

London Borough of Islington

Housing Scrutiny Committee - 18 April 2024

Minutes of the meeting of the Housing Scrutiny Committee held at Committee Room 1, Town Hall, Upper Street, N1 2UD on 18 April 2024 at 7.30 pm.

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

Councillor Jason Jackson in the Chair

27 APOLOGIES FOR ABSENCE (Item 1)

Apologies were received from Councillor Graham.

28 DECLARATION OF SUBSTITUTE MEMBERS (Item 2)

There were no declarations of substitute members.

29 DECLARATIONS OF INTERESTS (Item 3)

There were no declarations of interest.

30 MINUTES OF PREVIOUS MEETING (Item 4)

RESOLVED:

That the minutes of the meeting held on 6 February 2024 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

31 CHAIR'S REPORT (Item 5)

Chair informed meeting that an additional committee meeting has been scheduled for 30 April to consider and agree draft recommendations on the New Build Homes.

Meeting was advised that following evening's session with evidence from the two external witnesses, he will be meeting with Vice Chair and housing officers to draft recommendations on Monday 22 April which will be circulated to committee members ahead of the meeting of 30 April for member input/feedback.

32 EXTERNAL ATTENDEES (IF ANY) (Item 6)

Chair informed meeting that he invited representatives of the Parkview TRA to share their experiences and challenges regarding the New Build programme.

33 ORDER OF BUSINESS (Item 7)

The order of business would be as per the agenda.

34 **PUBLIC QUESTIONS (Item 8)**

None

35 **MAIN SCRUTINY REVIEW 2023/24 -NEW HOMES BUILD IN ISLINGTON: - WITNESS EVIDENCE -PRESENTATIONS (Item B1)**

Committee received a presentation from Rachel Bagenal, Assistant Director, Housing Regeneration & Delivery of Hackney Council. The following issues were highlighted -

- Hackney is one of the first councils to start building its own council homes and via the Estate Regeneration Programme (ERP) which started in 2011, Housing Supply Programme (HSP) in 2016 and the New Homes Programme (NHP) in 2024
- By April 2018, 660 new and refurbished homes had been completed, which were mostly estate regeneration schemes.
- Between May 2018 and May 2022, the Council started, completed or received planning permission for 1,984 homes.
- Hackney Council employs the Direct delivery model, with its Design & Build model and inhouse sales team, plus some development agreements
- Council has established a skilled inhouse delivery team along with the infrastructure to deliver.
- Hackney Council aims to deliver high quality mixed tenure developments including homes for social rent, shared ownership and outright sale alongside a range of non-residential uses, public realm improvements and socio-economic outputs.
- Council builds additional, high-quality homes within existing estates by building on underused land, typically car parks, garages and depots.
- Hackney's commitments to residents to home delivery is that it will be Council led, not for profit and that it uses council land and working together with its residents. Also that its priority is that council tenants are given priority for all new builds.
- During the period, 2018 - 2022, the Council had a target of 1,984 homes, 956 of which were affordable (social rent and shared ownership)
- In addition to the above, its current manifesto target is to deliver 1,000 new social rent homes over the period of 2022 – 2026.
- In terms of new Social Rent homes, meeting was advised that Hackney's current and new sites building programmes are contributing 568 Social Rent homes toward this target.
- 3,400 homes have now been built across more than 30 sites, that its ERP, HSP & NHP is a mix of large and small sites and includes estate regeneration, infill and brownfield sites.
- It was noted that in terms of social rent housing, shared ownership and outright sale have been used to fund it.
- Council endeavours to ensure that Hackney Council employs a self-funding approach to its portfolio, that the ERP and HSP provides 50% affordable and NHP programme 75% social rent.
- In December 2022 Cabinet approved the New Homes Programme (NHP) and a key plank in the '1,000 new Council homes for social rent' target
- In terms of Resident participatory design, meeting was reminded that this results in surrounding improvements and alignment with capital works in existing homes.
- Hackney Council's approach is to deliver well designed, high quality homes that support attractive, functional, safe and sustainable neighbourhoods, places where people want to live and that make a positive contribution to the Borough so the aim is to build characterful, cost effective, robust and well-loved homes that age well and stand the test of time.
- In addition to the above Council aims to deliver resilient, high performing and energy efficient homes that lower the energy burden of the residents and contribute to the Council's net zero targets.

