



London Borough of Hammersmith & Fulham

Housing, Health And Adult Social Care Select Committee Minutes

Tuesday 22 January 2013

PRESENT

Committee members: Councillors Lucy Ivimy (Chairman), Joe Carlebach, Stephen Cowan, Peter Graham, Peter Tobias and Rory Vaughan

Co-opted members: Maria Brenton (HAFAD)

Other Councillors: Councillors Marcus Ginn, Andrew Johnson and Mark Loveday

Officers: Mel Barrett (Executive Director, Housing & Regeneration), Kathleen Corbett (Assistant Director, Finance and Resources, Housing & Regeneration), Prakash Daryanani (Head of Finance), (Hitesh Jolopara (Bi-borough Director for Finance), Neil Kirby (Housing & Regeneration Project Officer), Sue Perrin (Committee Co-ordinator), Paul Rackham (Head of Community Commissioning), (Andrew Webster (Tri-borough Director, Adult Social Care) and Rachel Wigley (Tri-borough Director for Adult Social Care Finance)

31. MINUTES AND ACTIONS

RESOLVED THAT:

The minutes of the meeting held on 14 November 2012 be approved and signed as an accurate record of the proceedings.

32. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Iain Coleman, Oliver Craig and Steve Hamilton.

33. DECLARATIONS OF INTEREST

There were no declarations of interest.

34. REVENUE BUDGET 2013/2014

Hitesh Jolopara presented the Cabinet's proposals for the Council's budget and Council Tax for 2013/14. The new funding regime included: the introduction of a local business rates retention scheme; the replacement of formula grant with a lower level of revenue support grant; 10% reduction of funding for Council Tax; and changes in funding streams.

There would be a £6m (8.9%) reduction in funding from Government in 2013/14 with a further £13m reduction forecast for 2014/15. Over a four year period from 2011/12 total cash grant from the Government would have been reduced by £48m. It was thought likely that the Council would lose a further £4.1m from the localisation of business rates, largely due to the high level of ratings appeals at Westfield. The reduction in Council Tax benefit funding would be absorbed within the budget although the affordability of this would have to be kept under review year on year.

£3.1m of growth and £22m of savings had been identified in 2013/14 and the budget for the year was balanced, although there currently remained projected funding gaps of £6m in 2014/15 and £14m in 2015/16. The Council debt was forecast to be reduced to £73m in 2015, down from a peak of £176m in 2004. A reduction of 3% in Council Tax levels would see the Band D charge brought down to £758 in 2013/14, compared with a peak of £917 in 2006.

Mr Jolopara responded to queries that setting of business rates remained outside Council control, and that the reduction in Council Tax had been offset by charging full Council Tax on empty properties.

Rachel Wigley supported by Prakash Daryanani presented the growth and savings proposals for Adult Social Care. A common set of eight outcomes had been developed to achieve the Tri-borough Service vision to support more integrated partnership working. In the long term, and particularly with a growing older population, the most effective approach was to enable people to stay independent for longer.

The 2013/14 budget for Adult Social Care would reduce from £72.7 million to £67.2 million. Savings of £4.6 million were set out in Appendix 1 of the report. Adult Social Care was in line to deliver £25 million of efficiencies between 2009/10 and 2013/14.

The general uplift for fees and charges would be 3.2%, with the exceptions of home care charges, which would remain at £12, and the meals service, which it was proposed to increase from £4.30 to £4.50.

Officers clarified the following points:

- the 11% staffing spend was in respect of those staff directly employed by the Council, both front line and back office;

- the savings in residential and nursing care would be found by preventative care to keep people at home for as long as possible, instead of expensive residential and nursing care on which Hammersmith & Fulham was one of the highest spending councils;
- there would be a 10% reduction across third sector grants, achieved by commissioning across the three boroughs, the level of support would remain as one of the highest across London Boroughs;
- the savings shown for 2015/16 were the cumulative impact of current savings, further savings would be identified and the budget proposals updated monthly; and
- the savings shown against 2013/14 Day Service Review (Ellerslie did not represent additional savings).

