.14 As part of its funding strategy, the authority has agreed a programme of cost savings to be delivered by CWH from its management fee of £5.2m over five years (as set out at 5.10 above). Information made available to us shows that the CWH Board is monitoring the delivery of these savings, and that good progress has been made by CWH towards achieving the target, with cumulative savings of £1.65m delivered by the end of 2017/18. CWH is due to deliver further savings to the management fee of £2.1m during 2018/19, and is on track to deliver the full £5.2m of savings required by the end of 2020/21.

5.15 Alongside the savings that have been made against the management fee, Westminster has asked CWH to undertake work that sits outside the management fee. The new Management Agreement adds a cost control mechanism to ensure that this additional work is controlled in the same way as the management fee.

- 5.16 There are indications that the allocation of resources within CWH has been affected by the need to support and help services to recover following implementation of the new target operating model. We expect this to be a temporary requirement, and anticipate that CWH will be able to review and streamline resource allocation in due course.
- 5.17 In analysing the data made available to us, we found some inconsistencies in the information held relating to the HRA Business Plan and the Management Agreement. For the most part, these related to timing differences between documents: for example, between the preparation of the Management Agreement text, schedule 4 of the original Agreement (which lists the components of the charge made by CWH), and an updated schedule 4 summary that was in place during our review. It is clear that the Council has introduced a change control mechanism to ensure that costs payable to CWH are transparent, and it is important that both the authority and CWH continue to maintain this mechanism.

CWH track record

- 5.18 Whilst this review has not been tasked with looking at operational performance, we have formed a view through documentation review and stakeholder interviews, in addition to the conclusions of the Campbell Tickell March 2018 operational analysis and service delivery report, as to the strengths and weaknesses of the current service delivery model.
- 5.19 The Cabinet Member report on the new Management Agreement reflects the general view of stakeholders we interviewed, that:
- “ALMO management has overall been a positive experience for the Council. CWH has delivered strong performance, a significant improvement to the quality of the housing stock, improved customer satisfaction and has demonstrated its ability to deliver savings and improve value for money.”
- 5.20 CWH has over the years delivered to its core remit and contributed to the delivery outcomes of City for All. For instance, CWH has:
- Developed 15 estate plans;
 - Provided mentoring and employment support services that have helped 91 residents find work;
 - Created 400 jobs in Westminster through delivery partnerships;
 - Supported 600 young people each week with sport and homework clubs.
- 5.21 CWH’s response to the Grenfell fire is also viewed by stakeholders to have been strong, providing initial reassurance to residents and then putting in place a plan of action to remove cladding, and to revalidate fire risk assessments and focus health and safety compliance.

Resident perspective

- 5.22 A key aspect of our fieldwork has been to understand the perspectives of residents. The analysis below represents feedback primarily from Residents Council and Area Panel members.

- 5.23 Perception of customer services over time is that frontline staff have been friendly and helpful, but follow-up and resolution has been less focused, with chasing-up frequently needed. Frustration was expressed that in following up an issue there seemed to be scant records of previous conversations or agreement of actions.
- 5.24 Perception of customer services since the introduction of the call centre in 2017, is that whilst call pick-up in the new call centre has improved since last year, there are still issues with routing within the Automated Call Distributor and that staff pass calls around based on pre-set rules, rather than listening to, understanding and acting on what the enquiry concerns. Residents are not convinced that the actioning of enquiries has improved (particularly when reporting ASB and estate management issues). The call centre is seen by some as simply “order-taking” and as a way of distancing the resident from the function or person to whom they are attempting to talk. There is universal concern regarding the lack of response via the central email account, in particular getting an instant acknowledgement and then waiting weeks (examples of a three-week wait were cited by two residents) for a substantive reply. Twitter is seen as an effective channel for get things done, as it is a public forum.
- 5.25 There is a sense that CWH struggles with not having detailed plans and specifications of its stock, particularly relating to pipe-runs, which are the root cause of many of the leaks experienced. The set-up of the leaks team was welcomed as a positive step forward.
- 5.26 There was a consensus that Morgan Sindall had been put in a difficult place as regards the backlog of repairs, and that redress should be sought against Wates, the previous main repairs contractor. The Residents Council group wanted to make sure that “lessons are learned” and that contractors are held accountable in future. Getting to the root causes of problems is a priority, as a lot of money is spent on patching and mending, only for problems to reappear. Mixed views were expressed regarding the quality of the repairs service, with some residents reporting a very good response and quality of service delivered, whilst others reported missed appointments and operatives turning up unannounced.
- 5.27 Residents perceive an accelerated turnover of key frontline staff, with replacements not made known or being as accessible as in the past. The closure of local offices has made the service feel detached and local knowledge has been lost. A mixed level of satisfaction with customer care provided at local hubs was expressed and residents were generally frustrated that when they do access the hubs, they are often told to “phone the number”.
- 5.28 Residents recognise that managing mixed tenure estates (with high levels of transiency compounded by Airbnb lets) is a challenge. They are concerned that the changes made last year have broken the connection between the service and residents, and that focus and ownership at the local level have been lost. CWH’s presence needs to be restored, ASB issues tackled quickly, and caretakers and cleaners made contactable during office hours.
- 5.29 Leaseholders would like a redesign of the major works process to provide greater transparency and simplification, and making sure there is best value for everyone:

- The leasehold service can seem aloof; communications are standardised and formal;
- More robust planning and communication of future works is needed;
- Works are commissioned whether needed or not, simply based on a cyclical schedule;
- Getting the best price – there is a sense that contractors “see CityWest coming”; whereas costs should be benchmarked against industry norms;
- Breakdown cost allocations so that tenants and leaseholders can see that costs are apportioned fairly, both work undertaken and overheads;
- Delivering to the agreed specification, with proper inspections, and not paying contractors for incomplete or sub-standard work (the greatest frustration is with work that needs doing again in five years);
- Timely follow-up of enquiries and resolution of disputes – there are some very long running disputes (10 years plus) that should be ‘put to bed’;
- Offer repairs service to leaseholders through Morgan Sindall;
- Develop a sinking fund to enable residents to spread bill payments.

5.30 The Residents’ Council is felt to be a positive environment and well-run forum. Members would genuinely like to have more influence with CWH at the formative stage of service design, and are starting to understand the level of self-empowerment and influence/scrutiny they can apply. It is important that CWH engages fully with the group, so it can realise its full potential; otherwise it may be seen as a ‘tick-box exercise’ and will lose the impetus and support of members.

5.31 The Area Panels have a rolling programme of project initiatives agreed with CWH. The West Panel is currently reviewing and supporting the design of the new tenant portal; the South Panel has been trialling a rough sleepers app, and is now reviewing the complaints process; and the North Panel is identifying local improvement projects. As reported to the Residents Council, these are positive pieces of engagement that enable resident to help shape and improve the service.

5.32 In summary, the priorities of residents moving forward are:

- Transparency and fairness;
- Improve communication with residents and between CWH teams;
- Accountability – particularly of contractors;
- Re-establish presence and a sense of ownership at the local level;
- Get best value for everyone.

Target operating model

5.33 The introduction of the Target Operating Model represented a significant and much needed modernisation of Westminster’s housing service, recognising that digital service access and delivery are now central to every aspect of life, that the level of service demand generated by a ‘one size fits all’ housing service is not sustainable, and that it

does focus resources where they are really needed. The key elements of the model delivered to date have been:

- A single point of access to services (450 email and phone numbers removed);
- Digital portal to offer the majority of service one-line;
- Deployment of a centralised contact centre;
- Four area service centres and 10 weekly services;
- Housing management services brought back in-house from Pinnacle;
- New 10-year term contracts for repairs and maintenance;
- Specialist teams covering income management, ASB and leaseholder services;
- Residents Council and Area Panels.

5.34 The benefits case to be realised are that:

- Easy-to-access online services put residents in control, and levels of self-service (at reduced cost) and levels of satisfaction increase in step;
- A single-access channel allows demand to be monitored and the speed and quality of the service response to be managed more effectively and efficiently;
- Housing teams can focus on delivering 1,500 home visits per year, targeting those who need support or where intervention is required;
- Target savings of £5.2m are to be realised, primarily through contract rescheduling.

5.35 The introduction of the Target Operating Model has however proven a traumatic experience for all stakeholders. Satisfaction figures dipped significantly, and the level of complaints increased substantively. The focus of the service is now quite rightly on stabilisation and a need to get back to basics. From our own fieldwork and the observations of stakeholders, this must prioritise:

- Re-establishing trust with residents, transaction by transaction;
- Establishing a service offer to tenants that is clear in terms of service specification, mutual responsibilities and expectations, service access and delivery standards;
- Re-engaging and establishing a clear service offer for leaseholders, whose satisfaction with service has dropped dramatically over the last two years;
- Re-establishing the frontline expertise and local knowledge which sat behind each of the 450 deleted telephone numbers and email addresses within the contact centre, to improve the customer experience and enable queries to be dealt with at first point of contact;
- Tackling the level of demand that has emerged through centralisation and better measurement – 20+ contacts per customer per year, and 6,000 repairs per month (double the previously modelled volume);
- Tackling obvious areas of weak service delivery, such as void turnaround and the level of non-decent homes due to no access.

Management and oversight of the service

5.36 From the analysis we completed in the earlier review of the operational change as well as through this review, there are three specific areas of weakness in oversight and

management that the service (both the Council and CWH) needs to address in order to move forward: leadership of change; governance; and clienting.

Leadership of change

- 5.37 With hindsight, it is easy to unpick the root cause of problems that have arisen with a complex, *whole system* change. However, a number of factors should have been apparent to CWH management at the time, and should have been addressed. Lessons must be learned, as a substantial level of change lies ahead.

Stakeholder engagement: It is clear that, whilst the new model was agreed by stakeholders at the outset, the specific details of the change, and how services were to be accessed and delivered, were not clearly communicated to stakeholders, who did not then have the opportunity to buy into the specifics of the change, leading to a significant mismatch of expectations.

Preparedness: The organisational design was not fully formed; the roles and responsibilities of key staff members not clear; and the mobile working and information systems needed to deliver the service not proved. The roll-off of the existing contractor was not managed effectively, creating a significant backlog of repairs, and the new contractor had no time to mobilise effectively. There were technical issues with telephony and systems interfaces, which should have been resolved before scaling-up the solution. Failure to resolve and manage these issues put staff in an invidious position in seeking to deliver the new service offer.

Organisational culture: From our limited direct insight into the culture of CWH, we have formed the impression from stakeholders that, in implementing the new operating model, a new more commercially oriented culture, driven by the need to turn around transactions, was being instilled. This however cut across the working experience and local knowledge of many managers and staff, whose concerns may have been overlooked, as supposedly being too 'public sector entrenched'.

Stakeholders need to arrive at a consensus that balances a resident-focused service ethos against the level of commercial acumen needed to sustain the business, drive efficiencies and release resources to provide additional homes.

Response to changing circumstances: Events clearly overtook the delivery of the new operating model, some completely outside the control of CWH (such as the Grenfell fire), others due to poor planning and overruns (mobilisation of the new repairs contract), and others due to the customer response (escalation of demand). What is also clear, however, is that those overseeing the change in CWH did not react and respond to the changing circumstances, and stuck to the original plan and timetable, leading to an escalation in the difficulties experienced.

Governance

- 5.38 The National Housing Federation Code of Governance (2015) sets out the criteria that every Board should constantly evaluate itself against, to ensure that it:

- Has the right structure, mix of skills, experience, knowledge and diversity, within in the context of the challenges facing the organisation;
- Provides clarity of leadership and guides the purpose, direction and values of the organisation;
- Works effectively as a unit, and the tone set by the Chair and the CEO;
- Fosters key relationships with the CEO and executive team of the organisation, and with key stakeholders;
- Board committees are effective and correctly connected with the main Board;
- Receives the right quality of information on the organisation and its performance, and that papers and presentations are of high quality;
- Has effective processes to ensure high quality debate for major decisions or contentious issues;
- Has processes for identifying and reviewing risks how the Board communicates with, and listens and responds to, shareholders and other stakeholders.

5.39 While this code is designed in the first instance for housing associations, the principles set out above reflect the precepts of good governance in any sector. We have therefore used these criteria to make an assessment of the effectiveness of the CWH Board. However, the timing of the fieldwork for this report has meant that we have not been able to observe a Board meeting. We have nonetheless interviewed the Chair and a number of people who attend meetings on a regular basis, and moreover have reviewed Board papers and reports going back over a three-year period.

5.40 The way in which problems escalated at CWH over the last year and the levels of stakeholder dissatisfaction point towards a Board that has not recognised or has been mis-sighted in respect of the risks associated with strategic changes. Our outline assessment for this is as follows.

5.41 The Board structure with 13 members is larger than would typically be seen as the most agile or effective governance structure:

- Four Councillors (three from the majority group and one from the minority group);
- Four Residents (currently all four are leaseholders);
- Four Independent members;
- Chief Executive.

5.42 The current Board constituency make-up therefore means that the tenant voice is not heard at the level needed. The Chair of the Residents Council does attend each Board meeting and has a dedicated slot in which to raise issues, but this is not the same as full participation. Whilst we understand that tenants were fully encouraged to apply for Board member positions, none successfully completed the recruitment process. This sadly represents a failure in the wider tenant capacity-building efforts of CWH: it would seem extremely unlikely that suitable candidates could not be identified from within a highly diverse tenancy base of 11,000 properties.

5.43 Whilst Board members bring a wide and appropriate level of skills to the boardroom, the effectiveness of a Board as a unit can only be achieved when members represent the best interests of the Company, not the specific interests of their constituency.

- 5.44 The meeting packs and reports provided to the Board are dense, and often lack clear management summaries that should provide assurance that the expert advice provided is well thought through, and the salient points on which the Board (or Committee) has to consider and make decisions are clear. This lack of focus and clarity must compromise the effectiveness of the Board; it also points to a lack of understanding within CWH of the role of the Board and how to service it effectively.
- 5.45 Without having directly observed a Board meeting, it is only possible to gain a limited sense of the quality of debate and level of challenge provided by the Board from the meeting minutes. There is however a lack of self-awareness and critical self-analysis within the reports presented to the Board. For example, a report on communications states that “the office closure and transformation campaign has now been successfully completed”: this seems not to acknowledge the level of resident unhappiness, the sharp fall in resident satisfaction and the rise in complaints, and does not reflect that lessons need to be learned. Does this indicate that the Board is simply a vehicle for reporting rather than for challenge, reflection and reassessment?
- 5.46 A corporate risk register is the sonar system that keeps an organisation on course, moving clear of danger and ‘away from the rocks’. The register presented to the Board lacks the level of critical assessment that one would expect in an organisation of the size of CWH, and was clearly a contributory factor to the Board being mis-sighted during the transformation period.
- 5.47 A high percentage of risks are marked as ‘significant’, which makes it difficult for a Board (or Executive Team) member to recognise and focus on the real dangers. The supporting analysis is also weak. For example, a risk concerning the implementation of a new IT system, interface and data integrity has the highest risk score (20), but has an impact described as “may have a potential impact on the delivery of improved services to residents”; it has management controls at ‘departmental’ level; and has a set of mitigation actions that do not mitigate the likelihood of the risk occurring. Given that implementing a computer system is largely under the control of the organisation and not an existential threat, this is inadequate. For a risk to be flagged as ‘significant’, a Board member should expect a far sharper level of insight and analysis, and have confidence in a cross-business mitigation response.
- 5.48 This suggests that CWH is going through the motions of maintaining a risk register without fully understanding its role in protecting the organisation, and that the Board does not have a tool – or sufficient insight - to enable it to arrive at an informed view and make appropriate interventions on whether a risk identified poses a threat to: the quality the services delivered; customer contentment with services; the trust of stakeholders; and the reputation of the business.

