

London Borough of Islington

**Housing Scrutiny Committee - 6 February 2024**

Minutes of the meeting of the Housing Scrutiny Committee held at Council Chamber, Town Hall, Upper Street, N1 2UD on 6 February 2024 at 7.30 pm.

**Present:**      **Councillors:**      Jackson (Chair), Bossman-Quarshie, O'Sullivan, Gilgunn, Ozdemir and Jegorovas-Armstrong

**Councillor Jason Jackson in the Chair**

**14      APOLOGIES FOR ABSENCE (Item 1)**

Apologies were received from Councillors Cinko-Oner and Graham.

**15      DECLARATION OF SUBSTITUTE MEMBERS (Item 2)**

There were no declarations of substitute members.

**16      DECLARATIONS OF INTERESTS (Item 3)**

There were no declarations of interest.

**17      MINUTES OF PREVIOUS MEETING (Item 4)**

**RESOLVED:**

That the minutes of the meeting held on 8 January 2024 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

**18      CHAIR'S REPORT (Item 5)**

Chair informed the meeting that as part of the review into the New Builds Homes, he had visited Andover Estate to view the ongoing developments which was very informative in terms of progress and the challenges. Members were advised that the Clerk would be circulating notes of the scrutiny visits to committee members,

**19      EXTERNAL ATTENDEES (IF ANY) (Item 6)**

None

**20      ORDER OF BUSINESS (Item 7)**

The order of business would be as per the agenda.

**21      PUBLIC QUESTIONS (Item 8)**

None

**22      MAIN SCRUTINY REVIEW 2023/24 - NEW BUILD HOMES - WITNESS EVIDENCE - PRESENTATION (Item B1)**

Committee received a presentation from Roger Arnold, Managing Director of Martin Arnold Limited, a multidisciplinary construction consultancy who specialise in residential and affordable housing. The following issues were highlighted:

## Housing Scrutiny Committee - 6 February 2024

- Consultancy currently employs 130 people within the London Borough of Greenwich and although it has never worked with Islington Council on any of its schemes it has worked with 16 London boroughs.
- It is primarily involved in the residential sector of the industry, working with housing builders, housing associations and local authorities with particular focus on joint ventures between housing associations and developers such as the 1500 units built by Clarion and Countryside.
- Meeting was advised that current market issues affecting the industry are contractor insolvency, legacy projects, fire remediation, second staircase and Building Safety Act.
- With regards to contractor insolvency, meeting was advised that in light of the challenging economic climate over the last 12-18 months with inflation, Brexit, a lack of skill set, some contractors have found it difficult to survive and folded up with the result that clients are now left with legacy projects.
- Legacy projects left behind by contractors are now being picked up by clients especially as contractors are unwilling to undertake housing schemes especially with the risks that might arise further down when carrying out the building process especially with potential increasing construction prices.
- Fire remediation remains a challenge for the industry with its involvement in rectifying cladding which has been the industry model for over 2 decades with the result that available skills is being overstretched.
- The provision of second staircase in tall buildings is another issue which has resulted in additional construction costs and raised viability concerns for developers.
- Another concern is the implementation of the Building Safety Act with its regulator which still remains unclear, a legislation which aims to address safety concerns for high risk residential buildings of over 18m. Most developers have had to include a further period of 15 months to the process of delivering homes, thereby resulting in increase in cost.
- With regards to construction pricing, the consultant advised that contractors are not willing to take risks, that what is noticeable is that with recent design and build pricing submitted, a number of caveats have been incorporated before you get to the end of contract so clients are taking more risks.
- Industry is taking a number of measures to mitigate risks by being involved in Joint ventures, a model favoured by housing associations; construction management plans with the use of sub-contractors; having sensible discussions with their legacy projects; sharing knowledge and skill and involvement of Housing Involvement partnerships.
- Joint Ventures provides an opportunity for both client and contractors to share risks and is a tried and tested model in the delivery of social home and despite the advantages of risk and skill sharing, it also keeps design and build risks lower.
- Construction Management Schemes exists for ambitious clients, where sub-contractors are employed to carry out the works which is a high risk model, although with its own benefits it tends to take up a lot of client time.
- Markets are currently looking at grant support especially in the light of the requirement of second staircase for tower blocks, the GLA is currently inundated with claims such that it is affecting the delivery of affordable housing.
- In response to a question on abandoned legacy projects, Council's are advised to complete such projects especially as costs will continue to go up in the long run .
- In terms of Housing Management Partnership, meeting was advised that over the last few years the likes of Pension funds and Hedge funds have come into the affordable housing market to help with funding the project by providing funds.
- The consultant informed the meeting that in light of the challenges of building homes LGA's are reviewing their housing delivery, questioning what it actually looks like

## Housing Scrutiny Committee - 6 February 2024

and making sure that schemes already in the offering are actually deliverable and viable.