ACTION

The Adult Social Care Business Case, June 2011 to be provided to members.

Action: Rachel Wigley

Mr Webster responded to a query that savings in respect of the integration with Central London Community Healthcare (CLCH) would be achieved through sharing the management teams and working in a more efficient way to develop integrated services and reduce costs. The agreement would not require the contract to novate to a new organisation, should the CLCH fail to achieve NHS Foundation Trust status.

Councillor Cowan was concerned that the increase in the cost of the meals service had been higher than the rate of inflation for a number of years. Councillor Ginn responded that there was a small group of users for this service, which continued to be subsidised and was provided as part of a care package.

Ms Wigley responded to a query that compared with other boroughs, the prices charged by Hammersmith & Fulham were in the lower end of the top quartile. The Equality Impact Assessment would be taken into account in the tender analysis, when the service was externalised in April 2013.

ACTION

Comparative prices for meals services across London and an analysis of the socio-economic profile of the Hammersmith & Fulham service users to be provided.

Action: Rachel Wigley

Kathleen Corbett presented the growth and savings proposals for Housing and Regeneration. There were savings of £1.3 million, compared with total expenditure of £25 million. In respect of Hamlet gardens, there were £550,000 savings in respect of the phased withdrawal, which would be completed by September 2015.

The key risks related to: maintaining the supply of temporary accommodation to minimise the use of B&B accommodation; and the welfare reform.

ACTION

Councillor Cowan requested projected numbers and costs and the underlying assumptions in respect of temporary accommodation.

Action: Kathleen Morris

35. HRA FINANCIAL STRATEGY AND RENT INCREASE REPORT

Ms Corbett presented the report in respect of:

- Management of the Housing Revenue Account (HRA) post HRA reform;
- The HRA Financial Strategy, the HRA MTFs for the five years, 2013/14 to 2017/18, and the HRA Revenue Budget for the year 2013/14; and
- The proposed increase in dwelling rents for 2013/14.

The HRA Financial Strategy was required to:

- finance both the annual interest and repayments of the principal debt (£217.4 million after HRA reform) as it becomes due (£9.582 million being repaid in 2013/14);
- achieve a viable on-going maintenance programme that maintained stock in good repair;
- increase the HRA reserves balance to protect against future stocks or unanticipated events to circa £35 million by 2022;
- free resources for investment on new initiatives, including new housing supply; and
- to repay debt as it becomes due.

The strategy was set in the context of:

- Local authorities being 'self financing' and having to manage their housing assets to ensure that HRA stock can be supported and maintained from HRA income;
- General Reserves being currently less than four weeks rent;
- Investment required in respect of previous lack of investment and elements not covered by the Decent Homes programme, for example lifts or public realm;

- LBHF rents were lower than those of tri-borough partners and Wandsworth and there was a reliance on disposal of void properties to fund capital works; and
- The HRA Medium Term Financial Strategy (MTFS) transformation programme was underway, comprising market testing of: Repairs and Maintenance; and Housing Services for the South of the Borough.

The key financial risks included: the impact of welfare reforms; the impact of higher void rates of fixed term tenancies; general market risk on re-procurement of contracts; loss of income due to high levels of Rights to Buys; and additional health and safety requirements.

The HRA MTFS savings proposed £2.7 million in 2013/14, rising to £4 million per annum by 2014/15. These savings were offset by £2.2 million of growth, primarily due to increases in corporate recharges, changes in accounting rules regarding the treatment of non-dwellings depreciation, a reduction in income due to Rights to Buy and an additional budget for fixed wiring electrical testing, which is a Health and Safety requirement.