Clienting

- 5.49 For a critical service to deliver expected outcomes when managed at arms-length, a high degree of trust and partnership working is needed. An effective clienting model must enable both parties to maximise their potential, whilst combining their respective strengths to realise wider benefits for customers that neither would if working alone.

Following a review undertaken by Campbell Tickell in 2016, an Intelligent Clienting Framework was adopted, based on the principles of:

Shared vision: clarity of purpose and stakeholder goals;

Strategic alignment: combined strategic thinking developing and reshaping services that respond to local priorities and operating environment;

Integrated planning: integrated business and financial plans making best use of skills and resources and delivering broader benefits;

Effective oversight: Integrated, cost-effective governance and scrutiny mechanisms adding value whilst managing risk;

Realising outcomes: promoting a supportive, problem solving approach, ways of working focused on delivering joint outcomes;

Adding value: enabling CWH to develop and deliver a broader value-add offer to supports delivery of *City for All* objectives.

5.50 On the basis of the minutes of clienting meetings reviewed and stakeholder interviews conducted, our conclusion is that whilst the structure of an intelligent clienting framework has been put in place, its substance and outcomes have yet to emerge. From the desktop review undertaken, it is difficult to piece together a coherent thread of information-sharing, joint planning, supportive challenge and effective partnership-building. It is equally unclear how effectively information is fed down to operational managers, and the extent to which CWH staff feel part of the 'Westminster family' and recognise their broader accountability to residents.

- There has been a clear lack of transparency in the relationship. At clienting meetings in November 2017 and January 2018, issues of increased call volumes and handling times were flagged; however, the average call wait time in November was eight minutes, and in December, first-time resolution in the contact centre was below 30%. The Council was therefore not provided with the full picture of the problems being faced or being given an opportunity to comment on action plans or provide support and guidance.
- There has been a lack of supporting analysis and insight into the impact of what is being reported and the risks this may pose - for instance, reporting that core KPIs may be unavailable for a quarter due to the change of contractor, without any assessment of risk, business impact, or suggesting potential workarounds.
- Follow-up actions have been limited and do not evidence the level of challenge that would be expected given the extent and importance of services provided, potential risks (fire safety strategy), or the impact of problems under discussion. For example, there is little documented challenge regarding the contact centre roll-out or repairs backlog, and their impacts on customers or budgets.
- As with the Board papers, presentation of information, analysis and flagging key decision points is not always clear and supportive of making key decisions.

5.51 Stakeholder interviews highlighted the degree to which trust has been stretched between the Council and CWH over the past year, and the extent to which the strategic and value-add focus of partnership working has been necessarily supplanted by a more command-and-control approach to managing the relationship.

- A new way has to be found that can rebuild trust in the service across all stakeholder groups.
- The relationship between Westminster and CWH is now too reactive and tactical, and the current level of operational focus is not sustainable or healthy; moving forward, it has to become more proactive and strategic.
- Westminster has limited resources and specialist expertise in place to client the ALMO and therefore needs to be able to trust and receive greater assurance from CWH.
- More intelligence needs to be built into the relationship - there is too much low-level data and limited value-add analysis.
- Peer-to-peer clienting needs to be more effective, reflecting strategic, tactical and operational linkages.
- Broader clienting across WCC is still 'componentised' and there is scope to build a broader framework with other service providers, such as RMG.

Summary

- 5.52 CWH's remit is being refreshed and made more relevant to the role it now plays, and to reflect more closely the strategic goals and delivery priorities of Westminster. The new Management Agreement is a sound basis for managing the current relationship moving forward, subject to change control, as it has the flexibility to enable CWH's role to be changed to meet future needs, and to reward them for fulfilling the role.
- 5.53 The HRA is in a strong position, with sufficient resources to manage and maintain the existing housing stock and provide substantial levels of investment and regeneration.
- 5.54 It is generally accepted by the stakeholders we interviewed that CWH has been a good managing agent over its lifetime and has made a strong contribution to the Council's broader goals. However, the introduction of the new Target Operating Model made 2017 the most difficult year in the life of CWH and has tarnished its reputation for reliability with stakeholders. It appears now to be recognised within CWH at senior level that trust has to be won back one step at a time. That said, concerns remain that the culture among CWH staff is not appropriately focused and needs work to orient better to the organisation's role as Westminster's agent and one whose primary responsibility is to the City's residents.
- 5.55 The service delivery experience over the last year of residents interviewed can be characterised as being one of frustration at the poor level of customer care and patchy response, and concern that the on-the-ground focus and local ownership of the service have been compromised. Residents have identified a clear set of priorities for the service moving forward based on transparency, fairness, communication, and reconnection.
- 5.56 The transformation management and consequent operational problems experienced have their roots in weaknesses in the oversight and management of the service, which if working effectively, would have limited the impact of the problems and made the damage limitation more robust.
- Whilst a necessary modernisation, the introduction of the Target Operating Model cut across the grain of the service. The leaders of the change were not sensitive

enough to its potential impact or flexible enough to change direction when it was clearly necessary to do so. The leadership team has now been rebalanced with more emphasis on housing service delivery experience.

- The Board was seemingly ill-equipped and unsighted in assessing the risk associated with the change and in providing the necessary level of challenge and intervention once things started to go wrong. If CWH is to continue in business, a full review of the structure and governance processes is recommended to ensure the Board can re-establish its proper role.
- It is unfortunate that *Intelligent Clienting* model was in an early stage of development when a more direct form of clienting was needed to address the problems of the new operating model roll-out. In conjunction with the updated Management Agreement, our clear view remains that it still represents the best way to establish full partnership working between the two organisations, if CWH is retained.

6. OPTIONS FOR FUTURE DELIVERY OF HOUSING SERVICES

Principal objectives and risks

6.1 This review considers the strengths and weaknesses of four different housing management models:

- (a) **Retained and refocused CWH** – with changes introduced to tackle issues, so as to enable more effective working both by CWH itself, and between CWH and the Council;
- (b) **Direct management** – the housing service taken back in-house and delivered directly by the Council;
- (c) **Adopt an Alternative Delivery Model** – establish a Local Authority Trading Company (LATC) to manage the wider housing service and related operations for Westminster;
- (d) **Outsource the service** – the service is delivered in partnership with one or more third parties.

6.2 There are various risks faced by the housing service, some of which are specific to Westminster and others of which affect all housing providers. The rate and extent of legislative changes and continued austerity measures, their impact on residents and on the way housing services are delivered, provide a challenging and uncertain backdrop against which to be considering potentially fundamental structural changes. The impact of the Grenfell fire is also reshaping national housing priorities and policy. The Government's Social Housing Green Paper will contribute in due course to a reshaping of social landlords' relationships with their residents, as well as new approaches to regulation and compliance especially with consumer standards and health and safety best practice. The options for delivery must therefore be reviewed against these to establish whether they mitigate or increase the impact of these risks:

- HRA self-funding and the development of a 30-year business plan;
- Many tenants struggling to meet rents in the present economic climate and the impact of benefits caps and other aspects of welfare reform;
- Impact on the HRA of the 1% annual rent reduction for four years, and the threat to rent collection caused by direct payment of benefits to tenants;
- Pressure on the General Fund and public-sector finances more broadly;
- Structuring payment contributions for major works with leaseholders;
- Responding to the emerging policy framework.

The primary delivery options

6.3 The three options are discussed below, with indicative savings and costs outlined, to the extent that these can be reasonably quantified at this time.

Option 1: Retain and refocus CWH

- 6.4 This option involves continuing with the current delivery model and retaining CWH. The case for adopting this approach is built upon CWH's consistent operational performance over time (analysis of which was not within the scope of this review). Despite the dip in operational performance and tenant satisfaction over the past 12 months, it is reported that CWH has previously been generally well regarded by stakeholders and residents have been broadly satisfied with the services they have received. CWH moreover delivers a wide range of community value-add services.

Resetting Relationships

- 6.5 The need to re-establish trust has been a central theme of this review. To move forward, stakeholder relationships have to be recast on an open and informed basis:
- With Members, who ultimately set the goals for the service, and also hear first-hand the experiences of residents who access the service day-in-day-out;
 - With the senior officers of Westminster, who are responsible for the wider alignment and delivery of services to maximise value across the HRA and GF;
 - With residents (tenants and leaseholders), who are entitled to expect a good quality of service in return for their rent and service charges.
- 6.6 There also need to be an honesty and openness reflected in the management and organisational culture of CWH:
- Engaging with all stakeholders in setting objectives and making plans;
 - Early warning and full disclosure when things go wrong;
 - Taking responsibility and leading on putting things right.

Refocussing CWH

- 6.7 Through the course of this review, it has become apparent that this option cannot be seen as a steady-state 'do-nothing' option. There is a groundswell of sentiment amongst stakeholders that reflection as to the purpose, goals and organisational culture of CWH is needed, and that a refocusing of its role is needed, around the following objectives:

Strategic alignment - restate the strategic objectives of CWH within the framework of Westminster's overarching objectives and targets;

Governance - provide strong leadership and challenge for CWH within a model that dovetails effectively within a broader Westminster governance framework;

Clienting - embed an intelligent clienting framework to maximise the value of each organisation to the other;

Best use of resources - make best use of the HRA and GF, and release funds to maximise efficiency and moving to a lower cost-base of service provision;

Operational alignment - ensure that CWH operates in support of the wider delivery objectives of Westminster's housing and aligned services, at optimised cost;

Organisational design and culture - ensure the right leadership team and organisational culture is in place to deliver the above.

Strategic alignment

- 6.8 Whilst CWH has achieved considerable success in delivering and improving management services to the satisfaction of residents over time, the events of the past year underline the need to reassess the role of CWH in helping address Westminster's priorities within a rapidly changing operational environment and to meet future housing needs.
- 6.9 The starting point must be a reassertion that Westminster is the landlord and legally accountable as such. It owns and has overall responsibility for the relationship with tenants and leaseholders, and in setting housing strategy and policy. CWH is the delivery agent responsible for delivering the strategy and bound to adhere to agreed policy. That said, to prosper, the relationship between the Council and CWH must be based on an open partnership, a shared vision and joint objectives.
- 6.10 Consideration needs to be given to the remit of CWH, how closely it should focus on its core remit of delivering housing management services, and whether it should be divested of responsibility for non-core activities:
- Ending CWH's development function activity, which is already co-located with Westminster, along with construction and regeneration support activity;
 - Ceasing responsibility for the management of CityWest Residential, either locating the clienting function within the Council or discontinuing this line of business;
 - Stopping support activities for over 400 social and intermediate rental homes undertaken on behalf of Westminster Community Homes, focusing resources on CWH-managed stock;
 - Identifying and located shared services opportunities within the Council.
- 6.11 A joint approach is required to translate the Council's vision and values, strategic ambitions, and response to the pressure on resources into a new business plan for CWH. CWH's strategic objectives must be shaped by the Council's corporate objectives and the Housing Strategy's *Homes, People, Places and Prosperity* approach.
- 6.12 Objectives must reflect and reconcile the Council's overall responsibilities to the City, its citizens, their current and future needs, with CWH's focus on delivering effectively to its current customer base. Objectives must be based on shared insight, and enable accurate segmentation by need, risk, complexity and cost of delivery. This insight will help understand future housing needs, make best use of current stock, and determine new supply requirements.
- 6.13 A refreshed approach is required to translate the Council's vision and values, strategic ambitions, and response to the pressure on resources into a new business plan for CWH, with:
- Shared vision for CWH with a clarity of purpose agreed by all core stakeholders – Council, CWH, and residents;
 - Joint response to the challenges of the operating environment, and in delivering key objectives, including those of the housing and homelessness strategies;
 - Convergent operational models that optimise the use of HRA and GF resources;

- Aligned planning and governance models, supported by an intelligent clienting framework;
- Focus on promoting broader added-value, innovation and growth;
- Performance framework that demonstrates the value-add delivered by CWH and promotes transparency in progress reporting and partnership working.

6.14 CWH operates within a wide but loose network of partnerships, with greater or lesser degrees of participation and value-add. To maximise its input and effectiveness in helping shape services, CWH should work alongside Westminster within an agreed strategic framework of local service partnerships.

Governance

6.15 Whilst we did not observe a Board meeting directly, through desktop review of Board papers and interviews with stakeholders it is apparent that governance arrangements require attention. It would appear that the CWH Board is not fully effective in its role of leadership and challenge.

6.16 An independent governance review and resultant development plan would reshape and re-equip the Board to enable it to lead the organisation and respond to the priorities of the client, to advance Westminster's housing strategy and ensure that residents are provided with the best possible standards of accommodation and services within the resources available. This should specifically address issues that have emerged to ensure that:

- The Board is reconstituted in slimmed-down form, making it more agile and ensuring that the objectives of the Council are more closely integrated, whilst accentuating the strengths of the ALMO model by opening up the service to resident and independent scrutiny;
- It is proposed that a future CWH Board has eight members with:
 - Three senior Councillors (who we anticipate would be drawn two from the Administration and one from the Opposition);
 - One senior Westminster officer;
 - Two residents (one tenant and one leaseholder);
 - Two independents.

Optionally the Board might include the CWH CEO in addition. Comparable London ALMOs in Lewisham, Haringey and Tower Hamlets, which have relatively straightforward structures, do not include the Chief Officer on the Board, whereas in Barnet, which has a more complex group structure, the Chief Executive sits on the Board;

- The selection of these Board members should have regard to the skills required to ensure effective oversight and direction of CWH, and these skills should be set out in a Board skills matrix;
- The Board provides effective strategic leadership and control of the organisation, and acts wholly in its best interest;

- The quality of information and analysis provided to the Board is improved – ensuring reports are concise, point members to specific issues for consideration, whilst providing assurance that specialists within the business are in command of the detail;
- The Board is equipped to make informed, timely and effective decisions, with the necessary skills development in place;
- The relationship between the Board and Executive Management Team is both challenging and supportive;
- The relationship between the Board and the Council is clear.

