

Altair

London Borough of Tower Hamlets Strategic ALMO Options Review

Report

April 2019



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1 | Executive Summary

1.1. Stage 1: Baseline Assessment

1.1.1. Tower Hamlets Homes (THH) was originally created in 2008 to secure funding to deliver the Council's Decent Homes Programme. This programme was completed in 2016, with the Arm's-Length Management Organisation's (ALMO's) original management agreement expiring in 2018. The decision was taken by the Council to extend the ALMO's management agreement by two years to July 2020.

1.1.2. Having confirmed the extension of the management agreement, London Borough of Tower Hamlets (LBTH) commissioned Altair to support it in exploring options for the delivery of its housing management services beyond 2020. The review was undertaken in two stages, consisting of a baseline assessment and an options review.

1.1.3. The purpose of the Baseline Assessment stage of the project was to review the current strategic, operational and financial context of LBTH and THH; and to assess the effectiveness of THH as a housing manager, considering its strengths and challenges. Our baseline assessment consisted of the following activities:

- Document review
- Face-to-face and telephone interviews
- Resident and councillor focus groups
- THH resident and board member surveys
- Performance benchmarking
- Value for Money and business plan assessment

1.1.4. Our Stage 1 findings have been grouped into four key themes:

- Vision and Strategy
- Performance
- Value for Money
- Stakeholder Views

Vision and Strategy

1.1.5. Transformation is a key feature in THH's 2018/19 Business Plan. The Business Plan includes reference to six significant business change projects or programmes. The extensive approach to business transformation is evidence of THH responding to the Council's desire to achieve a continuously improving housing service for residents.

1.1.6. The THH Business Plan presents transformation as the means of achieving what it describes as the 'management fee savings target' of £6m over five years, which has

been set by LBTH. However, there is some lack of clarity about whether the target refers to savings from THH's management fee or the HRA as a whole.

- 1.1.7. Strategic alignment between LBTH and THH is maintained through a framework of regular meetings at senior levels, including the Mayor's Housing Meetings, Quarterly Strategic Meetings and the attendance of senior LBTH officers at THH board meetings. We found that THH could make more explicit reporting of how its achievements align with the ambitions of the Council.

Performance

- 1.1.8. The performance metrics show that customer satisfaction is high across THH's services, indicating that in terms of the quality of service delivery, THH is performing well. This is supported by the strong (if relatively high-cost) Anti-Social Behaviour (ASB) resolution performance.
- 1.1.9. The proportion of THH housing stock which is non-decent is significantly higher than the average for its London local authority and ALMO peers. Consequently, THH has high capital expenditure per home. This is likely to be due to legacy issues with Decent Homes delivery.
- 1.1.10. Repairs performance appears mixed with a good average completion time, but with a high number of repairs per property, per year. This results in a high overall cost per property for repairs and void works. This may be due to the relatively high percentage of non-decent housing stock. The rate of repairs completed 'right first time' is also lower than comparator organisations but has significantly improved over recent years.
- 1.1.11. While THH performs comparatively very well in terms of managing voids to minimise void loss, its performance in rent collection is generally below average. However, the relatively poor performance in rent collection metrics is at least partly related to the Southwark ruling on water rates (where this is collected with rent). Until the situation is resolved, water rate arrears will obscure the true rent arrears performance. Leaseholder charge collection presents a mixed picture with day-to-day service charge collection being strong, but major works recharge collection representing an area that THH could improve.
- 1.1.12. Overall, benchmarking suggests that THH is a generally well-performing housing manager, as evidenced by good satisfaction, ASB and void management metrics. There is room for improvement in some areas such as income collection and repairs and it is encouraging that THH's performance across a number of metrics including 'right first time' repairs and satisfaction with major works, has improved over the last two to three years. THH is investing in its existing stock (delivering works of a greater value than planned), although it is still behind its peers for the percentage of non-decent housing stock.

Value for Money (VFM)

- 1.1.13. In terms of THH's cost performance, the high-level findings reflect mixed

performance on value for money - strong cost efficiency in the lettings function, but a high cost, high volume responsive repairs service. Benchmarking indicates a generally positive picture in terms of THH's current performance in providing VfM – costs are either broadly in line with its peer group or compare favourably.

- 1.1.14. There is scope to make improvements in a number of areas and there is evidence that some of these are being addressed (e.g. contract management resourcing). Some improvements (e.g. mobile working) are dependent on IT upgrades, the timing of which may be outside THH's control. Some costs (e.g. agency staff to fill vacant posts) are being carried pending service reviews to avoid the likely (higher) alternative costs of redundancies.
- 1.1.15. The 2017/18 management fee was a reduction on the previous year, reflecting £2.76m savings offset by a £1.33m allowance for growth items. This was to be the first year of a five-year programme delivering savings of £6m in total (£2m in 2017/18, and £1m p.a. thereafter). A further £1m saving in the total management fee was identified for 2018/19 despite additional resources for fire safety and Service Level Agreement increases.
- 1.1.16. We did not find evidence of substantial tracking of VfM cost Key Performance Indicator (KPI) data. While THH has been able to identify savings and has been carrying out service reviews across its functions, the lack of regular reporting of cost KPIs and/or cost benchmarking is an important gap in THH's strategic approach to achieving VfM.

Stakeholder Views

- 1.1.17. The current clienting and governance arrangements between LBTH and THH are generally effective. However, they are regarded by many stakeholders as lacking clarity and suffering from duplication of meetings (with the same attendees) and reporting. There is a common desire to have greater clarity and formalisation of roles, responsibilities, and delegations in the relationship between the ALMO and the Council.
- 1.1.18. The clienting relationship between LBTH and THH was characterised by LBTH staff that we spoke to as "arm's-length" and one in which THH are allowed to "get on with it" with Council intervention kept to a minimum. Some credited this approach to allowing THH to innovate and engage in transformation relatively free of the bureaucracy and politics of the Council. However, some saw this approach as leading to a relationship where LBTH is not as assertive or clear as they should be in their clienting of the ALMO.
- 1.1.19. From the evidence which we have gathered and the interviews and focus groups which we have undertaken, there appears to be a tension between THH's desire to act independently in many regards and an understandable desire within LBTH to have greater control over the ALMO. Greater clarity in LBTH's expectations of the ALMO and a common vision for the relationship with the ALMO would benefit both organisations.

- 1.1.20. Residents expressed positive feedback for caretaking and fire safety and acknowledged progress that was being made with regards to ASB. Residents saw major works and management of contractors as particular areas for improvement for THH. This is consistent with the views of some LBTH officers and ALMO board members. Communication was identified as a key area for improvement in resident focus groups. Residents felt that communication between teams within THH, with the Council, and with residents should be improved.
- 1.1.21. We found the perception of some residents to be significantly influenced by historic experiences, that in many cases had occurred several years ago. Historic and legacy issues with Decent Homes works featured prominently in our discussions with residents and were a source of frustration and disappointment for several residents we spoke with.
- 1.1.22. Councillors we spoke to were positive about THH's record on community development and engagement. Councillors also praised the ALMO's approach to tackling ASB. However, THH's capital works delivery was identified as being a source of concern for some of the Councillors who attended our focus group.

Summary

- 1.1.23. Overall, our assessment is that THH is a generally well-performing housing manager in terms of both housing management performance and cost. There is room for improvement in some key areas of service delivery but evidence of performance improvements over recent years and an extensive transformation programme currently being delivered are positive.
- 1.1.24. THH continues to operate under the legacy of a troubled delivery of Decent Homes, which is likely to remain an operational challenge for THH in terms of repairs and major works, and a reputational challenge with some residents. There are also challenges for both THH and LBTH in the relationship between the two organisations, which would benefit from more clarity of delegations, roles and expectations, and from a better framework for strategic discussion and alignment between the Council and the ALMO.
- 1.1.25. We found no performance or financial imperative to significantly change the housing management arrangements for the LBTH stock currently managed by THH.

1.2. Stage 2: Options Assessment

1.2.1. The purpose of the Options Assessment stage of the project was to develop a series of options to enable London Borough of Tower Hamlets (LBTH) to consider how it might deliver housing management in the future. We outlined five options for consideration by the Council:

- In-House Management
- Management Agreement Extension
- Extension with Fewer Services
- Extension with More Services
- Extension with a Different Mix of Services

The ALMO Model

1.2.2. The Decent Homes programme of the 2000s saw the introduction of Arm's Length Management Organisations (ALMOs). At their peak in 2009/10 there were 70 ALMOs managing approximately 1 million homes. Since then, this number has reduced by more than half to 31, with the trend to bring services back in-house under direct council management strongest in London, where at present there are only 5 ALMOs.

1.2.3. Periodic reviews of ALMOs at appropriate contract break points may be a trigger for bringing an ALMO in-house, although some authorities have taken the opportunity to retain or expand their ALMO at these points. Anecdotal evidence suggests that while perceived poor performance may be a catalyst for bringing services in house, political will and the relationship between the Council and the ALMO are also a factor.

The Options

1.2.4. The options were reviewed, taking account of LBTH's context and THH's performance and assessed against suitability, feasibility and acceptability criteria.

Option 1: In-house Management

1.2.5. For LBTH and Tower Hamlets Homes (THH) the in-house management option, whereby THH would transfer into the Council represents the most significant change from the status quo. The housing management service would be transferred to the Council when the current management agreement ends in July 2020.

1.2.6. Key considerations for this option included:

- The Council separately already has plans to bring refuse collection in-house in 2020 and the transformation programme ongoing to 2022 will be in progress, which presents a risk that the Council will have two significant change projects occurring within a similar timeframe and may not have sufficient capacity for

transfer of the housing management services undertaken in 2020. Even without these other change activities, 2020 may be too challenging a target date for bringing the ALMO in-house, given the necessary preparation and processes to successfully transfer the service.

- If LBTH were minded to bring the ALMO in-house, it may be more suitable to do so following the move to the new Civic Centre in 2022 and the associated integration of some LBTH and THH back-office systems and processes.
- Key areas where savings are usually made in transferring an ALMO in-house are staff, facilities, and governance. Due to the sharing of facilities already planned at the Whitechapel Civic Centre, potential savings are significantly reduced in the case of LBTH and THH. It is also worth noting that savings can easily be offset by poor performance, if the transfer causes any performance weaknesses (for example due to loss of staff, or operational challenges).
- Bringing the ALMO in-house may encourage closer working between housing and other council departments and may help to ensure delivery of LBTH's strategic objectives through having direct control of the housing management function.
- However, the transfer would be costly, and moving away from the ALMO model of service delivery for housing management typically dilutes a cultural and organisational focus on housing (including the loss of a dedicated board).

Option 2: Management Agreement Extension

1.2.7. This option represents a continuation of the status quo that would result from an extension of the existing management agreement. As such, there are limited financial or legal implications.

1.2.8. Key considerations included:

- The status quo option enables THH to continue to build on its established brand, and the ongoing work delivering against cost reduction targets set by LBTH. However, compared to expanding the portfolio of services delivered by the ALMO this option may not make the most of opportunities to generate 'added value' for LBTH.
- There is also a need to review the client management arrangement to ensure that it is effective going forward.

Option 3: Extension with Fewer Services

1.2.9. This option would involve extending the management agreement for THH but varying the terms so that some services / functions would transfer from THH to LBTH.

1.2.10. Key considerations included:

- Following the Council's transformation plan, LBTH may feel that some high-performing Council functions could more effectively and efficiently deliver services either to, or instead of, THH. However, we note that there are no current plans to transfer any THH functions to the Council and based on our findings in Stage One of this report, it is not clear that there are any service areas which are strong candidates for transfer from THH to LBTH.
- A partial transfer of services risks splitting management functions, potentially creating friction between related functions, and may create duplication rather than efficiencies, as well as leading to a lack of clarity over roles and responsibilities. However, it may provide an opportunity to realise economies of scale in some Council functions.

Option 4: Extension with More Services

- 1.2.11. This option would involve extending the management agreement for THH but varying the terms so that some services / functions would transfer into the ALMO from LBTH. This would mean that THH would become 'diversified' with a wider service offering.
- 1.2.12. Key considerations included:
- Typical services delivered by diversified ALMOs include those previously delivered by the Local Authority, such as homelessness and housing options (Barnet Homes), new-build housing development (Stockport Homes) and even street cleaning (South Tyneside Homes). Services may also be provided to third parties such as private sector lettings, or the delivery of market rent housing.
 - An expanded ALMO may be able to deliver efficiencies of scale, and potentially generate income to cross-subsidise the General Fund.
 - However, were THH to expand its service offer there would likely be the need for greater clienting from the Council. It may also lead to an operational distance and lack of control over service delivery.

Option 5: Extension with Different Services

- 1.2.13. Under this option THH would gain some additional service areas, either from the Council or through creating new commercial activities, but simultaneously some activities would move from THH to the Council.
- 1.2.14. This option is therefore an amalgamation of Options 3 and 4, and the risks and implications described above would apply to it.

Summary: Review of Housing Management Models

- 1.2.15. Stage 1 of this review found that there is no performance or financial imperative to bring the housing service, currently delivered by THH, in-house. However, equally given the limited scope of THH's current offer there may not be a compelling reason

to retain the ALMO indefinitely.

- 1.2.16. Given the other activity being undertaken in 2020 relating to refuse collection and transformation, transferring the ALMO at this time, when its current management agreement ends, may create additional risk to the successful delivery of a transfer. Even without these other change activities, 2020 may be too challenging a target date for bringing the ALMO in-house.
- 1.2.17. Overall, retaining THH (Option 2) scores the highest in our options assessment. However, this scoring is based on the assumption that THH continues to deliver for the Council and achieve costs savings against the targets set by LBTH, that resident satisfaction and other performance is either maintained or continues to improve.

1.3. Recommendations

- 1.3.1. Based on the findings of the Stage 1 report and our analysis in this Stage 2 report, we make a series of recommendations to be taken forward were each option to be implemented. Regardless of which option LBTH chooses to take forward a detailed business case should be developed which considers the financial case for the change (or status quo) and considers risks and mitigations.
- 1.3.2. If LBTH implements any of the options in which the management agreement is extended, LBTH should consider the role of the clienting function within LBTH, ensuring it has clarity over its role and priorities.
- 1.3.3. Recommendations for LBTH and THH arising from Stage 1 (some of which will only apply if THH is retained) are listed below:
- The Council should clarify to THH its expectations regarding the ALMO's savings targets
 - THH should be more explicit reporting of how THH's achievements align with the ambitions of the Council
 - THH should continue to target higher leaseholder satisfaction, given the large proportion of leaseholders in their resident body (approximately 45%)
 - THH should note the common feedback from both residents and LBTH about the quality of major works and contract management and seek to make improvements as necessary
 - THH should consider investment in income collection functions, in the context of the service review of the rent collection function undertaken in summer 2018 (the recommendations of which have not yet been implemented) and to improve major work recharge collection rates
 - THH should implement regular reporting of cost KPIs and/or cost benchmarking to support the ALMO in achieving VfM

- LBTH should consider the purpose of the various bodies in the THH governance/ engagement structure to ensure that the division of responsibilities, delegations and terms for each are clear and fit for purpose
- LBTH and THH should work together to formally clarify their respective roles (including the levels of delegation and authority) in order to reduce duplication of meetings, papers etc. between the two organisations
- LBTH and THH should work together to provide clarity over the Council's expectations of the ALMO
- Consideration should be given to how best to improve communication between teams within THH, between THH and the Council, and between both of these bodies and residents

1.3.4. The key recommendations for LBTH for each option assessed as part of Stage 2 are summarised in the table below.

In-House Management	<ul style="list-style-type: none"> ▪ Consider how to address resourcing the transfer ▪ Rationalise the senior management structure at THH, and consider the wider staff structure ▪ Undertake detailed work to estimate potential savings, and put in place mitigation strategies for identified risks ▪ Consider how LBTH can measure and report on the impact on both services and costs of the transfer ▪ Undertake consultation with stakeholders, and develop an appropriate communication strategy ▪ Give consideration to successor resident engagement and scrutiny bodies ▪ Consider the future role of the current clienting function
Management agreement extension	<ul style="list-style-type: none"> ▪ Consider whether to extend the existing savings targets ▪ Review services, cost and performance ▪ Undertake negotiations to extend the agreement ▪ Communicate the decision to relevant stakeholders
Extension with fewer services	<ul style="list-style-type: none"> ▪ Consider which services should be transferred from the ALMO ▪ Assess how the management fee should be changed to reflect the reduced scope of services ▪ Assess the wider financial impacts of bringing some services in house ▪ Communicate the decisions to stakeholders, ensuring clarity about the revised split of services and responsibilities
Extension with more services	<ul style="list-style-type: none"> ▪ Explore the potential for additional service delivery to third parties ▪ Consider how additional service delivery may impact on the management fee ▪ Assess the wider financial implications of services being transferred to the ALMO ▪ Direct THH to develop individual business cases for each service area to be transferred ▪ Ensure that legal requirements such as EU procurement regulation and the Teckal exemption are addressed ▪ Work with THH to support the ALMO to produce updated Articles of Association which reflect the new service delivery position ▪ Develop a joint communication strategy with THH to notify those affected by the changes.

2 | Introduction

2.1. Tower Hamlets context

Demography

- 2.1.1. The population of Tower Hamlets is young and diverse, with residents of over two hundred different nationalities and the lowest percentage of over-65s of any UK borough¹. The borough is facing a range of demographic challenges including significant income disparity. While the average salary of the borough is the second-highest in the UK, Tower Hamlets has the highest rate of pensioner poverty in England at 50% (versus a national average of 16%) and also the highest rate of child poverty (31% versus a national average of 17%). Overall, it is estimated that around four in ten householders in Tower Hamlets are living below the poverty line, the highest rate across all local authorities (LAs) in England and Wales.
- 2.1.2. Healthy life expectancy rates are lower than the London and England averages, and are particularly low for women. The borough also has a higher rate of preventable or premature deaths than the London or England averages, and has the highest infant mortality rate in London. This reflects the relatively high levels of deprivation in the borough.

Housing

- 2.1.3. Tower Hamlets is the fastest-growing borough in London, both in terms of its housing stock and population. The borough is growing by over 3,000 homes per year, resulting in a 27% increase in housing stock since 2003 and a total of 124,000 homes in Tower Hamlets². In addition, the borough has experienced the fastest population growth in the country since the turn of the millennium; its current population of approximately 317,200 is expected to reach almost 365,000 by 2026. Population growth has outpaced housing stock growth, contributing to a housing waiting list of approximately 19,000 households, the second-largest in London.
- 2.1.4. Approximately 30,000 of the homes in Tower Hamlets are managed by housing associations; over 45 operate in the borough, including members of the G15, group of London's largest housing associations, such as Clarion, A2Dominion and Peabody. The social housing stock in the borough is dispersed across several different providers. The table below shows those housing associations that own or manage over 1,000 social homes in Tower Hamlets.

¹ https://www.towerhamlets.gov.uk/ignl/community_and_living/borough_statistics/Borough_profile.aspx

² LB Tower Hamlets 2016-21 Housing Strategy

Other social housing providers with a significant number of homes in Tower Hamlets

HAs (with >1,000 units) in Tower Hamlets	Social units in Tower Hamlets
Poplar HARCA Limited	5,840
Old Ford Housing Association Limited	3,341
One Housing Group Limited	3,321
Gateway Housing Association	2,637
East End Homes Limited	2,254
Tower Hamlets Community Housing Limited	2,077
East Thames Limited	1,943
Swan Housing Association Limited	1,774
Notting Hill Genesis Housing Association Limited	1,648
Southern Housing Group Limited	1,450
Peabody Trust	1,353

2.2. Tower Hamlets Homes

- 2.2.1. LBTH has delegated the management of 21,000 homes of council-owned stock (comprising social rented homes and former right-to-buy leaseholder homes) to its arms-length management organisation (ALMO), Tower Hamlets Homes (THH). LBTH also transferred some council-owned homes to housing associations in the borough including Tower Hamlets Community Housing and East End Homes.
- 2.2.2. Prior to this, the Council delivered housing services itself, receiving 3-star ratings from the Audit Commission in relation to its housing provision immediately prior to the establishment of THH³.
- 2.2.3. THH was originally created in 2008 to secure funding to deliver the Council's Decent Homes Programme. This programme was completed in 2016, with the ALMO's original management agreement expiring in 2018. The ALMO is 100% owned by the Council and provides a range of services to Council tenants and leaseholders including:
- Rent and service charge collection
 - Complaints handling
 - Major works, planned and cyclical maintenance
 - Caretaking and gardening

³ Audit Commission (2009), *Annual Audit and Inspection Letter, London Borough of Tower Hamlets, Audit 2007/08*

- Anti-social behaviour (ASB) case handling
- Housing and tenancy management services
- Leasehold services

2.2.4. In 2016 the decision was taken by the Council to extend the ALMO's management agreement by a further two years to July 2020.

