



CITY OF WESTMINSTER

MINUTES

Housing, Finance and Customer Services Policy & Scrutiny Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Housing, Finance and Customer Services Policy & Scrutiny Committee** held on **Wednesday 19th November, 2014**, Rooms 5, 6 & 7 - 17th Floor, City Hall.

Members Present: Councillors Tim Mitchell (Chairman), Antonia Cox, Peter Freeman, Richard Holloway, Guthrie McKie, Adnan Mohammed and Murad Gassanly

Also Present: Councillor Melvyn Caplan, Cabinet Member for Finance, Corporate and Customer Services and Councillor Daniel Astaire, Cabinet Member for Housing, Regeneration and Economic Development

Apologies for Absence: Councillor Gotz Mohindra

1 MEMBERSHIP

- 1.1 It was noted that Councillor Murad Gassanly replaced Councillor Paul Dimoldenberg.

2 DECLARATIONS OF INTEREST

- 2.1 Councillor Holloway declared that he is a board member of CityWest Homes.

3 MINUTES

- 3.1 **Resolved:** That the minutes of the meeting held on 17 September 2014 were signed by the Chairman as a correct record of proceedings.

4 WORK PROGRAMME

4.1 RESOLVED:

That the agenda items for the next meeting on the 26th January 2015 be agreed.

4.2 ACTIONS:

1. That the assessment of the implementation of the new customer services contract scheduled for consideration on 27 April be expanded to include the council's website. **(Action for Rebecka Steven, Scrutiny Officer)**
2. That the previously scheduled visit to intermediate housing in Westminster be rescheduled to take place before the end of the municipal year. **(Action for Rebecka Steven, Scrutiny Officer)**
3. That members of the committee be invited to join the membership of the Budget Performance Task Group which will be meeting on the 2 and 5 February to scrutinise the draft budget for 2015-16. **(Action for Rebecka Steven, Scrutiny Officer)**

5 UPDATE FROM CABINET MEMBERS

- 5.1 The Committee received a verbal update from the Cabinet Member for Finance, Corporate & Customer Services on key aspects within the portfolio as follows:
 - 5.1.1 That there continued to be an overspend in the Council's budget which at the time amounted to around £3 million over forecast. This was similar to the position at the same period last year. The Cabinet Member commented that this was not unusual at this stage in the financial year and particularly given the size of the Council's annual budget. Measures were in place to ensure that the budget is placed back on track. As advised previously he was confident that the budget would balance by the year's end.
 - 5.1.2 That work was ongoing to identify the expected required savings of £100m over the next 3 years. The Cabinet Member welcomed the intention of the standing Budget and Performance Task Group to scrutinise and help shape the council's draft budget proposals for 2015-16 prior to submission and consideration by Cabinet and full Council.
 - 5.1.3 In relation to Tri-borough Corporate Services he advised that following the publication of the Critical Friends Board report the council was still awaiting a decision from the London Borough of Hammersmith and Fulham on whether they wish to continue with the Tri-borough partnership. He stated that regardless of their decision of the Council will need to take some decisions regarding corporate services within the next 1-2 months not least to provide some certainty for staff.
 - 5.1.4 That testing the accuracy of systems and processes associated with the new Managed Services Programme continues to make good progress.
 - 5.1.5 That the council continues to develop ever more online reporting opportunities via the council's website to meet the changing way in which many people prefer to do business with the council. The Cabinet Member stated that while the website is fully functional it is important to always look for opportunities to

improve it and add additional functionality. He advised that the website had recently been shortlisted for an award against a number of other websites including those in the private sector. The Cabinet Member was asked about problems where people had been unable to complete parking permit applications online. The Cabinet Member advised that this matter fell within the portfolio of the Cabinet Member for Sustainability and Parking. He undertook to ask her to respond to the member concerned.