Culture

6.17 A continuing theme that has emerged in the course of our engagement with stakeholders, has been repeated concern over weaknesses in CWH's staff culture. This is not, so far as we can judge, uniform across the organisation. Nonetheless, there appear clear signs of poor attitudes towards the Council's role and the CWH partnership with it, towards contractors, and critically also towards residents. This has to be addressed. Our view is that the starting point should be to conduct a culture survey of the workforce to identify the scale and nature of the problem, as well as to inform the work that will be required to reset in a healthy and appropriate direction.

Clienting

6.18 Whilst an *intelligent clienting* approach and model have been adopted in managing CWH, the focus on operational recovery over the last year has meant the relationship serves as a conduit between the two organisations rather than facilitating a strategic partnership. While CWH should be a capable delivery agent of housing management and should require minimal day-to-day oversight, the Council is attempting to address a broader picture of need to which CWH is well placed to contribute.

6.19 Fully adopting the *intelligent clienting* approach will enable a more dynamic, open relationship to flourish, and whilst rooted in the contractual relationship between Council and ALMO, would nurture innovation and a more effective response to the rapidly changing operating environment, by harnessing the relative expertise and strengths of both parties most effectively.

Best use of resources

6.20 This exercise has highlighted the potential for CWH to review its allocation of resources as it continues with the implementation of its Target Operating Model. We anticipate that this will identify potential for efficiencies and cost reduction in future years. In turn, this should be used to generate further continuing savings for the HRA in respect of CWH services, which will help generate further HRA capacity. Given the Council's prime objective of delivering new housing, CWH and Westminster should work together, using the outputs from the service review and governance work to:

- Refresh the medium-term financial targets the Council sets for CWH. The aim should be to optimise the resources that are returned to the authority through

savings, while enabling CWH to continue retaining resources for reinvestment in services that contribute towards Westminster's objectives;

- Ensure that additional services allocated to CWH are clearly defined and monitored using the change control mechanism set up for the Management Agreement. The authority should also demonstrate added value as part of its rationale for allocating additional services to CWH, and delivery of the added value requirement should form part of Westminster's client-side monitoring;
- Determine the optimal organisational design to deliver the expected service objectives, whilst optimising value for money;
- Consider the potential financial benefits that could be derived from a shared service and co-location opportunities (for example, in relation to CityWest Connect), which the Council could in turn redirect towards delivering new homes;
- Collaborate on identifying and developing further income generation and cost reduction opportunities with a view to maximising the delivery of new homes.

Direct savings from cost reductions

6.21 Our desktop review of CWH budgets has concluded that the organisation is well-resourced, and that there are opportunities to deliver overall cost reductions from current budgets, as a means of making additional resources available to help deliver the Council's objectives. The cost reductions could be achievable as part of the clienting improvements we have identified, refocusing CWH services on a more narrowly-defined core offering and reducing the scope of its business activities. The services affected are drawn from across the CWH directorates, and include:

- Programme & Commercial;
- CityWest Connect;
- Commercial Performance;
- Communications;
- Transformation;
- Finance;
- Financial Control;
- Procurement;
- Executive Team;
- Office Services;
- Learning & Development;
- IT Management;
- Human Resources;
- Board Expenses.

6.22 In estimating the savings achievable, we have calculated an overall allowance, based on the variable costs of each of the above services and a desktop assessment of their scope for incremental cost reductions. This provides a high-level indication of potential savings.

6.23 In addition, we have assumed the termination of services provided by CityWest Residential, and that the following services would transfer from CWH, to be delivered by other parts of the Council:

- Construction team;
- Development;
- Little Venice;
- WCC Recharges;
- WCH (acquisition).

6.24 As a consequence of these changes, the directly controlled annual budget for CWH would initially reduce by £7.129m from £37.272m to £30.143m. Of this reduction, £3.443m would transfer for delivery by other parts of the Council. The table below summarises our analysis.

	CWH Original Budget £000	Initial Reduction £000	Transferred Services £000	CWH Retained Budget £000
Operating Income				
HRA	-31,391	2,282	3,194	-25,915
HRA Capital	-3,191	0	0	-3,191
WCH	-477	0	249	-228
Third Parties	-2,213	1,404	0	-809
Total Operating Income	-£37,272	£3,686	£3,443	-£30,143
Operating expenditure				
Payroll & Agency Costs	26,555	-1,907	-2,498	22,150
Non-Payroll Costs	10,717	-1,779	-945	7,993
Total Operating expenditure	£37,272	-£3,686	-£3,443	£30,143

6.25 We anticipate that the initial benefit to the HRA from reduced operating costs would be £2.282m, before allowing for any additional operating costs. For the purposes of this exercise, we have assumed that the authority would wish to procure replacement services for those currently provided to the HRA by CityWest Residential. We have also allowed for the HRA to spend an additional £0.100m p.a. on improved clienting. The net reduction in operating costs after taking these adjustments into account, would be a saving of £2.847m p.a., as set out in the table below.

	Initial Cost Savings £000	Eliminated Services £000	Total Reductions to CWH Budget £000	Replacement Services £000	Additional Operating Costs £000	Total Net Reduction £000
Operating Income						
HRA	1,544	739	2,282	-739	-100	1,444
HRA Capital	0	0	0			0
WCH	0	0	0			0
Third Parties	0	1,404	1,404			1,404
Total Operating Income	£1,544	£2,143	£3,686	-£739	-£100	£2,847
Operating expenditure						
Payroll & Agency Costs	-1,182	-725	-1,907			-1,907
Non-Payroll Costs	-361	-1,418	-1,779	739	100	-941
Total Operating expenditure	-£1,544	-£2,143	-£3,686	£739	£100	-£2,847

6.26 This reduction saving comprises a cost saving to the HRA of £1.444m. The remaining cost savings of £1.404m would be matched by an equal amount of income lost from third parties.

6.27 Note that these savings to the HRA are an alternative to the planned CWH management fee savings of £1.45m in 2019/20 and 2020/21, and so represent a slight reduction in savings to the HRA from current expectations of £6k p.a. This is a broadly neutral position, before allowing for any one-off implementation costs.

Implementation costs

6.28 In order to realise the types of ongoing saving we have outlined above, it would be necessary for both CWH and Westminster to invest in their existing approaches and contractual arrangements. Our indicative estimate is that the investment required would be in the region of £350,000, and would include:

- £200k for a short-term implementation team within CWH;
- £100k allowance for potential redundancy payments;
- £50k for legal advice to Westminster (also chargeable to the HRA).

6.29 In estimating the one-off redundancy costs of £100k, we have assumed a low likelihood of redundancies being required. This allowance reflects 1% of the pay-related costs from services subject to reduction or elimination under option 1. Westminster may also need to correct any underfunding of the pensions liability in respect of staff who deliver services that transfer from CWH to other parts of the Council.

6.30 Note that we have assumed that the implementation costs would be met from the HRA. However, there is a possibility that some costs may need to be met from another account. We therefore recommend that the Council checks its interpretation of how costs should be financed with its legal advisors before deciding on a course of action.

6.31 We do not anticipate that this option would have a significant impact on the distribution of costs between the authority's HRA and its General Fund.

Long-term impact

- 6.32 For the purposes of this exercise, we have assumed that implementation of the changes outlined, and the delivery of additional cost savings would take three years, commencing in 2019/20, though it may be possible to shorten the implementation period to two years. Our forecasts suggest that the short-term impact on the HRA would be negative, as a result of the additional implementation costs required, with a reduction in HRA balances of -£0.350m over the implementation period.

Operational alignment

- 6.33 CWH has already taking a major step forward in modernising the way it offers and delivers services, driven by the need to focus resources on those most in need, and utilising technology providers to serve customers at a sustainable cost. However, CWH will still deliver an intensive, local and primarily face-to-face service. This is an opportune moment for the Council and CWH to reflect on the role and scope of the service, its service specification and the mutually beneficial behaviours and expectations it holds with residents. There is an opportunity to create a sustainable service offer based on:

- Resident empowerment, resilience and self-help;
- Managing expectations around receiving cradle-to-grave services;
- Focusing support where it is needed;
- Intervening and escalating the level of sanction where terms of tenancy are breached;
- Developing an output-based set of service standards, focusing on the need for delivering results rather than carrying out specific tasks periodically;
- Restating residents' responsibilities for managing homes and neighbourhoods.

- 6.34 CWH can play a wider role in delivering *City for All* priorities to improve the economic independence and address the polarities of wealth and poverty within the City. In undertaking our fieldwork, stakeholders have outlined the need for a total housing approach and for early intervention that reduces the demand on acute, more costly services. For example:

- Develop insight of the demand for homelessness services that originates on CWH estates, driven by large families, overcrowding, and no local affordability;
- Focus on early identification and intervention actions;
- Broaden partnership working through the Children's Services, Housing and Early Help Panel (CHEH) which manages complex cases with input from Children's Services, Housing Options, Children's Centres, Shelter, Housing Benefits, and employment services;
- Ensure tenants are fully engaged in support programmes;
- Consider whole-system costs, for instance the implications of an eviction of a large family that could then require involvement of up to five social workers in resettlement. CWH has a significant part to play in helping optimise the use of resources from all 'pots' across Westminster as part of case-working teams.

- 6.35 CWH is also well placed to identify, and offer in partnership, opportunities within the stock portfolio that offer a broader range of accommodation solutions and tenure types

that meet specific 'time of life' or 'need-targeted' accommodation requirements. Examples could include:

- Increasing intermediate housing provision (currently only 10 units in Westminster at present) that can act as stepping-stones out of homelessness;
- Providing accommodation solutions for young people leaving home or care and supporting the establishment of a first household;
- Enabling people to live in their home for longer and to return home more quickly after stays in hospital.

6.36 There is in addition an opportunity for the alignment of participation and engagement through Area Panels and Residents Council, building a single view of customer and community needs and expectations that can help shape neighbourhoods and services more broadly across Westminster.

6.37 Whilst not a core focus, our review has highlighted delivery processes, such as allocations and lettings, where inconsistent objectives and 'silo-working' are sub-optimising the delivery of a holistic and cost-effective service to residents. Joint service reviews could be used to agree objectives, targets and required outcomes:

- Review and clarify overarching housing strategies and policies, to ensure clear and consistent business priorities, operational delivery objectives and targets;
- Ensure end-to-end business processes with clear objectives and targets, to which both parties deliver (allocations, nominations, lettings and void management);
- Optimise the organisation and delivery of support services to minimise duplication and ensure that expertise is shared effectively;
- Maximise opportunities for insight, information and data-sharing, and ensure that all services have access to any real-time data they require;
- Share and integrate business systems and supporting technology.

6.38 We found good examples of cross-business working as exemplars for establishing future working relationships. The finance teams at the Council and CWH are strong and flexible, and represent a good example of the clienting relationship that the Council has sought to introduce. Steps have been taken to facilitate closer working between teams, which are operating successfully. Measures adopted include joint meetings (formal and informal) and participation by members of the CWH finance team at Council awaydays. Teams increasingly work together directly, through multiple channels, rather than being co-ordinated through single points of contact.

Organisational design and culture

6.39 Many of the observations made by stakeholders recognise a need to re-establish housing management at the heart of the organisation, reconnect with residents, and establish a strong resident-focused service ethos:

Housing management focus - ensure that the organisational leadership team has the right level of housing management experience and that specialist knowledge and local insight are nurtured and acted upon within the organisation;

Customer service focus - establish a balance between speed of throughput and 'one-and-done' performance, with a focus on ensuring that a resident's circumstances and needs are understood, and the root cause of a problem resolved;

Communication focus - better explain and manage change, be proactive, and be more honest and open when problems occur. Consideration should be given as to whether the current outsourced arrangement with Westco is responsive enough to meet the level of resident engagement and communication that the service needs.

Summary

- 6.40 The rationale for this option is that CWH appears widely recognised by stakeholders as having delivered a strong and effective housing management service over time, which has contributed to the Council's broader strategic agenda.
- 6.41 A refocusing of the Management Agreement, clienting and governance structures would better align CWH with the Council's strategic aims; a refocusing on the customer and core services would improve outcomes and help recover residents' trust; and a focus on careful transition towards the full deployment of the Target Operating Model would deliver improvements in efficiency and achieve better use of resources.
- 6.42 The strength of this option is that it maintains continuity and avoids any possible loss of focus and key staff, whilst accelerating efficiency gains. It can also be acted upon immediately, as a new Chief Executive with strong housing management expertise is already in place.
- 6.43 Moving forward, CWH has the local presence and frontline skills, and can build a depth of insight of neighbourhood and resident needs and expectations, to help develop broader cross-cutting service offers focused on early intervention, reducing the demand on critical services.
- 6.44 The main risks associated with retaining CWH are both inherent in the model and in the ongoing delivery of the service through the model:
- There remains an additional layer of management and negotiation between Westminster and the delivery of its objectives;
 - The proposed strategic realignment, and strengthened governance and clienting arrangements may still fail to embed the Council's objectives within day-to-day service delivery;
 - There are apparent signs of weak culture within CWH which, if not addressed, will at best slow progress in delivering the changes required in operational focus;
 - CWH might fail to achieve the service goals and efficiencies anticipated;
 - CWH might fail to contribute effectively to delivering wider service goals or not realise the value-add outlined.
- 6.45 Key considerations in assessing this option are to:
- Translate the Council's vision and values, strategic ambitions, and response to the pressure on resources into an integrated business plan for CWH;
 - Address the weaknesses in CWH's present governance arrangements;

- Identify and address cultural weaknesses among CWH’s staff team at middle, frontline and back office levels;
- Develop a holistic operating model for housing services provision that works across soft organisation boundaries and addresses the blockers and misalignments that are preventing this;
- Work in partnership to develop a plan that maximises CWH’s contribution to supplying targeted accommodation solutions, for specific age profiles and life circumstances, that provide a stepping-stone out of homelessness or a home to meet a specific need for a period of time;
- Implement an Intelligent Clienting approach that will sustain a more dynamic, open relationship, whilst rooted in the contractual relationship between Council and ALMO;
- Work with CWH to enable them to help develop and deliver a broader integration to health, social care and housing through a 'whole systems approach'.

6.46 A summary of the option is presented below.

Option 1: Retain and Refocus CWH	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Build upon existing service gains with a new housing-focused management team • Credible plan to realign CWH with aims of Westminster and to make governance and clienting fully robust • Significant cost reductions are possible • Lower level of risk as no change of structure needed and can start refocusing service immediately 	<ul style="list-style-type: none"> • Has the last year damaged credibility with stakeholders beyond repair? • Refreshed governance and clienting arrangements may still not be robust enough to deliver improvements • Inherent layer of management remains between Westminster and advancement of its objectives • Poor culture which, if not addressed, will militate against effective transformation
Opportunities	Threats
<ul style="list-style-type: none"> • CWH is well positioned on the ground to take on more responsibility for delivering neighbourhood-based services • Joint working arrangements already in place show what is possible (finance) • Scope for making significant performance gains and service innovations with external partners such as RMG and Morgan Sindall 	<ul style="list-style-type: none"> • Levels of performance and contentment may not recover to former levels • Anticipated savings may not be delivered • CWH may not be able to contribute effectively to delivering wider objectives

Option 2: Direct Management

6.47 This option involves terminating the Management Agreement with CWH, winding up the company, and returning the housing service to direct control and management by Westminster.