2.3. Objective of the review and our approach

2.3.1. Having confirmed the extension of the ALMO, LBTH is now looking to explore options for the delivery of its housing management services beyond 2020, with the long-term strategic objective of providing the best possible and continuously improving housing service to residents, securing fire safety, maintaining and improving the Council's physical assets, and enhancing the Council's reputation.

2.3.2. LBTH has specified that there is no intention to explore potential changes in ownership or the creation of a new entity as part of this review (for example, undertaking a stock transfer or establishing a Registered Provider (RP)). This review has been commissioned to consider three possible options for the delivery of housing management services post-2020:

- Bring all THH services back in-house from 2020
- Extend the existing THH Management Agreement
- Extend the existing THH Management Agreement and shift services between LBTH and THH

2.3.3. Altair has been commissioned to undertake this review of options.

2.3.4. To undertake this review, we gathered information from a range of sources including:

- Document review – we reviewed a wide and extensive range of Council and ALMO documents, to develop a strong initial understanding of THH's business, its current performance and its strategic and operational context. A full list of the documents which we reviewed is available at Appendix A.
- Interviews – A total of 13 interviews were undertaken with a wide range of key stakeholders including THH staff, THH partner organisations, Council staff and councillors. The purpose of these interviews was to flesh out our baseline assessment with the qualitative views of a range of key stakeholders, enabling us to validate our initial findings.
- Focus groups – we facilitated several focus groups: three with residents (including a representative mix of tenants and leaseholders) and one with councillors. The purpose of these focus groups was to seek views on the strengths and weaknesses of current housing management arrangements, and to explore their views on opportunities and risks for the future of the management of LBTH housing stock.

- Surveys – we surveyed THH residents to engage and consult a large number of people on their views on THH as a housing manager. This enabled us to capture different viewpoints on the organisation. The online survey was administered by Altair and publicised by THH and was completed by over 780 people. The telephone survey was administered by Kwest who contacted 300 residents to participate in the survey. We also conducted a survey of THH board members.
- Business Plan analysis – We undertook an analysis of the Housing Revenue Account (HRA) Business Plan, and THH’s financial performance. This work had a particular focus on Value for Money (VfM) and identified areas of strong performance, as well as where improvements in efficiency could be achieved.
- Performance benchmarking – We used HouseMark benchmarking data to consider the comparative performance of THH across the business as well as reviewing THH data to understand trends in performance over recent years.
- Case study review – We developed case studies which exemplify the different housing management options under consideration by the Council. This helps to provide context to the options and provide information on the impact of each approach.

2.3.5. Stage 1 of this review provides an assessment of Tower Hamlets Homes as a housing manager, including reference to housing management performance, stakeholder views, financial performance, and alignment of the strategic objectives between LBTH and THH. Stage 2 of this review draws on the information from Stage 1 in order to inform an assessment of each of the options identified by the Council and listed in 2.3.2 above.

Stage 1: Baseline Assessment

2.3.6. The purpose of this stage of the project was to review the current strategic, operational and financial context of LBTH and THH; and to assess the effectiveness of THH as a housing manager, considering its strengths and challenges. Our baseline assessment consisted of the following activities:

- Document review
- Face-to-face and telephone interviews
- Resident and councillor focus groups
- THH resident and board member surveys
- Performance benchmarking
- Value for Money and business plan assessment

2.3.7. Our Stage 1 findings have been grouped into four key themes:

- Vision and Strategy
- Performance
- Value for Money
- Stakeholder views

2.3.8. Each of these themes is explored in further detail in the following chapters.

3 | Vision and Strategy

3.1. Introduction

- 3.1.1. THH has a three-year business plan, 'Working Together', which sets out the organisation's corporate priorities for 2016-19. THH refreshes the business plan annually, the current business plan being the third and final year of the 'Working Together' plan. THH's annual business plans are supported by a suite of other corporate strategies including a People Strategy, Digital Strategy, Transformation Programme, and a joint Asset Management Strategy with LBTH.
- 3.1.2. These documents were reviewed alongside the Council's relevant strategies (namely its 2016-21 Housing Strategy) and the management agreement with LBTH, alongside other evidence gathered through activities undertaken in the baseline review.

3.2. Key Priorities

- 3.2.1. THH's Business Plan sets out the organisation's strategic priorities under three overarching objectives to:
 - Deliver Organisational Excellence
 - Maintain Homes and Neighbourhoods to be Proud of
 - Provide Excellent Customer Service
- 3.2.2. Under 'Deliver Organisational Excellence' THH targets a collection of eight further strategic objectives. These are largely focused on transformation (of processes, IT systems, digital access, and customer data), improving performance in areas with room for improvement (namely right first-time repairs and rent and service charge collection), and improving HR and people practices (providing better guidance, staff developments, and performance management).
- 3.2.3. To 'Maintain Homes and Neighbourhoods to be Proud of', THH has objectives covering maintaining up to date fire risk assessments, maintaining cleaner neighbourhoods, tackling ASB, and managing contractors more effectively to reduce complaints and improve right first-time rates.
- 3.2.4. To 'Provide Excellent Customer Service', THH has objectives to clarify and enforce rights and responsibilities between the ALMO and its residents, to expand their offer to provide a 'new deal' for leaseholders, and work with partners to assist vulnerable residents to remain in their homes.
- 3.2.5. In pursuit of these objectives, THH has a Service Improvement Plan (SIP). In 2017/18 the SIP comprised of activities across seven different projects/initiatives. Key activities included the establishment of a new performance appraisal process and a talent management scheme (People Strategy); completion of some outstanding 2016/17 Decent Homes works and procurement of fire risk works

(Capital Works); ASB team restructure and contracting of ASB partners (ASB improvement); and the introduction of online services for leaseholders and review of Neighbourhood Team as part of the Transformation Programme (New Deal for Leaseholders).

- 3.2.6. The service areas targeted for improvement in 2018/19 are Better Neighbourhoods and Safer Homes (fire safety), Neighbourhood Improvement (curtilage works), and Welfare Reform (support for residents affected by welfare reform).

3.3. Transformation

- 3.3.1. Transformation and change are key features in the 2018/19 Business Plan. The Business Plan presents transformation as the means of achieving what it describes as the 'management fee savings target' of £6m over five-years, that has been set by LBTH. The savings are to be £2m in 2017/18 and a further £1m each year for the following four years. This savings target represents a reduction in THH's management fee of approximately 20%.
- 3.3.2. However, the cabinet report of December 2016 which recommended the extension of THH's management agreement to 2020, states that the target of £6m over five-years refers to savings from the Housing Revenue Account (HRA). The HRA has a gross annual expenditure of around £80m, out of which THH is responsible for its Management Fee (£31m), a further £6m for service level agreements (SLAs) for services from the Council, as well as delegated budgets of around £32m.
- 3.3.3. THH is delivering savings to delegated budgets and SLAs, counter to the expectations of some LBTH stakeholders. Lack of clarity about whether the savings are targeted as a reduction to THH's management fee or HRA expenditure as a whole, has the potential to cause issues between LBTH and THH if not resolved. For the benefit of all stakeholders, not least THH, the Council should be clear about its expectations regarding THH's VfM objectives. This target is explored further in Section 4 below.
- 3.3.4. THH recognise that delivering services on a smaller budget requires significant transformation. As such, THH has developed a number of service transformation programme and strategies. The Business Plan includes reference to no fewer than six significant business change projects or programmes, each with its own programme board. Many of these programmes have been active for the last year or two, some were started in this financial year.
- 3.3.5. The Business Transformation Programme has seen new structures implemented in 2017/18 for business support functions such as finance, communications and HR, as well as some service delivery functions such as ASB, repairs, and neighbourhood management.
- 3.3.6. Whilst the bulk of the structural changes are complete, further projects that include structure reviews are underway for leasehold services, environmental services, and rental income collection. A further review of the staffing structure of THH's ICT function is also planned for 2019.

- 3.3.7. THH has developed a Digital Strategy to digitalise its services, including through a new online portal, MyTHH. The digital strategy also includes developing a mobile working solution and improving the systems used by the contact centre to handle repairs reporting / scheduling.
- 3.3.8. Since launching in May 2017, over 3,400 residents have registered for MyTHH which enables residents to view rent and service charge statements, report repairs, changes to tenancy such as giving notice on a tenancy or license agreement and requesting changes to or from joint tenancies, and log requests for issues such as bulk rubbish. THH states that the most popular services on MyTHH are My Rent Account, My Details, My Repairs and My Leasehold Account. The popularity of these online services is likely to be an important contributing factor to the significant reduction of in-bound calls to THH that relate to those service areas. Between 2017/18 and 2018/19, THH has seen a reduction of inbound calls related to balance / statement requests of between 80-90% and a reduction of between 93-98% in the number of calls to make leasehold or rent payments.
- 3.3.9. THH also has a Customer Access and Experience Programme which seeks to redesign processes with a view to improving them and moving them online where possible. The first phase of the Programme is being delivered over the course of 2018/19. This phase includes communal and responsive repairs, parking, and ASB services.

3.4. Community investment

- 3.4.1. In addition to 'core' landlord functions set out above in paragraph 1.2.3, THH also provides services designed to improve the health, financial, and employment outcomes of its residents. Since 2016, THH has had a Community Investment Strategy which targets the following objectives:
- Create safer neighbourhoods
 - Increase financial resilience
 - Support mental wellbeing and vulnerability
 - Build resilient and cohesive communities
- 3.4.2. In pursuit of these objectives, THH has established partnerships with: Streets of Growth, a youth charity who engage high risk young people and positively influence their lives through targeted intervention; training provider Go Train, to deliver an employability programme; and a number of local organisations to train local women in childcare for employment as childminders or in local nurseries. Feedback from external partners is provided in Section 6 of this report.

3.5. Alignment with the Council

- 3.5.1. LBTH is currently delivering its 2016 – 2021 Housing Strategy. This strategy is based around four key delivery themes:

1. **Delivering affordable housing, economic growth and regeneration** – including maximising affordable home building, completing a full capacity study of council-owned land, and setting up a housing company to deliver new homes both inside and outside of the borough.
 2. **Meeting people’s housing needs** – including refreshing the Council’s Homelessness Statement into an aligned Homelessness Strategy, contributing to the development of a Corporate Ageing Well Strategy, and ensuring that young people’s housing needs are fairly reflected in the development of housing allocation and homelessness policies.
 3. **Raising private rented housing standards** – including reviewing selective/additional licensing schemes for the private rented sector, developing enhanced support for landlords, and developing and implemented a resident and stakeholder engagement programme to promote the rights of private tenants.
 4. **Effective partnership working with residents and stakeholders** – including developing more effective working with Registered Providers (RPs) operating in the borough, neighbouring authorities, and private and third sector partners.
- 3.5.2. Both the Council’s Housing Strategy and the Tower Hamlets Partnership Community Plan (2015) are explicitly referenced in THH’s 2018/19 Business Plan. The Business Plan states that “so far we have made a major contribution to assuring the Council meets its commitments to achieving Decent Homes and improving neighbourhoods.” However, no evidence of how THH has directly supported the Council’s objectives is provided in the Business Plan document. Given that the Business Plan is titled ‘Working Together’, the document would benefit from the inclusion of more explicit reporting of how THH’s achievements align with the ambitions of the Council.
- 3.5.3. Despite the relative lack of evidence presented in the 2018/19 Business Plan, we are aware that strategic alignment between LBTH and THH is maintained through a framework of regular meetings at senior levels (including the Mayor’s Housing Meetings, Quarterly Strategic Meetings and the attendance of senior LBTH officers at THH board meetings).
- 3.5.4. The THH Board includes four councillors, four residents, and four independents, as is typical for ALMOs. The Board is occasionally attended by LBTH’s Divisional Director for Housing and Regeneration and the THH Chair meets with the Mayor and the Lead Member for Housing, at the quarterly Mayor’s Housing Meetings.
- 3.5.5. The THH 2018/19 Business Plan states that the ALMO has more to offer the Council but does not elucidate what that offer might include. We understand that THH is in the process of developing an offer to the Council which includes the delivery of additional services, some of which are currently delivered by LBTH. Discussion about the transfer of services between the Council and THH are explored further in Part Two of this report.

3.6. Key findings

- 3.6.1. There is lack of clarity about whether THH savings targets are intended as a reduction to THH's management fee or HRA expenditure as a whole. This confusion of expectations has the potential to cause issues between LBTH and THH if not resolved.
- 3.6.2. Strategic alignment between LBTH and THH is maintained through a framework of regular meetings at senior levels, including the Mayor's Housing Meetings, Quarterly Strategic Meetings and the attendance of senior LBTH officers at THH board meetings.
- 3.6.3. Both LBTH's Housing Strategy and the Tower Hamlets Partnership Community Plan (2015) are explicitly referenced in THH's 2018/19 Business Plan. However, the document would benefit from the inclusion of more explicit reporting of how THH's achievements align with the ambitions of the Council.

4 | Performance

4.1. Introduction

4.1.1. In this section we use benchmarking data to better understand the relative performance of THH. For most housing providers, the key performance areas are:

- Net income collection
- Quality of service delivery
- Investment (either in improvements, or new business / growth)

4.1.2. We have structured this section according to these broad categories.

4.1.3. While benchmarking is a useful tool in understanding how well an organisation is performing, it is important to recognise its limitations. While the peer group comparators have been chosen for their similarity to THH, (i.e. they are all London ALMOs / LAs, or they all operate in Tower Hamlets), there may be other factors driving relatively good or poor performance (e.g. the age and type of stock managed, the level of need of customers and the geographic dispersal of stock are all factors in performance).

4.1.4. Therefore, when interpreting benchmarking information, we have been mindful of factors that may cause variation in performance. Rather than focussing on small variations in performance that may be accounted for by limitations in benchmarking, we have identified key trends within the data.

4.1.5. We have used four sources of data in undertaking the review of THH's performance. To give as accurate a view of current performance as possible we have used the most recent available data, and for all performance information have clearly specified the financial year to which it relates:

- THH's KPI performance reports provided to the ALMO board (Business Critical Indicators); with reference to the year end 17/18 results, and the June 2018 report.
- THH's HouseMark benchmarking schedules for 2017/18 (which include a benchmark group of 19 London Local Authorities' and ALMOs)
- Analysis of the Local Authority Housing Statistics (LAHS) 2016/17 for all London Boroughs
- Analysis of information provided in the Global Accounts 2016/17 for eight RPs with more than 1,000 units located in Tower Hamlets

4.1.6. These benchmarking groups have been chosen as they offer a good comparison to THH, based on their size and geography. The list of comparator organisations used for this benchmarking exercise can be found in Appendix B.

4.1.7. In addition to performance data, we have included, where relevant, the views of

stakeholders that we received in focus groups and interviews.

4.2. Quality of Service Delivery

4.2.1. The quality of the customer experience is key to THH as a provider of social housing, and as an organisation delivering a service on behalf of the Council. There are a number of ways to measure the quality of the customer experience; these include satisfaction measures, delivery timescales, 'right first time' approaches, and the experience of customer facing interactions.

Satisfaction

4.2.2. Customer satisfaction is a key way of understanding the quality of a provider's housing offer and the experience of its residents. The table below provides information about THH's satisfaction scores across the available data:

	Tower Hamlets Homes BCI Report and HouseMark (17/18)			HouseMark LA and ALMO Comparator (17/18)			
	Performance	Rank (of 11)	Target	UQ ⁴	M ⁵	LQ ⁶	
Percentage of issues resolved at first point of contact	92.30%		70%				
Percentage of residents agreeing with the statement 'THH does what it says it will do'	79%		80%				
Overall Satisfaction: Residents	82%		82%				
Overall Satisfaction: Tenants	87%	Q1	UNK	76.03	73.55	66.98	●
Overall Satisfaction: Leaseholders	70%		68%				

4.2.3. While there are only benchmarks for one area of customer satisfaction, in this area (overall satisfaction amongst tenants) THH performs significantly better than peers. The results show high overall satisfaction for tenants when compared to other London local authorities and ALMOs. In terms of resolving issues at first point of contact, where failures can be a key driver of complaints, THH achieved a very strong result of 92.30% in 2017/18. THH has high targets which suggest that it and the LBTH client team place significant value in resident satisfaction.

4.2.4. Satisfaction amongst leaseholders, at 70%, is considerably lower than tenant satisfaction at 87%. It is not uncommon for leaseholder satisfaction to be lower than

⁴ Upper Quartile

⁵ Median

⁶ Lower Quartile

tenant satisfaction. This is a phenomenon that many London local authorities and ALMOs experience and is reflected in the lower target set by the Council for leaseholder satisfaction.

- 4.2.5. THH recognises that leaseholder satisfaction is an issue for the organisation and has included a number of measures in their transformation plans to address common leaseholder concerns, including notification of planned works and payment options. THH should continue to target higher leaseholder satisfaction, given the large proportion of leaseholders in their resident body (approximately 45%).

Repairs, Maintenance and Major Works

- 4.2.6. How THH performs in managing the property assets on behalf of the Council is key to the long-term value of the stock and is often the most important factor in the experience of residents. The table below shows how THH performs across several repairs, maintenance and capital works measures.

	Tower Hamlets Homes BCI Report and HouseMark (17/18)			HouseMark LA and ALMO Comparator (17/18)				
	Performance		Rank (of 19)	Target	UQ	M	LQ	
Total repairs avg per property	6.15	Q4	19		3.14	3.73	4.62	●
Average completion time (days)	6.21	Q2	6		5.69	7.35	10.69	●
Repairs % completed at first visit	85.90	Q3	11		95.50	88.90	85.45	●
Satisfaction with Repairs Service (%)	91.70%	Q2	5	n/a				
Average cost of a responsive repair (£)	131.81	Q2	6		127.86	137.49	156.94	●
Total Cost Per Property (CPP) of responsive repairs & void works (£)	1,328.29	Q3	15		841.88	998.86	1,329.37	●
Major Works Programme Delivery (%)	102%			85%				
% of residents rating capital works as excellent, good or fair	96%			75%				
Satisfaction with Caretaking (%)	85%			85%				

- 4.2.7. The performance metrics show that THH performs well across satisfaction measures for repairs, major works and caretaking. Repairs completion times are also above median for the local authority and ALMO peer group.

- 4.2.8. However, the average number of repairs per property is the highest in the group. The high number of repairs per property may be due to a lower threshold for repairs ordering, and/or difficulties with the quality of the stock. Given the high rate of non-decency (as discussed in section 3.5 below), the poor condition of some housing stock will likely be a key influencing factor on the number of repairs per property. Testimonies from THH repairs staff explain that where capital works are delivered,

there is a notable decrease in the volume (and cost) of repairs.

- 4.2.9. THH performs below the median for the number of repairs completed at the first visit. Multiple visits to resolve an issue will increase completion times and costs, and THH should consider how it can improve performance in 'right first time' repairs. However, it should be noted that THH's performance of 86% 'right first time' for 2017/18 represents a significant improvement over the previous two years, during which time the rate has increased from 77%. The cost of responsive repairs is considered further in Section 4, paragraph 5.4.7 – 5.4.11 below.
- 4.2.10. In the table above, we have used the % of residents rating capital works as excellent, good or fair, from THH's board reports⁷. THH's performance in this metric has improved over the two years to 2017/18 from 77% to 96%.
- 4.2.11. The high percentage of residents rating capital works as fair, good, or excellent appears to be at odds with our findings from the residents' survey and focus groups which identified major works as an area requiring improvement. However, these perceptions are likely to be influenced by historic incidents of poor performance.
- 4.2.12. Similarly, LBTH stakeholders we spoke to expressed concern about the quality of major works and asset management in general. However, it is our understanding from both residents and LBTH stakeholders that the percentage of non-decent homes (which remains at over 10%) is an influencing factor in their view of THH's major works performance.
- 4.2.13. Both residents and stakeholders in LBTH also felt that part of the issues they perceive with THH's major works performance relate to procurement and management of contractors. THH staff described the organisation as being 'on a journey' and referred to improvements in asset management as part of this process of improvement. In the absence of data to benchmark, THH should note the common feedback from both residents and LBTH about the quality of major works and contract management and should seek to make improvements as necessary.