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- In terms of financial rules, Hackney Council aims to ensure that its housing programme should be financially self-sustaining and that its investment should break even over 50 year as it endeavours to protect the Council's finances and front line services
- Assistant Director advised that rents and services charges of residents in existing homes do not pay towards the cost of building new homes, noting that Hackney's council rents are amongst the lowest in London
- Council aims to seek to maximise inward funding from GLA and other external sources.
- Meeting was advised that cost of building has increased significantly over the last few years, that each square metre of new buildings now costs at least £4,000 to build and that the total cost of each new home is £500,000+
- Assistant Director reiterated that Council rents don't pay back the full cost of a new home over 50 years, that presently just as similar with other local authorities, Hackney does not receive enough government funding to fill the gap.
- It was noted that outright sale homes are needed in the programme to cross-subsidise the social rent homes so as to make them viable.
- In terms of viability, meeting was advised that the cross-subsidy model is very challenging in current market especially with the increasing construction cost, inflation and property prices plateauing. It was also noted that the number of Right To Buy (RTB) sales is expected to reduce significantly over the coming years, that a 75% reduction is predicted.
- In addition to the above, there have been changes to the regulatory framework on tall buildings with the introduction of stair cases, building safety and energy efficiency.
- It was also noted that grant rules have changed in terms of GLA eligibility criteria.
- With regards to opportunities for building homes, Hackney is now diversifying from its present model, that it is working with the market to respond to current challenges, bringing contractors and partners into the process earlier
- Hackney is evolving and developing its skills as a developer by boosting commercial and construction expertise.
- To address the funding issues, Hackney Council is seeking further subsidies from GLA and other sources and also refining its approach to design by being efficient, standardisation and the use of MMC.
- On the question of building homes in blocks of over 18m, the Assistant Director stated that there is no blanket policy against tall building that in certain locations within the borough reminding the Committee that there is a lot of work with its design team to ensure high quality homes are built and where possible attempts are made to maximise spaces. Members were reminded of the recent regulation regarding the provision of second stair cases in blocks over 18m.
- Hackney is working with other authorities such as Barking and Dagenham on resolving some of the challenges around building social housing.
- In instances where Council has demolished social housing it endeavours to replace it albeit not necessarily the same quantity.
- On the suggestion to use MMC when building new builds, committee were reminded that there are challenges, that there is no savings unless it is scaled up, noting that it is an industry in its early stage.
- Meeting was informed that with its new build homes, that Council has moved away from the use of gas boiler to heat pumps.
- On garage conversions, meeting were advised that it can be expensive and it can have a disruptive impact to the amenity of existing residents, noting that issues around low ceiling heights of garages require digging down and the need to move some of the utilities all add to additional construction.

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- Assistant Director acknowledged that lessons have been learnt, that the end product has been high quality homes, has removed anti-social activities and there has been significant improvement to the public realm.
- In response to a question, meeting was advised that there are no plans to cease garage conversions despite the challenges.
- On the funding and viability of the new builds, meeting was advised that Council is in constant conversation with its in-house finance team, that the Council ensures that it's finances are not compromised.

Committee received a presentation from Tim Porter, Be First Director of Delivery on Barking and Dagenham's housing programme. The following issues were highlighted:

- Be First is a Council owned regeneration company tasked with accelerating regeneration in the Borough.
- Over £1.5bn of development has occurred on Council owned sites over the last 5 years and has delivered over 1,000 new homes, workspace and mixed-use schemes.
- Be First also provides planning services at no cost to the Council, that it is focussed on delivering Inclusive growth but also making a financial return for the Council.
- Be First mission is to accelerate regeneration in the borough, so that no-one is left behind and that its main focus of work has been direct delivery of new homes (majority affordable) utilising Council PWLB borrowing for Council's housing company Reside.
- Contributing towards Be First delivering 20% of whole of London's new Council housing and last year third biggest Council house builder in England.
- Although it has never been part of its original plan Business Plan, Turnkeys have become an important additional income stream, that the purchase of homes from the private sector has helped accelerate regeneration and benefit from private sector build costs, however council borrowing is still required.
- Be First have done an income strip deal for the Trocoll House scheme adjacent to Barking Station. Rail Pen/Fifth Capital owned the site, Be First secured planning and took on all construction risk. Council funds Be First and other fees and is committed to an annual rent rising with CPI but capped at 4%.
- Be First has purchased 18 additional properties for the Council, like Dagenham East Travelodge and Welbeck wharf which has helped facilitate regeneration and deliver good rental income relatively fast and others especially Thames Road which is land assembly to unlock longer term opportunities.
- It was noted that there has been limited direct commercial development by Be First, that some ground floor uses in residential schemes but the main commercial scheme is Industrial.
- Be First has also sought to employ Fund and Asset Management approach via Advisory Board for regeneration and building new homes.
- A number of benefits as arisen as a result of Be First such as public engagement, development management; planning (inc producing Local plan); regeneration/Place-making; highways; civic works and design quality.
- 451 further homes were delivered across the borough during 2022-23; 849 New Homes 'Topped out' in 2022-23 across 6 schemes; 55 Apprenticeships supported during 2022-23 through contractors. £22m spent in 2022-23 with local small to medium sized businesses.
- Barking & Dagenham Planning Committee have supported in approving 9,000 new homes for the borough over the last 3 years.