- Most LGA schemes tend to be on infill sites and garages rather than big sites especially as they are identified as 'low hanging fruit', however such schemes tend to be difficult due to land issues, access on site and can be expensive.
- LGA should be wary and cautious when reviewing schemes as a lot of time developers over promise on what they can actually do on such small sites with the result that costs sky rocket.
- Maintaining good relationship with planners is key especially in terms of the tenure of the project as it is important to meet the requirement of the local planning policy as it needs to set a good benchmark.
- Some LGA's are using the recent announcement on the 5 year land supply by NPPF to review its strategy on home delivery especially in light of the recent Fire Safety regulation and the requirements of the second stair case and it's consequences on whether it is deliverable.
- Over the next 12-18 months, the industry is anticipating construction costs to fall, which is welcomed by the industry although concerns around fire safety regulation and staircase requirement still remains.
- Another issue for contractor is level of risk appetite and insolvency balance, that most contractors are not willing to carry the risk in light of what has occurred to the industry over the last few years.
- The uncertainty around the Building Safety Act which is pertinent to high risk residential buildings over 18m and issues around the resources to deliver it has resulted in developers adding another 15 months to the time line in delivering homes which adds to the cost.
- There is still a strong reliance on housing associations to kickstart the building of social homes, however with ongoing issues such as damp and mould, fire safety to resolve, capital funds are being diverted to address these issues within existing stock rather than building new homes.
- In response to whether Islington would be able to deliver its 750 homes in light of the risks highlighted, the Consultant advised that it depends on factors such as how far the Council is on its journey in terms of planning process, its procurement exercise, type of sites being developed, whether they are infill developments or buildings of over 18m with its associated issues of fire safety regulation etc.
- On the question on whether Islington had experienced any contractor insolvency, the interim Director advised of the one instance a contractor did go insolvent and had to bring in another contractor to complete it. In another instance there was a mutual termination agreement because of concerns about the financial health of the company.
- Meeting was advised to minimise financial risks the Council is involved in organisations that rate the financial health of contractors and also has made changes to its payments arrangements. Also senior officers partake in forums like the London Development Directors where commercially sensitive information is discussed.

On the request for a second staircase, meeting was advised that this extra provision will result in the loss of floor space and thus affecting the viability model of the scheme and that the industry is having discussions planning officers to ensure that such provision does not result in the loss of units.

- In response to a suggestion to use MMS construction , where units are manufactured off site and assembled on site, meeting was advised that although it is to be welcomed, it is not suitable in schemes such as infill sites or garage conversions as economies of scale come into play with larger schemes. Mr Arnold also reminded members that this methodology has its own challenges, that funds would be required upfront and that there have been a number of such companies involved in MMS who have fallen into difficulty and filed for insolvency.

## Housing Scrutiny Committee - 6 February 2024

- On the use of Pension and Hedge funds to build social housing, meeting was advised that this type of financing is solely used by housing associations and not a preference of local authorities.
- With regards Joint Ventures, meeting was advised that where council have land, developers are invited to build social homes on a 50:50 basis where private sector make funds available.
- In response, meeting was advised that in light of Covid, high inflation, the additional staircase request, fire safety regulation and damp mould remediation, Council's have had to divert funds from the HRA instead of building social housing.
- A suggestion for sub-contracting not to be encouraged or involved in building social housing was noted. Also LGA's should explore partnership working and skills shortage within the industry should be addressed and Council should give serious consideration to building homes over 18m as the borough lacks land were noted.
- On developer's claim schemes viability, Consultant advised that developers always aim to maximise any scheme it is involved in terms of types of tenures it delivers, that Council with its own in-house viability experts or independent experts should be able to review their claims.

### **RESOLVED:**

That the presentation be noted.

23

### **HOUSING SCRUTINY COMMITTEE STRATEGIC REVIEW OF OVERCROWDING AND UNDER-OCCUPATION PROGRESS REPORT. (Item B2)**

Ian Swift, Director of Housing Operations presented the report and the following issues were noted:

- Meeting was reminded that the review conducted by the Housing Scrutiny Committee approved 20 recommendations and these are contained within the attached Action Plan.
- That at the last meeting a decision was taken for Committee, to receive regular updates to all future Housing Scrutiny Committee meetings on the progress in implementing these recommendations to ensure momentum continues with this important work.
- The Action plan identifies the following progress for implementing the 20 recommendations: 6 (30%) Green, 14 (70%) Amber and zero Red to implement the recommendations in full.
- Meeting was advised that since the report to Executive on purchasing ex right to buy properties was given the go ahead in July 2023, the Council is in the process of completing the purchase or exchange of 6 4 bedroom units and all before the end of the financial year.
- On the issue of financial incentives for under occupiers, meeting was reminded that following Committee's recommendation there has been uplift of payments.
- The Director stated that Islington remains the only local authority in London that buys back ex Right to Buy (RTB) properties, noting that it is difficult to prevent the large 4 bedroom homes being built for social housing from being sold under the scheme however welcoming central government's decision to remove of the huge discount which was an incentive.
- On identifying and reporting void properties, the Director advised that he had investigated the issue, noting that Manchester City website offers that opportunity

## Housing Scrutiny Committee - 6 February 2024

which will be taken on board. If interested he would circulate the information to members if members are interested.