- 6.48 In addition to the considerations listed below, most of the activities outlined for retaining CWH and refocusing the service, as set out under Option 1 above, would also need to be undertaken in delivering this option.
- 6.49 The aim of returning the Housing Service to the Council would be to achieve more cost-effective and better aligned service delivery with the rest of the Council. This should ensure that the service could better meet future challenges of increasing growth, addressing vulnerability, and responding to opportunities. Direct Council control and co-ordinated decision-making should assist in addressing broader challenges in a climate of change.

Organisational design considerations

- 6.50 If the service is brought back in-house, it will be necessary to decide where it is located and how it would be managed within the current directorate structure. Would the returned housing management best fit within the Growth, Planning and Housing function, through which it is currently cliented but which has a focus on development and growth; or would it potentially align more closely within the City Management and Communities function, which is focused on providing clean, safe neighbourhoods, and healthy and cohesive communities? The return of CWH to the Council would also provide the opportunity for the restructuring of other housing and aligned functions.
- 6.51 Careful consideration moreover needs to be given to how the Council's strategic objectives would be best met; how the proposed new service model would be best implemented; how envisaged savings would be made; and how broader service alignments would be realised.

Resident engagement considerations

- 6.52 If the Council's decision is to bring the services back in-house, our recommendation would be that this should be linked to a clear and coherent 'offer' to residents. Based on the performance assessment work we have undertaken and based on the stakeholder consultation that we have conducted, CWH has clearly achieved performance improvements and enhanced satisfaction levels, and the dip in performance and satisfaction experienced over the last year is slowly being reversed.
- 6.53 A decision to bring back the service into the Council ought therefore to be couched strongly in terms of what improvements that will deliver. Such a message can be fashioned, based on positive and strong strategic integration, but we would stress that this should not be done as a 'last minute add-on'. Bluntly, residents will want to know who is going to be managing and maintaining their homes, and how this is to be delivered.

Financial considerations

- 6.54 CWH is 100% owned by the Council. Consequently, if the service was transferred back in-house and CWH closed down, Westminster would take on all of the assets and liabilities of CWH. Most of these impacts would be felt directly on the HRA but there are broader corporate implications as well. In this event, certain roles and functions would no longer be required, but in transferring the services across, it will be important to distinguish

between those functions which are no longer required, and those which Westminster might choose to deliver differently under any internal restructuring.

Direct savings from cost reductions

- 6.55 CT has undertaken a high-level review of the services delivered by CWH to provide an indication of the cost reductions that may be achievable from refocusing services (as under Option 1), as well as returning services to direct management by the Council. It should be emphasised that these represent only a broad guide at this stage. More rigorous internal analysis and consultation would be required if the authority were to choose this course of action. In particular, we have not carried out a detailed analysis of individual posts and any potential redundancy costs.
- 6.56 In assessing which posts to delete, it will of course be important to consider the value that each post contributes and whether by deleting them, there may be a diminution in service. Indications from other authorities where ALMO services have been brought back in-house do indicate that some financial savings can be achieved but, as highlighted elsewhere in this report, there can be knock-on impacts on service quality and tenant satisfaction that also need to be considered.
- 6.57 In addition to staffing being reduced, the closure of CWH would result in the CWH Board being dissolved. There would be direct and indirect savings arising from this, but it will nevertheless be important to substitute that, as appropriate, with new governance arrangements within the Council.
- 6.58 We anticipate that by returning CWH services to direct management by Westminster, the initial budget would reduce by £8.332m from £37.272m to £28.930m. Operating costs would reduce by £4.899m and a further £3.443m of services transferring for delivery to other parts of the Council. The table below summarises our results.

	CWH Original Budget £000	Initial Reduction £000	Transferred Services £000	Budget returned to Council £000
Operating Income				
HRA	-31,391	3,494	3,194	-24,703
HRA Capital	-3,191	0	0	-3,191
WCH	-477	1	249	-227
Third Parties	-2,213	1,404	0	-809
Total Operating Income	-£37,272	£4,899	£3,443	-£28,930
Operating expenditure				
Payroll & Agency Costs	26,555	-2,810	-2,498	21,247
Non-Payroll Costs	10,717	-2,089	-945	7,683
Total Operating expenditure	£37,272	-£4,899	-£3,443	£28,930

- 6.59 Our expectation is that the initial benefit to the HRA from these reductions would be £3.494m, before allowing for any consequential increases in operating costs. For this review, we have assumed that the HRA would procure replacement services for those that it receives at present from CityWest Residential. Once these additional costs are

taken into account, the net saving to the Council would be £4.160m, as shown in the following table.

	Initial Cost Reduction £000	Eliminated Services £000	Initial Reduction to Budgets Returned to WCC £000	Replacement Services £000	Additional Operating Costs £000	Total Net Reduction £000
Operating Income						
HRA	2,755	739	3,494	-739	0	2,755
HRA Capital	0	0	0			0
WCH	1	0	1			1
Third Parties	0	1,404	1,404			1,404
Total Operating Income	£2,756	£2,143	£4,899	-£739	£0	£4,160
Operating expenditure						
Payroll & Agency Costs	-2,085	-725	-2,810			-2,810
Non-Payroll Costs	-671	-1,418	-2,089	739	0	-1,350
Total Operating expenditure	-£2,756	-£2,143	-£4,899	£739	£0	-£4,160

- 6.60 As under the previous option, £2.143m relates to the elimination of services provided by CityWest Residential (unless these were to continue in another form). All of the other cost reductions relate to streamlining of services, with additional savings from merging CWH functions with existing functions within the Council. In addition, there would be no costs for providing an independent CWH Board and the associated corporate governance. Of the £4.899m cost reduction, after allowing for the procurement of replacement services, we would expect £2.755m to benefit the HRA, with a small £1k saving for Westminster Community Homes and the balance matched by lost income from third parties, as summarised in the above table.
- 6.61 In preparing this table, we have adopted a prudent approach and have not assumed that the cost of entire departments could be saved, as some of the costs currently being incurred by CWH would continue in the event of the service being brought back in-house. Note that the Council would have to honour the current salary and pension arrangements of staff transferring under TUPE, and may need to recruit replacement staff for any CWH employees who choose to pursue other opportunities instead of joining Westminster. It would also incur one-off implementation costs from the decision.
- 6.62 Note too that these savings are an alternative to the planned CWH management fee savings of £1.45m in 2019/20 and 2020/21, and so represent a modest improvement on current expectations for the HRA of £1.305m per annum. These represent savings on operating costs, and are before allowing for any one-off implementation costs.

Implementation costs

- 6.63 Westminster would incur additional implementation costs if it chooses to return CWH services to its direct control. Taking account of experience elsewhere, we anticipate that these costs, all of which would be chargeable to the HRA, are likely to be in the region of £2.8m, including:
- £1m for an implementation team to plan and deliver the changes required;
 - £600k for legal advice and the transfer of assets;
 - Up to £200k for pensions and actuarial advice, in connection with the transfer of pensions liabilities;
 - £1m allowance for potential redundancy payments
- 6.64 In allowing for potential one-off redundancy costs of £1m, we have assumed a high likelihood of redundancies. This allowance is broadly equivalent to 13% of the pay-related costs from services subject to reduction or elimination under Option 2.
- 6.65 Closure of CWH should also enable the Council to refocus resources that are currently utilised on client-side activity in respect of services provided by CWH. We have assumed no net saving from reduced clienting activity for the purposes of this exercise, but there is potential for clienting costs charged directly to the HRA, or recharged from the GF, to reduce. Such savings, if identified, would benefit the HRA, but could also present an additional cost to the authority's GF (unless compensating steps are taken to reduce the overall client-side costs).
- 6.66 Westminster may also need to correct any underfunding of the pensions liability in respect of staff who transfer to the Council on the closure of CWH. It may be possible to fund this from any residual value returning to the Council from CWH, but equally there is potential for the costs to fall to the Council. The extent and funding of any potential pensions liabilities would be a matter for the authority to discuss with its pensions advisor as part of preparing its plans for taking Option 2.

Other factors

- 6.67 On the closure of CWH, Westminster would gain direct control of its assets and liabilities. On the basis of the CWH Annual Report and Financial Statements for 2016/17, this would suggest the return of net current assets in the region of £0.5m, which includes a cash balance of around £4m to £5m. We have assumed that net balances of £0.5m would return to the HRA.
- 6.68 Note that we have also assumed that the implementation costs would be met from the HRA. However, there is a possibility that some costs may need to be met from another account. We therefore recommend that the Council checks its interpretation of how costs should be financed with its legal advisors before deciding on a course of action.

Long term impact

- 6.69 For this option, we have also assumed that implementation of all the changes outlined, and the delivery of additional cost savings, would take three years, starting in 2019/20. Our forecasts suggest that the impact on the HRA would be neutral over the first five years of the authority's HRA business plan, while operational savings are used to repay the additional implementation costs. Thereafter, the operational cost reduction would benefit the HRA, with a potential increase in HRA balances of +£7.5m by the end of 2027/28.

Transition process

- 6.70 In outline, the principal activities for the Council to undertake, if it opts for bringing the housing service back in-house, will be as follows:
- (a) Determining Westminster's offer to tenants and leaseholders, in terms of how the services will operate and be delivered, and how these will feel different and better for residents;
 - (b) Planning and conducting the test of opinion (see legal considerations).
- 6.71 And, subject to confirmation through a test of opinion that the service should transfer back to the Council:
- (c) Setting up a senior level Project Board drawn from both Council and CWH to oversee and direct the transition;
 - (d) Determining the new corporate structure, including whether the Housing Service will be transferred as a whole or whether it may be divided up between the *management* and *growth* focused services;
 - (e) Reviewing the staffing structure of the service;
 - (f) Reviewing the interface arrangements between relevant CWH officers and systems and the Council's corresponding relevant systems;
 - (g) Consulting staff on the proposed TUPE transfer and how this will affect them;
 - (h) Reviewing pensions liabilities;
 - (i) Taking steps to ensure, so far as practicable, that the services of key senior and technical staff of CWH are retained;
 - (j) Planning a phased migration of contact management services to the Council's contact centre, so as not to compromise the recovery in service response times;
 - (k) Making contingency plans to deal with any potential problems or service failure during and following the transition, in respect of the housing management service and delivery of capital works;
 - (l) Arranging that all works, services and goods contracts with CWH are novated to Westminster;
 - (m) Putting in place a comprehensive communications strategy and plan to ensure that tenants and leaseholders, Council Members, officers and external partners are clear on the changes being implemented and their implications for their engagement with the new Housing Service;

- (n) Developing and implementing a new but comparable model for resident engagement that enables tenants and leaseholders to help shape and scrutinise service delivery in a meaningful way.

Risks and considerations

- 6.72 Bringing the service in-house introduces a fundamental level of change to the service, at a time when the inherent risks to the service are at their greatest, and therefore this should be considered as a potentially high-risk option:
- Direct engagement and accountability to residents may be affected;
 - Leadership attention could be diverted from the service and from implementing relevant legislative changes in the run-up to the transition;
 - The performance gains made by CWH may be lost and focus dissipated;
 - The TUPE transfer process will need to be managed efficiently and effectively;
 - Experienced managers and staff may become demotivated and leave, with consequent loss of expertise;
 - The culture weaknesses that currently exist within CWH, as noted above, would still apply, on the basis that CWH staff would transfer to the Council; and while one might reasonably expect that the new environment would have an influence on those concerned, work to tackle those weaknesses would still be required;
 - There will be a reputational risk to Westminster if consultation or the transition is not managed smoothly, or if the Council does not improve upon (and continue to report) the improvements already made by CWH, and resident satisfaction falls.
- 6.73 Bearing in mind that the CWH Board would disappear, consideration should be given to an alternative structure that maximises resident engagement at high level in relation to the direction and delivery of the service. There are plainly different options for how this might be achieved, such as the establishment of a resident/independent 'expert council', or increased use of scrutiny. In reality, whatever arrangement is adopted, it is unlikely to have the authority of the present ALMO Board, though this might be compensated if a greater number of residents can be involved in the processes than has historically been the case.
- 6.74 The closure of CWH may have other knock-on impacts on the service, some of which may not be immediately quantifiable and would require more detailed analysis. Potential comparisons with other authorities that have brought their service back in house would require further research. However anecdotal information and some indicative performance data regionally suggests that tenant satisfaction in Rotherham, Sheffield and Leeds (all former ALMOs that have been brought in-house) is lower than in Barnsley, Kirklees and Doncaster (where services are currently provided by the ALMO). Other KPI data shows a more mixed picture. Drawing comparisons with other authorities is difficult, as each will have had different priorities for returning the service to direct control and will have focused on specific priorities since transfer, particularly on growth of housing supply.
- 6.75 In our view, there can be considerable benefits to setting up and maintaining separate wholly-owned companies, depending on the purpose of such vehicles. CWH has helped

generate significant additional funds for Decent Homes and other investment programmes.

- 6.76 The key issue for Westminster now is whether it wants to continue with or adapt that model to meet the new challenges it is facing, or use a different model to meet those challenges.

Legal considerations

- 6.77 In returning CWH to Westminster the following issues should be considered:
- It is likely, in our view, that Westminster will wish to follow the voluntary dissolution route, but it will be important to establish this as early as possible, so that the CWH Board Directors can be advised of their obligations under the chosen process;
 - The Council will need to decide how to end the Management Agreement. Much will depend on timing, for instance - will timing work with a natural 'break' in the Management Agreement, or will Westminster simply decide to disregard the terms of the Management Agreement and terminate regardless?
 - Bringing the services currently performed by CWH in-house will trigger the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended) (TUPE), under which all employees who are "wholly or substantially employed" in the undertaking will have their employment transferred to the Council;
 - Where CWH has entered into contracts with other organisations (apart from with the Council itself) for the provision of services or works, then consideration will need to be given to bringing those arrangements to an end or effecting assignment or novation to the Council;
 - Westminster will have to determine the type and level of consultation with their residents on any reintegration proposal. Under section 105 of the Housing Act 1985, Westminster will be required to consult where, in the opinion of the Council, the following criteria apply:
 - "It is a matter relating to the housing management of properties let by Westminster on secure tenancies. Such a matter would include the management, maintenance and provision of services or amenities;
 - The proposals regarding this matter constitute:
 - a new programme of maintenance, improvement or demolition; or
 - a change in the practice or policy of the local authority;
 - The proposed change is likely substantially to affect either all or a distinct group of Westminster's secure tenants."
 - Westminster would need to consider the impact on its General Fund of any closure of CWH (and in particular the consideration of central service recharges to CWH and any savings that might be realisable were the housing service brought back in-house) in that the housing service would remain subject to the statutory 'rules' that apply to Westminster's HRA in the Local Government and Housing Act 1989.