The Council's ability to increase rents over and above the rent restructuring formulae needed to be viewed in the context of the pressures on the HRA. The rationale for reviewing the Council's rent policy was set out in the report. The results of benchmarking Council rents against those charged in other neighbouring boroughs had demonstrated that Hammersmith & Fulham rents were considerably lower. In addition, the benchmarking had identified that current rent levels disadvantaged tenants who lived in smaller properties.

An increase in bad debt provision had been made to provide some protection against the impact on rent collection rates as a result of the various strands of the Government's Welfare Reform Programme. It was likely that the risk would increase in future years.

Councillor Cowan considered that staff back office savings of 12% were too low and queried whether these savings had been benchmarked against other councils. Mr Barrett advised that £6 million in savings had been taken out between 2008 and 2010, and the current HRA MTFS Transformation Programme was projecting a further saving of £2.7 million in 2013/14 and an ongoing annual revenue saving of £4 million per annum from 2014/15 onwards.

Mr Barrett further advised that the twin objectives were to achieve greater cost efficiency and to improve service quality. The savings would be achieved through a combination of re-procurement, market testing and transforming the way teams worked and services were delivered.

Mr Barrett also drew Members' attention to Appendix 2 of the report which projected a reduction in FTEs from 375 to 210 between 2013/14 and 2014/15 onwards. These projections would be subject to the outcome of the market testing exercises currently underway.

ACTION

A report on housing management costs, to include staffing would be added to the work programme.

Action: Mel Barrett

RESOLVED THAT:

The Committee noted the report.

36. SELF DIRECTED SUPPORT SERVICES PROCUREMENT AND HAFAD

This item was taken before item 34.

Andrew Webster introduced the report, which had been requested by the Committee as a result of concerns in relation to the current provider of Direct Payment Support, HAFAD, which had not been successful in the procurement process. The purpose of the report was to address these specific concerns and to clarify the procurement process, and to explain how the transition to a new service arrangement would be managed.

Mr Webster stated that the key issue related to a misunderstanding by HAFAD in respect of the instructions relating to how to price the service, and what should be included in the hourly rate. HAFAD had formed the view that a single hour of service should be priced to take account of an estimate of the additional hours of follow up work that might be required to deliver a particular outcome, and one hour of face to face time was priced as the equivalent of approximately four hours of work. On receipt of the initial price submission, and noting the discrepancy in relation to HAFAD, all providers had been asked to clarify their price. In response, HAFAD had retained its pricing.

The framework agreement for Self Directed Support Services for Adults and Children and Young People had been procured by four boroughs (Brent, Hammersmith & Fulham, Hillingdon and Kensington & Chelsea), and set out four lots covering the general range of services, which the four boroughs wanted to make available. Although HAFAD had fared well in terms of quality, the price submitted had been much higher than any other providers and consequently they were not selected as one of the five preferred providers on the Adult Services framework. They were one of three providers on the Children's Services framework, but were again significantly the most expensive.

Legal advice had confirmed that the approach taken by Council officers was in accordance with the procurement rules, and that it would have been wrong to have approached only one bidder to seek clarification on the basis that their prices seemed too high. This would have provided an unfair opportunity to reduce their prices.

The Council recognised that the support of HAFAD would be key in the transition to the new process, and a two month contract would be agreed. Officers would continue to work closely with HAFAD.

The Chairman stated that whilst she appreciated that the procurement process was a straight forward commercial process, the nature of the service had overwhelming non-commercial aspects. In addition, HAFAD and the majority of providers were not commercial, and the process should have been considered against that background. The costs submitted by HAFAD were significantly higher than those of other providers and therefore it should have been obvious that they had been calculated on a different basis. It should have been possible to alert HAFAD at a stage at which the misunderstanding could have been rectified. However, officers had followed the rules and failed to look intelligently at the whole process.

Councillor Ginn responded that preferred providers had been selected on the basis of a quality score in addition to price. Officers considered that they had followed the correct procedure, in line with legal advice and were unable to approach HAFAD directly in relation to the inconsistency in pricing. The procurement process had been completed and successful bidders selected to be on the framework. It would not be possible to reverse this, but the process would be reviewed to prevent a future recurrence.

