

Housing Scrutiny Committee - 7 September 2015

Minutes of the meeting of the Housing Scrutiny Committee held at Committee Room 4, Town Hall, Upper Street, N1 2UD on 7 September 2015 at 7.30 pm.

Present: **Councillors:** O'Sullivan (Chair), Poyser (Vice-Chair), Andrews, Diner, O'Halloran, Hamitouche (in part), and Williamson

Co-opted members: Jim Rooke

Councillor Michael O'Sullivan in the Chair

105 APOLOGIES FOR ABSENCE (Item A1)

Apologies for absence were received from Rose Marie Macdonald and Councillor Mouna Hamitouche MBE (for lateness).

106 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)

None.

107 DECLARATIONS OF INTERESTS (Item A3)

None.

108 MINUTES OF PREVIOUS MEETING (Item A4)

RESOLVED:

That the minutes of the meeting held on 13 July 2015 be confirmed and the Chair be authorised to sign them.

109 CHAIR'S REPORT (Item A5)

The Chair advised that his press release about One Housing Group had appeared in the letters page of the Islington Tribune. The Committee noted the Chair's intention to also contact the Homes and Communities Agency about the matter, expressing the Committee's concerns with the conduct of the organisation and lack of engagement with the Committee. It was noted that One Housing would be invited to a future meeting of the Committee.

The Chair provided an update on government housing strategy, noting the Chancellor's announcement that social housing rents were to decrease by 1% per year for the next four years. The Chair commented on the financial impact this would have on local authorities and housing associations.

It was noted that the Responsive Repairs team was seeking to engage with members about their casework. Members wishing to discuss the repairs service were asked to liaise with the relevant officers.

110 ORDER OF BUSINESS (Item A6)

The Chair advised that item B2, Capital Programming Witness Evidence, would be considered before item B1, RSL Scrutiny.

111 PUBLIC QUESTIONS (Item A7)

The Chair outlined the procedure for public questions and the filming and recording of meetings.

112 RSL SCRUTINY (Item B1)

Ziggy Crawford, Chief Executive of Barnsbury Housing Association, provided a presentation to the Committee on the Association's work in the Borough. A discussion was had during which the following main points were made –

- Barnsbury was a small housing association, providing only 253 rented homes in the Borough. The organisation did not provide homes for sale or leasehold, and specialised in providing housing to tenants with low levels of household income.
- It was thought that the organisation's size made Barnsbury different to other housing providers. Although it did not have the same level of resources available to larger housing associations, Barnsbury was able to provide certain services that may not be effective at a larger scale, and was better placed to tailor its services to its residents. For example, Barnsbury organised regular trips for residents, held coffee mornings, and administered a food bank and a bursary for school uniform and other education costs.
- Although Barnsbury was small, it was investing in property and had a number of homes either recently-purchased or in development.
- It was reported that an independent survey of Barnsbury residents was carried out every three years. The last survey was conducted in 2014 and the organisation received an overall satisfaction rating of 89%. The Committee welcomed this figure; however Barnsbury considered that further work was required to improve satisfaction. 89% of respondents also expressed satisfaction with their neighbourhood which was considered positive. The organisation had benchmarked performance against other organisations and performed generally favourably.
- Barnsbury charged social rents with an average service charge of £6.78 a week. It was explained that the organisation sought to keep service charges as low as possible, especially in light of the relatively high rents charged on London properties; however this was becoming increasingly difficult in newer properties. For example, it was advised that some of the organisation's new homes acquired under Section 106 contributions came with a significant service charge for the maintenance of additional features, such as electronic security gates.
- The organisation only offered lifetime tenancies, except for some key worker tenancies. This was expected to change with legislation being proposed to restrict the availability of lifetime tenancies. Similarly, the organisation had not sold any properties, however may be required to under pending Right to Buy legislation.
- The organisation spent approximately £800,000 each year managing its assets. In the previous financial year Barnsbury achieved a surplus of £170,000; all surpluses were regularly used to fund investment and the acquisition of new properties.
- It was anticipated that the organisation would need to borrow to finance any further development, as the organisation was only able to attract 30% grant funding from the Homes and Communities Agency for development schemes.
- The organisation benchmarked its wages against other housing associations and paid slightly above average, although it was noted that the Chief Executive was paid below average.
- Barnsbury was concerned about the impact of welfare reform on its residents and had recently invested £10,000 per annum on money advice services.
- The organisation did not expect to have large numbers of residents exercising the new Right to Buy. It was not anticipated that many residents would be affected by the new Pay to Stay rules, which required housing associations to charge tenants in