Anti-Social Behaviour (ASB)

- 4.2.14. While ASB will often impact on a minority of customers, it can be extremely detrimental for communities and those customers who experience ASB. The nature of ASB means it often impacts on the wider community and influences stakeholder perceptions. The table below outlines THH's performance in managing ASB in its stock.

⁷ THH does not collect data that conforms to HouseMark's definition for tenant satisfaction with major works (satisfaction with quality of home).

	Tower Hamlets Homes BCI Report and HouseMark (17/18)			HouseMark LA and ALMO Comparator (17/18)				
	Performance	Rank (of 19)	Target	UQ	M	LQ		
Direct cost per ASB case (£)	1,010.71	Q3	7		724.15	947.02	1,886.21	●
Resolution rate %	96			90				
Direct ASB employees per 1,000 properties	1.45	Q4	18		0.54	0.81	1.00	●
No. new cases per 1,000 properties	76.68	Q3	10		17.10	46.53	76.68	●
Total CPP of ASB (£)	115.10	Q4	18		43.22	70.14	97.55	●

- 4.2.15. The metrics show that THH deals with a high number of ASB cases when compared to other local authorities and ALMOs. It is also spending more to address ASB (per property) than other comparator organisations. While this spend puts them in the lower quartile in the benchmark group, the very high resolution rate that THH achieves is likely due to this investment. Given the relatively high number of ASB cases, this investment is likely to be warranted.
- 4.2.16. Ahead of the extension of the management agreement, ASB was identified by LBTH as a service area that THH should focus on improving. Since then, the ASB service has been restructured, provided additional resources, and moved into Environmental Services along with the caretaking management team. In 2017, Parkguard, a provider of ASB services to LAs and the police, was engaged to patrol THH estates and has done so since then. THH has also funded police activity on its estates, through a 2 for 1 police officer funding deal with the GLA.
- 4.2.17. THH's additional spend on tackling ASB and the improvements in this service area were recognised by residents in our focus groups (see Section 5, paragraph 5.7.7 of this report).

4.3. Income and Void Performance

Income

- 4.3.1. Fundamental to the ongoing financial viability of any organisation is the net income position, which is the effective profit or surplus that THH generates. There are two key strands to performance in net income: gross income and expenditure. THH's relative expenditure, including the costs of service delivery and corporate overheads is explored in below.
- 4.3.2. Whilst as an ALMO, THH receives a management fee, the key operational sources of income are rent and service charge. The factors that indicate performance in these areas are how much rent and service charge is collected (e.g. rent arrears and bad debt performance), and the amount of time for which rent is due on a property (e.g. void performance). The table below highlights THH's performance across a number of rent collection metrics.

	Tower Hamlets Homes (17/18)			HouseMark LA and ALMO Comparator (17/18)				LBTH RP Comparators (16/17)			
	Performance		Rank (of 19)	UQ	M	LQ		UQ	M	LQ	
Current tenant arrears %	4.47	Q4	15	2.33	3.52	4.28	●	4.75	5.07	6.58	●
FTA %	2.21	Q2	9	1.46	2.22	2.54	●	1.38	2.41	3.21	●
Rent collected %	98.91	Q3	13	100.06	99.46	98.63	●				
Total CPP of rent arrears and collection (£)	166.58	Q3	10	114.36	165.88	196.40	●				
Gross arrears written off %	0.25	Q3	10	0.09	0.22	0.52	●				
Rent not collected due to arrears %	1.09	Q3	12	-0.10	0.62	1.39	●				

- 4.3.3. THH performed below the average (median) for the London local authority and ALMO peer group for rent collection and arrears, except with regard to former tenant arrears where the collection rates are just above median levels. When compared to RPs, THH's performance is in the upper quartile for current tenant arrears; however, the former tenant arrears figure is much lower for the sample group of RPs than for THH.
- 4.3.4. THH's bottom-quartile rent arrears performance is at least partly related to the Southwark ruling on water rates (where this is collected with rent)⁸. THH's recent

⁸ Many LA landlords enter agreements with water companies to collect water and sewage charges from tenants who don't have water meters. The tenant pays water charges to the LA as part of the rent. The LA typically receives a discount from the water company to reflect the fact it bears the cost of collection and the risk of bad debts and voids. The Jones v Southwark decision in March 2016

HouseMark report notes that prior to the ruling THH's arrears were only slightly above the median level – until the situation is resolved, water rate arrears will obscure the true rent arrears performance.

- 4.3.5. The Southwark ruling affected around twelve other London Boroughs. LBTH joined a consortium of local authorities to challenge the judgement. In relation to agreements made by this consortium THH were instructed by LBTH Legal Services that any recovery action should exclude any debt accruing from water rates charges. THH claim that this policy has severely impacted on its rental income metrics and debt levels.
- 4.3.6. Since the summer of 2018, we understand that LBTH has changed its instructions and THH has been progressing cases where water rates are a significant factor in the debt. We understand that THH's rent collection has improved and as at the end of October 2018, the collection rate was 99.6%.
- 4.3.7. Although not benchmarked in the table above, major works recharge collection is also an area where THH has room to improve. Performance results show that the rate of major works recharge collection has fallen from 106% in 2015/16 to 85% in 2017/18. This was also an area that LBTH stakeholders referred to as an area in which they would like to see THH improve.
- 4.3.8. In contrast to major works recharge collection, THH's recent performance in leasehold service charge collection is positive. Data supplied by THH shows that over the last three years (2015-18), THH has collected 107% of the debit raised for day-to-day service charges from leaseholders.
- 4.3.9. The cost of THH's rent arrears and collection function is very close to the median for the London local authority and ALMO comparator group at £166.58 per property at THH, compared to the median of £165.88. Investment in arrears collection can often result directly in better performance, and this may be an area THH wishes to consider investing in. It should be noted that we are aware that THH conducted a service review of its rent collection function in summer 2018, the recommended changes of which have not yet been implemented.
- 4.3.10. Based on the benchmarking, rent collection appears to be a performance area that THH could strengthen. Based on THH's KPIs and feedback from stakeholders, THH

turned on whether the landlord was acting as an agent or as a 'reseller' for the purposes of the Water Resale Order (WRO) 2006. The WRO restricts the amount that a purchaser of water (landlord) can charge when re-selling the water to the final consumer (tenant). The court held that Southwark was buying water and sewerage services from Thames Water and reselling them to its tenants. As a result, the WRO applied and served to limit what tenants could be charged. In effect, the WRO entitles re-sellers to impose only very modest administration charges. Because s150 of the Water Industry Act 1991 gives individuals a statutory right to recover charges levied in breach of the WRO, claims for possession based on rent arrears may be complicated by counter-claims for those overpaid sums.

should also consider focusing on improving major work recharge collection rates.

Void performance

4.3.11. A property is considered void when it is unoccupied. As unoccupied properties, voids do not generate rental income. Therefore, long void periods will result in lower income to the business. The table below highlights THH's void performance across key metrics:

	Tower Hamlets Homes (17/18)			HouseMark LA and ALMO Comparator (17/18)				LBTH RP Comparators (16/17)			
	Performance		Rank (of 19)	UQ	M	LQ		UQ	M	LQ	
Average re-let time (standard re-lets) (days)	23.10	Q1	4	24.00	27.50	32.60	●				
Total CPP of lettings (£)	30.84	Q1	5	31.22	41.57	69.95	●				
Void loss %	0.37	Q1	2	0.55	0.85	1.45	●	0.71	1.30	1.80	●
Average cost of a void repair (£)	3,341.14	M	7	2,958.90	3,341.14	4,874.69					
Average re-let time (major works voids)	40.70	Q1	2	50.31	76.90	98.75	●				
Dwellings vacant and available % at year end	0.20	Q1	5	0.20	0.27	0.46	●				

4.3.12. Across all void performance metrics THH compares favourably to local authority and ALMO peers. THH also outperforms RPs in terms of void loss, the only metric for which data is available for this comparator group.

4.3.13. THH had the fourth shortest re-let times of the comparator group at 23.10 days. This represents a marked improvement from 30 days only two years earlier, in 2015/16. It is worth noting that the very best performers in this metric can achieve very short re-let times (as at year end 16/17 Barnet had achieved an average re-let time of 13.53 days). THH may therefore be able to further enhance its already strong performance in this area to achieve further reduced void loss.

4.4. Asset investment

- 4.4.1. Investing in stock maintains its condition and reduces the need for future repairs, as well as improving residents' experience and living conditions. The table below shows THH's investment in the stock it manages:

	Tower Hamlets Homes (16/17) BCI reporting (17/18)			LAHS LA and ALMO Comparator (16/17)				LBTH RP Comparators (16/17)		
	Performance		Rank	UQ	M	LQ		UQ	M	LQ
Average total CapEx per SR unit (£)	4,019.33	Q1	2 of 26	1474.15	2175.42	2731.32	●			
Non-decent dwellings as % of LA owned stock	12.8	Q3	20 of 27	0.68	7.20	16.84	●			
Major works programme delivery	102%									

- 4.4.2. THH has a high proportion of non-decent stock at 12.8%. This is significantly higher than the median of 7.2% for its local authority and ALMO peer group. This is more than likely a reflection of issues with the implementation of the Decent Homes programme, which were raised frequently in our discussions with some staff and residents.
- 4.4.3. The performance metrics show that THH has one of the highest levels of financial investment in its social rented stock compared to its local authority and ALMO comparators. THH has also exceeded delivery of its major works programme in 2017/18 (delivering works of a greater value than planned). Whilst not necessarily a positive indicator, given its high proportion of non-decent stock, it is likely positive for THH and indicates that THH is delivering against improvement plans.

4.5. Key Findings

- 4.5.1. The performance metrics show that customer satisfaction is high across THH's services, indicating that in terms of the quality of service delivery, THH is performing well.
- 4.5.2. The proportion of THH housing stock which is non-decent is significantly higher than the average for its London local authority and ALMO peers.
- 4.5.3. Repairs performance appears mixed with a good average completion time, but with a high number of repairs per property, per year. This results in a high overall cost per property for repairs and void works. This may be due to the relatively high percentage of non-decent housing stock.
- 4.5.4. The rate of repairs completed 'right first time' is also lower than comparator organisations but has significantly improved over recent years.
- 4.5.5. On income collection, whilst THH performs comparatively very well in terms of managing voids to minimise void loss, its performance in rent collection is generally below average. However, the relatively poor performance in rent collection metrics is at least partly related to the Southwark ruling on water rates. Until the situation is resolved, water rate arrears will obscure the true rent arrears performance.
- 4.5.6. Leaseholder charge collection presents a mixed picture with day-to-day service charge collection being strong, but major works recharge collection representing an area that THH could improve.
- 4.5.7. Overall, benchmarking suggests that THH is a generally well-performing housing manager, as evidenced by good satisfaction, ASB and void management metrics. There is room for improvement in some areas such as rent collection and repairs and it is encouraging that THH's performance across a number of metrics including 'right first time' repairs and satisfaction with major works, has improved over the last 2-3 years. THH is investing in its existing stock, although it is still behind peers with a relatively high percentage of non-decent housing stock.

5 | Value for Money

5.1. Introduction

- 5.1.1. In evaluating THH within the context of VfM we have considered benchmarking data, the strategic context and any specific projects undertaken by THH to ensure that it is delivering VfM.
- 5.1.2. We have reviewed HouseMark cost performance data for both THH's HouseMark peer group as well as the cost data of housing associations operating in Tower Hamlets. THH and HouseMark have very recently carried out a detailed benchmarking exercise, and we draw on this data as part of our analysis. The two organisations spent a considerable amount of time analysing cost accounts to ensure that costs were correctly categorised, which gives us confidence in the quality of the data.
- 5.1.3. THH's performance against key cost metrics is shown in the table below. Detailed discussion of THH's performance is organised into sections which look at cost drivers, areas delivering strong VfM, and areas for improvement.

Performance in key VfM metrics compared to peers (2017/18 Housemark data)

KPI Measure	Median	THH	THH Quartile
Office premises costs as % of direct revenue costs	2.1%	7.1%	Q4
Office premises costs per direct employee	£3,731	£8,402	Q4
IT costs as % of direct revenue costs	4.9%	7.6%	Q3
IT costs per direct employee	£8,338	£8,987	Q3
Finance costs as % of direct revenue costs	4.1%	4.1%	Median
Finance costs per direct employee	£4,613	£3,019	Q2
Central costs as % of direct revenue costs	8.2%	7.4%	Q2
Central costs per direct employee	£10,728	£5,438	Q1
Housing management CPP	£501	£501	Median
Tenancy management CPP	£137	£134	Q2
Resident involvement CPP	£63	£54	Q2
Lettings CPP	£42	£31	Q1
Major works (management) CPP ⁹	£146	£184	Q3
Cyclical Maintenance (management) CPP	£77	£77	Median
Responsive Repairs (management) CPP	£224	£335	Q4
Void Works (management) CPP	£47	£65	Q4

⁹ Metrics for repairs "(management)" are for the cost of managing the various elements of the repairs service.

5.2. Cost drivers

- 5.2.1. THH is funded through the payment of a management fee from the HRA. This fee is for the delivery of all services included in the management agreement, such as housing management, asset management, and responsive repairs and maintenance.
- 5.2.2. Outside of the management fee, THH also manages delegated budgets, the delegated cost budgets being principally for repairs and major works. Although the budget for the physical repairs is delegated, the cost of managing the repairs programme is an element of the management fee.
- 5.2.3. The 2017/18 management fee of £32m was a reduction on the previous year (£33.4m). An overall £2.76m saving across all budgets, offset by a £1.33m allowance for growth items, resulted in a net saving to the HRA of £1.4m. This was to be the first year of a five-year programme delivering savings of £6m in total (£2m in 2017/18, and £1m p.a. thereafter).
- 5.2.4. The 2018/19 business plan states that “significant budget pressures have been identified that result in an increase to the overall management fee compared with the base for 2017/18”. However, the 2018/19 management fee is almost £1m lower for 2018/19 (£30,979k compared to £31,946k for 2017/18), so the £1m savings to the management fee appear to have been identified despite these cost pressures.
- 5.2.5. The THH business plan identifies £1,001k savings in the 2018/19 business plan, being £746k from the management fee and £255k from delegated budgets. As referred to in 2.3.2 above, the Council needs to be clear about whether the savings targets relate to the management fee only, or to the entire HRA.
- 5.2.6. Some of the costs which THH incurs are recharges from LBTH via SLAs. These SLAs include legal services, IT and telephony, and formerly, office accommodation costs. THH has some negotiating input over certain SLAs, while over others it has little or no control (e.g. legal and IT costs). In some cases, THH has negotiated a related adjustment to the management fee. In the case of office accommodation costs, the SLA charge was considered to be so high that THH sought cheaper alternative accommodation.
- 5.2.7. We did not find evidence of substantial tracking of financial VfM KPI data. There is regular benchmark reporting of performance (income collection rates, re-let times, void rates, programme delivery progress, satisfaction scores) but not of the cost of delivering that performance. The recent HouseMark report is thus welcome and timely. While THH has been able to identify savings and has been carrying out service reviews across its functions, the lack of regular reporting of cost KPIs and/or cost benchmarking is an important gap in THH’s strategic approach to achieving VfM.
- 5.2.8. We are assured that scrutiny of budgets is applied via an experienced board and

from residents (on the Board and otherwise), but the inclusion of cost reporting would strengthen this function.

- 5.2.9. There are of course some areas of higher cost or weaker performance where there is still potential to achieve greater VfM – where THH’s performance is average, there is scope to improve. We note however that in an operating context where all ALMOs are seeking to make HRA cost savings, it is possible to deliver significant savings and still remain ‘average’. Benchmarking analysis therefore needs to be combined with trend analysis to assess improvement in performance over time, hence the need for regular, periodic cost KPI reporting.

5.3. Areas delivering strong VfM

- 5.3.1. Benchmarking indicates a generally positive picture in terms of THH’s current performance in providing VfM – costs are either broadly in line with the peer group or compare favourably. In areas where costs appear high, this is likely to be a reflection of the type of stock it manages and the high levels of deprivation in the areas in which it operates¹⁰.

Lettings

- 5.3.2. HouseMark data shows that THH are a top quartile performer across most measures of the lettings function, both in terms of performance (re-let times, void loss) and efficiency (cost per property and patch size). Although THH is in the bottom quartile for average employee cost (£43.2k, vs median £39.7k), this higher-cost team delivers above-average performance.

Resident involvement

- 5.3.3. HouseMark data shows that THH has a lower than average cost per property in this area. Although the average employee cost is above average (£45.7k vs median £42k), there are 1,333 properties per employee in this function, compared to a median of 1,190. Given THH’s high satisfaction ratings, we would again observe that this higher-cost team delivers above-average performance (as supported by our findings in the performance section 4 above).

Areas for improvement

- 5.3.4. As a general observation, THH’s KPI performance for overhead costs in the HouseMark benchmarking report tends to score better on a per-employee basis than when calculated per £ of direct expenditure, suggesting that THH is more heavily staffed than average. However, this is due in large part to the high number of caretakers (who are employees rather than contractors). Figures from comparators

¹⁰ 20% of THH households report an annual income of less than £15,000

may be impacted by contracting out such services (as LB Hammersmith and Fulham does, for example). Having a higher proportion of blocks (relative to street properties) may also increase the requirement for caretakers for THH.

Overhead costs – office premises costs

- 5.3.5. Office premises costs are far higher than average – 7.09% of direct revenue costs, compared to a median of 2.14% (a bottom quartile cost is in excess of 3.09%). The high costs reflected in the benchmarking are an SLA charge from LBTH. To reduce costs, THH has recently moved to a new office. This move is anticipated to generate net savings of £580k p.a. from 2018/19.
- 5.3.6. We have recalculated the benchmarking outturn figures for 2017/18 using revised £1.422m office accommodation costs, based on a full year of Boatman’s House office rent and service charge. This figure was provided by THH. The recalculation improves THH’s performance against the cost per employee and cost per direct employee benchmarks from fourth to third quartile.
- 5.3.7. However, even based on the forecast, office costs are 4.02% of direct revenue costs, and therefore remain above both the median and lower quartile mark. This may reflect the high cost of office space in the borough, and the comparator data will likely be influenced by some ALMOs who share office accommodation with their parent local authority. In any case, we understand that THH will be required to move again due to being served notice by the freeholder of their current building.

Responsive repair costs

- 5.3.8. The HouseMark data identifies that THH has slightly higher repairs costs than average, even when compared to peers in high deprivation areas. As noted in the performance section above, the driver appears to be a high number of repairs (6.15 per property pa, bottom of the peer group of 19, compared to a lower quartile figure of 4.62 and median of 3.73).
- 5.3.9. The cost of the repairs themselves (the cost per repair) is lower than average, which is suggestive of relatively efficient procurement. The HouseMark report also supports this interpretation, as it finds THH’s replacement costs for kitchens, bathrooms and boilers to be lower than average.
- 5.3.10. Given its 11,568 rental properties, THH is doing over 71,000 repairs a year whereas the 4th quartile provider only does 53,400 – at £131.81 per repair. Improving performance to the level of the 4th quartile would reduce the responsive repairs cost by £2.3m.
- 5.3.11. The high number of repairs per property is unlikely only to be explained by the

relatively low rate of first-time fixes (85.9% vs. median 88.9%)¹¹. However, at a cost of £131.81 per repair, improving the first-time repair rate by 3% (to the median rate) could save £280,000. This would reduce the number of repairs requiring follow-up by 20% (2,000 fewer repairs a year, which is more than 5 a day).