Summary

- 6.78 The rationale for this option is that, by returning the Housing Service to the Council, a housing management service comparable to that delivered by CWH would continue to be delivered, but in a more cost-effective manner and in closer strategic alignment with broader Westminster objectives.
- 6.79 This assertion would hold true even if the service realignments set-out in the *Retain and Refocus CWH* option were delivered, as by delivering the service directly, the Council will be better positioned to meet future challenges of increasing growth, addressing vulnerability, and responding most effectively to the opportunities of the City.
- 6.80 The strength of the proposition to return the service in-house is that it gives the Council direct control at a time of considerable operating challenge – in particular the roll-out of Universal Credit and the ramifications of the Grenfell fire. The specific strengths of this option are:
- It would enable the Council to realign services more broadly to achieve service objectives;
 - It would enable faster and more responsive decision-making across all housing services through a single integrated management structure;
 - It does not preclude delivering the service improvements outlined above for retaining CWH.
- 6.81 Returning the service to direct control, however, risks losing the operational focus gained by CWH, at a time when it needs to achieve demonstrably more:
- The performance gains made by CWH this year may be lost and the organisation's single focus on housing dissipated within the Council, where spans of control are greater;
 - The transition process will divert management time and resources away from meeting delivery goals;
 - Key resources may be lost from within CWH;
 - Direct engagement and accountability to residents may be impacted;
 - The new model might fail to deliver the additional affordable homes planned.
- 6.82 Key considerations in assessing this option are:
- Any plan to change the current arrangement for delivering housing services by CWH should be based on a clear and coherent 'offer' to tenants and residents. A Test of Opinion must be conducted to give tenants a full say in the process, and arrangements would be needed that are comparable to those presently provided by the CWH Board and engagement structures;
 - Analysis suggests that operational savings of £4.9m could be yielded in returning the service to Westminster. However, these will be offset in part by transition costs in the short-term, and comparable management roles will be required in the Council if the service is delivered on a like-for-like basis;
 - The main risks associated with dissolving CWH are a loss of focus on housing management, a dip in performance in the run-up to and during the transition

process, and the potential loss of expertise through redundancy or if key staff choose to leave;

- Consideration must be given to as to how the housing service would best fit within Westminster's structure, with strategic objectives best met by splitting and realigning operations along functional lines or by managing the operation as a single unit, as is the case now with CWH;
- There are a range of redundancy, pension fund, legal and transfer of liability considerations that will require more detailed analysis before proceeding;
- A robust and appropriately resourced transition plan would be required to manage the transition process.

6.83 A summary of the option is set out below.

Option 2: Return to Direct Westminster Control	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Control and direction of the service sits with Westminster, making it more responsive • Significant savings can be made in removing a layer of management • Clienting and duplicated specialist support posts can also be deleted • The service improvements proposed for Option 1 can also be made as part of this option 	<ul style="list-style-type: none"> • The transition process may deflect management attention • Resident accountability may be weakened, and an alternative engagement structure would be needed • The long-term progress made by CWH may be lost and performance falls back • The savings envisaged may not be realised
Opportunities	Threats
<ul style="list-style-type: none"> • Opportunity to reshape delivery and clienting arrangements more widely across the housing service • The service can be aligned to deliver broader service goals and <i>City for All</i> objectives • Opportunity to renegotiate the offer to residents 	<ul style="list-style-type: none"> • A test of opinion will be needed that could prove highly divisive • Housing management focus is lost as the service is absorbed into a service with wider spans of control • Performance may dip again as the transition is made • Key staff may decide not to transfer back into Westminster • The existing culture weaknesses would remain with the transferring staff, and even if dissipated to a degree by transfer, would still have to be addressed

Option 3: Alternative Delivery Model

Overview

- 6.84 Local authorities across the country are developing a wide range of innovative partnerships, matched to local circumstances that blur the boundaries between Council and ALMO, RP and private sector, to create holistic, value-for-money service delivery and growth vehicles, that are categorised as Alternative Delivery Models:
- Cross or multi-borough partnerships;
 - Local Authority Trading Company (LATC);
 - Public Service Mutual (PSM), with elements of stakeholder ownership;
 - Joint venture with private or public-sector partners.
- 6.85 Each delivery model has a definitive set of ownership terms, governance and control arrangements, and a level of flexibility to innovate that make it more or less applicable to the Westminster context.
- 6.86 Of the alternative delivery models listed as 6.84 above, we would see the LATC as most readily applicable in Westminster's case. The authority has a number of separate delivery vehicles already in place - principally CWH, the WOC and WCH. The purpose of bringing these together under a consolidated governance and leadership structure - a LATC umbrella body – would be to enable a number of key features:
- Operating as a commercial business whilst remaining wholly-owned and controlled by the Council;
 - Facilitating coherence of delivery across the various currently separate entities, enabling a clear and united focus on meeting Westminster's strategic objectives;
 - Enabling some further savings to be achieved through the potential integration of some leadership roles and of back office services;
 - Facilitating the consolidation of the separate clienting and liaison arrangements presently in place for all these vehicles;
 - The potential to develop partnership arrangements with other authorities;
 - It could be incentivised to realise efficiencies and develop service offerings;
 - It could provide services to the wider market;
 - Its surpluses (subject to VAT and corporation tax) can be returned to Westminster as dividends or reinvested into service delivery as required;
 - It could be managed to achieve social enterprise status or developed into a PSM.
- 6.87 Delivering housing services through a trading company would potentially provide Westminster with a vehicle to fundamentally reshape the way it delivers the service and accelerate its growth aspirations, whilst retaining a level of control of the approach and outcomes.
- 6.88 Whilst only explored in overview as part of this study, a growing cohort of councils are reporting positive outcomes from trading companies to manage housing services and accelerate growth:
- Greater focus, flexibility and impact in delivering services;

- Surpluses used to augment other services and activities;
- Providing management with greater flexibility to shape future service provision;
- Improved efficiency and economies of scale delivered off a lower cost base;
- Ring fencing of high-value, high exposure projects and activities to reduce risk;
- Retained control and the opportunity to build transformational and commercial skills;
- Establishing the foundation for future partnering or cross-council and public authority working.

- 6.89 As an exemplar particularly relevant to Westminster, The Barnet Group, was set up by Barnet Council in 2012 with two subsidiaries – Barnet Homes, the Council’s pre-existing housing ALMO, and Your Choice Barnet, which provides social care services to people with learning and physical disabilities. As part of the review of Barnet Council’s Management Agreement with Barnet Homes undertaken in 2015, a target was agreed for Barnet Homes to build 500 new homes by 2022, including 320 by 2020.
- 6.90 Subsequently, Barnet Homes set up a not-for-profit subsidiary – Open Door Homes, which has been granted Registered Provider status, funded through a £58m loan from Barnet Council and the Greater London Authority, which also contributed a grant of £2.4m towards the construction of 320 homes.
- 6.91 Get Real, a scheme delivered by Barnet Homes, offers shared accommodation and ongoing support to young homeless people who show a commitment to education, training or employment. By offering accommodation at three shared flats, the scheme aims to help break the cycle of anti-social behaviour, alcohol and drug abuse and welfare dependency. Barnet Homes manages the statutory homelessness service on behalf of Barnet Council, delivering £1m savings annually to the General Fund.
- 6.92 Delivering housing services through a trading company has a much higher risk profile:
- The cost and effort in operating a LATC is considerable and would require significant management input;
 - Creating a trading company may distract from the day-to-day delivery of the housing services, with the potential result that operational focus is lost and satisfaction with the service deteriorates;
 - The trading company may not in the event be able to accelerate growth, and its cost of operation would remain high;
 - Operating as a commercial venture, there is a risk of business failure, financial loss and reputational damage to the Council.
- 6.93 To mitigate the risks of the LATC option, a robust assessment and business case process must be followed to ensure that the level of viability and buy-in is clear at every stage.
- 6.94 The potential of a LATC to accelerate growth could also be brought to bear through a joint venture in the case either of a retained ALMO or if housing services were returned to direct delivery.

Financial considerations

6.95 It is not possible to make a realistic financial assessment of the option at this point, without further work based on the Council’s potential interest in developing a business case for this model.

Legal considerations

6.96 The legal complexities of creating a LATC will naturally require expert advice and guidance beyond the scope of this report. A full legal assessment would need to consider:

- Formation and articles;
- Governance arrangements;
- Procurement arrangements;
- Staffing and TUPE arrangements;
- Clienting arrangements on the Council side.

Conclusions

6.97 Adopting an Alternative Delivery Model in the form of a LATC could provide Westminster with a different path for organising service delivery of housing services and fostering growth. Such an umbrella company would, as a wholly-owned vehicle, enable the Council to remain in full control of service delivery strategy, whilst enabling flexibility of approach and organisational design.

6.98 Peer authorities such as Barnet and Cornwall Council are proving that the model can deliver innovative solutions that attract funding and build strong delivery partnerships.

6.99 As this approach widens the scope of the future management of all elements of the housing service, a full review of the option and a costed business case would be required to assess the potential cost and benefits of this option before it can be meaningfully compared with the other two options. A summary of the option is set out below.

Option 3: Alternative Delivery Model	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Fundamentally reshape delivery of services beyond housing • Provides flexibility of approach and restructuring at a lower cost base • Surpluses generated can be used to augment other activities • Improve efficiency and deliver more significant economies of scale • Retain control whilst building commercial skills 	<ul style="list-style-type: none"> • Management structures are complex and could require significant executive input to operate • The cost of operations could be high relative to the level of potential growth • It is the most complex option to create and is only described in outline in this report • The financial model will require considerable development to prove viability

Opportunities	Threats
<ul style="list-style-type: none"> • Operate as a commercial business whilst control remains with Westminster • Peers such as Barnet provide strong exemplars of successful LATC implementations • Basis for partnerships with other LAs • Flexible vehicle that could achieve social enterprise status 	<ul style="list-style-type: none"> • Arrangement may detract from the delivery of the core housing service and customer focus lost • Financial and reputational risks are the same as those associated with any commercial venture • Change in legal or tax rules may compromise the organisation

Option 4: Outsourced service

Overview

6.100 An effective outsourcing partnership can harness the strategic vision and knowledge of operating context of a service with the commercial skills, delivery focus and performance culture of a partner organisation to deliver economies of scale at a lower cost base, improve consistency and contentment, and to innovate. Many authorities (including Westminster) have used the model to transform service provision over the last 20 years.

6.101 In recent years however, the outsourcing trend has seen a partial reversal, as the impact of initial savings has passed, whilst the focus on performance and outcomes may have been lost, and rigid outsourcing contracts have not flexed in response to the challenges of the operating environment, reducing confidence in partnership relationships. Many Councils seeking greater strategic control have brought services back in house. Outsourcing companies have also struggled in a number of instances to make their business models work, in the face of diminishing margins and over-extension. A series of high profile failures in recent years (Carillion, Connaught, Rok, Kinetics) and business model re-focusing (Capita, Interserve) has increased scrutiny and closer risk appraisal of the outsourcing approach.

6.102 However, outsourcing is a valid option for consideration at Westminster as there are authorities that demonstrate that an enduring partnership can be effective in delivering efficiency and improved outcomes over time. Westminster itself can point to positive experiences of its own, and has a strong track record of outsourcing. Equally, however, such a partnership must recognise and play to each other’s strengths and react decisively when elements of the partnership do not operate effectively and consistently deliver the advantages and benefits desired:

Woking Council - entered into an initial five-year contract for the provision of housing management services (covering repairs, major works, voids, tenancy and Income management) with Pinnacle Housing Ltd in 2012. A decision to extend the contract was made in 2017, reflecting contract performance at the top quartile or on a trajectory to achieve top quartile performance across all measures, the delivery of a 6% reduction in the management fee, and a 10% reduction in support costs (ICT and accommodation), that would not have achieved through other delivery models.

Barnet Council - Awarded two extensive service management contracts to Capita in 2013 (one a contract with Capita; the second with a joint venture between Capita and the Council) which have delivered considerable savings (£31m over three years), service improvements (76% of residents satisfied with customer services, up from 52%) and efficiencies. There have however been performance problems within some lines of business and in the background, Capita has been forced to refocus its business strategy. Barnet has recently therefore reviewed the model in respect of meeting its future priorities – to deliver high quality services, secure best value and to strengthen the Council's strategic control of services. The recommended outcome of the review is to insource 11 services where the Council is seeking to assert more control (regeneration commissioning, highways, strategic planning, strategic finance, strategic HR etc.), whilst 17 services (customer services, ICT etc.) will remain with Capita, reflecting a better fit with their ability to deliver technology-enabled services at scale.

6.103 Westminster has direct experience of outsourcing housing management services. Between 2002 and 2006, 50% of the stock was managed by RMG, and between 2011 and 2017 by Pinnacle PSG, cliented by CWH. This arrangement was not renewed in 2017 as the service was brought in-house as part of the introduction of the Target Operating Model. There should therefore be a considerable body of comparative operational and finance data on the effectiveness of the arrangement available for analysis.

6.104 In considering this option it is essential first to understand the basis for considering outsourcing, to undertake a market analysis of the potential solutions and partnership types available, and from there to build a robust business case:

- The drivers and benefits sought from an outsourcing relationship (cost reduction, service improvement, asset investment, innovation etc.);
- The scope of the service(s) to be outsourced;
- The type of management arrangement/vehicle to client the partnership, and the roles and responsibilities in directing and managing it;
- The quantifiable costs, benefits and risks of the arrangement;
- The type of partner organisation and arrangement that would best fit with the strategic objectives and broader operation of the Council;
- The due-diligence process for selecting a partner(s);
- Quantifying any capacity or capability gaps in managing the arrangement;
- How to establish a clear identity for a service which residents can recognise and build trust in, and that can deliver broader community benefits.

6.105 In defining this option, we have undertaken a high-level soft market testing exercise with a number of potential partner organisations (principally commercial services providers and housing associations – see Appendix 4) that operate at scale across London (in mixed-tenure housing management, asset management, facilities management, development and regeneration), and are aware of the Westminster context or already have some form of service supply relationship with the Council. From this exercise, we have established a range of market factors that would attract potential partners to bid

for any future contract(s), based on their business development criteria and their experience of establishing and working within such arrangements.