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- Be First's mission is to accelerate the regeneration of Barking and Dagenham delivering growth in homes and jobs and ensuring that there is "no-one left behind". Whilst this remains relevant the means by which it is achieved is going to need to change.
- The strong focus on direct delivery with Council borrowing has meant that Be First has perhaps been less engaged with the private sector and focussed on individual delivery of a wide range of projects.
- Be First's initial 6 years has established a good track record and reputation in terms of quality, efficiency, delivery capacity and in achieving some big wins. This has required a wide range of skills and tools which just wouldn't have been available in a Council in-house team.
- On the issue of governance, committee were advised that with this arrangement, Council is the main shareholder, that Council officers are on board, that all profits made is ploughed back to the Council.
- In response to a question, meeting was advised that Be First act as a Project Manager and that in terms of procurement, they offer a cradle to grave approach.
- Meeting was reminded that considering Council had over the years lost a lot of its social housing over a number of years via Right to Buy and with this arrangement homes will be shielded.
- Be First is not a registered housing provider, but Reside, that Council still retains the freehold of the properties.
- Be First avoids gentrification simply because the value of homes in the borough is relatively low when compared to neighbouring boroughs.
- In response to a question on whether this was piloted before proceeding, the Director informed the meeting that company was founded in 2018 and that Council was still building homes before they were all migrated to Be First so company has grown in size.

Committee took evidence from TRA Parkview Estate volunteer.

Residents have no objections to Councils plans of building social housing, however the whole development in and around the estate has been frustrating with residents who recognise that there will be some disruption and inconveniences to them, however it was obvious that there was an absence of project management on the part of the new build team and the Council regarding this project, questioning on whether the project the lack of skill, capacity and leadership was clear especially as contact with residents was avoided and that all attempts to seek information such as survey of site so as to be able to ascertain what was there before.

Volunteer had concerns with the lack of diligence around the sites, noting that the loss of 3/4 bedroom dwellings from the scheme was concerning, that no adequate steps had been taken to protect the vulnerable residents. It was also noted that considering that this was presently the only active project in the borough, more is expected from the Council. The representative also stated that it was worrying that no senior officer from the Council or the New build team attended any of their meetings claiming to be busy despite numerous request.

He also was queried the viability of the new build homes, especially in light of the rent rises. Finally the TRA representative informed the meeting that a FOI request submitted in February 2024, on the cost of the block and in particular the units has not been provided, that with the figures being mentioned, there is the view that Council should have bought properties on the open market rather than building the new homes as it was not viewed as value for money.

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In response to the comments above, both Councillor Ward, the Executive Member for Finance, Planning and Performance and Corporate Director of Community and Wealth Building indicated that they will schedule a meeting in the next few weeks to discuss some of the issues raised, apologising for the inconvenience that it had caused to residents . In response to a question of Block D not going ahead, the Executive Member acknowledged that there were a number of factors that resulted in it not being built and that it was not an easy decision but it was in the interest of the Council not to continue with building.

The Chair thanked Rachel Bagenal, Tim Porter and Secretary of Parkview TRA for their contribution to the review of new Homes Build in Islington.

RESOLVED:

That the presentations be noted.