- 5.3.12. The cost of managing the repairs service is also more expensive than average (total cost per property £335 vs median: £224, 4th quartile: £331). Reducing both the total number of repairs and the number of follow-up repairs could be expected to reduce management costs. We understand that THH are appointing a commercial manager to oversee the repairs contracts and particular to understand the reason for the high numbers of repairs. Investment in IT systems to introduce online repairs reporting are also expected, by THH to deliver savings in this area.

Service charges

- 5.3.13. Estate costs are high relative to THH's peers, but this is largely a result of the type of stock (mainly estates and blocks). Any savings in direct costs would be passed on to tenants and leaseholders – there is a benefit to residents in terms of lower bills, although this would not translate into benefits for the HRA.

5.4. Areas of uncertainty

Overhead costs – central and finance costs

- 5.4.1. Central costs, together with finance, IT and office premises costs reflect THH's overheads. IT costs are higher than average, but this reflects an SLA recharge which includes the cost of the major IT transformation process currently under way.
- 5.4.2. THH's finance and central costs are lower than average, whether measured as a percentage of direct revenue costs or as a cost per employee. Unfortunately, this gives only a relative measure of performance since, for any given level of overheads, an organisation with a high-cost, heavily staffed front-line service would perform better under these measures. However, HouseMark described the finance function as 'lean' (indicating that the service review in this area has resulted in cost efficiencies), and central overheads as significantly lower than average.
- 5.4.3. We do not have the data to calculate a benchmark for cost per property. The central overhead cost allocated to the various front-line activities is above average on a cost per unit basis for maintenance but below average for housing management – we cannot determine whether the overheads per unit are above or below average overall.
- 5.4.4. The benchmarking performance of THH in terms of planned maintenance and major
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¹¹ Possible reasons for the high number of repairs per property are considered in paragraph 3.2.10.

repairs costs is likely to be obscured (for both 2017/18 and the next couple of years) by additional fire safety works and cladding removal/replacement in response to the Grenfell Tower disaster. This will affect some housing providers more than others, according to the nature and construction of their stock. LBTH has agreed to fund £6m of additional fire safety expenditure by THH, being £425k extra staffing costs and £5.6m works (including cladding removal).

5.5. Overall cost and VfM

- 5.5.1. There is scope to make improvements in a number of areas, and we see evidence that some of these are being addressed. Some improvements (e.g. mobile working) are dependent on IT upgrades, the timing of which may be outside THH's control. This affects the ability to deliver the savings within the timescales anticipated. Some costs (e.g. agency staff to fill vacant posts) are being carried pending service reviews to avoid the likely (higher) alternative costs of redundancies.
- 5.5.2. While the benchmarking indicates that THH is, in a number of areas, a relatively high-cost housing manager, given the areas in which it operates, its service performance levels and its levels of resident satisfaction, we do not find a compelling case for arguing that it offers poor value for money.

5.6. Views on VfM

- 5.6.1. THH's view of its own VfM position is that it has generated efficiency savings and is continuing to deliver improvements in VfM across its service delivery. However, once these improvements have been implemented, any significant further savings in expenditure are likely to come at the expense of service quality or delivery.
- 5.6.2. Both LBTH and THH consider that there is very little overlap in their activities or functions, suggesting that there would be only limited savings from transferring THH's activities back to the Council, and the possible impact on performance from the disruption caused by the transfer might negate such savings as were available. It would only take a very small increase in voids/bad debts to wipe out the limited savings anticipated – much smaller than the improvements already achieved. For example, a 0.1% reduction in income (whether through voids or bad debts) would negate a £90k cost saving.
- 5.6.3. We met a perception at LBTH that THH has not yet 'dug deep' and 'felt the cuts' in the same way that other council services have had to, implying a view that THH could do more to deliver VfM.
- 5.6.4. THH's reserves have been used to fund one-off projects such as the ICT digital strategy, procurement costs linked to capital works, works associated with the office move, and company restructure costs. Based on the 2018/19 budget, after these projects THH's reserves will be at the minimum agreed balance (£2.2m) and further one-off costs would have to be funded from savings in the current year.
- 5.6.5. There were also suggestions that: savings were offered by THH in the delegated budgets but not in the budgets covered by the management fee (as was expected by

some stakeholders as part of the £6m savings target); that savings were offered at the same time as requests for additional 'growth' funding, so the net saving to the HRA was less; and that THH requested additional LBTH funding for projects which should be funded from the management fee (e.g. senior management training). However, the planned £1m saving to the management fee has been identified for 2018/19.

- 5.6.6. Through the residents' focus groups, there appears to be a perception that the quality of service delivery has declined as a result of savings targets. One resident stated, "it is inevitable that the savings targets imposed by the Council will have a negative effect on some services". Another resident stated that "it seems to me that when services are restructured it is done with finances in mind, rather than service delivery." One particular example was the perception of there being fewer Neighbourhood Officers since a restructure in the summer of 2018.
- 5.6.7. Some residents also said that an improvement in some services, particularly ASB, was evident following additional investment by THH. Although the performance figures to date do not reflect this perceived improvement, we understand that, as premises closure orders are starting to come through, THH officers expect performance figures over the next year to reflect the impact of increased efforts to address ASB.

5.7. The Housing Revenue Account (HRA) – overall position

- 5.7.1. We have reviewed extracts of the HRA business plan as it stood at 29th October 2018 and as discussed with LBTH finance officers. The model had been updated to remove the Higher Value Voids levy but had yet to incorporate the lifting of the HRA debt cap, which had only just been announced.
- 5.7.2. The HRA balance is positive but forecast to remain at £10m until 2025/26. The revenue account is positive and there are large contributions to capital from reserves to fund the capital programme. The long-term HRA is growing its surplus even after significant contributions to capital.
- 5.7.3. The plan was constrained by the debt cap for the first 10 years, and after that point there remained limited headroom for the rest of the 35-year plan and little scope to repay debt.
- 5.7.4. There is a relatively cautious assumption that rents will increase at CPI after the 5 years at CPI+1% end. Costs are also assumed to grow at 2%. This may be an optimistic assumption in areas such as repairs unless the Council continues to deliver real year on year savings.
- 5.7.5. Interest costs in the plan are relatively high, but they reflect the historic lender's option, borrower's option (LOBO) loans taken out by LBTH prior to the self-financing regime and there is little scope to reduce this cost in the medium term.
- 5.7.6. The plan includes a 30-year stock condition survey forecast spend of £498m (before inflation), which is £43k per rented unit – this is at the upper end of our expected

range of values for large scale voluntary transfer (LSVT)-type stock, reflecting the large cost uplifts as a consequence of the stock which is in blocks. The plan includes the £6m additional costs for works post-Grenfell.

- 5.7.7. This expenditure can be afforded within the plan, but the timing of the expenditure needed reprofiling to remain within the debt cap. This should no longer be a constraint.
- 5.7.8. £104m of borrowing is currently assumed, mainly in 2019-21, in order to fund £319m of new build units. This is to maximise the use of Right to Buy (RtB) receipts of £206m over the next 3 years (2018/19-2020/21). A proportion of RtB receipts can be retained to spend on replacement social housing but these receipts cannot fund more than 30% of the total spend, cannot be used in conjunction with other GLA/Homes England funding and must be spent within 3 years or repaid with interest (or used to grant fund another body, e.g. an RP).
- 5.7.9. The higher LBTH's RtB receipts, the more it has to spend on replacement housing to retain the receipts (the new housing is funded by borrowing). The lifting of the debt cap increases LBTH's ability to borrow for new development, although the other limitations on the use of the receipts are still a constraint.
- 5.7.10. The HRA currently includes commercial property income, the transfer of which to the general fund is being considered. Savings in the HRA would be required to make good the loss of this income.

5.8. Key Findings

- 5.8.1. In terms of THH's cost performance, the high-level findings reflect mixed performance on value for money - strong cost efficiency in the lettings function, but a high-cost, high-volume responsive repairs service. Benchmarking indicates a generally positive picture in terms of THH's current performance in providing VfM – costs are either broadly in line with the peer group or compare favourably. There is scope to make improvements in a number of areas, and we see evidence that some of these are being addressed (e.g. contract management resourcing).
- 5.8.2. The 2017/18 management fee was a reduction on the previous year, reflecting £2.76m savings offset by a £1.33m allowance for growth items. This was to be the first year of a five-year programme delivering savings of £6m in total (£2m in 2017/18, and £1m p.a. thereafter). A further £1m saving in the total management fee was identified for 2018/19 despite additional resources for fire safety and SLA increases.
- 5.8.3. With the removal of the debt cap and the Higher Value Voids levy, the HRA medium-term business plan is now less constrained than in previous years. The plan assumes that cost growth can be contained to the level of general inflation, which may prove challenging to sustain over the longer term without continued efficiency improvements. However, long-term forecasts are inherently uncertain, particularly in a fast-changing policy environment.

5.8.4. We did not find evidence of substantial tracking of VfM cost KPI data. While THH has been able to identify savings and has been carrying out service reviews across its functions, the lack of regular reporting of cost KPIs and/or cost benchmarking is an important gap in THH's strategic approach to achieving VfM.

6 | Stakeholder Views

6.1. Introduction

- 6.1.1. The relationship that THH has with its sole shareholder and client/contract manager, LBTH, is key. The ALMO-Council relationship is codified through the management agreement (and service level agreements), but how it is enacted in practice can vary. In our experience a strong ALMO-Council relationship is a partnership in which there is strong strategic alignment, the ALMO is responsive to the needs of the Council, and the Council has a strong focus on what it requires of the ALMO and communicates and monitors this effectively.
- 6.1.2. To inform our findings in this section, we spoke to a range of stakeholders including tenants, leaseholders, the Mayor, LBTH officers, THH Board members, THH officers and external partners. We also undertook a residents' survey and a survey of THH board members.

6.2. ALMO governance and clienting structure

- 6.2.1. LBTH's client team is responsible for both the clienting of the ALMO and other retained landlord functions (including HRA land sales, policy development, RTB receipts and street property acquisition for Temporary Accommodation, amongst other areas). The client team's responsibilities with the ALMO include reviewing and feeding into the business plan each year, approving and providing administration for the capital programme and transformation plans, and managing the various SLAs that the ALMO has in place with the Council.
- 6.2.2. The client team has regular engagement, including monthly meetings, with ALMO officers in relation to performance reporting and leaseholder charges. Items from these meetings, along with a Capital Programmes group (attended by the Council's Capital Delivery Team), are often included in papers to bi-monthly operations ('Bi-Op') meeting chaired by LBTH's Divisional Director.
- 6.2.3. We understand that papers from the Bi-Op meeting are often taken to a Quarterly Strategic Meeting that is attended by largely the same people, with the addition of THH's Chief Executive and LBTH's Corporate Director of Place, who chairs the meeting. The Mayor's Housing Meeting is another meeting that occurs on a quarterly basis that is attended by the THH Chair but otherwise the same attendees as the Quarterly Strategic Meeting.
- 6.2.4. The Mayor's Housing Meetings are intended to help ensure that THH is aligned to, and delivering on, the Mayor's priorities. However, despite the strategic purpose of the meeting, it is our understanding that these meetings are briefings on performance and risk, in addition to a range of specific operational issues. Some stakeholders feel that there is often "not enough space" to discuss strategic issues.
- 6.2.5. We recommend that LBTH considers the purpose of the various bodies in the THH governance/engagement structure to ensure that the division of responsibilities,

delegations and terms for each are clear and fit for purpose.

- 6.2.6. Many stakeholders feel that the relationship between the Council and ALMO generally works well, pointing to effective working on a number of operational issues and good personal working relationships. A sense of having generally positive and constructive working relationships was widely held amongst stakeholders in both LBTH and THH.
- 6.2.7. However, some stakeholders feel that there is room to improve the relationship between the Council and ALMO and referred to the response of THH and LBTH in the wake of the Grenfell tragedy (checking Fire Risk Assessments and issuing communication to residents) and the recent move of THH to new offices (as a means to save costs on an SLA with the Council, and the impact that this had on the Council), as two particular points which exposed issues in the relationship between the two organisations.
- 6.2.8. Some stakeholders regard these particular issues as examples of robust but healthy and necessary challenge between the organisations. However, where issues have arisen in the past, in some cases, this has impacted on how some stakeholders view the relationship between LBTH and THH. Some of these stakeholders felt that there was a degree of mistrust and lack of clarity over delegations between LBTH and THH and that this contributed to the sense of a certain amount of unease in the relationship between the organisations.
- 6.2.9. The clienting relationship between LBTH and THH was characterised by LBTH staff that we spoke to as “arm’s-length” and one in which THH are allowed to “get on with it” with the Council intervention kept to a minimum. Some credited this approach to allowing THH to innovate and engage in transformation relatively free of the bureaucracy and politics of the Council.
- 6.2.10. However, others saw this approach as leading to a relationship where LBTH is not as assertive or clear as it should be in its clienting of the ALMO. Council officers recognise that there is some work to be done internally on the development of their clienting arrangements and pointed to instances of LBTH requesting the ALMO to produce reports or undertake work that is not always necessary, whilst not always producing required reports themselves.
- 6.2.11. Some stakeholders from the Council spoke of the need to ‘rebalance’ the relationship with the ALMO and to establish greater clarity of the roles and responsibilities of key bodies and stakeholders in the governance structure. Some stakeholders in both the ALMO and the Council expressed a desire to see a more formalised arrangement that reduced the current duplication (of meetings and papers) between LBTH and THH and made clearer the levels of delegation and authority for the ALMO to take action. We agree with these sentiments and see that greater clarity of roles would benefit both LBTH and THH.
- 6.2.12. From the evidence that we have gathered and the interviews and focus groups that we have undertaken, there appears, in some respects, to be a tension between THH’s desire to act independently in many regards and an understandable desire within LBTH to have greater control over the ALMO. We recommend that LBTH

looks to establish greater clarity in their expectations of the ALMO and define a common vision for the relationship with the ALMO, which would include greater clarity over delegations and authority to act. We recommend that both the Council and THH recognise that elements of the relationship will likely need to feel different to both organisations in the future.

6.3. Resident feedback

- 6.3.1. To inform this review, we asked residents for feedback through surveys (both online and telephone) and a short series of focus groups for both involved (e.g. Tenants and Residents Association (TRA) representatives) and previously uninvolved residents. These activities were designed to understand residents' views about THH's services and provide a qualitative dimension to the satisfaction data discussed in Section 4 above.
- 6.3.2. The online survey received over 780 responses and 300 residents took part in the telephone survey. This is a higher response than we have received when conducting similar reviews at other local authorities. The response rate and feedback received from resident stakeholders within the borough demonstrates the high level of interest and strength of feeling that many THH residents have when it comes to the management of the Council's homes.

Survey Feedback

- 6.3.3. When asked to rate the current housing management service, the survey results showed a significant gap between tenants and leaseholders. For every leaseholder who rated THH services positively, approximately two tenants rated THH services positively. For every tenant who rated THH services negatively, about four leaseholders rated services negatively.
- 6.3.4. The online survey reveals that tenants who rated the overall service positively are generally pleased with THH's tenancy and rents, repairs, caretaking and gardening services. Leaseholders who rated overall service positively are generally pleased with THH's caretaking, gardening and leaseholder services.
- 6.3.5. The online survey reveals that tenants who rated the overall service negatively were more likely to be displeased with THH's repairs, ASB and complaints services. Leaseholders who rated overall service negatively were more likely to be displeased with THH's repairs, major works, complaints and leaseholder services.
- 6.3.6. When asked about whether their housing management service had improved over time, the response from residents was mixed. Of the online survey respondents, about half of both groups said services have improved or stayed the same, whereas about a third of each group said services have got worse. The phone survey yielded slightly more positive results with about three-quarters of leaseholders and tenants saying that services had improved or stayed the same, and about a fifth saying that services had got worse. This should be seen in the context of the percentage of tenants rating the service as excellent, very good or good (according to LBTH's Annual Residents Survey) as having increased from 26% in 1999 to 55% in 2017.

Focus Groups

- 6.3.7. Over three focus groups we met with twenty residents of THH, including both tenants and leaseholders, and both involved (TRA representatives) and previously uninvolved residents. A number of common themes emerged from our discussions with residents.
- 6.3.8. It was noted by a number of participants that several services have improved in recent years. Environmental Services and Fire Safety were highlighted as examples of services which have undergone a notable improvement; several residents were particularly impressed with THH's response to Grenfell and the resulting programme of block inspections (though it should be noted that some residents did not share this positive view). Some participants were aware of and welcomed the Fire Safety Working Group that THH had established with residents.
- 6.3.9. Caretaking services were highlighted as having been consistently good, largely due to the personable and committed staff. This was supported by the survey results which saw caretaking receive one of the most positive responses from both tenants and leaseholders.
- 6.3.10. ASB was recognised as an area that THH has not always performed well in, but that had seen recent improvements. There was a sense amongst many focus group participants that THH's response to ASB had improved as a result of more officers and greater investment in the service. Some residents shared concerns that there was a lack of effective joint working between LBTH and THH on ASB, citing examples of CCTV footage not being shared.
- 6.3.11. There were a number of areas that focus group participants felt they would like to see improved. Major works delivery was seen as a particular source of disappointment amongst residents in the focus groups. Many participants felt that current contractor monitoring and management arrangements are poor and that contractors frequently 'cut corners' when undertaking works. More assertive contract management was seen as necessary by many of the residents we spoke with.
- 6.3.12. Many participants' perception of THH was significantly influenced by historic experiences, that in many cases, had occurred several years ago. Historic and legacy issues with the Decent Homes works featured prominently in the residents' focus groups and were a source of frustration and disappointment for several residents we spoke with. It was felt by participants that many homes had not been raised to a decent standard, with low-quality materials used in kitchens and high levels of electrical trunking in properties.
- 6.3.13. Many residents felt that LBTH is as responsible as THH for the perceived problems with the Decent Homes works, citing a late application for funding by the Council and pressure on THH to procure the lowest cost contractors, regardless of quality. However, there was also a sense that THH continues to have problems with the procurement and management major works contractors. One resident stated, "it doesn't look like [THH] has learned any lessons from the difficulties they encountered during the Decent Homes programme".

- 6.3.14. Another consistently identified issue in the residents' focus groups was communication, both in terms of communication between THH and residents and contractors; and between different teams within THH.
- 6.3.15. Some residents described communication from THH, particularly with regards to income collection, as having a 'threatening tone'. We heard examples of letters sent to tenants demanding arrears be cleared, when in fact, there was no money owed on the account. We also heard examples of a lack of communication about major works, with examples of works that affected access to block entrances not being communicated to residents. Other residents gave examples which highlighted communication issues with contractors where contractors had attended a cancelled job.
- 6.3.16. Many participants perceived a lack of co-ordination and consistency across internal THH teams. One resident stated "one team will say one thing and another team will say another. It's impossible to get a straight answer over the phone".
- 6.3.17. Some participants related the poor communication between internal teams to a perceived high turnover of staff. There was a perception that THH has struggled to retain high-quality front-line staff. There was particular frustration about the call centre, with examples given of having to explain the same issue several times, often to different people. The perceived high proportion of short-term or agency staff was seen as counter-productive to address perceived skills gaps in THH.
- 6.3.18. While frustration with internal communication, the call centre and high staff turnover was prevalent in the focus groups, many participants were very positive about individual THH staff members.
- 6.3.19. It is worth noting that feedback from THH board members suggests that the ALMO is aware of its challenges and the poor perception it has amongst some residents in regard to communication. THH board members claimed that its responsiveness to tenants is improving and referred to how residents' views have shaped the Business Plan and priorities for improvement projects.
- 6.3.20. Some of the focus group participants had very negative views about THH and the quality of service that it provides. The issues raised that were common across more than one workshop have been included above. However, it is worth noting that many of the most critical residents involved in the focus groups, remarked that they considered THH as the best social housing manager in the borough. The sentiment expressed by those residents was that THH was the "best of a bad bunch".

6.4. Councillor feedback

- 6.4.1. Councillors representing wards with THH managed stock were invited to attend focus groups. We spoke to seven Councillors from across the borough who provided feedback based on their experience of THH and feedback that they have received from residents of their wards.
- 6.4.2. Councillors who participated in the focus group were positive about THH's record on

community development and engagement. Councillor's also praised the ALMO's approach to tackling ASB, including their work with Streets of Growth. It was felt that there is still room for development, but that ASB services are good.