- 6.106 **Approach** – Potential partners are open to and can envisage a range of management scenarios (dependent on their own business type/model), which could involve joint stock ownership, regeneration opportunities, joint ventures and special purpose vehicles, or working within an internal market as an initial route into outsourcing, for example, whereby CWH delivers 50% of services and the market the other 50%, providing the Council (which would client the external partner directly) with a benchmark against which to assess CWH. Most providers have indicated that they would set up a new subsidiary to deliver the contract.
- 6.107 **Scope** – The proposed offer would need to be as expansive as possible, allowing partners to make a real difference through managing end-to-end service delivery. Narrowly defined packages would not enable efficiencies to be made in reducing touchpoints and hand-offs. The expectation would be that the housing management service forms the core of an outsourcing contract and that best value for money would be achieved by integrating repairs and maintenance, soft facilities management and asset management into the arrangement, with the housing management service provider either delivering these services directly, or clienting their delivery by other providers on behalf of the Council. The linkage of housing management and estate services is seen as critical, given the extent to which residents' views regarding the quality of service overall are coloured by the standard of estate services. The provision or management of specialist services (such as leaseholder services) are not seen as a barrier to entering into a partnership arrangement.
- 6.108 **Scale** – The minimum size of management contract that a potential partner would bid for reflects their type of business/business model and the economies of scale they would need to achieve in order to make the contract work. Stock-owning housing associations are more likely to bid for lots of 1,500 properties upwards (estates, neighbourhoods, areas) depending on location, whereas commercial service providers that require economies of scale are more likely to bid for whole stock service contracts or those split into two or four lots (therefore potentially managing a minimum of 5,000 units). Using two (or more) contractors would enable services to develop in parallel and would also provide a backstop should a provider run into difficulties.
- 6.109 **Contract term** – Whilst potential partners may consider terms of three years plus potential two-year extension, or possibly three years plus one plus one, market expectations generally are for a period of five years with a potential five-year extension (or seven years plus three), which provides for a meaningful period to establish and invest in the partnership, whilst providing ample time and incentive to perform and recoup the initial investment. Building an open and realistic partnership model is deemed essential, enabling the scope of the contract to flex and evolve, without breaking the partnership.
- 6.110 **Pricing:** Market expectations are that a housing management contract would be offered on a fixed-price basis with an associated annual indexation (CPI/RPI); and that an asset management contract would be based on a fixed preliminary element with a percentage fee based on the value of the capital works undertaken. The client would be responsible

- for defining, approving and scheduling the programme, with the delivery partner responsible for delivering the programme to the schedule and within the budget.
- 6.111 **Terms and conditions** – Potential bidders would expect to see a market standard set of terms and conditions relating to for example, insurance limits and liability caps. Understanding the exit liability of final salary pensions where there is an existing deficit is highlighted as the most significant challenge in pricing any arrangement.
- 6.112 **Procurement process:** Market standard evaluation criteria would be expected with a 60:40 weighting of quality and price. An emphasis on adding social value would also be expected with residents and communities playing an active part in contract negotiation and operational scrutiny.
- 6.113 **Contract mobilisation** - A well planned and phased handover, incorporating a reasonable length mobilisation period, is seen as critical in ensuring a seamless transition and reducing risk. This must be coupled with a full understanding of service demand (which invariably spikes when a new service model is introduced), outstanding operational issues (income collection for example) and performance weaknesses (to be prioritised). ‘Big 6’ compliance is recognised as the major take-on risk and the level of assurance provided through existing processes. Winning the trust of TUPE’d staff (for many of whom this would not be their first transfer) and establishing terms and conditions are also considered as top priorities.
- 6.114 **Operation** – Establishing service boundaries and clarity over transactional delivery would be of critical importance to potential partners. Ownership of specific components such as the contact centre is not as important as clarity of ownership for end-to-end service. Establishing operational arrangements such as the use of local bases, and the scale of infrastructure and ICT capability is also a major consideration. Providers would additionally expect policies and procedures, such as on ASB, to be reviewed prior to tendering, to ensure the service offer is clear to them and to residents.
- 6.115 **Clienting** – Regardless of the configuration of the service specification, potential bidders would expect to see a transparent, unambiguous clienting arrangement, with direct lines of control and alignment with the Council and its objectives. The Council should own and lead the arrangement to promote buy-in. Ultimately partners want to be able to demonstrate to stakeholders the value that they bring to the arrangement. A clear expectation is that the client function would be appropriately resourced.
- 6.116 **Measuring success** – Potential bidders would expect to work within a market-based performance management framework and to be measured against a set of Key Performance Indicators that would determine payment of a fixed fee. There would be a ‘holdback’ arrangement to encourage strong performance, with penalties for under-performance, and ultimately provision for termination of contract for consistent breaches. However, bidders would expect to build a collaborative partnership with the Council, and that the Council would offer a level of trust whereby the KPIs would not dominate or create an adversarial relationship.
- 6.117 Westminster currently delivers significant elements of its housing service through third-party contracts. The Council contracts the delivery of the homelessness and housing

options service directly with RMG, and through CWH, the repairs and maintenance service with Morgan Sindall, and facilities management with Pinnacle PSG. These organisations have either long-term contracts or established relationships with the Council, and are well placed (potentially through a non-disclosure agreement) to help define a potential delivery model and market proposition for Westminster, which could also encompass elements of the joint venture/trading company analysis outlined in Option 3 above. This approach could be worked upon whilst the immediate problems of the service are resolved.

6.118 Taking forward this option will require a significant level of management input prior to embarking on a formal OJEU tender exercise. Realistically, a full outsourcing arrangement would not be in place before 2020/21. A full business case is essential to establish the scope and viability, potential rewards and risks associated with the option, and would need to consider the following.

(a) Definition of the contract strategy:

- Scope – housing management only or including repairs and maintenance;
- Specific services to be included or excluded;
- Split and number of contract lots (with an assessment of the risks associated with a single or multiple party arrangement);
- Duration of the contract;
- Profit-sharing and risk-sharing arrangements.

(b) Full service specification needed;

(c) Running the contract tendering process, including full market consultation on the contract strategy elements;

(d) TUPE arrangements and contract lead-in time;

(e) An outline timetable for contract mobilisation.

Financial considerations

6.119 It is not possible to make a realistic financial assessment of the option at this point, without further work based on the Council's potential interest in developing a business case for this model.

Legal considerations

6.120 The legal complexities of establishing an outsourcing partnership will naturally require expert advice and guidance beyond the scope of this report. A full legal assessment would need to consider:

- Procurement arrangements;
- Contract arrangements;
- Governance arrangements;
- Staffing and TUPE arrangements;
- Clienting arrangements.

Conclusions

- 6.121 Outsourcing has proved to be a ‘double-edged sword’. While it has cut away outdated service delivery models and practices, it has also exposed shortcomings in strategic leadership and clienting, and left a number of local authorities exposed to market risks and corporate frailties. That said, Westminster currently delivers a significant range of its services through a patchwork of third-party partnerships, some of which are tried and tested, whilst others are newly established. It may make sense therefore to explore further (without compromising the short-term recovery of the service) how additional value may be gained from a more holistic approach to delivery through outsourcing, and potentially within the context of a trading vehicle, to create a new ‘Westminster way’.
- 6.122 As with Option 3, this approach widens the scope of the future management of all elements of the housing service. A full review of the option and a costed business case would be required to assess the potential cost and benefits of this option before it can be meaningfully compared with the other two options. A summary of the option is set out below.

Option 4: Outsourced Service	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Improve efficiency and deliver more significant economies of scale • Provides flexibility of approach and restructuring at a lower cost base • Fundamentally reshape delivery of housing services • Build on existing outsourced service provision • Surpluses generated can be used to deliver other priorities 	<ul style="list-style-type: none"> • The financial model will require considerable development to prove viability • Benefits of initial savings may be offset as arrangement is unable to respond to changes in operating environment • Reliant on maintaining strong partnership and clienting relationships over an extended period of time • Complex option to create and is only described in outline in this report
Opportunities	Threats
<ul style="list-style-type: none"> • Retain strategic control whilst utilising market skills to drive service forward • Learn from peer and own experience of outsourcing to tailor a Westminster specific model • Operate and client within an Alternative Delivery Model framework 	<ul style="list-style-type: none"> • High degree of stakeholder scrutiny and potential challenge to the model • Financial and reputational risks are the same as those associated with any commercial venture • Potential failure of outsourcing partners

7. CONCLUSIONS AND RECOMMENDATIONS

Strategic context

- 7.1 At the core of Westminster's housing strategy are the objectives to achieve rapid increase in the supply of affordable housing whilst making the best use of its existing stock; to make neighbourhood renewal a business-as-usual process over time; and to enable residents to fulfil their potential.
- 7.2 Westminster delivers its housing services through a network of inter-connected organisations and management arrangements, including CWH (a housing management vehicle), a Wholly Owned Company (a development and potentially a management vehicle), and WCH (a wholly-owned Registered Provider). The homelessness service is outsourced through a partnership arrangement. Westminster has a sales and lettings agency cliented by CWH, and CWH also clients Westminster's TMOs.
- 7.3 It is an appropriate point to ask which configuration of these delivery vehicles will most effectively deliver the authority's strategic outcomes whilst making best use of resources, and to review overarching governance and clienting structures to maximise integration and outcomes.

Current operations

- 7.4 The challenging operating environment and the scale of the response needed in light of the Grenfell fire, as well as with the range of potential changes sketched out in the Social Housing Green Paper, highlight the need for strong housing management leadership and expertise, and a clear operational focus on delivering core housing services.
- 7.5 Through stakeholder interviews and desktop analysis of key management documentation, we have formed the opinion that over time CWH has achieved a good level of operational performance and broader value-add outcomes for Westminster, with correspondingly high levels of resident satisfaction. However, the quality of customer care, service delivery, local ownership and connection with residents was significantly compromised over last year, as CWH implemented a new Target Operating Model.
- 7.6 The transformation caused significant operational problems that have at their roots weaknesses in the oversight and management of the service:
- The leaders of the change were not sensitive enough to its potential impact or flexible enough to change direction when it was obvious to do so. Re-establishing customers at the heart of the organisation's culture must be a priority for the new Chief Executive;
 - The Board was seemingly ill-equipped and unsighted in assessing the risk associated with the change and in providing the necessary level of challenge and intervention once things started to go wrong. A full review of the structure and governance processes is recommended to ensure the Board can re-establish its proper role;
 - The clienting model and relationship was not robust enough to identify the risks associated with the change at an early stage or the performance issues as they

arose. Moving forward, a partnership approach is required, backed up by a refreshed Management Agreement.

Current efficiency

7.7 A central question posed of this review is how efficient the current delivery model is. From our analysis of the evidence provided to us, we can conclude that:

- The HRA is in a strong position, with sufficient resources to manage and maintain the existing housing stock and provide substantial levels of investment and regeneration;
- CWH makes an operational surplus and is on course to deliver £5.2m savings;
- Through reallocation of resources in implementing the Target Operating Model, further efficiencies can be made to benefit the HRA and fund the business plan.

Facing the future

7.8 In deciding the best way forward for providing housing services in Westminster, the operational challenges and local housing needs that any delivery model or vehicle will face, must guide the selection of the chosen approach.

7.9 Westminster, in common with every other local authority and social housing provider, is moving forward through a challenging operating environment that is subject to a fundamental reshaping driven by changes in Government policy (rent cap, Right to Buy, end of lifetime tenancies etc.) and market forces. The Grenfell fire and the Social Housing Green Paper will drive further changes, particularly in relation to resident engagement, but also in relation to regulation, consumer standards, and risk management. Responding effectively will require not only sustained operational focus but innovation and agility in equal measures.

7.10 This raises questions as to the future viability of the current universal nature of the service offer, the sustainability of the high levels of customer demand, and service response offered, when matched against income generated. This may require resetting customers' expectations of the service and managing contentment against sustainable levels of service. The clear priority for the housing service moving forward is to operate at a level of sustainability that will deliver maximum resources for the provision of affordable housing, and contribute to a more holistic model of service delivery across the Council.

7.11 The housing service faces clear challenges moving forward and has also to deliver against significantly raised expectations. The foundations for meeting demands must however be rooted in a laser-like focus on collecting rent and managing stock effectively. This will require both strategic direction and oversight, but also experienced housing professionals to deliver the outcomes.

The potential future management options

7.12 Analysis of Options 1 and 2 confirms that both are valid paths for Westminster to select, but each has strengths and weaknesses, opportunities and risks associated with it.

Options 3 and 4 introduce the potential for a much wider restructuring and refocusing of the service, with the realisation of wider benefits, but with greater levels of risk:

Option 1: Retain and refocus CWH

7.13 Whilst CWH has operated effectively at ‘arm’s length’ within the terms of its original Management Agreement, and has (as we understand it) delivered relatively efficiently over the past 16 years, the implementation of the new Target Operating Model in 2017 stretched the trust and belief in CWH, and it is less clear that the strategic aims and objectives of Westminster map directly to CWH’s delivery priorities. Lines of communication have also become less clear and this review has highlighted shortcomings in management, governance and clienting arrangements, as well as in the ALMO’s staff culture.

7.14 For CWH to be considered as a fully credible retained delivery vehicle for the housing service moving forward, a refocusing is recommended. That will create a ‘new deal’ for current and future stakeholders of the housing service in Westminster:

- Map the Council’s vision and values, strategic ambitions, and response to the pressure on resources into the CWH business plan;
- Agree a sustainable service specification against which CWH will manage;
- Review the scope of non-core services that CWH delivers and strip away any that do not add value or distract from the organisation’s core mission;
- Undertake an external review and refresh of governance arrangements, to provide appropriate leadership and challenge;
- Complete the implementation of the *Intelligent Clienting* approach that will sustain a more dynamic, open relationship, whilst remaining rooted in the contractual relationship between the Council and CWH;
- Develop a holistic operating model for housing services that works across soft organisational boundaries and can address any misalignments that lessen effectiveness, raise costs or reduce outcomes.

7.15 We anticipate that refocusing CWH would deliver broadly the same operational cost reductions that are currently planned as part of the ongoing programme to deliver cost savings of £5.2m. By refocusing CWH’s services on a core offering and reducing the scope of the organisation’s business activities, the directly controlled annual budget for CWH would reduce by £7.129m, with £3.443m of this transferring to other parts of the Council for continuing delivery. This refocusing would yield an initial reduction for the HRA of £1.444m, after taking into account the costs of procuring replacement services and making clienting improvements. These savings deliver broadly the same level of operational savings for the HRA, when compared with the existing savings programme. Delivery of this option would require development and implementation of a detailed plan, and would incur one-off implementation costs, which we have estimated at £350k.

7.16 For this approach to work, both parties have to recognise that CWH is in essence the Council’s delivery vehicle. On CWH’s side, there is a need to appreciate that its role is to operate to Westminster’s agenda, and it should not view the relationship as ‘us and them’. Whilst CWH is responsible for delivering landlord services, the Council is the accountable body.