London earning over £40,000 near market rent, although it was foreseeable that some families, especially those with adult children, could be affected by the policy.

- The organisation expressed concern with the impact of the 1% annual rent reduction for social housing tenants for the next four years. This was expected to reduce the organisation's financial resources by £300,000.
- The organisation considered itself to have a positive relationship with the Council and made use of the Council's nominations scheme, however suggested that the Council could work further to stimulate the development of social housing.
- Although Barnsbury had plans to acquire new properties, and recognised the role and financial strength of larger housing providers, it had no aspiration to become a significantly larger housing association. It was suggested that smaller associations tended to have higher levels of resident satisfaction, lower levels of anti-social behaviour, and benefitted from a more personal community development dynamic.
- The organisation confirmed that it carried out separate tender exercises for each capital works project.
- Barnsbury hoped that the satisfaction of its residents would increase as a result of making improvements to its repairs service.
- A discussion was had on the impact of welfare reform and other central government welfare and housing policies. It was commented that organisations such as Barnsbury did not have any experience of dealing with leaseholders under Right to Buy schemes and such changes may have a significant impact on how smaller housing associations operate.
- Following a question, it was advised that Barnsbury had not explored the possibility of de-registering from the Homes and Communities Agency to avoid changes to housing legislation; however de-regulation was considered to be very high-risk.

The Committee thanked Barnsbury for their attendance.

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CAPITAL PROGRAMMING: WITNESS EVIDENCE (Item B2)

Damian Dempsey, Group Leader – Quantity Surveyors, presented the report which provided an introduction to the scrutiny review topic, information about guarantees, and details of how the service monitors performance. A discussion was had during which the following main points were made –

- The Committee was advised of the different types of works carried out. The Council's cyclical improvement scheme assessed properties on a seven year cycle, and works were then carried out only when required. This applied to all estate properties, and the approximately 1,000 street properties managed by Partners for Islington.
- It was confirmed that kitchens and bathrooms were replaced in accordance with the Decent Homes Standard, and other works were carried out as required.
- The Committee noted the capital works programme procurement arrangements, including how the current contracts were tendered. Due to the value of the Council's capital works programme, the Council was required by legislation to advertise its contracts across Europe through the OJEU. All of the Council's works contracts valued over £4,322,012 were subject to the regulations. It was commented that due to the high-value of the works contracts, smaller local firms were generally not in a position to apply, and such opportunities tended to attract larger multi-national companies.
- The Council had sought to foster a 'partner' relationship with its contractors, through which the Council and the contractors maintained a close working relationship.
- The Council's capital works contracts were 'design and build' contracts, through which the contractor both designed and carried out capital works. This was intended to achieve value for money by both reducing the Council's staffing costs and saving

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on professional consultancy fees. It was noted that the Contractor's role as a designer was reflected in its rates.