- 6.4.3. THH was described as responsive to communication from Councillors. A common view amongst the focus group participants was that THH is more responsive than other housing associations in the borough, who were described as "more remote". This sense of good communication with THH extended to the ALMO's senior leadership, which was seen as accessible.
- 6.4.4. However, when it comes to communication with residents, Councillors gave a more mixed picture. Echoing comments from the resident focus groups, some councillors described some letters received by residents as 'threatening' in tone and gave other examples of letters that contained inaccurate information about rent accounts.
- 6.4.5. Communication about capital works was a particular area that councillors felt could improve, citing examples of a lack of information about the reasons for some capital works and poor communication with residents about delays to works.
- 6.4.6. Capital works delivery itself was described as a source of concern for some of the participants. Examples given included scaffolding being erected long before works commenced, delays to capital works, and long-standing issues with rainwater drainage.

6.5. External stakeholder feedback

- 6.5.1. We spoke to three external partners including an ASB partner, a training and development organisation, and the police.
- 6.5.2. The partners we spoke to describe their relationship with THH as positive and mutually beneficial. One interviewee stated that "our experience with THH has been one of our best partnership experiences – the people we have linked with, from the CEO down to the staff, have been willing to listen and be different." The ALMO was described as being very supportive of its local community partners, with staff accessible and easy to communicate with.
- 6.5.3. Interviewees were able to evidence the results of their partnership working, with one stating that in 2017/18 they saw a 48% reduction in reported ASB among young people on the three main estates where their organisation is working in partnership with THH.
- 6.5.4. It was acknowledged by interviewees that there are some challenges in the working relationship; for example, working across multiple teams within THH was described as "occasionally challenging", and that the level of engagement with community partners tends to ebb and flow over time depending on the political climate. However, in general terms interviewees held very positive views of the ALMO and its approach to partnership working.

6.6. Key findings

- 6.6.1. The current clienting and governance arrangements between LBTH and THH are regarded by many stakeholders as lacking clarity and suffering from duplication of meetings (with the same / similar attendees) and reporting. There is a common desire to have greater clarity and formalisation of roles, and responsibilities, and delegations in the relationship between the ALMO and the Council.
- 6.6.2. There appears to be a tension between THH's desire to act independently in many regards and an understandable desire within LBTH to have greater control over the ALMO. Greater clarity in LBTH's expectations of the ALMO and a common vision for the relationship with the ALMO, would benefit both organisations.
- 6.6.3. Residents expressed positive feedback for caretaking and fire safety and acknowledged progress that was being made with regards to ASB. Residents saw major works and management of contractors as particular areas for improvement for THH. Communication was identified as a key area for improvement in resident focus groups. Residents felt that communication between teams within THH, with the Council, and with residents should improve.
- 6.6.4. We found the perception of some participants to be significantly influenced by historic experiences, that in many cases, occurred several years ago. Historic and legacy issues with Decent Homes works featured prominently in our discussions with residents and were a source of frustration and disappointment for several residents we spoke with.

7 | Summary: THH as a Housing Manager

- 7.1.1. Performance benchmarking suggests that THH is a generally well-performing housing manager, as evidenced by good satisfaction, ASB and void management metrics. There is room for improvement in some areas such as income collection and repairs and it is encouraging that THH's performance across a number of metrics including 'right first time' repairs and satisfaction with major works, has improved over the last two to three years. THH is investing in its existing stock, although it is still behind peers with a relatively high percentage of non-decent housing stock.
- 7.1.2. In terms of THH's cost performance, the high-level findings reflect mixed performance on value for money - strong cost efficiency in the lettings function, but a high cost, high volume responsive repairs service. There is scope to make improvements in a number of areas, and we see evidence that some of these are being addressed (e.g. contract management resourcing).
- 7.1.3. Benchmarking indicates a generally positive picture in terms of THH's current performance in providing VfM – costs are either broadly in line with the peer group or compare favourably. In areas where costs appear high, this is likely to be a reflection of the type of stock it manages and the high levels of deprivation in the areas in which it operates.
- 7.1.4. The current clienting and governance arrangements between LBTH and THH are regarded by many stakeholders as lacking clarity and suffering from duplication of meetings (with the same attendees) and reporting. There is a common desire to have greater clarity and formalisation of roles, and responsibilities, and delegations in the relationship between the ALMO and the Council.
- 7.1.5. Overall, our assessment is that THH is a generally well-performing housing manager in terms of both housing management performance and cost. There is room for improvement in some key areas of service delivery but evidence of performance improvements over recent years and an extensive transformation programme currently being delivered, are positive.
- 7.1.6. THH continues to operate under the legacy of a troubled delivery of Decent Homes, which is likely to remain an operational challenge for THH in terms of repairs and major works, and a reputational challenge with some residents. There are also challenges for both THH and LBTH in the relationship between the two organisations, which would benefit from more clarity of delegations, roles and expectations, and from greater capacity for strategic discussion and alignment between the Council and the ALMO.

Stage 2: Options Assessment

- 7.1.7. The purpose of Stage 2 was to consider the options available to LBTH for the future of the management of its social housing stock.
- 7.1.8. The options have been developed by consideration of operating models used by other Local Authorities, our understanding of the context for LBTH and THH explored through Stage 1 of this project, and LBTH's key long-term strategic objective of providing the best possible and continuously improving housing service to residents, securing fire safety, maintaining and improving the Council's physical assets, and enhancing the Council's reputation.
- 7.1.9. We have undertaken an analysis of the suitability, feasibility and acceptability of each option..
- 7.1.10. The five options are:
- **In-house Management:** Bring all THH services back in-house in 2020.
 - **Management Agreement Extension:** Extend the existing management agreement with THH remaining largely 'as-is'.
 - **Extension with Fewer Services:** This option would involve extending the management agreement for THH, but with the transfer of some services and functions from the ALMO to the Council (thereby making THH a 'thinner' ALMO).
 - **Extension with More Services:** This option would involve extending the management agreement for THH, but with the transfer of some services and functions from the Council to the ALMO.
 - **Extension with a Different Mix of Services:** This option would involve extending the management agreement for THH, but with the transfer of some services and functions from the ALMO to the Council and also simultaneously the transfer of some services and functions from the Council to the ALMO.

8 | Overview of Housing Management Approaches

8.1. Affordable Housing Management Models

- 8.1.1. Affordable housing has its origins in nineteenth-century philanthropic movements, characterised by the homes built by Joseph Rowntree, George Cadbury and George Peabody in response to industrial slums. From the early twentieth century a legal duty was placed on local councils to provide housing, with the post-WWII era seeing significant building by Local Authorities. Most early affordable housing was managed by Local Authorities but, following legislative changes since the 1970s, housing associations played an increasingly important role in housing management in the UK, which has accelerated since the 1980s.
- 8.1.2. For Local Authorities who became stock-owning during large building programmes, the question of how this stock should be managed has continued to be solved in different ways across the UK. From the 1990s, Large Scale Voluntary Transfers (LSVTs) of stock to newly-created (or in some cases existing) housing associations created new independent housing managers (e.g. Bolton at Home and Watford Community Housing Trust).
- 8.1.3. The early 2000s saw the introduction of another housing management model, the Arm's Length Management Organisation (ALMO). Many Local Authorities which did not pursue stock transfers sought to secure government funding for investment in their stock through the creation of an ALMO. ALMOs were able to apply for government grants that were unavailable to Local Authorities.
- 8.1.4. Many Local Authorities have retained their ALMOs who have continued to manage their parent authority's stock. Other Local Authorities who created ALMOs to access funding have dissolved them and brought the management function back within the council as the applicable funding streams ceased.

8.2. In House Council Housing Management

- 8.2.1. The in-house management model is where housing services are managed by the Local Authority. This may be because the council chose not to create an ALMO, or because an ALMO has been brought in-house. Around 100 Local Authorities in England still own and manage their stock. Combined, they provide housing management services for c.800,000 homes¹².
- 8.2.2. Examples of councils which have brought their housing management function in-house after previously having an ALMO include the London Borough of Brent, London Borough of Ealing and London Borough of Hackney.

¹² Association of Retained Council Housing

8.2.3. Councils that have retained both the ownership and management of their stock include the London Borough of Camden and Cambridge City Council whose tenants voted against the formation of an ALMO or stock transfer.

8.3. ALMOs

8.3.1. The option of establishing an ALMO to deliver ‘Decent Homes’ by 2010 was set out in 2000 by the then-Labour government in the green paper ‘Quality and Choice: A Decent Home for All’. One of the three housing management options proposed by the government to access extra Decent Homes funding, the ALMO model was adopted by Local Authorities who wanted to retain ownership of their social housing stock.

8.3.2. ALMOs are described as belonging to one of six rounds, depending on when they were created, and therefore what round of Decent Homes funding they first accessed. The table below shows when each round occurred. THH is a ‘Round Six’ ALMO, being one of the last to be established.

ALMO Round by Year

ALMO Round	Year
Round One	2002
Round Two	2002-03
Round Three	2004
Round Four	2004-05
Round Five	2005-06
Round Six	2006-08

In 2009 the Government diverted funding away from social housing stock improvement to new homes development, and in 2010, the Decent Homes Programme ended. The number of ALMOs operating in England has steadily decreased since 2009. Many ALMOs have either been brought back in-house by their Local Authority or have been converted into a stock transfer housing association.

Number of ALMOs and stock managed by ALMOs in England and London 2009-2018

		2009/10	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
London	# of ALMOs	20	15	13	13	11	8	8	6	5
	Homes managed	c. 268k	c. 253k	c. 238k	c. 238k	c. 206k	c. 128k	c.128k	c.105k	c. 84k
England	# of ALMOs	70	55	50	47	42	38	37	33	31
	Homes managed	c.1m	c.800k	c.700k	c.650k	c.600k	c.510k	c.500k	c.440k	c.420k

8.3.3. In London, fifteen ALMOs existed in 2011. As illustrated in the table below, this

figure has decreased to five in the present day. Many councils claimed that the end of the Decent Homes Programme meant that their ALMOs had served their purpose and did not deliver sufficient benefits above in-house council management.

Council Stock Management in London (ALMOs) 2011-2018

London ALMOs	11 / 12	12 / 13	13 / 14	14 / 15	15 / 16	16 / 17	17 / 18	18 / 19	19 / 20
Ascham Homes	ALMO				In-House				
Barnet Homes	ALMO								
Brent HP	ALMO						In-House		
CityWest Homes	ALMO								In-House
Enfield Homes	ALMO			In-House					
Hackney Homes	ALMO				In-House				
Homes for Haringey	ALMO								
Homes for Islington	ALMO	In-House							
Homes in Havering	ALMO	In-House							
Hounslow Homes	ALMO			In-House					
Ken & Chelsea TMO	ALMO						In-House		
Lambeth Living	ALMO				In-House				
Lewisham Homes	ALMO								
Sutton HP	ALMO								
Tower Hamlets Homes	ALMO								

8.4. Themes in Stock Options Reviews

- 8.4.1. Local authorities with an ALMO periodically review and renew their housing management agreements, which often run for ten-year terms with five-year break clauses. As seen from the previous section, a number of Local Authorities have recently reviewed their housing management agreements and have decided to bring the services in-house; however, there are also instances where housing management reviews have resulted in the decision to retain and in some instances expand the role of the ALMO.
- 8.4.2. It is often the case that an ALMO's perceived poor performance is a catalyst for a Local Authority's housing stock options review – however, well-performing ALMOs have also had their management agreements ended. It is worth acknowledging that ALMOs with a poor relationship with their parent authority are rarely retained; on the other hand, those ALMOs with positive working relationships with the authority are often in a good position for the renewal of their housing management agreement. This is the case for Lewisham Homes, whose relationship with the London Borough of Lewisham is characterised by healthy amounts of trust and challenge. Details of this relationship are contained in a Lewisham Homes case study in Appendix 2.
- 8.4.3. In some cases, the Local Authority may have political motivations to bring the ALMO in-house. This may be due to a political view on the role of outsourcing in service delivery, or due to local political pressure, for example from dissatisfied residents. While the political motive can be driven by poor ALMO performance, this is not

always the case. We have found that it is usually the case that the absence of political desire by the parent authority to maintain their ALMO, and no financial imperative to the contrary, will result in the ALMO being brought in-house.

8.5. The Changing Role of ALMOs

- 8.5.1. While more than 40 ALMOs have been closed in recent years, there have also been some new additions to the ALMO ranks. Several ALMOs have been created in the post-Decent Homes era since 2010. One of the recent additions is Shropshire Towns and Rural Housing, which manages all of the 4,200 Shropshire Council-owned homes in the Oswestry and Bridgnorth areas. The ALMO was set up as part of the Council's drive to find efficiencies. The Council had been assessing the value for money provided by its services and found that housing management was best delivered outside of the Council.
- 8.5.2. Cornwall Housing is a larger ALMO which was set up in 2012 after Cornwall Council became responsible for landlord services from the three former district councils in the area. Cornwall Housing manages over 10,000 council houses and is an asset-owning company with over 50 homes it has developed itself.
- 8.5.3. There are also instances where the ALMO model has been expanded to include housing management services run on behalf of multiple Local Authorities. East Kent Housing is England's first 'super ALMO'. It manages 17,500 homes and is providing housing services across four Local Authorities in Kent. Set up to achieve savings through shared service agreements, East Kent Housing has a 30-year contract with the four stock-owning councils.
- 8.5.4. Alongside brand new ALMOs, several Local Authorities have renewed or altered the management agreement with their ALMO, resulting in some significant additional service areas and work streams for ALMOs and the creation of 'diversified' ALMOs. While ALMOs have primarily provided housing management services, many councils have handed over services such as homelessness and housing options (Nottingham City Homes), private sector lettings (Homes for Haringey) and even street cleaning (South Tyneside). A number of these 'diversified' ALMOs are also branching out to provide services to third parties. For example, Barnet Homes has become part of a newly-created ALMO group 'The Barnet Group' which has taken on areas of Adult Social Care service delivery from the London Borough of Barnet. Case studies for Barnet Homes, Homes for Haringey and Nottingham City Homes are included in Appendix 3.
- 8.5.5. Despite these changes to the role that ALMOs are playing, some ALMOs remain 'thin'. A 'thin' ALMO focusses principally on delivering HRA services, including tenancy management and sustainment, and property management. A thin ALMO may also include the HRA housing development function. Examples of thin ALMOs include Lewisham Homes and Sutton Housing Partnership. We would consider THH a 'thin' ALMO. More information about 'thin' ALMOs is contained in Appendix 4.

9 | Option 1: In-House Management

9.1. Introduction

- 9.1.1. For LBTH the in-house option represents the most significant change from the status quo, with impacts on the structures, processes and ways of working at the Council. The implication for THH, is that it would cease to exist and the services it provides would be brought back into LBTH in 2020.
- 9.1.2. This chapter provides a high-level overview of the likely implications of choosing to bring THH in-house. As with all options reviewed, were LBTH to pursue this model an assessment and business case would need to be developed.

9.2. The Context for LBTH

- 9.2.1. The option under consideration, as per the scope of this review, is of the housing management service being brought in-house in 2020. This is due to the current management agreement between LBTH and THH expiring in July 2020.
- 9.2.2. Separate to the ALMO review, LBTH already has plans to bring the refuse collection service in-house to be delivered by the Council in 2020. The decision to bring the service in-house primarily follows the expiration of the current contract with Veolia and an assessment of the future options which found that the service could be delivered in-house with no additional cost. The evaluation did not show that there would necessarily be an improvement in services or cost savings generated.
- 9.2.3. LBTH is also in the process of a significant internal transformation programme. The 2022 Blueprint sets out LBTH's aims to be a dynamic, outcomes-based organisation using digital innovation and partnership working to respond to the Borough's changing needs. It includes transformation in seven key "S" areas, including:
 - Strategy: A new strategic plan will be underpinned by a core set of strategies in ICT, People and Customer and will look to insight, intelligence and horizon scanning to interpret a changing landscape
 - Structure: There will be a reduction in budgeted establishment including reduced management layers and a cross-skilled matrix workforce
 - Systems: LBTH will implement cloud-based solutions to lower infrastructure costs, enable agile working and create a repository for information that can be used for insight and intelligence
 - Staff/Workers: There should be improved customer satisfaction and a high level of staff engagement. LBTH will invest in its people and will work towards employee self-service.
 - Skills: LBTH will promote active and independent learning and will encourage multi-skilled workers, progression and business continuity.

- Shared Values: TOWER values will be embedded throughout the organisation in policies, processes and people
 - Style: The desk to staff ratio will be 1:2, Office 365 will enable agile working and leaders will lead by example, collaborate and promote core values.
- 9.2.4. In addition, LBTH is due to move its office accommodation to the new Town Hall building in Whitechapel. The Whitechapel Civic Centre will bring LBTH, THH and other partners such as those in healthcare together to form a central hub in the community. It is estimated that £78m will be made from the sale of old council buildings, which will go towards the £105m total project costs of the new Civic Centre. The move is due to take place in 2022 and, if the ALMO is retained, will see the integration of THH staff and systems into the new shared office environment.
- 9.2.5. Both the transfer of responsibility for refuse collection to an in-house function and the delivery of the Council's internal transformation programme are significant activities that will require resource within LBTH to be delivered successfully. These activities may therefore limit the available capacity in LBTH to manage a successful transition of housing management services from the ALMO into the Council in the same time period.
- 9.2.6. While LBTH may be able to deliver a successful transfer of the ALMO's services back in-house in 2020 alongside the refuse collection and transformation programme, these other activities will bring additional risk to loss of service quality and loss of the potential financial benefits of in-sourcing. Even without the transformation programme and refuse collection changes, 2020 may be too challenging a target date for bringing the ALMO in-house, given the necessary preparation and processes to successfully transfer the service.
- 9.2.7. If LBTH were to bring THH in-house, delaying the date for this transfer until LBTH has successfully completed the changes to refuse collection and the transformation programme would help to reduce these risks. If LBTH were minded to bring the ALMO in-house, it may be more suitable to do so following the move to the new Civic Centre in 2022 and the associated integration of some LBTH and THH back-office systems and processes.

9.3. Financial Implications

- 9.3.1. Bringing an ALMO in-house requires initial investment to cover expenses related to office moves, rebranding and communication, legal costs for license / contract commuting, and redundancies (potentially in both the ALMO and Council).
- 9.3.2. However, the case has been made that bringing an ALMO back in-house can result in long-term cost savings, which can off-set the initial costs. The principal areas that are targeted for long-term cost reductions are:
- Executive staffing costs
 - Office accommodation costs
 - Clienting costs

- Board / governance costs
 - Business support / corporate services / 'back-office' costs
- 9.3.3. If provision of housing management were to return to an in-house council service, we would expect the senior management structure for THH to be rationalised to fit within LBTH's management structure. The actual structure would be a matter for detailed consideration and hence the potential savings to staff costs cannot be outlined at this stage. Typically, returning ALMOs target savings of between £200-400k per annum as a result of executive management rationalisation. This is highly dependent on how the housing service is integrated into the parent council's existing management structure. It's also worth noting that any annual savings to senior management staffing costs is preceded by significant redundancy costs.
- 9.3.4. Although there would be savings in clienting and board costs, the THH board would be replaced by the consideration of housing issues at full council, executive and other committees. Savings made by the loss of a clienting function, would likely be somewhat offset by the additional time council officers would need to spend on the housing service.
- 9.3.5. Another common area where potential savings can be made is in office accommodation. However, the cost reductions associated with sharing office space do not require the ALMO to be brought back in-house. We understand that Therefore we would not expect to see further savings in office space rationalisation from bringing the ALMO in-house.
- 9.3.6. Based on our discussions with stakeholders, both LBTH and THH consider that there is very little overlap in their activities or functions, particularly in regard to 'back-office' functions such as finance, HR and IT¹³. This suggests that there would be only limited savings from transferring THH's activities back to the council.
- 9.3.7. The lack of obvious duplication or overlap in these commonly targeted functions increases the risk that the possible impact on performance from the disruption caused by the transfer might negate any perceived savings available. It would only take a very small decline in service performance, for example, an increase in voids/bad debts to wipe out the limited potential savings described above – much smaller than the improvements already achieved. For example. a 0.1% reduction in income (whether through voids or bad debts) would negate £90k of any cost saving made.
- 9.3.8. However, through combining services currently delivered separately by LBTH and THH there may be scope to achieve efficiency savings in some operational areas. Stage One of this review found that THH has a high-performing, if relatively high-

¹³ We understand that there is very little overlap in the finance functions in the two organisations, and that IT support is provided to THH by LBTH through a service level agreement.

cost ASB service. We understand that LBTH's ASB service is similarly high-cost. Therefore, there may be an opportunity to achieve cost-savings through combining the ASB functions of LBTH and THH. This could be achieved through bringing the ALMO back in-house, however, it could also be achieved through transferring THH's ASB service to the Council or the Council's ASB service to THH. These options are explored further in Sections 4 and 5 below.