- 5.2 The Committee received a written update from the Cabinet Member for Housing, Regeneration, Business & Economic Development on key aspects within the portfolio as follows:
- 5.2.1 That the major reorganisation of Council departments to form a new directorate of Growth, Planning & Housing is ongoing. He advised that the restructure will enable the development of greater links between planning and housing which in turn will provide greater opportunity to influence matters associated with affordable housing considerations on planning applications.
- 5.2.2 That the development of the council's new Housing strategy continues with work currently being focused on the thematic areas. The policy development phase was expected to be completed by late November with a draft strategy available for consideration by the policy and scrutiny committee at its meeting in March. After this it will go out to public consultation with formal adoption by the Council in June.
- 5.2.3 The Cabinet Member was asked about the parameters of the strategy and in particular whether it would encompass private housing. Members also asked how potential conflicts between key themes would be addressed in practice and whether the strategy will include considerations that link to other council services such as how the need for sufficient school places will be met in future years.
- 5.2.4 The Cabinet Member explained that the strategy would focus on how the City Council will provide housing for those who require housing assistance. It would also focus on the wider needs of the city including the Council's broader role in promoting the health and economic wellbeing of residents. The strategy would not focus on the private housing market although inevitably there would be a need to include some private development on certain sites in order to fund the social housing provision.
- 5.2.5 In response to the issue of the potential conflict between the thematic themes the Cabinet Member explained that if the city is to grow and prosper it will be essential to find more places for people to live. London's population is projected to grow significantly in the next few decades which, as a consequence, will require greater densification. While this would not necessarily lead to taller buildings, there will be some services that compete with one another.
- 5.2.6 The Cabinet Member stated that he had hosted a round table discussion earlier in the year which was attended by Tony Travers and Pocket Housing amongst others to help shape and explore key issues such as developing the

intermediate housing market. Since then, a similar session had been held with registered providers. There was also an intention to speak to the Council of Mortgage Lenders in relation to the funding of intermediate housing that make it possible for people to continue living in London and avoid an exodus of talent.

- 5.2.5 In relation to CityWest Homes, the Cabinet Member advised that its Chief Executive Officer, Nick Barton, would be leaving the organisation at the end of the year. He thanked Mr Barton for his work over the last year.
- 5.2.6 The Cabinet Member was asked how many acres of brown field sites there were within Westminster which had development opportunities. He advised that while he did not have such statistics there were a number of sites in private ownership such as West End Green where development should but wasn't taking place. The Head of Housing Strategy advised that the council has some landholdings within the Housing Revenue Account where there was some capacity to develop smaller schemes while there were also opportunities as part of the second phase of the housing renewal programme in Church Street. He explained that there were a number of limitations in developing some of Westminster's housing stock such as many properties being either listed or architecturally sensitive.

6 TREASURY PERFORMANCE (HALF YEAR REVIEW)

- 6.1 In accordance with the Council's Treasury Management practices the committee received a report setting out the Council's half year review of its Treasury Management Strategy for 2014-15.
- 6.2 Jonathan Hunt, Tri-borough Director of Treasury and Pensions advised that EU and domestic legislation relating to bail-in powers were due to come into force over the next five years, with the UK on the earlier end of that timescale. The bail-in provisions include the ability to take funds from depositors (after shareholders have lost their equity) so as to prevent the need for a future government to use taxpayers' funds to bail out a failing financial institution in the future. As a consequence, early consideration was being given as part of the development of the 2015-2016 Treasury Strategy whether to invest more of the Council's cash investments in investments away from banks.
- 6.3 Members asked questions on the opportunities for re-financing debt, options for obtaining higher returns on investments with the same level of existing risk, the stability of the institutions where the Council's investments are held and whether the Council has ever invested in the Department for Business and Enterprise backed overseas projects. In response Mr Hunt advised that while it would be desirable to re-pay borrowing early under existing financial agreements this would result in a 30% premium. However, the Council has repaid some debts early where possible. With regard to deposits he advised that the Finance team had looked at but had found it difficult to obtain a better return for the same level of risk. Consideration could be given to investing in corporate short term paper. He did not believe that the Council had ever invested in any Government backed overseas projects and believed that there could be regulatory restrictions on doing so.

6. **Resolved:** That the report be noted.

7 HOUSING ASSOCIATIONS (RSL AND PRP) PERFORMANCE REVIEW

7.1 The Committee received a report that detailed the performance of social landlords who have housing stock in Westminster and the satisfaction levels of their tenants. The report also described approaches to stock rationalisation by social landlords and identified the potential opportunities for stock transfers/swops or management transfers between social landlords in the city and where these rationalisation approaches should be supported by the City Council where they lead to improved performance and satisfaction levels amongst residents.