36

ISLINGTON COUNCIL NEW BUILD PROGRAMME FINANCES (Item B2)

Committee received a presentation from Nick Stylianou. Assistant Director Homes, Neighbourhoods and Public Health on the New Build budget, funding and challenges. The following points were highlighted:

- Meeting was advised that a significant of funding of new build programme goes towards cost of new build schemes (which consists of construction cost, fees, on-costs for marketing and CIL and risks and contingency).
- In addition to above, funding goes towards ongoing costs for repairs and maintenance, major works, management and capital financing/debt repayments.
- Sources of funding for new build homes include PWLB borrowing, Right To Buy 1-4-1 receipts, CIL/S106 and open market sales, of which the first two provides between 85-90% of funds.
- Ongoing income received such as rental income funds ongoing costs and potential future sales/staircasing of shared ownership.
- Rents over the last few years have been capped for a number of years and with inflation and high construction cost it has been challenging.
- It was noted that cost of borrowing has increased, for example the Public Loan Works Board (PWLB) 40 year maturity rate rose from 2.06% to 5.49% between December 2021 to November 2023. Meeting was advised that in terms of HRA concession, 40bp discount although ends in 2025 which is to e welcomed it is too soon for many of the projects in the pipeline.
- Other restrictions include the RTB receipts for example for the spring budget, although Council can use receipts to fund up to 50% of eligible spend incurred, resources are finite. However from 2024/25 Municipal year Treasury will keep 20-25% of receipts.
- There are restrictions on using RTB receipts with other external funding (GLA grant/DLUHC grant).
- Viability issues hinders building new homes as government rent caps impact ability to fund future debt, management and maintenance.
- It should be noted that the requirement to subsidise new build borrowing is to the detriment of Major works/Decent Homes.
- Despite challenges, Islington Council is committed to delivering new homes, The current programme is delivering 162 Homes (including shared ownership) and the existing and new pipe line the council has a target of 750 new social rented homes.
- In light of the current financial challenges, that over the last 12 months the Council has conducted a comprehensive review of its New Homes programme, reallocating

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constrained funds on most viable schemes and ensuring that it continues to build new affordable homes to meet council target.

- Major pipeline schemes such as the Finsbury Leisure Centre, Bemberton South and Vorley Road, of which £118.08m has been allocated and the additional OMS units, there will be £118.608m short borrowing until sales complete.
- Meeting was advised that there is a budget of £20.2m to bring various schemes to planning and funded from HRA reserves.
- Meeting was reminded of the challenges to delivering new affordable homes and includes complexity of schemes (planning and building restrictions in Islington, availability of land and site access); challenging legislative issues (fire and building safety); impact of depressed housing market (with reduced private sales values and falling demand); inflationary pressure and historic lack of central government investment in council house building.
- In overcoming the above challenges a number of sector wide actions have been taken such as lobbying central government in terms of greater flexibility on funding; simultaneous use of RTB and GLA grant which will ensure affordability; retaining 100% of RTB receipts as RTB has resulted over a long period in the reduction of affordable housing stock and long term rent policy which impacts scheme viability as rents fund ongoing costs of new builds
- Islington has undertaken a number of actions to address its challenges and they include, a review of scheme affordability; identifying alternative funding sources; consider opportunities across GF sources; assign dedicated Programme Management Officers to lead on designing and implementing programme assurance framework, introducing new scheme of delegations and update gateway process and additional capital programme financial scrutiny.
- In response to a question on abandoned projects and in particular Block D on Parkview Estate, Executive Member acknowledged that prior to the decision being taken by the Executive in March residents had been kept abreast of developments over a 12month period.
- Executive Member, Finance, Planning and Performance noted that Committee will be provided a detailed breakdown of the construction of this particular abandoned projects including Parkview Estate to include planning, site preparation etc. and also for live cases that are successful. Chair requested that this be shared with Committee however noting that this had been considered at Executive in March.
- On concerns about the longevity of new build homes, the Executive Member stated that there is no evidence that people don't want to live in Islington as homes are affordable to rent, that the decision to build private homes for sale is to subsidise the building of social housing.
- On the suggestion of relocating the loss of the 3/4 bedroom to other blocks on either Parkview Estate or to other developments, the Corporate Director indicated that this suggestion will be taken away, noting that other developments in the borough were delivering such tenures.
- In response to concerns that the New Build Team had not been transparent through with the review and whether there is competency issues with the team which came into light with the Parkview Estate, the Corporate Director acknowledged that there were issues which could be shared with Committee at a future meeting , that as stewards of considerable amount of public monies this is taken seriously, noting that the reason for the abandoned project was due to a serious legal challenge. Meeting was advised that things are getting better, that the capability of the team is clear that we have addressed the issues around resident's engagement that council has invested in 3 new roles to address.
- In response to the £6m that it cost the Council with the abandoned projects, the Corporate Director acknowledged that the ceased schemes are regarded as write offs, noting that there are a number of live schemes that are deemed successful

37 **HOUSING PERFORMANCE ANNUAL REPORT FROM EXECUTIVE MEMBER (Item B3)**

Item was deferred to the next meeting on 30 April. Executive Member Cllr O'Halloran suggested questions could be sent ahead of the meeting.