- 9.3.9. More detailed work would be needed on the potential savings that would arise if LBTH decided to pursue bringing the ALMO back in-house. Some councils have achieved savings, but others have not reported on the financial impact of bringing the service in-house. Research in the housing association sector suggests that planned savings on mergers are often not realised; this would be a risk for LBTH.
- 9.3.10. When Enfield Homes was reintegrated, the Council reported efficiency savings due to consistency of services. One year after the service was brought in-house, revenue cost savings of approximately £1m p.a. were reported by the Council; whether this was revenue cost reduction or net of implementation costs is not clear. One example of these cost savings due to joined-up services included grass verges on estates being kept in the same way as highway verges.
- 9.3.11. When Lambeth Living was reintegrated back into the Council, the Council listed financial savings as one of the benefits of bringing the service in-house. The Council promised to re-invest these savings into housing services - any savings achieved have not been reported on. A case study about Lambeth Living is included in Appendix 3.
- 9.3.12. In-housing council housing management often lacks the transparency on both performance and value for money metrics that is required of ALMOs by their parent Authorities. If LBTH were to bring THH's services in-house, it should consider how it can measure and report on the impact on both services and costs of the transfer.

9.4. Legal Implications

- 9.4.1. The current management agreement shall expire on 7th July 2020 unless extended or subject to earlier termination. If there is no extension agreed it expires on the 12th anniversary date. Under the agreement if LBTH wishes to extend the agreement for one or more further periods of up to five years they can do so by giving no later than 6 calendar months' notice before the date on which the Agreement would otherwise expire.
- 9.4.2. Regardless of the dates, if the parties are in agreement, they can negotiate an extension of the current agreement (subject to any agreed amendments) now if that is what both parties want.
- 9.4.3. If the Agreement is not extended and/or LBTH wishes at a later stage to terminate it, it can do so under Clause 65 if the ALMO or if a director commits one of a set number of breaches including: "A material breach of any of the Organisation's obligations under the Agreement or commits a breach of any of the Organisation's

obligations under the Agreement which is not capable of being remedied"¹⁴.

9.4.4. Other causes entitling LBTH to terminate the Agreement early include:

- Significant structural changes in staffing
- A director or senior manager being convicted of dishonesty
- Various actions by creditors under insolvency legislation
- Significant delay.

9.5. Consultation / Communications Implications

9.5.1. Under Section 105 Housing Act 1985, Local Authorities are required "to maintain such arrangements as it considers appropriate" with "its secure tenants" who are likely to be "substantially affected by a matter of housing management". Section 105 adds "the authority shall, before making any decision on the matter, consider any representations made to it in accordance with those arrangements".

9.5.2. Paragraph 3.7 of the paper supporting the extension of the additional two years notes: "The DCLG recognises the ballot as the preferred mechanism for the majority of authorities in testing their tenants' opinions in respect of changes to management arrangements; it is not a legal requirement". The paper further notes in paragraph 3.8: "However, a wider consultation with residents on how they view the housing services should be delivered will be conducted before the Management Agreement expires in 2020 (should the extension be agreed)".

9.5.3. If LBTH were to pursue in-house management, it would need to complete consultation with all relevant stakeholders. The method of consultation varies from organisation to organisation and LBTH would need to be able to prove that the outcomes represent a statistically valid response. There is no legal requirement to conduct a ballot.

9.5.4. By section 137 Housing Act 1996, "every body which lets dwelling-houses under secure tenancies" is required to publish information "in simple terms" as to the effect of such agreements. There are also similar obligations to consult and publish information under the Localism Act 2011. This means that LBTH would need to ensure there is a full and complete consultation process with all key stakeholders. Failure to consult effectively could expose LBTH to judicial review.

9.6. Clienting and Governance Implications

9.6.1. In this option, THH would cease to exist, and therefore the functions of the THH

¹⁴ Please note, a "*material breach*" or any other breach not capable of remedy. A "*material breach*" is not defined; but is generally considered to be one that goes to the heart of the Agreement.

board would be replaced by the consideration of housing issues at full council, executive and other committees.

- 9.6.2. Consideration should be given to the succession of bodies such as the THH board and the Residents' Panel, and how resident engagement and scrutiny can continue to be delivered, if the ALMO is brought back in-house.
- 9.6.3. Brent Housing Partnership engaged with tenants at multiple levels of their governance structure, including through resident board members, a board scrutiny panel and a resident readers panel.¹⁵ Before reintegration, the ALMO had six residents on its board. Following the reintegration of housing services in Brent, the Council has developed its own resident engagement strategy including inviting residents to review services and join scrutiny panels. Brent Council is currently forming a volunteer Customer Experience Panel which will bring together twelve residents to focus on tenant issues and scrutiny.¹⁶ The Panel will report to the Council's Executive Management Team.
- 9.6.4. LB Lambeth is currently working with the Tenants' Council and Leaseholders' Council to rearrange their resident engagement structure. The new changes seek to widen the engagement process and enable more to be facilitated online. Current structures include the Lambeth 500+, an online consultative platform designed to engage with residents as well as TRAs, Area Boards, a once per-annum resident assembly and task and finish groups. More information about LB Brent and LB Lambeth's ALMO reviews is found in Appendix 1.
- 9.6.5. Another impact of bringing the housing service in-house would be that the current clienting function within LBTH would also cease to be required in the same way. However, it is often the case that the resource requirement of the former client team is still required to continue to compile performance reports and support policy and strategy development for the in-house housing function. Again, the clienting function would need to be the subject of a discrete appraisal should the Council decide to bring the ALMO in-house.

9.7. Risk

- 9.7.1. The most significant financial risk with this option is failure to achieve savings that justify the effort required to successfully bring the housing service in-house. Given the relatively low level of overlap of functions between THH and LBTH, the expected cost savings from job posts alone is not likely to be significant. Therefore, the risk of failing to achieve meaningful cost savings is higher than for other ALMOs where there is greater evidence of overlap or duplication of roles and functions.
- 9.7.2. The major operational risk is that the benefits of a single purpose, tenant-focussed

¹⁵ Brent Housing Partnership 2014 Annual Report

¹⁶ LB Brent Your Voice Magazine Summer 2018

organisation would be lost which could lead to a deterioration in service delivery standards and a consequent decline in tenant satisfaction. This risk certainly applies to THH which has seen improvements in a number of its service areas over the last 2-3 years as a result of an organisation-wide focussed service improvement programme.

9.8. SWOT

9.8.1. Here we record the strengths, weaknesses, opportunities and threats of this option.

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ May encourage closer working between housing and other council departments ▪ May help to ensure delivery of LBTH's strategic objectives through having direct control of the housing management function 	<ul style="list-style-type: none"> ▪ Cost of transferring the service in-house ▪ Dilution of cultural and organisational focus on housing (including loss of a dedicated board)
Opportunities	Threats
<ul style="list-style-type: none"> ▪ Opportunity to improve efficiency and reduce costs in some areas through rationalising governance structure and some operational functions ▪ Opportunity to bring housing into LBTH's wider transformation programme ▪ Opportunity to integrate good ways of working in THH into related functions in LBTH ▪ May create more opportunities for staff to move within and between the newly created housing department and other Council areas 	<ul style="list-style-type: none"> ▪ LBTH is bringing the refuse collection service in-house in 2020. This may negatively impact the Council's capacity to transfer the housing service whilst maintaining current service quality ▪ Potential loss of formal governance and scrutiny structures that residents can currently be involved in ▪ Potential to disrupt THH's existing service improvement and transformation programmes leading to failure to deliver benefits from those activities ▪ Potential loss of performance culture and reduced scrutiny may lead to a reduction in performance ▪ Risk that anticipated cost savings are not achieved. (See "Homes for Haringey" in Appendix 3) ▪ Risk of reduced staff morale within the housing service.

10 | Option 2: Management Agreement Extension

10.1. Introduction

- 10.1.1. Being largely focused on the delivery of housing management and related services within the HRA, THH can be described as a 'thin' ALMO. Although specialist services provided by THH (such as domestic violence support, money management support and resident employment training) were once considered as falling outside the scope of a thin ALMO, it is becoming more common for thin ALMOs to offer these services today.
- 10.1.2. This option represents a continuation of the status quo that would result from an extension of the existing management agreement.

10.2. Financial Implications

- 10.2.1. As extending the existing management agreement is essentially a continuation of the status quo, there would be no particular financial implications of adopting this option.
- 10.2.2. As covered in Section 5.8 of Part One of this report, the HRA balance and revenue account is positive and there are large contributions to capital from reserves to fund the capital programme. The long-term HRA is growing its surplus even after significant contributions to capital. The HRA medium-term business plan is now less constrained than in previous years due to the removal of the debt cap and the Higher Value Voids levy.
- 10.2.3. THH is currently delivering savings against a target set by LBTH to achieve a cost reduction of £6m over five years from 2017 (£2m in 2017/18, and £1m p.a. thereafter). Retaining the ALMO by extending the current management agreement will enable THH to continue to deliver savings for the remainder of the cost-saving target period of 2017/18 – 2021/22. If LBTH decides to extend the existing management agreement, it should consider whether to also extend the savings target, subject to an appropriate scoping exercise.

10.3. Legal Implications

- 10.3.1. If LBTH simply wishes to further extend the agreement, we believe it can do so by way of negotiation and consultation. It may be that a new agreement is required albeit on the same or similar terms as this agreement.
- 10.3.2. Clause 62.2 of the management agreement confirms "The Council shall be entitled (without any obligations whatsoever) to extend the term for one or more further periods of up to five years ... by giving notice to this effect to the organisation no later than six calendar months before the date on which the Agreement would otherwise expire pursuant to Clause 62.1".

10.4. Consultation / Communications Implications

- 10.4.1. As with the in-house management option, under Section 105 Housing Act 1985, “the authority shall, before making any decision on the matter, consider any representations made to it in accordance with those arrangements”. Therefore, if LBTH wishes to retain THH by extending the existing management agreement, we would recommend that LBTH shares the rationale for its provisional decision and consult relevant stakeholders.

10.5. SWOT

- 10.5.1. Here we record the strengths, weaknesses, opportunities and threats of this option.

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ THH has delivered improvements against performance indicators and cost reduction targets in recent years ▪ In general, ALMOs are able to develop a clear housing brand, goal and visions, which is easily understood to those who interact with it. This also separates the reputation and brand of the housing service from the Local Authority which is welcomed by some parent Local Authorities. Nottingham City Homes, an award-winning ALMO with high levels of customer satisfaction, has adopted this approach. More information on Nottingham City Homes is found in Appendix 3. ▪ As opposed to a diversified ALMO, being engaged in fewer types of business activity can bring focus to the organisation and can enable the ALMO to operate without the broad skill set among senior management and board that is required in organisations with more diverse business activities. 	<ul style="list-style-type: none"> ▪ In general, any ‘value added’ by the ALMO to the Local Authority is only in housing services; benefit is not felt in other services ▪ As opposed to a ‘diversified’ ALMO, retaining THH with its current delegated responsibilities limits how much the ALMO can grow, restricting opportunities to generate income for the Local Authority ▪ As opposed to bringing the ALMO in-house, retaining THH could prevent potential synergies that may exist between housing management and other delivery areas ▪ Without a compelling reason to retain the ALMO in the post-Decent Homes era, a decision to extend the management agreement ‘as-is’ may just delay the ALMO coming in house in the future
Opportunities	Threats
<ul style="list-style-type: none"> ▪ The ALMO already has a service improvement programme in place and therefore has the opportunity of improving services in the future. ▪ Extending the existing management agreement would enable the ALMO to continue to deliver against cost reduction targets set by LBTH until 2022. 	<ul style="list-style-type: none"> ▪ There is a risk that after an extension of the management agreement, THH fails to achieve cost reduction targets, planned performance improvements, or address other issues identified in Stage One.

11 | Option 3: Extension with Fewer Services

11.1. Introduction

11.1.1. This option would involve extending the management agreement for THH but varying it to transfer some services and functions from the ALMO to the Council. This would result in making THH a 'thinner' ALMO.

11.2. The Context for LBTH and THH

11.2.1. As discussed above in paragraphs 4.2.3, LBTH is currently delivering a major transformation project across Council services. A significant element of this transformation is the centralisation of a number of functions that are currently dispersed across different directorates within LBTH.

11.2.2. Following the Council's transformation plan, it may feel that some high-performing Council functions could more effectively and efficiently deliver services either to, or instead of THH. We understand that there are no plans to centralise any THH functions for the foreseeable future.

11.2.3. It is important to keep in mind that THH is already what may be considered a 'thin' ALMO. It is more commonly the case that variations to management agreements result in a greater number of services being delivered by the ALMO. Based on the lack of precedent for partially bringing ALMO services in-house, the absence of plans within the Council, and our findings in Stage One of this report, it is not clear that there are any service areas which are strong candidates for transfer from THH to LBTH.

11.3. Financial Implications

11.3.1. If service delivery functions were transferred from the ALMO to the Council, we would expect this to be accompanied by a corresponding reduction in the management fee paid by the Council to THH. The amount reduced would have to be negotiated. To ensure that such a change was delivering value for money, care should be taken to ensure that the cost of delivering the service by the Council does not cost more to the HRA than it did under the ALMO.

11.3.2. Moving service delivery functions to the Council will also likely impact on the relative cost of business overheads within THH. Unless corresponding cost reductions are made, THH having fewer services, turnover (management fee), and staff will likely result in higher relative costs (per employee) for HR, office accommodation, executive team, board costs, transformation / change management etc.

11.3.3. In addition to THH overheads, it would also impact on the relative cost of the Council's ALMO clienting function. LBTH should take care to assess the wider financial impacts of any services under consideration for being brought in-house to the Council.

11.3.4. In the case of a back-office service (such as finance) being moved in-house from the ALMO, an SLA would be required (as is already the case with a number of services provided by the Council to THH). This could have the impact of reducing, maintaining, or increasing costs to the HRA as a whole. Whatever the case, in such a scenario, THH's control over their cost base would be diminished and their ability to deliver against cost reduction targets may be limited.

11.4. Legal Implications

11.4.1. LBTH can vary or alter the services offered pursuant to Clauses 63 and 64 of the management agreement. In effect, LBTH (after consultation with the ALMO) may vary the Agreement by increasing or decreasing the number of services offered.

11.5. SWOT

11.5.1. Here we record the strengths, weaknesses, opportunities and threats of this option.

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ Having fewer services (depending on which services) could result in the ALMO developing a more focused organisation purpose and culture. ▪ Could be a route to phase the transfer of services out of the ALMO while reducing the disruption of a 'big bang' approach. 	<ul style="list-style-type: none"> ▪ Partial in-sourcing of housing management functions would split the responsibility for housing management, losing cohesion of approach and ease of working across teams within the ALMO. ▪ Sharing housing management services across both the ALMO and Council would likely confuse some Council tenants, some of whom are already unclear about the division between the responsibilities of the two organisations.
Opportunities	Threats
<ul style="list-style-type: none"> ▪ If the Council in-sources functions that are currently working particularly well in the Council, there is the opportunity to make efficiency savings to the HRA and / or service improvements. ▪ Some less well-performing functions in the ALMO could be improved by bringing them in-house and the additional scrutiny that would bring. Cost could also be potentially reduced if economies of scale across the Council could be realised 	<ul style="list-style-type: none"> ▪ There is a risk that moving a function or service in house could cause disruption which negatively impacts on the cost and / or quality of the service. ▪ Splitting core housing management functions across the Council and THH could lead to a lack of clarity of roles and responsibilities that leads to service failure in some cases. ▪ Splitting services could create duplication where roles were not clear leading to inefficiencies.

12 | Option 4: Extension with More Services

12.1. Introduction

- 12.1.1. A further option considered in this review is for THH's management agreement to be extended and varied, with the ALMO being contracted to deliver more services on behalf of the Council. ALMOs that have taken on significant additional service areas and workstreams can be considered 'diversified'.
- 12.1.2. The types of services that diversified ALMOs deliver include those previously delivered by the Local Authority, such as homelessness and housing options (Barnet Homes), new-build housing development (Stockport Homes) and even street cleaning (South Tyneside Homes).
- 12.1.3. A number of these 'diversified' ALMOs are also branching out to provide services to third parties, such as Barnet Homes, which provides private sector lettings and a short break respite service; and Nottingham City Homes, which is now parent to a group which includes a Registered Provider and a commercial vehicle offering market rent homes let on long-term tenancies. More information about services offered by Barnet Homes and Nottingham City Homes is found in Appendix 3.
- 12.1.4. Alongside the core housing services usually delivered by ALMOs, additional services that have been delivered by 'diversified' ALMOs include:
- Landlord licensing
 - Homelessness services
 - Adult social care
 - Private rented sector management
 - Management and maintenance of other LA assets
- 12.1.5. For THH this model would mean taking on and delivering additional services on behalf of LBTH.

12.2. THH's Enhanced Offer to LBTH

- 12.2.1. During the course of this review THH has provided an 'Enhanced Offer' to LBTH which outlines additional or enhanced services that it would seek to provide should the management agreement be extended. These are presented as activities which respond to LBTH's strategic aims where there is both a direct benefit to THH's residents, and where THH is able to extend services in which they are currently delivering good practice and value for money.
- 12.2.2. The enhanced offer is centred around core themes that THH believes it is best placed to deliver on. These themes reflect some of the objectives highlighted in LBTH's 2016-2021 Housing Strategy and wider strategic objectives. They include:

- Ensuring homes are safe and decent with THH delivering on the £154m of Better Neighbourhoods funding for external major works and communal improvements
- Effective resolution of complaints with THH's strong track record on complaints with 96% of stage one complaints resolved on target
- Empowering residents and strengthening the regulator via THH's maintained relationship with residents' organisations and commitment to consultation and active participation by residents
- Tackling stigma through promoting skills and inventiveness of local communities, and through placemaking by improving the look and feel of estates away from that of classic municipal housing
- Expanding supply and supporting home ownership by THH successfully managing handover of new builds and by carrying out detailed analysis on how to create new affordable homes from existing stock, including through rooftop development.

12.2.3. To respond to these strategic objectives, THH's Enhanced Offer proposes several service areas the ALMO may be able to expand or adopt on behalf of the council. These include:

- Taking responsibility for all ASB in the borough
- Delivering diversionary activities for young people at risk of ASB into employment
- A second stage in the leasehold service improvement programme
- Fire safety inspections across other Council-owned or managed properties as well as the private sector
- Managing LBTH's temporary accommodation activities

12.2.4. We understand that the offer document follows work by the ALMO to identify key areas where it believes it can add value to the Council. Amongst THH board members, who input into the review, there was significant support for THH to work more broadly across the borough to deliver ASB services.

12.2.5. The Council has provided an initial view on the potential for transfer of additional service areas into THH management and delivery. In short, there are no existing Council services which are considered suitable for transfer into THH at this stage. Service areas that have been considered include the following:

- **Borough-wide ASB services** – the Council has recently restructured its direct provision to tackle ASB, having carefully reviewed its corporate approach in partnership with the Police and other local agencies, including the interface with THH and managing ASB on Council housing estates. This new service delivery configuration is currently being embedded. This consolidation does not fit with an option of service transfer to THH. There have been THH proposals about activities to divert your people at risk of ASB into employment and this area of

service delivery is already being explored as part of the existing THH management approach on estates.