7.2 The Committee welcomed the following witnesses who had been invited to the meeting to assist Members in their consideration of the issues:

Nick Barton, CEO, CityWest Homes; Andrea Luker, Head of Housing Services, CityWest Homes; Joe Joseph, Director of Residence Services, Peabody; Rebecka Sudworth, Director of Strategy & Communications, Peabody; Grahame Hindes, CEO, Octavia and Andy Belton, Operations Director, Notting Hill Housing Group.

7.3 It was noted that information provided by Peabody regarding their housing stock and operations in Westminster had been circulated to members the day before the meeting.

7.4 The Committee then heard from the witnesses on the subject of stock rationalisation. Andrea Luker advised that CityWest Homes had been managing 617 units for approximately 10 years on the behalf of 4 registered providers. Management of this stock has come about through exceptional circumstances such as providing additional housing through infilling space on existing estates to being handed a block of new build blocks of flats prior to letting. The stock is managed to the same standards as other CityWest Homes properties where residents benefit from the infrastructure that CityWest Homes has in place.

7.5 Joe Joseph informed Members that Peabody managed 3311 homes in Westminster of different tenure of which approximately 83% is social housing. In respect of stock rationalisation he stated that Peabody had made a significant investment in Westminster both in terms of time and money and while it would be open to managing other registered providers stock it wished to retain its own housing. The additional information submitted by Peabody included an assessment of stock rationalisation opportunities in Westminster. This was based on an analysis of RPs in Westminster utilising the statistical data return dataset for 2014 (published by the HCA). It concluded that opportunities in Westminster were limited.

7.6 Grahame Hindes stated that each of the registered providers in attendance had been in existence for approximately 150 years and had their own unique history. He explained that stock rationalisation happens only occasionally due

to either regulatory issue or a unique circumstance such as another housing provider going into bankruptcy. He further explained that most registered providers don't consider their stock on a borough by borough basis. Without a strong incentive he did not believe that more rationalisation was likely to occur.

- 7.7 Andy Belton informed the committee that Notting Hill Housing Group is a London based Housing Association with approximately 30,000 properties. He stated that the organisation had some experience of stock rationalisation in part due to a merger with other organisations based in Bedford and Kent in 2009. It had since disposed of its stock outside of the capital due to its London focus. In terms of the organisation's active asset management he advised that a large number of its holdings were located in the London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea. The intention was to dispose of 35 high-value units in these boroughs in order to provide 156 units outside of London. The boroughs in which the disposals occur would receive one nomination while the authority where the new units are located would receive two nominations.
- 7.8 The Committee then discussed the issues of stock rationalisation where a number of views were expressed. This included that the argument for stock rationalisation was not entirely convincing. It was suggested that one of the advantages of registered providers is that they are able to respond more quickly to resident's needs than a local authority. As a consequence more decentralisation was desirable. An alternate opinion expressed was that in terms of management arrangements economies of scale could provide the incentive for registered providers to take on other providers' stock.
- 7.9 In response to member's comments Mr Joseph stated that Peabody was ambitious and was always looking at potential business opportunities. However, he advised that stock rationalisation through management transfers was a partnership issue. Whilst Peabody was proud of its work as a housing association other registered providers would equally be proud of what they did. Moreover, Management transfers were complex for a number of reasons. This included the fact that VAT is payable on the management fee which represents an additional cost to the sector while there would also be an ongoing monitoring role and ongoing payment arrangements for the transferor. Mr Hindes commented that he did not believe there was necessarily a correlation between being a large association with a high number of properties and increased satisfaction levels from residents.
- 7.10 Members discussed the issue of disposals of void affordable homes on the open market by some Registered Providers. A number of views were expressed by Members who drew a distinction between those Registered Providers who were disposing of a limited number of properties and those engaged in large disposal programmes. Views were expressed that trying to prevent the disposal of void stock in Westminster where the proceeds were not ring fenced towards reinvestment in the City, would prevent the wider delivery of affordable housing across London.