- 7.17 On the Council's side, there is a need to recognise that real potential benefits accrue from the arm's length nature of CWH's operation, specifically because of its single focus on housing delivery and improvement. The relationship can only work effectively on this basis, but it plainly requires effective management of that relationship through CWH's governance structures and interface with the Council, and through the Council's clienting operation and CWH's engagement with that.
- 7.18 The strength of this option is that it maintains continuity and avoids any possible loss of focus, whilst accelerating efficiency gains already achieved by CWH. The main risks associated with retaining the ALMO are inherent in the additional management cost of the model and that Westminster is dependent on the effectiveness of the relationship to deliver key service objectives.

Option 2: Return to direct control

- 7.19 Most of the activities outlined in the case of retaining CWH must also be delivered within this option, namely redefining the strategic vision and service specification, and developing plans for managing resources, and delivering more affordable housing and value-add service.
- 7.20 Financially, bringing the service back in-house should accrue annual savings to the HRA in the region of £2.755m (i.e. £1.305m on top of the £5.2m savings already scheduled for CWH to deliver in the last two years of the current programme). The gains identified are a combination of staff savings and non-payroll costs (including Board costs) related to the operation of CWH. Alongside these operational savings, however, there are one-off implementation costs that will be needed to deliver the gains identified and in determining and implementing Westminster's 'offer' to residents. We have estimated these costs at £2.8m. The authority would also reabsorb any net assets held by CWH, and we have assumed a one-off £0.500m net gain to HRA balances from the receipt of net current assets held by CWH.
- 7.21 Engaging with residents will be critical and should be facilitated on the basis of an 'offer' to residents, with clarity about:
- The structure and operational arrangements proposed for delivery of the in-house service;
 - The improvements expected to service delivery and other material areas, such as reduced costs (taking account not just of recurring savings but also of initial one-off costs);
 - Westminster's longer-term vision and plans for housing, including development and any anticipated regeneration;
 - The alternative structures proposed for tenant and resident engagement at high-level, to replace the present arrangements operated by CWH;
 - The transitional arrangements for bringing CWH back into Westminster.
- 7.22 Transition back into the Council will also require careful management, to:
- Produce a clear action plan, setting out key milestones, timetable, and lead responsibilities identified for implementation;

- Develop an organisational design;
- Establish a communication plan for staff, residents and external stakeholders;
- Set up a transition team to manage all aspects of the process;
- Phase contact management services into the Council's contact centre;
- Maintain focus on operational delivery and performance management;
- Address the apparent cultural weaknesses that may transfer to the Council with the CWH staff team.

7.23 The strength of the option of returning the service to Westminster is that it gives direct control over the service at a time of considerable operating challenge. The main risks are the loss of momentum gained by CWH in its current turnaround phase, and a loss of focus at a time and in an environment when it needs to achieve demonstrably more.

Option 3: Alternative delivery model

7.24 Delivering housing services through a trading company would potentially provide Westminster with a vehicle to reshape fundamentally the way it delivers the service and accelerate its growth aspirations, whilst retaining a level of control of the approach and outcomes.

7.25 The potential benefit of this approach is that it would create an holistic management framework for the housing service and could draw in associated support services. At the same time, by bringing together the governance and leadership of Westminster's currently separate housing delivery vehicles, it should provide for greater consistency in direction and delivery, as well as enabling integrated clienting arrangements. It could further facilitate some savings through integrated 'back office' operations. The main drawbacks are that LATCs can be complex structures and have associated levels of overheads.

7.26 It is not possible to quantify adequately the financial benefits or legal considerations within the scope of this review. A close analysis of requirements and business case definition would be required to move this option forward.

Option 4: Outsourced service

7.27 As with delivering housing services through a trading company, outsourcing would potentially provide Westminster with a way to reshape fundamentally the way it delivers the services, whilst retaining a level of control of the approach and outcomes. Westminster currently delivers a significant range of its services through a patchwork of partnerships and it makes sense to explore further how additional value may be gained from a more holistic approach, whilst the service recovers ground lost. This approach could also combine with Option 3 resulting in the creation of a unique Westminster housing delivery model.

7.28 It is not possible adequately to quantify the financial benefits or legal considerations within the scope of this review. A close analysis of requirements and business case definition would be required to move this option forward.

Considering the options

- 7.29 In considering the four options, the Council must return to the core objective set for this review: that services delivered make the most efficient use of resources; that governance and risk arrangements are robust; and that services are being provided to the highest and most consistent standards that resources will allow, whilst ensuring that those services are fully compliant with health and safety regulations.
- 7.30 Retaining CWH in its current form is not an option. It needs refocusing to deliver the core housing service, with a refresh of governance and clienting arrangements. However, building on its current strengths, it could make a contribution to delivering more affordable homes and delivering value-add services that address Westminster's wider service priorities.
- 7.31 CWH can deliver further cost reductions by refocusing on core business services and discontinuing non-core activities, such as managing CityWest Residential. This approach could indicatively save £3.6m annually, releasing resources for additional growth activity.
- 7.32 Retaining CWH is a low-risk option, as it builds on an already solid platform, albeit with ground to recover in respect of stakeholder credibility. A new Management Agreement will provide a flexible framework on which to build more robust governance and clienting capabilities.
- 7.33 Returning the service to direct control could enable Westminster to reshape services more widely and also couple more closely the development of affordable homes. It would give Westminster control over the service at a time of turbulence within the operating environment, without the current additional layer of CWH management.
- 7.34 We anticipate that returning CWH services to direct management by Westminster would reduce annual operating costs to the HRA by £3.494m, compared with £2.282m under the option that retains CWH. The option to return services to the Council would also see the reabsorption of CWH assets into the HRA, which would generate further financial capacity in the form of additional HRA balances. However, implementation of the return option would cost more initially, and could lead to a £0.300m increase in the client-side costs that fall to the General Fund, unless steps are taken to reduce the residual client-side costs.
- 7.35 Whilst the potential savings of returning to direct control are greater, so is the risk, as another period of change would be required on top of the one that the service is undergoing. Due consideration must also be given to creating the optimal service model within Westminster, how the transition will be managed, and how residents would be engaged in the process.
- 7.36 We expect efficiency savings to be broadly similar whether or not the service is taken back in-house, and this element can therefore be considered a constant from the viewpoint of the options appraisal. Longer term savings can be achieved by resetting the service specification, which can also be achieved through either approach.
- 7.37 Removing CityWest Residential from the portfolio of services managed by CWH is the largest contributor to savings within both the 'retain' and 'return to direct control'

options. A costed appraisal of the overall value of that business to Westminster (financial, social value etc.) is required to ascertain its future, and if it is of ongoing value, where else it could be more effectively and efficiently managed within the Council, compared with the present arrangements.

7.38 In overview, we anticipate the following indicative financial effects of Options 1 and 2.

Options	Overall Budget Reduction £000	Of which		Benefit to HRA £000	Indicative cost of change £000
		Transfers to other functions £000	is an annual cost reduction £000		
Retain & Focus	6,290	3,443	2,847	1,444	350
Direct Control	7,603	3,443	4,160	2,755	2,300

7.39 Note that the benefit to the HRA identified in the above table replaces the planned savings that CWH are currently implementing. The Retain option broadly delivers the same operational savings as the planned savings of £1.45m that CWH are already delivering for 2019/20 and 2020/21). Under the Return option, operational savings for the HRA are slightly higher than currently being delivered by CWH, at £1.305m p.a. It should further be noted that examining the detail of planned and any further potential savings from service restructuring and realignment is outside the scope of this report, and would need to be addressed through targeted service reviews.

7.40 Whilst both of the primary options of retaining and refocusing the service or returning the service to direct control could potentially yield annual savings, the choice between them hinges on which of the strengths and risks associated with retaining CWH, or those associated with returning to the Council, are more likely to enable or hamper the delivery of service priorities. There is also a timing issue, in that a retained CWH can commence proposed changes immediately, whereas with returning to the Council, there would be a period of transition. We would anticipate that both options can be delivered within existing budgets and resources (with the potential exception of redundancy costs and pension liabilities).

7.41 The ongoing effectiveness of the service under either of the two main options will depend on the ability of the service management team in:

- Refocusing the service on the customer and a consistent level of quality;
- Maintaining the focus on rent collection, repairs and compliance, both during the transition and over the long-term;
- Remodelling the service to deliver the anticipated savings;
- Maintaining an appropriate level of customer contentment.

7.42 Adopting an Alternative Delivery Model such as a Local Authority Trading Company requires considerably more scoping and detailed analysis to enable viable comparison with the other two options. However, given the commissioning model already established within Westminster, and the fragmented delivery of the full housing service, it could provide a pathway to converging the service over time to realise greater value

and outcomes. In the event that the Council opts to retain and refocus CWH, we would recommend that this option is scoped and explored in further detail with a view to a potential phased transition to a LATC group structure.

7.43 Adopting some form of outsourcing arrangement also requires considerably more scoping and detailed analysis to enable viable comparison with the other options. However, this too could provide a pathway to converging existing services and outsourcing arrangements over time to realise greater value and outcomes. In the event that the Council opts to retain and refocus CWH, we would recommend that this option is scoped and explored in further detail alongside the evaluation of adopting an LATC group structure.

7.44 Accordingly, our recommendations are as follows:

(a) That whichever management option the Council chooses for the future management of the housing service, the immediate priority for the service remains operational recovery and rebuilding stakeholder confidence, whilst reappraising service goals and delivery mechanisms, by:

- (i) Aligning resident participation and engagement arrangements through Area Panels and Residents Council, building a single view of customer and community needs and expectations that can help shape neighbourhoods and services more broadly across Westminster;
- (ii) Developing strategic thinking to reshape services that respond to local priorities and operating environment;
- (iii) Ensuring the best balance of service speed of throughput and one-and-done performance is established, with a focus on ensuring that a resident's circumstances and needs are understood, and the root cause of a problem resolved;
- (iv) Ensuring resident communications explain change, are proactive, and are honest and open when problems occur;
- (v) Ensuring that the housing management service operates in support of the wider delivery objectives of Westminster's housing and aligned services, at optimised cost;
- (vi) Realising the potential efficiencies outlined above, and moving to a lower cost-base of service provision. Making best use of the HRA and General Fund and release funds to maximise efficiency through integrated business and financial plans that deliver objectives whilst making best use of skills and resources;
- (vii) Ensuring the right leadership team and organisational culture is in place to deliver the above, with the right level of housing management experience and the nurturing of and responsiveness to specialist knowledge and local insight.

(b) That if CityWest Homes is to be retained as the Council's ALMO, immediate steps are taken to strengthen governance and clienting arrangements, by:

- (i) Establishing a shared vision for CWH and clarity of purpose and goals with stakeholders, and to restate the strategic objectives of CWH within the framework of Westminster's overarching objectives and targets;

- (iii) Reshaping and re-equipping the Board to enable it to lead the organisation and respond to the priorities of the client, and ensure that the Board provides effective strategic leadership and control of the organisation;
 - (vi) Ensuring that the quality of information and analysis provided to the Board is improved and that the Board is equipped to make informed, timely and effective decisions, with the necessary skills development in place;
 - (vii) Ensuring that the relationship between the Board and Executive Management Team is both challenging and supportive and that the relationship between the Board and the Council is clear;
 - (viii) Revising the Council's clienting arrangements on the basis of an *Intelligent Clienting* approach, to maximise the value of each organisation to the other.
- (c) That if management of the service is to be returned to the Council, full consultation and detailed planning arrangements are implemented, by:
- (i) Establishing a clear and coherent 'offer' to tenants and residents, against which full stakeholder consultation and a Test of Opinion will be undertaken;
 - (ii) Ensuring engagement and direct accountability to residents will not be diminished through the transition period or when the service is run directly;
 - (iii) Considering how the housing service would best fit within Westminster's structure to best meet strategic objectives and realise efficiency savings;
 - (iv) Seeking full legal advice on the regulatory, employment and commercial implications of winding up the ALMO;
 - (v) Defining a robust and appropriately resourced transition plan that would manage the transition process without compromising service delivery.
- (d) That if the Council decides a new approach to delivering the service is required through a trading company or outsourcing arrangement, that an in-depth analysis of the potential is developed, by:
- (i) Agreeing the objectives and outcomes sought from creating a new delivery vehicle or entering into a long-term partnership arrangement, and establishing clear service delivery priorities with stakeholders;
 - (ii) Working with the market to understand how different approaches could be supported from within existing partnerships or by shaping tenders to create new ones;
 - (iii) Developing a fully-costed and risk-assessed business case before proceeding with full stakeholder consultation.

7.45 In the final analysis, the Council and CWH are accountable to the residents of Westminster. We recommend that the opportunity is used to engage effectively with as many residents and stakeholders as possible, seeking to draw people into a debate about the nature of services delivered and the priorities for the future. The consultation process should be transparent, inclusive and, so far as possible, representative. Sufficient time should be allowed for the exercise to enable informed engagement with the largest possible number of residents.

Appendix 1: THE COUNCIL'S BRIEF**1 Requirement**

1.1 City of Westminster (CoW) wishes to undertake a strategic review of housing management provided by its ALMO - CityWest Homes (CWH) with the aim of assuring the Council, resident and stakeholders that services delivered make the most efficient use of resources, that governance and risk arrangements are robust, and that services are being provided to the highest and most consistent standards that resources will allow, whilst ensuring services are fully compliant with health and safety regulations.

1.2 The review will prepare a comparative analysis of the strengths and weaknesses of three future management options:

Option 1: Retain the current devolved management arrangement

Option 2: Return the provision of housing management services to the Council

Option 3: Restructure the current arrangement to optimise value-for-money and provision of quality services, and the delivery of wider Council objectives. This may include reference to other CoW owned companies.

1.3 The Council and CityWest Homes have a Management Agreement that governs the provision of housing management services by CityWest Homes for the City of Westminster. This Agreement has been in place since 2013 and will run for a period of ten years (31st March 2022) with a five-year break clause, but with the Council having the ability to terminate or amend the agreement at short notice for strategic or performance-related reasons.

2 Project summary

2.1 The purpose of this project is to undertake a strategic review which will consider the most cost-effective model for the Council to deliver housing management services, taking in to account the Council's financial sustainability, long-term viability of the HRA and the priorities and strategic direction of the Council.

Fieldwork

2.2 CT will undertake a range of fieldwork activities to gain a broad understanding of the current delivery model, operational performance, oversight and scrutiny, future management options, through:

- Desktop analysis of strategy, management and financial documentation
- Stakeholder interviews with Members, residents, CoW officers, CityWest Homes officers, delivery partners

- Financial analysis of the current HRA position and of each option taking into account future investment and efficiency gains, the regulatory environment and asset management model
- Research into the role of ALMO's in delivering core housing services for their Councils and at delivering diversification, growth and commercial initiatives, that may be applicable to CoW.