- **Landlord Licensing** – the Council's Environmental Health service has an existing HMO licensing scheme and is about to introduce an additional licensing scheme, addressing private landlords across the borough. There are important linkages and interfaces with other Council enforcement services. There would not be a good direct fit with THH services which are focused on Council estate management and maintenance.
- **New build** – the Council has introduced a Capital Delivery Team to coordinate property development activity across housing, community, education and other corporate property areas, delivering synergies and building capacity and expertise. Transferring the housing new build programme to THH would undermine this approach and reduce the scope for economies, efficiencies and delivery flexibilities. However, there is scope to explore those new build projects that have an immediate and direct impact on residents, such as the rooftop/air space developments.
- **Fire safety** – the Council has already drawn on THH's fire safety expertise to address commercial properties on housing estates as well as dwellings themselves. However, there is not a strong case for extending this role to other corporate non-residential buildings, where different regulations and protocols apply.
- **Temporary Accommodation** – the Council is a lead participant in the pan-London temporary accommodation procurement and management vehicle called Capital Letters, which involves 13 boroughs working collaboratively through a new not-for-profit company. The intention is for the majority of the need for homeless prevention and temporary accommodation for Tower Hamlets to be met through Capital Letters, which will involve seconding Council staff. It would not make sense to consider a service transfer to THH in this context.
- **Private lettings agency** – in 2016 the Council and THH together explored the option of setting up a lettings agency to secure tenancies from private landlords. However, research showed that other authorities who had pursued a similar approach had very limited success so it was concluded that this would not be pursued further in Tower Hamlets.

12.2.6. The one area of potential new service provision for THH, which has already been discussed in outline, is the provision of management and maintenance services to the Councils two new housing delivery vehicles, namely Seahorse Homes Ltd (providing market rent homes) and Mulberry Housing Society (providing affordable rented homes). Neither of these new vehicles has yet to complete construction or acquisition of new homes, so the prospect of entering into a management agreement with THH remains a future potential. It is also important to note that it will be a commercial decision for each of the respective company Boards of Directors whether to enter into such a contract and on what terms, therefore it would not be appropriate to make a firm recommendation about this possibility within this THH review report.

12.3. Non-Council Services

12.3.1. Although not contained within THH's Enhanced Offer, the ALMO could consider branching out into providing services to third parties on a commercial basis. In doing so, a 'diversified' THH could generate net income towards the LBTH General Fund. Examples of income-generating activities that could benefit the General Fund include:

- Sales agency - A service for leaseholders linking to THH's leasehold management service. Commission from re-sales of Council leases could be set at competitive rates to generate an income.
- Discretionary gardening/ handyman service – Given THH's significant network of caretaking staff, offering a discretionary handyman service to THH residents and non-residents may be a viable profitable business.
- Mixed-tenure housing management – This is an area in which some diversified ALMOs operate. This may be an opportunity given LBTH's newly established housing delivery vehicles Seahorse Homes and Mulberry Housing Society.

12.3.2. However, in considering the addition of entirely new 'commercial' services both LBTH and THH need to be aware that they will face the same risks of any new business, and that these activities may not necessarily be successful. Market research and demand analysis as well as recruiting appropriate expertise to lead commercial service delivery would be critical to the success of any new venture.

12.4. Financial Implications

12.4.1. If LBTH decides to pursue this option, the income and costs of the additional services that THH intends to provide would need to be fully assessed and fed through the current HRA and overall Council Business Plans to ensure that they both remained viable. In principle, if THH is able to provide the services at no greater cost, and at least of equal quality, the impact should be neutral or positive, although there is likely to be an upfront cost to undertaking the transfer.

12.4.2. If additional council services are transferred to THH from LBTH as part of a varied and extended management agreement, there would likely need to be a corresponding increase to the management fee, although this may be partially offset through additional efficiencies or delivery of new sources of income by the ALMO.

12.4.3. Moving service delivery functions to the ALMO will likely impact on the relative cost of business overheads within THH. THH having more services, turnover (management fee), and staff will likely result in reduced relative costs (per employee) for HR, office accommodation, executive team, board costs, transformation / change management etc. This benefit would be offset to the extent that SLA charges for these services may be increased to reflect the increased activity levels within THH.

12.4.4. However, the movement of services from the Council can have the inverse relationship for Council departments. The loss of particular functions from the Council structure could result in higher relative costs of management and other

overheads. This would be offset to the extent that increased SLA charges to THH may make a greater contribution towards LBTH overhead costs. LBTH should take care to assess the wider financial impacts of any services under consideration for being transferred to the ALMO, considering both the costs and any potential savings. In addition to THH overheads, it would also impact on the relative cost of the Council's ALMO clienting function.

- 12.4.5. In its Enhanced Offer, THH recognises that the drivers for transferring services such as ASB, landlord licensing, fire-safety inspections, and TA administration, would be to improve performance in these areas, and/or improve value for money. As such, THH should develop business cases for LBTH to consider and assess on the basis of THH's capacity and ability to either improve service quality or maintain service quality at a reduced cost.

12.5. Legal Implications

- 12.5.1. As indicated in paragraph 4.4.1 above, LBTH can vary the service offer; and as such could increase the services to be delivered by the ALMO.
- 12.5.2. If a new Management Agreement is negotiated in which THH is given extra powers to 'trade for profit', both within the Local Authority area and further afield, LBTH and THH will need to be aware of EU Procurement Regulations and, in particular, the Teckal exemption. Under Teckal, it is important that the "substantial majority" of THH' services need to be provided to LBTH.
- 12.5.3. Further, if wider powers are given to THH to provide new services and to generate income from non-council sources, the Articles of Association of THH will need to be amended. The new Articles will need a wider 'objects' clause drafted and will need to include reference to the Companies Act 2006 to ensure they are compliant with the new Act.

12.6. Communication Implications

- 12.6.1. Depending on the services to be transferred there may be existing service users who require consultation, whether formal or informal. This is likely to be less substantial for non-specialist or borough-wide services with a less well-defined user group. For new services being delivered communications would likely focus on marketing the offer and developing the THH brand in new service areas.
- 12.6.2. For both the introduction of new services or the transfer of services from LBTH communication with existing THH residents may be desirable to manage any concerns they have about the shift in organisational focus away from solely affordable housing.

12.7. Clienting Implications

- 12.7.1. If THH were to be given more services to deliver on behalf of LBTH, it is likely that the clienting function would need to be reviewed to assess if any additional

resources of meetings / panels would be required. Additional resource may be provided in the form of subject-matter experts (either currently within the Council or provided through external advice).

12.7.2. Considering the proposed additional services contained within THH's Extended Offer, it is likely that the clienting and oversight structure would need to be expanded, at least in the short term, to include an ASB panel/meeting and temporary accommodation panel/meeting.

12.7.3. Such panels should otherwise fit into the existing governance/clienting structure by reporting to either Bi-Op or the Quarterly Strategic Meeting.

12.8. SWOT Analysis

12.8.1. Here we record the strengths, weaknesses, opportunities and threats of this option.

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ The ability to deliver efficiencies of scale (particularly of overheads and corporate services) as the ALMO grows. ▪ Enables LBTH to focus on strategic priorities for more services (such as ASB) as delivery is managed by the ALMO. 	<ul style="list-style-type: none"> ▪ Creates operational distance and control between the Council and any services transferred ▪ Moving more services from LBTH and THH would likely require more clienting processes and possibly additional clienting resource ▪ Would likely make bringing the ALMO back in-house in the future more challenging
Opportunities	Threats
<ul style="list-style-type: none"> ▪ There is the opportunity for THH to spread good practice where it already exists within the organisation, to other services on behalf of the Council. This is an opportunity particularly regarding the services contained within THH's Enhanced Offer. ▪ The potential for net income generation from the additional services, particularly commercial services which could benefit the General Fund or cross-subsidise community and care services. 	<ul style="list-style-type: none"> ▪ If taking on services currently being delivered by LBTH, THH may need to implement new structures and operating models, requiring additional costs which may negate the business case for transferring the service(s) ▪ THH may fail to deliver cost savings and/or service improvements in the services transferred to the ALMO ▪ The introduction of disparate business streams may lead to the development of silos and different non-cohesive cultures within the organisation ▪ Entering new business streams could expose THH and therefore LBTH to significant financial and reputational risk.

13 | Option 5: Extension with Different Services

13.1. Summary

- 13.1.1. Options 3 considered the transfer of service from THH to the Council, and Option 4 considered the transfer of services from the Council to THH; however, it is also possible that some services could transfer out of THH to LBTH at the same time as other services were transferred from the Council to the ALMO.
- 13.1.2. The implications for Options 3 and 4 would apply to this option and as such we have not explored it in greater detail.
- 13.1.3. However, as noted in the description of Option 3, there are no current plans for services to be centralised from THH to the Council, and as THH is already a 'thin' ALMO with a focus on the delivery of housing management services it is not obvious what services would be centralised with the Council, particularly if this were to be combined with an expansion of THH's role in other areas.

14 | Summary: Review of Housing Management Models

14.1.1. This section compares each of the four primary options using a 'Suitability, Feasibility, Acceptability' (SFA) analysis. This is intended to summarise our findings and to identify which options best fit LBTH's strategic context.

14.2. Suitability, Feasibility, Acceptability Analysis

14.2.1. The SFA analysis is a method of considering available options against three key criteria:

- **Suitability** - how suitable is each option in addressing LBTH's strategic objectives for housing and the drive for value for money and quality services, and how suitable is each option in addressing issues identified in Stage 1 of this review?
- **Feasibility** - how simple or complex would each option be to implement? What level of resources would be needed to support the implementation (financial, human and other)?
- **Acceptability** – how acceptable is each option to key stakeholders, e.g. LBTH officers, councillors, residents, THH staff, and broader stakeholders?

14.2.2. This analysis has been applied to each of the housing management models, in light of the implications and strengths and challenges outlined in the sections above. We have Red-Amber-Green (RAG) rated the table below to show where we have scored high, medium and low against the suitability, feasibility and acceptability of each option.

14.3. Summary

14.3.1. Stage 1 of this review found that there is no performance or financial imperative to bring the housing service in-house. However, given that THH is largely a 'thin' ALMO, in that it mainly delivers 'core' housing management services, in a post-Decent Homes era, there may not be a compelling reason to retain the ALMO indefinitely.

14.3.2. Given LBTH's transformation programme and its plans to already bring the refuse collection service in-house by 2020, bringing the ALMO in-house over the same time period, at the end of the current management agreement period, may expose the service to greater risk of reduced service quality, and may increase the risk of a costly service failure. Even without these other change activities, 2020 may be too challenging a target date for bringing the ALMO in-house, given the necessary preparation and processes to successfully transfer the service.

14.3.3. Overall, the option to retain THH in its current 'thin' ALMO form scores the highest using this analysis. However, this analysis assumes that THH continues to achieve cost savings against the targets set by LBTH, that resident satisfaction and other performance is either maintained or continues to improve.

	Suitability	Feasibility	Acceptability	Overall Comments
In-house management	Stage 1 of this review found that there is no performance or financial imperative to bring the housing service in-house. THH is generally well-performing and is making financial savings to the HRA in-line with Council targets. Bringing the AMLOALMO in-house risks losing the improvements to the housing service that THH has achieved in recent years.	The option under consideration, as per the brief provided by LBTH for this review, is of the housing management service being brought in-house in 2020. LBTH has plans to bring the refuse collection services (currently delivered by Veolia) in-house in 2020. LBTH is also in the process of a significant internal transformation programme. These two major activities may negatively impact on LBTH's ability and capacity to also in-source the housing service over the same time period. Even without the transformation programme and refuse collection changes, 2020 may be too challenging a target date for bringing the ALMO in-house, given the necessary preparation and processes to successfully transfer the service.	In the course of our review we did not encounter much support for bringing the ALMO in-house in 2020. Some stakeholders felt that if the ALMO does come in-house, 2020 would be too early, given the plans for the refuse collection service and LBTH's internal transformation programme. Councillors, LBTH staff, and engaged residents did not consider the housing management service in need of such significant a change in delivery model: "the ALMO isn't broken". However, we also did not see evidence of a compelling reason to keep the housing service outside of the Council after 2020.	As the most significant change from the status- quo the implementation of this option presents the greatest risk to the Council in terms of cost and performance. This is exacerbated by other non-business as usual' activity scheduled for LBTH in 2020. However, many Councils successfully manage their stock in-house, and outside of the risk within the change management programme there is no reason that this would not also be the case for LBTH. That being said, we have found no compelling reason to pursue this option.
Extension of existing management agreement	While THH's service quality and cost performance is good, with a successful transfer of services LBTH could deliver the same or better quality and cost of services. Given that THH is largely a 'thin' ALMO, in that it largely delivers 'core' housing management services, in a post-Decent Homes world, there may not be a compelling reason to retain the ALMO indefinitely.	Extending the existing management agreement is the most easily implemented option under consideration. It would require a Mayoral decision and the signing of a new management agreement between the Council and THH.	Given that THH is a generally well-performing housing manager and the additional risk of bringing a second major service in-house in 2020 (in addition to refuse collection), we expect that extending the existing management agreement for 3-5 years would be widely acceptable to stakeholders.	As the status quo option this route presents the least risk to the Council and is the 'easiest' option. In our review we have found no evidence to suggest fundamental problems with the current model, that would suggest the ALMO should not be retained.
Thinner ALMO	Given that THH is already a 'thin' ALMO, it is not clear what services would be better placed being delivered by the Council. The suitability of this option is highly dependent on the particular services (if any) that may be considered.	The transfer of services from THH to the Council would have to be planned carefully to ensure as little disruption as possible to existing services.	There is not widespread support amongst stakeholders for reducing the scope of THH's offer, and there are no current plans to transfer services from THH to the Council.	A partial transfer of services presents lower risk to the Council than fully taking THH in-house. However, as many services are interlinked it may create unforeseen complexity and reduce transparency and accountability. Further, transferring services from THH to the Council may diminish the case for the ALMO's continued existence.
Diversified ALMO	A detailed business case would need to be developed for each new or transferred service under consideration. The test is not whether THH could deliver those services well, but rather, that THH could deliver them at greater quality and/or more efficiently than LBTH. The suitability of this option is highly dependent on the particular services (if any) that may be considered.	The transfer of services could be administered through amendments to the management agreement and/or SLAs between the Council and THH. Operational transfer would have to be planned appropriately. With any transfer of operational service, comes risk of loss of service quality (both temporary and long-term), potential additional costs of implementing a transfer, and risks to the culture of an organisation. To deliver new services THH will likely have to grow or recruit new expertise. All new business ventures are risky, and many new businesses fail. This risk should not be underestimated in considering new business opportunities.	Where a compelling case can be made for THH to offer greater value for money and improved services, some of service transfer or new services are likely to be supported by stakeholders in LBTH and THH. The Council currently sees little rationale for specific transfers of additional services as set out in the THH Enhanced Offer. For residents, it is likely to depend on what service(s) are being transferred to the ALMO. It is important that communication about any transferred services is clear and well communicated to tenants and leaseholders.	To create certainty and service sustainability where new services were transferring into the ALMO the agreement would likely need to be for a reasonable period of time to allow the change management cycle to complete, and THH to embed changes designed to deliver savings or improvement. As such the length of any management agreement extension would need to reflect this. Collaborative working between LBTH and THH would be required to make a success of the transfer of services, and reporting would need to allow LBTH good visibility on the ongoing performance of transferred services.

15 | Recommendations

15.1.1. This section summarises our recommendations for consideration by LBTH and THH. We have split out these recommendations into Stage 1 Recommendations (i.e. recommendations arising from our initial evidence-gathering work) and Stage 2 Recommendations (i.e. recommendations associated with each of the future management options under consideration).

15.2. Stage 1 Recommendations

15.2.1. We list below our recommendations based on our findings from the Stage 1 evidence-gathering exercise. It should be noted that many of these recommendations will only be applicable should LBTH decide to pursue a future management option that involves the continued existence of THH.

- The Council should clarify to THH its expectations regarding the ALMO's VfM objectives
- The ALMO's Business Plan should include more explicit reporting of how THH's achievements align with the ambitions of the Council
- THH should continue to target higher leaseholder satisfaction, given the large proportion of leaseholders in their resident body (approximately 45%)
- THH should note the common feedback from both residents and LBTH about the quality of major works and contract management and seek to make improvements as necessary
- THH should give consideration to increasing investment in rent arrears collection (in the context of a service review of the rent collection function undertaken in summer 2018, the recommendations of which are yet to be implemented)
- THH should consider focusing on improving major work recharge collection rates
- THH should implement regular reporting of cost KPIs and/or cost benchmarking to support the ALMO in achieving VfM
- LBTH should consider the purpose of the various bodies in the THH governance / engagement structure to ensure that the division of responsibilities, delegations and terms for each are clear and fit for purpose
- LBTH and THH should work together to formally clarify their respective roles (including the levels of delegation and authority) in order to reduce duplication of meetings, papers etc. between the two organisations
- LBTH and THH should work together to provide clarity over the Council's expectations of the ALMO, and define a common vision for the Council/ALMO relationship
- Consideration should be given to how best to improve communication between teams within THH, between THH and the Council, and between both of these bodies and residents

15.3. Stage 2 Recommendations

15.3.1. As detailed in this report, there are a number of options available to LBTH regarding its future housing management arrangements:

- In-house management
- Management agreement extension
- Extension with fewer services
- Extension with more services

15.3.2. We summarise below the recommendations we have set out for LBTH to consider when pursuing any of these options.

15.3.3. Regardless of which option LBTH chooses to pursue a detailed business case should be developed which considers the financial case for the change, and the potential impact of any risks, as detailed in the previous sections.

In-house management

15.3.4. This model represents a significant change as the ALMO would cease to exist and the services it provides brought back into LBTH in 2020. This would have an impact on the structures, processes and ways of working at the Council.

15.3.5. If LBTH decides to pursue this option, it should:

- Consider how to ensure that sufficient resource is made available within LBTH to enable the successful transition of housing management services from THH into the Council
- Rationalise the senior management structure for THH to fit within LBTH's management structure and give detailed consideration to how wider staff structures be rationalised in order to achieve savings on staff costs
- Undertake detailed work to estimate the potential savings of the move, and consider strategies to ensure that the risk of service disruption or failing to achieve meaningful savings is mitigated (e.g. ensuring that back-office functions are appropriately resourced)
- Consider how LBTH can measure and report on the impact on both services and costs of the transfer
- Undertake a consultation exercise on the proposed move with relevant stakeholders, and ensure that communication about the decision is timely and clear
- Give consideration to the succession of bodies such as the THH board and the Residents' Panel, and how resident engagement and scrutiny can continue to be delivered

- Consider the future role of the current clienting function

15.3.6. For all options in which the management agreement is extended we suggest that the relationship between LBTH and THH could be strengthened, and greater oversight and assurance given to the Council, by strengthening the role of the clienting team and improving the clarity of its role and strategic priorities.

Management agreement extension

15.3.7. This option represents a continuation of the status quo which would result from an extension of the existing management agreement with no changes to the division of service provision between the Council and the ALMO.

15.3.8. If LBTH decides to pursue this option, it should:

- Consider whether or not to extend the savings targets currently in place for the ALMO, subject to an appropriate scoping exercise
- Review services, costs and performance to ensure that both LBTH and THH, and residents, are happy to continue with current arrangements
- Undertake appropriate negotiations with the ALMO regarding the extension of the agreement
- Ensure that the rationale for its provisional decision are clearly communicated to residents, and that relevant stakeholders are consulted

Extension with fewer services

15.3.9. This option would involve extending the management agreement for THH but varying it to transfer some services and functions from the ALMO to the Council. This would result in making THH a 'thinner' ALMO.

15.3.10. If LBTH decides to pursue this option, it should:

- Consider carefully which services should be transferred from the ALMO to the Council, as it is not clear that there are any strong candidates for services to be transferred from THH to LBTH. The Council should ensure that the cost of delivering the transferred services by the Council does not exceed how much it cost under the ALMO
- Consider how the reduction in services is accompanied by a corresponding reduction in the management fee paid by the Council to THH; this would have to be negotiated
- Assess the wider financial impacts of bringing services in-house
- Ensure that communications with stakeholders is clear regarding the decision, including clarity on which services are being moved

Extension with more services

15.3.11. Under this option, THH's management agreement would be extended and varied, with the ALMO being contracted to deliver more services on behalf of the Council.