- 7.11 Members asked about the disposal of housing by leaseholders who have bought their homes under 'right to buy' legislation. Officers advised that the City Council has a first refusal to buy such properties which come onto the market. The committee was informed that in the region of 300 such properties come up for sale each year and the Council purchases about 35 to 40 of these properties. With regard to disposals of City Council stock officers advised that this happened infrequently and in small numbers. These disposals rarely occurred because of the desire to capitalise on the value of the property but for other reasons such as the prohibitive cost of refurbishment. Officers advised that where the local authority does dispose of high cost voids, the proceeds of these disposals are being used to provide replacement stock of better quality and in many instances provide more homes than are disposed of.
- 7.12 The committee then turned its attention to the performance data. The committee was informed that the performance data reported by Westminster based Registered Providers (RPs) generally relates to performance data for all their stock (regional and/or national stock) and does not capture specific data relating to their performance and tenant satisfaction levels in Westminster. With regard to residential environmental health Members referred to the fact that some of the housing stock consists of older houses that have been converted in to flats. As the buildings are being used differently to their original design this has led to some residents experiencing noise from neighbouring flats. CityWest Homes had been sounded out about opportunities for partnership working with registered providers to make environmental improvements to properties such as applying render to the rear of buildings and/or replacing single glazed windows to mitigate noise and health-related problems.
- 7.13 Members also commented on the mixed tenure within housing blocks and the need to cater for leaseholders as well as social tenants.
- 7.14 The Committee asked the registered providers whether they would investigate the possibility of providing a shared service whereby their Westminster residents can report environmental health matters and receive a consistent standard of response in a timely manner. Mr Belton responded that he had no objection to the suggestion in principle, however, on a practical level given that many of the registered providers operate on a pan London or even regional level it would be difficult to provide a separate service on a borough by borough basis. Moreover registered providers have ongoing individual service agreements with different contracts, some of which have many years to run. However, he did believe that there were opportunities for sharing some back office services and procurement provision.
- 7.15 **RESOLVED:**
1. The committee has noted the evidence from witnesses regarding stock rationalisation. It acknowledges that registered providers wish to retain their housing stock, that rationalisation can be complex and not always viable or likely to improve housing management services provided to Westminster residents. However, it considers that there is merit in the City

Council exploring with those social landlords who do not have a management office presence in the city, the possibility of sharing Westminster's estate office space or of registered providers establishing a joint facility of their own. Members recognise that it can sometimes be difficult for residents to report and resolve issues at a distance and this would provide an opportunity for residents who desire it to speak to a representative in person. The committee requests that this suggestion is discussed at Westminster's Housing Association Chief Executive's (HACE) group.

2. The committee has also noted that the performance data reported by Westminster based Registered Providers (RPs) generally relates to performance data for all their stock (regional and/or national stock) and does not capture specific data relating to their performance and tenant satisfaction levels in Westminster. The committee recommends that the City Council in partnership with its key RP partners jointly commissions a survey to gather performance data and tenant satisfaction levels in the city and it requests that this proposal is also discussed and a view obtained at the next Westminster HACE group.
3. The committee has further noted that Residential Environmental Health (REHS) has developed a Joint Working Protocol to be entered into between individual RPs and REHS for the investigation of housing and public health service requests from provider tenants. The committee is keen to see all registered providers in Westminster enter into a joint working protocol with REHS.

8 HOUSING REVENUE ACCOUNT - DEBT CAPPING AND RINGFENCING

- 8.1 The Committee received a report that provided details on the Council's Housing Revenue Account (HRA) Business Plan and set out the implications of the HRA debt cap.
- 8.2 The Committee noted that the Government had announced two bidding rounds this year for authorities that wish to borrow above their cap levels. In the first round, Westminster were successful and has approval to borrow an additional £8.6m over 2015-16 and 2016-17. This will support delivery of the Council's Housing Renewal Programme.
- 8.3 Officers were referred to the fact that the Localism Act (2011) included reform of council housing finance from a centrally directed system to a local level. This includes freeing local authorities to set their own increases in council rents rather than having to follow the national guidance formula. Councillor McKie advised that the council still sets rent increases using the latter and that he intended to write to the Cabinet Member and the Executive Director for Growth, Planning & Housing to urge them to depart from this and set a low rental increase next year.

8.4 RESOLVED:

1. Noted the functions of the HRA.
2. Noted the benefits of adopting an active asset management strategy.
3. Noted the limitations placed upon the HRA by the debt ceiling.
4. Noted the wide-ranging benefits that were delivered through the proposed HRA investment programmes.

The Meeting ended at 9.25 pm

CHAIRMAN: _____

DATE _____