



## CITY OF WESTMINSTER

### CityWest Homes Task Group

#### NOTES

Notes of a meeting of the **CityWest Homes Task Group** held on **3<sup>rd</sup> September 2018**

**Members Present:** Councillor Melvyn Caplan (Chairman), Councillor Paul Dimoldenberg, Councillor Richard Elcho, Councillor Adam Hug, Councillor Pancho Lewis, Councillor Mark Shearer, Councillor James Spencer and Councillor Paul Swaddle

**Also Present:** Tom McGregor (Director of Housing and Regeneration), Fergus Coleman (Head of Affordable Housing and Strategy), Asghar Tazafar (Senior Solicitor – Advocate), Martyn Jones (Executive Director of Asset Strategy and Development, CityWest Homes), Jonathan Cooper (Senior Client Programme Manager, CityWest Homes), Daren Townsend (Property Services Communications Manager, CityWest Homes), John Millichope (Head of Lessee Services, CityWest Homes) and John Hayden (Head of Repairs, Mechanical and Engineering, CityWest Homes)

#### **1 Introduction and Apologies**

1.1 The Chairman welcomed those present.

#### **2 CityWest Homes – Major Works**

##### Sinking Funds

2.1 Housing legislation does not prohibit the establishment of sinking funds. There are two types of sinking fund, those linked to the property and those linked to the leaseholder. The primary difference is that when a lease expires, the balance of a leaseholder-linked sinking fund must be repaid to the leaseholder. This applies when the lease ends, not when it changes hands. Currently Westminster (WCC) leases do not allow the establishment of a property linked sinking fund. WCC could establish sinking funds, but they would have to be leaseholder linked.

2.2 To establish a property-linked sinking fund, WCC would need to vary the leasehold agreements, which would require a ballot of leaseholders and an application to the first tier tribunal. Like any service charge, a sinking fund is subject to a test of reasonableness. A practical issue is how the size of the ballot is determined (e.g. by block, estate of all CityWest Homes (CWH) leasehold properties)

- 2.3 Financial regulations mean that sinking funds would have implications on HRA accounting.
- 2.4 CWH currently has a scheme where every lessee can pay into their major works account whenever they want although that would not be earmarked against specific works. Lessees can retrieve this money if they more. It was suggested that offering a financial planning services for lessees could be an option going forward.

### Major Works

- 2.5 WCC sets the strategic direction of the major works programme with CWH. CWH delivers the programme. WCC is responsible for overseeing and scrutinising the delivery. WCC's key input is in to the three-year plan.
- 2.6 There are specific challenges surrounding delivering major works in Westminster, however the CWH major works programme is reasonably well funded. One of the difficulties is the number of listed buildings and properties in conservation areas. It was suggested that CWH works with WCC to utilise the expertise of planning officers to find solutions to some of these issues.
- 2.7 In the past, there has been frustration from all parties on the way major works have been delivered. There has been a recent change to the process of delivering of major works to address concerns, such as the appointment of two term partner contractors.
- 2.8 CWH has a target to reduce management fees of major works to 12% (currently 16%). Projects on new terms with this target in mind were just beginning and performance against the target would not be known until the projects had reached completion. CWH thinks that the 12% target can be improved on in the long term. Activities aimed at reducing management fees include making billing more efficient and reducing the number of notices in the s20 consultation process. Another way of reducing management fees was placing more management responsibilities on contractors. It was thought this would produce savings through the competitive tendering process and through contractors being able to provide some management services more efficiently. It was hard to benchmark CWH against other authorities, as the stock was different. There are no financial incentives for staff to reduce management fees. CWH's executive have financial incentives based on the performance of the organisation as a whole.
- 2.9 CWH said that it was important to have early conversations with residents about the challenges of a major works project and the effect that those challenges had on costs. CWH had begun to undertake consultations differently, which included starting discussions with residents eighteen to twenty-four months before a s20 notice was issued. CWH had also started having conversations with residents about long-term priorities. CWH was doing more work to understand what maintenance a building required so that even more clarity could be provided to residents.

- 2.10 CityWest Homes gave examples of where residents had been involved in co-designing major works such as designing a security lobby and contributing financially to replacing flooring to a higher standard.
- 2.11 At the beginning of a consultation on major works, CWH held a meeting with residents; they then usually have a breakout session, or another meeting, specifically to deal with leaseholder issues. On occasion, the leaseholder meeting may take place before, but this is usually after discussion with residents groups and is done when there are particular issues affecting lessees that need addressing.
- 2.12 CWH has targets for resident satisfaction about both delivery of major works and communications during major works. These targets are set by WCC. CWH is investigating more nuanced ways of collect resident satisfaction data; it is currently collected by survey at the end of a project, usually alongside the final bill being issued.
- 2.13 Individual projects are scrutinised at a project committee within CWH. Depending on the size of the project, it will then go to a project board for strategic oversight. WCC has to be notified of projects that would cost individual leaseholders between £20k-40k. WCC has to agree projects that cost individual leaseholders over £40k. This arrangement has in the past led to WCC and CWH being able to identify cheaper alternatives together.
- 2.14 The major works and repairs team work closely together to identify buildings where a substantial number of repairs have had to be carried which could indicate a need for a more substantial project. CWH has begun using data more intelligently to identify where a major works project may be more cost effective than repairs.
- 2.15 CWH has a database with the details of every property including the assumed economic life of various components. Based on this information every block has a plan of what works should be carried out. The programme is reviewed as part of the three-year rolling stock review. It is more expensive to carry out repairs and major works on street properties than blocks. CWH's new term partnering contracts have made it easier to deliver economies of scale on street property major works projects.
- 2.16 Before carrying out major works, CWH gets an opinion from building and quantity surveyors on what the budget for a project should be. CWH then scrutinises this opinion. Term partner contractors then go to the market for quotes for delivering individual aspects of a contractor, CWH also scrutinises these quotes and can direct the term partner contractors get quotes from suppliers CWH thinks may be cheaper.
- 2.17 Historically, CWH had included a 10% contingency on costs for leaseholders. CWH. CWH had moved to a process where contingencies were based on the risk associated with each project. There was uncertainty whether the current contracts with term partners would allow for fixed prices contracts.

- 2.18 Leaks were an ongoing challenge for CWH, 90% of repeat leaks are not; major works issues. There was a dedicated leaks detection unit. A repairs diagnostic has been carried out on date from the past three years that has highlighted seven blocks/estates with a high number of leaks. Preventative maintenance was being carried out on these blocks, some of which may have an investment developed. CWH is currently taking a leaseholder to court regarding leaks that are affecting a property below.
- 2.19 CWH's final account that is sent to leaseholders is a detailed document highlighting costs of a project. A summary version with less detail is sent at the beginning of a project.

### **3 Future Meetings**

- 5<sup>th</sup> September 2018, 18:30