15.3.12. During the course of this review, THH has produced an 'Enhanced Offer' outlining a range of additional or enhanced services which it could provide to the Council.

15.3.13. If LBTH decides to pursue this option, it should:

- Work with THH to explore the 'Enhanced Offer' which THH has published, in order to establish how much of this offer it wishes to take up
- Work with THH to explore the potential of the ALMO branching out into providing services to third parties on a commercial basis, in order to generate net income towards the LBTH General Fund
- Fully assess the income and costs of the additional services which THH could provide, and feed these through the current HRA to ensure that both organisations remain viable
- Consider the impact of additional service provision by THH on the management fee paid by the Council to the ALMO
- Assess the wider financial impacts of any services under consideration for being moved across to the ALMO, including any associated additional costs and resourcing requirements for the LBTH clienting function (e.g. setting up ASB and/or temporary accommodation panels and meetings)
- Direct THH to develop business cases for individual services which it wishes to take on, for LBTH to consider and assess on the basis of THH's capacity and ability to either improve service quality or maintain service quality at a reduced cost
- Familiarise itself with relevant legal requirements, such as EU Procurement Regulations and in particular the Teckal exemption
- Work with THH to update the Articles of Association in light of the new management agreement and service division
- Co-ordinate with THH to issue consistent and timely communications to all stakeholders affected by the change in service provision. THH will need to justify additional services taken on, potentially through informal consultation with existing service users

Appendix 1 | Documents Reviewed

Asset Management Strategy V5.1 approved by board and QSM

Bi-OP Minutes (Feb - Sep 2018)

Copy of Management Agreement with Affidavit

Fire Safety Strategy

HouseMark - Tower Hamlets Homes - Detailed analysis of operating costs (October 2018)

HouseMark Schedules for Tower Hamlets Homes 20181029

Information Showing the Impact of MyTHH Apr-Dec 2018

LBTH 2016-21 Housing Strategy

LBTH-THH MA Extension DMT

Mayor's Housing Meeting Notes (Feb - August 2018)

Mayor's letter (THH lease extension)

Public reports pack 03rd-Oct-2007 17.30 Cabinet

Quarterly Strategic Meeting Minutes (Jan - July 2018)

Repairs Project Presentation MonOp 260515

The Councils Landlord Service_Cabinet report 070207

THH Accommodation Cost projections (2018/19)

THH Briefing on 2019 restructures

THH Briefing on arrears collection in Lessee Services December 2018

THH Briefing on Tenant Income Collection

THH Business Plan 2018/19

THH CEO Reports (Feb 2017 - July 2018)

THH Governance and Resident Engagement

Appendix 2 | Benchmarking Comparators

LA and ALMO Comparators

- Barking and Dagenham
- Barnet Homes
- Brent
- Camden
- City of London
- Croydon
- Ealing
- Enfield
- Greenwich
- Hackney
- Hammersmith and Fulham
- Homes for Haringey
- Harrow
- Havering
- Hillingdon
- Hounslow
- Islington
- Kensington and Chelsea
- Kingston upon Thames
- Lambeth
- Lewisham Homes
- Newham
- Redbridge
- Southwark
- Sutton Housing Partnership
- Waltham Forest
- Wandsworth
- Westminster

Private Registered Provider Comparators

- East End Homes
- Genesis Housing Association
- One housing Group
- Peabody Trust
- Poplar HARCA
- Southern Housing Group
- Swan Housing Association
- Tower Hamlets Community Housing

Appendix 3 | Case Studies: In-House Delivery

LB Lambeth

Key learning points from case study

- Motivations for in-house delivery include joining up all council services
- Development of a wholly owned development company to increase development for a growing social housing waiting list, while working with housing management service in-house

LB Lambeth is an inner London borough in south London; it has c.24,000 homes of council stock. Lambeth Living was set up in 2008. In June 2015 housing management was returned to the Council. In returning housing management services to Lambeth Council, the Council issued a statement that moving services in-house would help address the following:

- Improved communication with residents
- More joined up working with housing and other council services
- The need to review resident engagement
- Delivery of a quality housing management service in particular repairs and maintenance

In 2010, Lambeth Living faced considerable pressure by the Council to improve performance to access Decent Homes funding. Lambeth Living did not achieve the “two stars” needed for Decent Homes funding, and by the time the ALMO was brought in-house, the Decent Homes funding model had changed. In 2015, the Council decided that the ALMO no longer served the purpose that it was originally intended for and, increasingly challenging funding regimes meant that the Council believed it could offer better value for money.

Now that the Council manages the stock, resident involvement is primarily conducted through tenant and resident associations (TRAs). There are c.80 TRAs in the borough covering 60% of Lambeth Council’s properties. This is similar to the structure that existed under Lambeth Living, although the Council has plans to move to a structure with other participation options including an online engagement tool. In 2017, 70% of tenants and 43% of leaseholders were satisfied with the overall housing services provided by the council.

LB Hillingdon

Key learning points from case study

- New funding models and the end of Decent Homes means that ALMOs can be brought in-house without losing financing opportunities
- Removes duplication to release efficiency savings
- May reduce accountability to residents of council homes.

LB Hillingdon is an outer London borough situated in West London. It has c.10,000 homes of council stock. Hillingdon Homes was set up in 2003 in the “Round 2” period of ALMO creation. In February 2010 LB Hillingdon became the first Local Authority to announce it was taking its ALMO back in-house. Since October 2010, housing management has returned to the Council.

An in-house delivery model means that the Local Authority is responsible for managing its stock. For LB Hillingdon, bringing the ALMO in-house cost £300,000, but it was expected to save £300,000 each year by rationalising governance and support services. This has not been monitored, so it is not clear if these savings were achieved in practice. Housing now sits within the Residents’ Services directorate. The housing function is responsible for:

- Tenancy services
- Housing needs
- Home ownership and RTB
- Rent collection
- Traveller site management
- Private sector housing
- Caretaking and estate services
- Housing policy

Hillingdon Homes had performed well and had completed the Decent Homes programme when it was brought in-house. LB Hillingdon argued that it could not justify running a separate company to manage housing at a time of severely restricted budgets. It felt that increases in flexibilities and freedoms promised by the Government for ALMOs had not materialised, while freedoms to borrow and new build had been extended to Local Authorities. This enabled LB Hillingdon to bring its ALMO in-house without being disadvantaged financially.

Resident involvement is primarily conducted through a customer senate, which provides little scrutiny and has a limited impact on the strategic priorities for housing delivery. LB Hillingdon has not measured resident satisfaction since the ALMO was brought in-house.

LB Hackney

Key learning points from case study

- The end of Decent Homes and lack of political will may lead to closing ALMOs in spite of positive performance indicators
- Some ALMOs work with the council to ensure the process of going in-house is not negative for services or staff

LB Hackney is an inner London borough that borders Tower Hamlets, it has c.22,000 homes of council stock. Hackney Homes was set up in 2006 to access Decent Homes funding. In 2014, a joint proposal was made from the Hackney Homes Board and Hackney Council to consult with leaseholders to return housing management to the Council in 2016. Since April 2016, housing management has returned to the Council.

Hackney has an in-house delivery model, which means that the Local Authority is responsible for managing its stock. When LB Hackney took back housing management responsibilities from Hackney Homes, services included:

- Tenancy services
- Housing advice
- Home ownership and RTB
- Estate services
- Leaseholder and freeholder services
- Rent collection
- Tenant finder and guaranteed rent services in private sector
- Housing policy

In 2015, Hackney Council announced that the ALMO was to be brought in-house despite a decade of good work and improvements to the Council's housing offer. The Council claimed that the ALMO had successfully built relationships with residents which the Council aimed to evolve more efficiently in the future. Decent Homes ended the year it was decided to bring the ALMO in-house, and so demonstrates that despite positive performance, the council lacked the political will to maintain the ALMO in the post-Decent Homes era. The board of the ALMO and Hackney Council worked together throughout the transition.

Resident involvement is primarily conducted through a tenant scrutiny group and tenant and residents' associations (TRAs). Following the decision to move in-house, the board of the former ALMO was maintained for transition purposes but was eventually dissolved, although the tenant scrutiny panel has continued to meet and publishes quarterly reports. LB Hackney continues to publish housing performance reports on their website, including an annual report to tenants.

LB Brent

Key learning points from case study

- A combined concern for lack of satisfaction improvements over a recovery period and a desire for efficiency saw a return of Brent stock back to the council
- Wider social housing themes, such as digitalisation, can influence whether or not the ALMO is perceived as fit for the future

LB Brent is an outer London borough in north-west London; it has c.11,500 homes of council stock. Brent Housing Partnership (BHP) was set up in 2002 to manage the Council's stock and was one of the few ALMOs with Registered Provider status. The Council provided a number of support services to BHP including accommodation at the Civic Centre, IT, payroll and legal support.

In 2016, LB Brent undertook a housing options review to review BHP in light of poor performance. Options were presented by the Council to maintain a transformed version of BHP, to return services to the council, or to engage in a partnership with another organisation.

A transformed BHP would have required BHP to appoint a smaller, skills-based board, reforming its leadership team, creating an enhanced client-side function within the Council and improvement resident engagement. The option to retain the ALMO would have required further integration with the Council's services to avoid duplication across the Council and ALMO. Ultimately, the Council decided that in light of control and financial considerations the Council would bring housing management services in house.

In 2017, Brent's stock was returned to the Council to be managed in-house. The following services once controlled by BHP now sit with the Council:

- Tenancy Management (including client responsibility for two TMOs)
- Leaseholder Management
- Property services
- Development services

Resident involvement is primarily conducted through a Customer Experience Panel (CEP), or scrutiny board, and a contractor review group. Brent also facilitates various resident bodies and TMOs. Brent publishes an annual report for residents to highlight and evaluate resident involvement, the most recent of which (Winter 2018) identifies how Brent will address common resident complaints and outlines an intention to develop housing standards (a "Housing Promise").

Information on resident satisfaction has not been collected since the ALMO was brought in-house. Prior to bringing the ALMO in house, BHP saw 50% leaseholder and 66% tenant satisfaction with overall services.

Appendix 4 | Case Studies: 'Thin' ALMOs

Lewisham Homes

Key learning points from case study

- Focussed on delivering housing – achieving very low costs
- Has seen satisfaction rise from 58% to 77% over a ten-year management period to 2017, an improvement over in-house management levels.

Lewisham Homes is an ALMO, which was established in January 2007 and manages approximately 13,000 tenanted and 5,000 leasehold homes on behalf of LB Lewisham. Lewisham is an inner London borough.

Lewisham Homes is an example of a 'thin ALMO'. This means that it focuses primarily on developing excellence in its core housing business, rather than expanding into a range of other services, although Lewisham Homes is also delivering new build homes on behalf of the Council. To deliver a strong housing offer, Lewisham Homes has identified four strategic objectives:

1. Providing Excellent Services
2. Developing Thriving Neighbourhoods
3. Planning for a Sustainable Future
4. Being an Employer of Choice

As the business includes only core housing services, Lewisham is able to focus on delivering these, rather than having to manage other priorities and business types. It is successfully delivering on its capital programmes and provides a low-cost service. Since 2013/14 Lewisham Homes has been acting as a developer on behalf of LB Lewisham for new social housing.

Lewisham Homes has a strong relationship with its sponsoring Local Authority, LB Lewisham. In 2013/14 Lewisham Council considered the future of the ALMO and decided that future management of its housing stock in the short-term would be by the ALMO. In 2017, a consultation with residents saw the extension of the contract with Lewisham Homes for an additional ten years through to 2027.

Lewisham Homes has a strong resident engagement strategy. Local engagement is facilitated through over 30 tenants and residents' associations, three areas panels and a combined area panel, two TMOs, and several assemblies, partnership boards, forums and improvement groups. A resident inspection programme helps Lewisham Homes monitor the quality of their resident engagement service.

Lewisham homes publishes annual reports that cover key outreach activities and involvement in them as well as reporting on performance data. From the 2017/18 report, performance is getting better via a 15% rise in telephone response rates and the ALMO is offering more community outreach activities such as training and health and wellbeing activities.

Sutton Housing Partnership

Key learning points from case study

- Focused on delivering housing and support services with no additional business services
- SHP has been restructured to place residents at the heart of the organisation, ensuring core delivery services are fit for purpose

SHP is an ALMO, which was established in 2006 and manages approximately 6,000 tenanted and 1,500 leasehold homes on behalf of LB Sutton. Sutton is an outer London borough.

SHP is an example of a 'thin ALMO'. This means that it is focussed on developing excellence in its core housing business, rather than expanding into a range of services. SHP identifies its priorities as the following:

- Bring all properties up to the Decent Homes Standard and continue to improve and maintain them as an asset for the future
- Provide high quality responsive repairs and cyclical maintenance services
- Invest in and improve estate grounds and the communal areas of flatted blocks
- Provide excellent tenancy management and leasehold services, and create attractive neighbourhoods where people feel safe and want to live
- Ensure all customers have access to services and that the diverse needs of tenants and leaseholders are met
- Promote and maximise the opportunities for customer involvement with service delivery.
-

In April 2017, LB Sutton reviewed its housing management options and decided that the preferred route forward for the management of Sutton's housing management services was to retain SHP but recast it to be an even more community-centred organisation, with the management agreement extended to 2021. Other options included stock transfer, bringing the ALMO in-house and exploring partner services with RB Kingston.

SHP has a Federation of Tenants, a Residents Association, and a Sutton Leaseholder Association; in 2013, SHP received the Tenant Participation Advisory Service Accreditation for Excellence (TPAS).

Appendix 5 | Case Studies: 'Diversified' ALMOs

Barnet Homes

Key learning points from case study

- There are a wide range of services which ALMOs can deliver
- ALMOs can take on services that were previously managed by the Local Authority or can expand commercially.

The Barnet Group is made up of an ALMO – Barnet Homes, established in 2004; a social care company – Your Choice Barnet (YCB); Bumblebee – an online estate agent; and an employment company. They manage 15,000 council homes, including 3,900 leasehold properties. Barnet Homes and YCB were established in February 2012. Barnet is an outer London borough in North London.

Barnet Homes, which now includes Opendoor Homes – a Registered Provider of social housing, is an example of a 'Diversified ALMO'. The Barnet Group has taken on a large range of services beyond its original core housing and asset management functions. These include services previously delivered by the Council, as well as entirely new services that are being sold commercially. Additional services provided by the Barnet Group include:

- Housing options service delivered for the Council
- Private sector lettings agency (Let2Barnet)
- Personal alarm and monitoring service (also offered in Brent)
- Consultancy services
- Housing development
- Adult social care day centres
- Short break respite service
- Supported living services in people's homes.

The comparative breadth of the Barnet Group's offer enables the group to 'combine a public sector ethos with a private sector commercial focus'. The Barnet Group has a mix of income streams, including the HRA and the General Fund.

Barnet Group's community engagement strategy is aligned with strategic objectives of the Council. Through this, they offer a number of involvement opportunities for residents, including a resident involvement database called "Viewpoint". They also have a performance advisory group consisting of twelve tenants and leaseholders, a resident support group, a key leaseholder scheme and several residents' associations and community groups.

Homes for Haringey

Key learning points from case study

- The Council should understand its strengths and the financial motivators for taking its ALMO in-house
- ALMOs can take on services that were previously managed by the Local Authority or can expand commercially.

Homes for Haringey provides housing management services for 21,000 homes, including 16,000 social and 5,000 leasehold homes. Homes for Haringey has its own in-house repairs service.

In 2017, Homes for Haringey expanded its services to provide care and support services for 51 supported schemes housing 1,400 older people in the borough.

Homes for Haringey provides a number of services on behalf of the Council. These include:

- Homelessness applications
- Housing advice
- Temporary Accommodation
- Private Sector Lettings
- Domestic Violence Support

In 2015, LB Haringey undertook a housing management options review and decided to retain its ALMO with consideration of the following:

- The complexity of the decision on how to manage its stock
- Councils using a mixed option
- Financial issues and how they influence choices
- Focus on tenants
- Taking a holistic view of housing providers and how they work with tenants
- How the choice affects external funding
- The Council being honest about its strengths and skills gaps

In 2017, a consultation ran on the housing management agreement. The Council concluded:

- Homes for Haringey has significantly improved its performance over the last five years. The ALMO has made significant savings and taken over new services improving them in a relatively short timescale
- There is not a compelling case that bringing the service back in-house would lead to an increase in tenant satisfaction or make a significant impact on the capital funding deficit or the savings needed to improve the overall HRA financial position

On the basis of this review the management agreement was extended by 10 years with a 5-year break clause and expires March 2026.

- Homes for Haringey has a resident engagement strategy with several options for resident engagement including a complaints panel, residents associations and a leaseholder panel.

Nottingham City Homes

Key learning points from case study

- ALMOs can take on additional services while maintaining high performance
- Diversified ALMOs can also be tenant focused organisations with a strong commitment to their communities

Nottingham City Homes provides housing management services for 27,000 homes in Nottingham, including providing services for approximately 1,000 leaseholders. Nottingham City Homes has a unique group structure including an RP to access grant to provide new homes in Nottingham and a commercial vehicle to offer market rent homes let on longer-term tenancies.

Due to the HRA cap, Nottingham City Council was constrained by its ability to deliver housing and so looked to its ALMO to deliver additional services.

Today, Nottingham City Homes is an example of a 'Diversified ALMO', an ALMO which has taken on a large diversity of services beyond its original core housing and asset management functions. These include services previously delivered by the Council, such as managing the city's housing register, re-letting empty homes and rent collection and arrears recovery as well as entirely new services that are being sold commercially. Additional services provided by the Nottingham City Homes include:

- Letting at market rent via a commercial vehicle subsidiary
- In-house construction
- Managing a homelessness hostel
- Supported housing services (Nottingham On Call)
- Health and Wellbeing programmes
- Learning and Skills Programmes
- Anti-social behaviour and crime tackling programmes in partnership with others

Nottingham City Homes prides itself on being a tenant-led and tenant-focused organisation. Its corporate goals include to listen to tenants and to diversify services to reinvest into communities. The 2018 UK Housing Awards saw Nottingham City Homes awarded Landlord of the Year, Innovation of the Year (over 12,000 homes) and Outstanding Approach to Tenant Involvement.

Since the Council's review of the ALMO in 2013, it is understood that performance of the ALMO has exceeded expectations and the Council has recently announced its intention to agree a new 30-year management agreement with the ALMO, with reviews every 3 years.

NCH has several tenant board members, and several tenant panels such as a customer excellence panel, a complaints panel, and communications panel and an equalities panel. NCH also runs a learning and development service called "Tenant Academy" which includes courses in money management, food safety, events management, bookkeeping and first aid.

Glossary

ALMO - Arm's Length Management Organisation - A not-for-profit organisation set up by a local authority for the purpose of managing the authority's stock. Under such arrangements, ultimate ownership of properties usually remains with the local authority.

ASB - Anti-Social Behaviour - (As per the Crime and Disorder Act 1998) - Acting in a manner that has caused or was likely to cause harassment, alarm or distress to one or more persons not of the same household as the acting individual.

GLA - Greater London Authority - A top-tier administrative body responsible for the strategic administration of Greater London, consisting of a directly elected Mayor and a 25-member London Assembly responsible for scrutiny of the Mayor and the GLA's activities. The GLA was created to improve co-ordination between local authorities in Greater London.

Homes England - A non-departmental public body responsible for the funding of new affordable housing in England.

HRA - Housing Revenue Account - The account in which a local authority's housing revenue (e.g. rent) and housing costs (e.g. property management and maintenance) are kept. By law, the Housing Revenue Account sits separately from the authority's non-housing related revenue and costs.

RtB - Right to Buy - The Right to Buy scheme is a government scheme designed to support eligible council and housing association tenants in England to buy their home with a discount.

Teckal Exemption - An exemption by which a contracting authority looking to procure services from a legally distinct entity (usually a company that the authority has set up) can treat the procurement as an in-house administrative arrangement rather than a formal contract. The application of the exemption is subject to a number of conditions being met: that the service provider carries out the principal part of its activities with the authority; that the authority exercises the same kind of control over the service provider as it does over its own departments; and that there is no private sector ownership of the service provider nor any intention that there should be any.