Outline Options Analysis

2.3 Drawing on the fieldwork CT will prepare a baseline analysis highlighting the strengths and weaknesses of the current delivery mode in respect of the scope and quality of service delivery, service governance, risk management and financial efficiency, sustainability and value-add:

Service delivery and outcomes: is the service focused and effective?

- Does the scope and alignment of services delivered by the ALMO, through the Council and those delivered by partner organisations maximise outcomes;
- Does the service meet priorities and stakeholder expectations?
- Does the service meet delivery, quality and customer contentment performance targets;

Alignment, governance and assurance: Are current arrangement driving the service forward and are processes robust?

- Are the strategic objectives and plans of the Council and ALMO aligned?
- Is intelligent clienting enabling both parties to achieve their objectives?
- Is the governance model effective in mitigating risk and managing change?
- Is there sufficient assurance of health and safety compliance?

Financial efficiency: Are effectively are resources aligned to meet priorities?

- Are cost structures, management costs and overheads transparent and understood?
- What efficiency gains or reallocation of assets to the front-line are possible?
- How effective is the stewardship of HRA and General Fund assets?

Sustainability and value-add: How well placed is the current model to meet changing strategic demands and operating environment challenges?

- Can the current model meet the objectives and expectations of stakeholders - what is the medium-term focus?
- What opportunities are there for broader alignment of housing services within the borough to achieve wider outcomes?
- What are the core 'leverageable' capabilities of the service?

2.4 We will make a set of recommendations within the context of the three future management options, that will start to establish their relative merits and deliverability:

- The scope and delivery of services within an outline target operating model

- Strategic alignment, business, resource and service planning
- Governance and clienting arrangements
- Resource allocation and potential efficiencies

Full Options Analysis

- 2.5 In light of the review with CoW we will develop a more detailed analysis of the scope, costs and benefits, and achievability of each of the three management options. This will focus on identifying and outlining:
- a) An optimised service model that best aligns with delivery of housing services
 - b) Sustainable housing management organisational and operational structures that underpin service goals and expectations whilst maximising efficiency;
 - c) Sustainable HRA and business plans, maximising General Fund contributions;
 - d) Robust governance and clienting arrangements
- 2.6 The final report will include a full synopsis of the operational performance and financial effectiveness of the current delivery model, and its value to residents. For each of the options we will set-out its relative strengths and weaknesses, its service impact, financial impact, ability to meet the Council's objective, and relative achievability, arriving at a clearly justified and supported preferred option to deliver:
- a) Executive summary;
 - b) Description of methodology;
 - c) Synopsis of the key findings from the baseline analysis and consultation;
 - d) Description, evaluation and indicative costings of the options;
 - e) Outlines legal, financial and HR delivery issues, risks and achievability considerations;
 - f) An indicative implementation plan;
 - g) Appendices such as a summary of financial modelling and details of stakeholder consultation

Appendix 2: DOCUMENTS REVIEWED

CityWest Homes documents
CityWest Homes Business Plan Update 2018
CWH Strategy 2015
CWH Strategy 2018
CWH Health and Wellbeing Strategy 2017
CWH Asset Management Principles and Framework 2018
CWH People Strategy 2017
CWH Engagement Strategy
CWH Health and Wellbeing Strategy 2017
CWH IT Strategy and Roadmap 2018
CWH Report and Annual Statement 2017-18
CWH Management Accounts 2017-18
Expenditure on existing HRA stock 2018
CWH Board Papers (2016-18)
CWH Committee Papers (2016-18)
Customer Satisfaction Survey 2017
Resident Council and Area Panel Papers (2016-2018)
Decent Homes Update April 2018
CWH Fire Strategy and Master Plan 2018
Audit Reports (2014-2018)
Altair Governance Review Report (2015)
Altair Target Operating Model Report (2015)

City of Westminster documents
WCC Housing Strategy 2015
Westminster City Plan 2016
Westminster Housing Market Analysis 2014
Establishing a Wholly Owned Management Company Cabinet Report 2017
Growth, Planning and Housing Business Plan 2018
CWH Management Agreement 2012
CWH Strategic and Performance Framework 2017

CWH Clienting meeting papers (2016-2018)
Altair Review of housing management options 2015
Campbell Tickell service diagnosis review of CWH Customer Services and Repairs March 2018
Campbell Tickell review of WCC-CWH clienting arrangements 2016

Other documents
Labour Group submission to the review September 2018
Labour Group survey of residents September 2018

Appendix 3: WESTMINSTER HOUSING SERVICES DELEGATED AND RETAINED SERVICES

Function	Delegation	Lead
Housing Strategy		
Strategic work with Social Landlords	Retained	WCC
Council tenant involvement strategy	Shared	WCC
Enabling	Retained	WCC
Contribution to corporate planning	Shared	WCC
Housing Needs		
Housing needs	Retained	WCC
Homelessness	Retained	WCC
Housing Choice	Retained	WCC
Housing Benefits	Outsourced	RMG
Community safety		
ASB - strategy	Retained	WCC
ASB – Council tenants	Delegated	CWH
ASB (excluding Council tenants)	Retained	WCC
HRA land and assets		
Sale of HRA land	Retained	WCC
Disposal of commercial dwellings	Retained	WCC
Management of Right to Buy		
Valuations	Delegated	CWH
Administration	Delegated	CWH
Approval	Delegated	CWH
Final consent and sale	Delegated	CWH
Right to first refusal	Delegated	CWH
Homelessness		
Housing advice	Outsourced	RMG
Assessment of homelessness applications	Outsourced	RMG
Prevention of homelessness	Outsourced	RMG
Corporate objectives	Retained	WCC
New Tenancies		
Housing Register	Outsourced	RMG
Making best use of housing stock	Delegated	CWH
Nomination of tenants	Outsourced	RMG
Notification and sign-up	Delegated	CWH
Granting of new tenancies	Delegated	CWH

Function	Delegation	Lead
Statutory succession	Delegated	CWH
Discretionary succession	Delegated	CWH
Mutual exchange	Delegated	CWH
Allocation policy	Retained	WCC
HRA Business Plan		
Business Plan	Retained	WCC
Statistical returns	Retained	Shared
Repairs and Maintenance		
Stock condition surveys	Delegated	CWH
Responsive repairs (including policy)	Delegated	CWH
Planned maintenance and cyclical repairs	Delegated	CWH
Modernisation and improvement policy	Delegated	CWH
Replacement and renewal	Delegated	CWH
Energy efficiency	Delegated	CWH
Void Management		
Tenancy terminations	Delegated	CWH
Inspections and repairs	Delegated	CWH
Void policy	Shared	WCC
Tenancy Management		
Tenancy management and amendment of terms	Delegated	CWH
Estate management	Delegated	CWH
Caretaking	Delegated	CWH
Grounds maintenance	Delegated	CWH
Garages	Delegated	CWH
Enforcement	Delegated	CWH
Illegal occupation	Delegated	CWH
Requesting ASB orders	Retained	WCC
Police protocols	Delegated	CWH
Tenancy management policy	Delegated	CWH
Leasehold Management		
Leasehold policy	Retained	WCC
Leaseholder consultation	Delegated	CWH
Service charge collection	Delegated	CWH
Planned maintenance and cyclical repairs	Delegated	CWH
Recharges	Delegated	CWH
Enforcement of leasehold conditions	Delegated	CWH

Function	Delegation	Lead
Finance		
Agreeing the HRA	Shared	WCC
Rent and service charge setting	Delegated	CWH
Rent collection	Delegated	CWH
Arrears recovery	Delegated	CWH
Financial returns – HRA	Delegated	CWH
Management of capital programme	Delegated	CWH
Management of capital expenditure	Delegated	CWH
Financial management of HRA	Delegated	CWH
Procurement	Delegated	CWH
Managing contracts for delegated activity	Delegated	CWH
Managing capital and repairs contracts	Shared	CWH
Tenant Involvement		
Tenant involvement policy	Delegated	CWH
Tenant and resident association development	Delegated	CWH
Consultation on policy change	Delegated	CWH
Consultation on ALMO contract	Shared	Both
Newsletters and reports to tenants	Delegated	CWH
Satisfaction surveys	Delegated	CWH
Support and development of local plans	Shared	CWH
Complaints		
Customer complaints relating to HRA activities	Delegated	CWH
Ombudsman complaints	Delegated	CWH
Appeals in relation to complaints	Delegated	CWH
Elected Member enquiries	Delegated	CWH

Appendix 4: STAKEHOLDER INTERVIEWEES**CITYWEST HOMES**Officers

██████████ Chief Executive
██████████ Chief Operating Officer
██████████ Executive Director of Shared Services
██████████ Executive Director of Asset Strategy and Development
██████████ Executive Director of Strategy and Planning
██████████ Executive Director of Finance

Board Members

██████████ Chair

CITY OF WESTMINSTERMembers

██████████ Cabinet Member for Housing
██████████ Cabinet Member for Finance, Property and Regeneration
██████████ Chairman of Policy & Scrutiny Committee
██████████ Leader of the Labour Group

Officers

██████████ Chief Executive
██████████ Executive Director of Growth, Planning and Housing
██████████ Director of Housing and Regeneration
██████████ Strategic Finance Manager, Growth, Planning and Housing
██████████ Head of Affordable Housing and Strategy
██████████ Assistant City Treasurer, Commercial and Financial Management

RESIDENTS

██████████ Chair of Residents Council
Residents Council representatives (focus group)
Area Panel representatives (focus group)

PARTNERS

██████████ RMG Head of Service
██████████ Managing Director, Morgan Sindall Property Services
██████████ Chief Operating Officer, Orchard
██████████ Chief Operating Officer, Vodafone

POTENTIAL EXTERNAL SERVICE PROVIDERS (in relation to Option 4)

██████████ Group Chief Executive, Hyde Housing
██████████ RMG Head of Service
██████████ Group Chief Executive, Notting Hill Genesis
██████████ Group Chief Executive, Network Homes
██████████ Managing Director, Morgan Sindall Property Services

[REDACTED]

[REDACTED] Group Business Development Director, Pinnacle Group

[REDACTED] Managing Director - Housing Management Services, Mears Group plc

Appendix 5: SERVICE ASSUMPTIONS

CWH Directorate	Service	Cost Centre	CWH Budget £000	Retain Option		Return option	
				Action to be Taken	% reduction applied	Action to be Taken	% reduction applied
Asset Strategy & Development	Broadband applications	314	£148.315	No Change	0.00%	No Change	0.00%
Asset Strategy & Development	Asset Strategy & Regen Programme & Commercial	660	£796.979	No Change	0.00%	No Change	0.00%
Asset Strategy & Development	Construction team	663	£787.378	Transfer	0.00%	Transfer	0.00%
Asset Strategy & Development	Development	896	£1,699.783	Transfer	0.00%	Transfer	0.00%
Housing	CWD Services	400	£1,894.657	No Change	0.00%	No Change	0.00%
Housing	Central Hub	410	£420.770	No Change	0.00%	No Change	0.00%
Housing	South Hub	900	£650.770	No Change	0.00%	No Change	0.00%
Housing	West Hub	420	£376.321	No Change	0.00%	No Change	0.00%
Housing	North Hub	430	£311.243	No Change	0.00%	No Change	0.00%
Contact Centre	CityWest Connect	255	£2,361.395	Reduce	10.00%	Transfer	10.00%
Contracts & Standards	Contracts & Standards	209	£251.126	No Change	0.00%	No Change	0.00%
Contracts & Standards	Circle 33	912	£25.788	No Change	0.00%	No Change	0.00%
Contracts & Standards	Genesis	405	£213.767	No Change	0.00%	No Change	0.00%
Contracts & Standards	WCH	908	£158.398	No Change	0.00%	No Change	0.00%
Contracts & Standards	A2 Dominion	909	£39.782	No Change	0.00%	No Change	0.00%
Engagement and community Development	Resident Engagement & Opportunities	215	£388.835	No Change	0.00%	No Change	0.00%
Engagement and community Development	Churchill Youth Club	240	£221.730	No Change	0.00%	No Change	0.00%
Engagement and community Development	Community Development	260	£336.312	No Change	0.00%	No Change	0.00%
Pinnacle & Continental	Pinnacle & Continental	No Code	£4,443.918	No Change	0.00%	No Change	0.00%
Property	PDHU & Energy	217	£491.571	No Change	0.00%	No Change	0.00%
Property	Traditional Major Works	570	£505.299	No Change	0.00%	No Change	0.00%
Property	Term Contract Major Works	571	£2,282.425	No Change	0.00%	No Change	0.00%
Property	Property Maintenance	670	£1,113.609	No Change	0.00%	No Change	0.00%
Property	Projects Team	671	£931.972	No Change	0.00%	No Change	0.00%
Property	Mechanical & Electrical Engineering	672	£1,386.597	No Change	0.00%	No Change	0.00%
Property	Property Services	679	£261.584	No Change	0.00%	No Change	0.00%
Property	Commercial Performance	680	£440.388	Reduce	10.00%	Reduce	20.00%
Property	Communications team	681	£307.088	Reduce	10.00%	Reduce	20.00%
Finance	CWR	280	£2,142.688	Eliminate	100.00%	Eliminate	100.00%
Finance	Leasehold Operations	250	£1,262.200	No Change	0.00%	No Change	0.00%
Finance	Leasehold Operations	253	£122.600	No Change	0.00%	No Change	0.00%
Finance	Transformation	315	£677.455	Reduce	80.00%	Reduce	80.00%
Finance	Finance	610	£968.414	Reduce	10.00%	Reduce	20.00%
Finance	Financial Control	611	£492.216	Reduce	10.00%	Reduce	20.00%
Finance	Procurement	620	£186.094	Reduce	10.00%	Reduce	20.00%
Shared Services	Exec team	110	£1,623.731	Reduce	10.00%	Reduce	20.00%
Shared Services	Office Services	585	£595.563	Reduce	10.00%	Reduce	20.00%
Shared Services	Learning & Development	586	£361.159	Reduce	10.00%	Reduce	20.00%
Shared Services	IT Management	650	£1,343.788	Reduce	10.00%	Reduce	20.00%
Shared Services	Health, Safety and Wellbeing	111	£500.141	No Change	0.00%	No Change	0.00%
Shared Services	HR	730	£1,097.843	Reduce	10.00%	Reduce	20.00%
Strategy & Planning	Board Expenses	120	£53.938	Reduce	20.00%	Eliminate	100.00%
Strategy & Planning	Strategy & Quality	214	£591.609	No Change	0.00%	Reduce	50.00%
Strategy & Planning	Corporate Governance	740	£176.976	No Change	0.00%	Eliminate	100.00%
Third Party	Little Venice	151	£286.227	Transfer	0.00%	Transfer	0.00%
Third Party	WCC Recharges	208	£420.466	Transfer	0.00%	Transfer	0.00%
Third Party	WCH (acquisition)	252	£248.904	Transfer	0.00%	Transfer	0.00%