- Officers advised that the benefit of procuring two main contractors to provide the entire capital works programme was that there was no need to tender for each capital improvement individually. This was considered to provide significant savings over the duration of the contract. Under the current contractual arrangements the Council was only required to agree to works, whereas procuring works individually or on a smaller scale would require greater input from the Council and therefore increased resources.
- The Committee was advised of the consultation work carried out by the Council's capital works team, including statutory consultations with leaseholders carried out under Section 20 of the Landlord and Tenant Act. Through 'scope of works' consultative meetings tenants and leaseholders were able to help determine which works were carried out to their properties. The Council also held resident meetings prior to works starting to advise of the works programme, set up details, and other relevant information. Throughout the duration of the works the contractor then engaged residents through newsletters.
- Officers emphasised that the rates set out in the Council's capital works contracts were fixed and could not be amended during the contract, aside from an annual inflationary increase. Although leaseholders were able to challenge the extent of the works, they were not able to challenge the cost for those works set out in the contract.
- It was advised that both capital works contracts were let to the same time period; an initial four year term, followed by two optional three year terms. As the contracts were let in 2010, the contracts were currently in their first optional three year term and the Council would soon be deciding whether to continue these into the second three year term. Any contractual continuation would be on the terms and conditions agreed when the contract was initially let in 2010. Officers noted that it was possible to separate the contracts, extending one and re-tendering the other, if desired.
- It was noted that areas with tenant management organisations or tenants and residents associations tended to have greater levels of engagement with capital works consultations than areas without such bodies. The Committee queried if more could be done to encourage participation from residents and leaseholders in areas with no TMO or TRA, as they appeared to be under represented in important consultations. It was commented that although engagement with such bodies was the primary method of encouraging engagement, all affected residents were sent letters advising of 'scope of works' meetings, although these did tend to yield a low level of response. It was suggested that capital works teams could work further with area housing offices to encourage resident engagement.
- It was noted that the capital works team also consulted officers in the area housing offices and the repairs and maintenance team when planning works.
- It was explained that the large organisations which bid for capital works contracts made use of their own supply chains as these offered the contractors best value. As a result the contractors rarely used local small and medium sized businesses as suppliers. Officers advised that it was not feasible to contractually require organisations bidding for capital works contracts to make use of local supply chains. However, the Council was attempting to encourage the use of local labour through contractual performance indicators. It was noted that local labour usually took the form of labourers as opposed to tradespeople.
- A member reported very positive feedback on a subcontractor which carried out capital works to a local estate. The member considered it a shame that the subcontractor received little recognition, while the main contractor received the credit for the works. It was also considered regrettable that the Council could not specify for the subcontractor to carry out more works in the borough. Officers

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advised that they were aware of the good work carried out by certain subcontractors, however due to the large scale of the capital works contracts such firms were unlikely to become a primary contractor.

- It was queried if the Council imposed penalties or sought compensation for residents when works were not carried out to agreed performance standards. It was advised that, although the Council did challenge contractors on performance and had received damages payments for instances of poor performance, there were no contractual conditions which required the contractors to make such payments. It was explained that previous contracts had such penalty clauses however these were removed from the council's capital works contracts in the mid-2000s when the authority was seeking to foster a more collaborative, partnership approach. The Committee expressed concern with the lack of contractual penalties. It was advised that officers had already noted this as a concern and would seek to rectify this in future contracts.
- It was queried why capital works contracts could not be broken into smaller contracts to increase competition and allow smaller local firms to bid for works. It was explained that such an approach would require a significant increase in staff resources to scope and procure capital works. Officers noted that the current capital works contracts represented value for money as they were tendered in 2010 at a low point in the market.
- Officers confirmed that the Council did not carry out any capital works 'in house', however when works were assessed it was always considered if an 'in house' repair could be carried out as opposed to a capital investment.
- Following a query by a member of the public, officers explained that the contractors' schedules of rates could not be published on the Council's website for reasons of commercial confidentiality. The member of the public suggested that publishing the contractual rates and details of individual capital works would enable leaseholders to calculate their own costs and would subsequently lead to a reduction in the number of leaseholders challenging service charges.
- It was confirmed that officers and contractors presenting at consultative meetings should be willing to provide their contact details to residents.
- A resident advised of his experiences of assisting TMOs in tendering for their own capital works, suggesting that it was cheaper to tender for works on a smaller scale.
- In response to a query by a member of the public, it was advised that prior to carrying out Section 20 consultations with leaseholders the Council and its contractors carried out 'schedule of works' meetings, sent indicative cost letters, and then carried out surveys and calculated costs before holding the Section 20 consultative meeting.

The Chair thanked Damian Dempsey for his attendance.

RESOLVED:

That the report be noted.

The meeting ended at 9.15 pm

CHAIR