- Meeting was reminded that of the 10,000 properties purchased under the Right to Buy Scheme, 4500 are let out as private accommodation, that there is a perception that they are council managed. More details will be provided at the April meeting.
- On whether the purchase of ex Right to Buy (RTB) properties was viable considering the state of some of these buildings, the Director advised that Council spends an average of £10,000 to bring the homes back to decent standard and that this saves the Council a lot of monies from using temporary accommodation.
- On the RAG rating of amber, meeting was advised that at the next meeting it would be made more clear, however where the status is green it means actions have been completed and amber means it is on the way to completion.
- On whether officers had any challenges regarding implementing any recommendation, the Director advised that there were none, that there is a good relationship, that the Council has been able to buy more ex RTB properties than any other authorities in London. Meeting was advised that what is taking longer is the launch of Housing Allocation Scheme due to IT issues which should be completed by the end of the financial year.
- On resident engagement, the Head of Housing Partnerships Homes & Communication Council highlighted a number of measures that the Council is undertaking to bring the services closer to the community, the drop in sessions being held in the community centres etc.
- On the issue of lobbying, meeting was advised that Council has been liaising with GLA that the current funding regime in place to purchasing properties does not work in Islington because of the high residual value of land in the borough, that a new proposal will be submitted to GLA by 23<sup>rd</sup> February highlighting the ground rent in the borough needs to be taken for consideration.

### **RESOLVED:**

That the report be noted.

## **24 HOUSING OMBUDSMAN PARAGRAPH 49 INVESTIGATION AND ACTION PLAN (Item B3)**

Committee received an update on the Housing Ombudsman Paragraph 49 Investigation and the following issues were highlighted:

- Action Plan is in place to address all 21 recommendations, as set out in the Housing Scrutiny Committee report presented to committee on 8<sup>th</sup> January 2024.
- The Homes and Neighbourhoods service has recently met with the Housing Ombudsman as part of the investigation monitoring process.
- On the question about timelines for the implementation of the recommendations, the Interim Corporate Director advised that Council is on track and that in some cases some are linked to other issues and that majority will be completed by the end of the municipal year.
- In response to recommendation around training of both staff and contractors, meeting was advised that the Service is confident of the about all being able to communicate clearly and appropriately with residents.
- The Corporate Director acknowledged that where recommendations with RAG status indicating red, Senior Responsible Officers (SRO's), members would have the opportunity to scrutinise the issues around it and able to monitor progress in its implementation.

## Housing Scrutiny Committee - 6 February 2024

- On the question why all recommendations in the report were categorised as high priority, the Corporate Director acknowledged that officers were using a template, and suggesting that he will take it away when brought back at the next quarterly meeting where it would be made clear. A request for officers to provide some more data behind the narrative was noted.
- Meeting was advised that a further meeting with the Housing Ombudsman team is scheduled for the next day and these meetings are attended not only by the Executive Member and Corporate Director but SRO's and that these meetings are a regular dialogue.
- In response to a question, meeting was advised that the Homes and Neighbourhoods service is confident that all 21 recommendations which are specific, measurable, achievable, realistic and time-based actions will be achieved.

### **RESOLVED:**

That the report be noted and that an update will be scheduled at quarterly meetings.

## **25 NEW TEMPORARY ACCOMMODATION FRAMEWORK (Item B4)**

Committee received the Council's New Temporary Accommodation Framework which was considered and agreed at Executive in July 2023.

- The Director advised that Committee had requested for the above report at the last meeting and will be discussed in detail at the April meeting to identify the direction of travel. Members are invited to email questions to officers ahead of the next meeting.

### **RESOLVED:**

That the report be scheduled for the April meeting of the Committee.

## **26 WORK PROGRAMME 2023/2024 (Item B5)**

Chair reminded meeting that in light of the remaining few meetings of the 2023/24 municipal year, there is a possibility that certain aspects of evidence gathering will be done via online meetings. Details to be provided later.

### **RESOLVED:**

That the work programme be noted

The meeting ended at 9.18 pm

**CHAIR**