38 **QUARTERLY REVIEW OF HOUSING PERFORMANCE (Q3 2023/24) (Item B4)**

Committee received the Quarter 3 Performance Report from the Corporate Director, Homes and Neighbourhood. The following Points were highlighted -

- Islington has significantly fewer people in temporary accommodation (11 per 1,000) compared to London (17 per 1,000). England has 5 per 1,000 households in temporary accommodation.
- Based on the most recent benchmarking and the increase in demand, Islington Council's overall performance in managing temporary accommodation is excellent. However, further reductions in the use of private sector properties are urgently needed going forward and we should not be complacent. The council has set a stretching target to eliminate the use of expensive nightly paid temporary accommodation to provide greater security for our homeless residents. The team are continuing to work to discharge ineligible households as quickly as possible, to bring the number down further.
- The Bureau of Investigative Journalism identified that there are no Private Rented Sector rents in Islington set at or below the Local Housing Allowance. Therefore, it is not possible to prevent homelessness into the or from the Private Rented sector. Across London Private Rented sector rents have increased by 12% in the last 12 months and the number of Private Rented Sector properties have reduced by 41% since the end of the pandemic.
- In terms of Tenant Satisfaction Measures, meeting was advised that all measures are satisfactory except with lift maintenance which was caused by issues with the contractor.
- Corporate Director informed meeting that Council has been notified informally that the Housing Ombudsman Paragraph 49 Investigation has been discharged, that this is welcome news and a testimony of the amount of work undertaken by both officers and members to address all the issues raised.
- In light of the shortage of properties in the borough to accommodate homeless persons/families, the Council has had to find suitable properties outside of the borough such as Haringay and Barnet.
- With regard to a request for a cost breakdown which the Council has incurred regarding legal disrepair and complaints to the Housing Ombudsman, the Corporate Director advised that this will be shared by Committee members.

RESOLVED:

That the Quarter 3 Performance report be noted.

39 **COMMUNAL HEATING - 12 MONTH REPORT BACK (Item B5)**

Committee received a 12 month report back on the progress of the recommendations from the review exercise on Islington's Communal Heating by Assistant Director Property Services - Capital Programme Delivery Homes and Neighbourhoods.

- The meeting was advised of minimal breakdown of communal boilers with the installation of remote meters which enables officers monitor when a boiler is experiencing issues. The Service is more proactive and most breakdowns are resolved quickly on the same day or within 24 hours.
- In response to a question on the possibility of resetting the boiler remotely, the Assistant Director advised that experts agree that for safety reasons it is better for an engineer visit first to establish the cause of shut down before boiler is rebooted. At present BMS allows the timing and temperature on the boiler to be done remotely.
- On the issue of flexibility of timings with regards to the vulnerable and elderly residents, the meeting was advised that this is presently out for consultation.
- On the question of compensation paid to residents, meeting was advised that future contracts will ensure that this is recovered from contractors.

RESOLVED:

That the report back be noted.

40 **HOUSING BRIEFING ON DAHA ACCREDITATION (Item B6)**

Meeting was advised that the Domestic Abuse Housing Alliance's (DAHA) mission is to improve the housing sector's response to domestic abuse through the introduction and adoption of an established set of standards and an accreditation process.

- It was noted that Housing Operations started working towards the DAHA assessment in June 2022, with the aim of achieving DAHA accreditation by December 2023. H&C were accredited in 2021 for the whole of housing operations.
- Meeting was advised that the aim of the DAHA accreditation is to achieve a cultural shift in response to domestic abuse survivors, and perpetrators, which is aligned with the DAHA principles and values, LBI CARE values and VAWG strategy.
- Islington Council aims to develop a flexible approach to enable people experiencing domestic abuse to access homelessness and tenancy services through multiple avenues.

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- With the accreditation, it ensures that Islington Council make the right response the first time to disclosures of domestic abuse and amplify the survivor's voice.
- It is a national programme of accreditation for social landlords, sets the standard for how LGA's should respond to domestic abuse. It is the only project in the UK offering a domestic abuse accreditation for the housing sector.

RESOLVED:

That the report be noted

41 WORK PROGRAMME 2024/25 (Item B7)

RESOLVED:

That the work programme be noted.

The meeting ended at 10.30 pm

CHAIR