Councillor Cowan considered that the report was biased as it had been written by the officers involved in the procurement process. Mr Webster responded that his role was to provide objective advice to the Council and that officers were keen to learn from the process. On receipt of the initial price submissions, the discrepancy in relation to HAFAD had been noted, and all providers had been asked to clarify their price (4.6 of the report).

Members queried why it had not been possible to prevent the misunderstanding and the validity of the legal advice. Mr Webster responded that officers had not been aware of the inconsistency until the end of the process. The on-line portal made available information to all bidders, and clarification in respect of price had been issued (4.4 of the report).

Maria Brenton stated that HAFAD had missed the clarification on the portal and had relied on the imprecise and unclear information in the tender document (4.3 of the report). In addition HAFAD had received similarly unclear answers in response to its questions in respect of pricing of the service. HAFAD had been told to include all additional hours of follow up work and was not asked for a breakdown of price.

Councillor Graham queried whether a comparison between HAFAD's bid and the current contract had been undertaken. Mr Webster responded that this was not possible as the previous block contract was not directly comparable.

Councillor Graham considered that the tender information had led different organisations to different conclusions. Mr Webster responded that only HAFAD had misunderstood the information. It had been correctly interpreted

by other organisations, which were a mixture of local and specialist organisations, but not large multi-national companies.

Councillor Carlebach queried the level of confidence in the bidders in view of the inconsistency in price. Councillor Ginn responded that there would be meetings with providers to work through the tender in detail. There were no concerns in respect of the prices.

Ms Brenton responded to a query that the impact on HAFAD had included four redundancies.

ACTION

A brief update to include recommendations on how to improve the procurement process to be provided to the next meeting.

Action: Andrew Webster

Ms Brenton referred to the new service model whereby the provision of basic advice and information would be core to the work of the operational teams and for which HAFAD had offered to provide training. The new service would commence on 1 April 2013 and there appeared to have been no staff training and service users had not been sent written information.

Mr Paul Rackham responded that letters would be sent to service users on the following day and a contact telephone number and e-mail address would be provided. Officers would work closely with HAFAD to put in place the required training and development plan across the boroughs. In addition, the in-coming providers would have expertise.

ACTION

A report on the Self Directed Support Services, including feedback from service users, to be provided to the June meeting.

Action: Andrew Webster

RESOLVED THAT:

1. The committee noted the contents of the report.
2. The committee expressed concern that the tender process was not adequately robust, resulting in a major anomaly in pricing.

37. HOUSING AND REGENERATION JOINT VENTURE VEHICLE

Mr Barrett accompanied by Neil Kirby presented the report in respect of the establishment of a housing and regeneration joint venture, which was one of three main strands of work currently being considered:

- Hidden homes programme for small sites, generally less than five units per site;
- Innovative housing built using modern methods of construction for intermediate sites, generally between 5 and 20 units per site; and
- Joint Venture Vehicle (JVV) to deliver on selected larger Council owned development sites, between 50 and 200 units per site.

In respect of the first two smaller strands, the Council would bear the full development risks, whereas the JVV would enable the Council to deliver at scale on selected larger Council owned development sites to increase housing supply and specifically low cost home ownership, whilst sharing development risks with an experienced Private Sector Partner (PSP), which would bring finance and development expertise to the partnership. The Council would share in development profits in addition to extracting land value.

The Council had appraised several Council owned development sites and it was proposed that two sites: Watermeadow Court, SW6 and Edith Summerskill House, SW6 be transferred to the JVV, once established, to be redeveloped for housing.

Mr Barrett clarified that the proposed arms length charitable body which would receive project receipts was in respect of the first two strands, where there would not be significant numbers of housing units. The financial return from the JVV would be direct to the Council for re-investment in further housing and re-generation projects or repaying debt.

The PSP procurement included public works with a financial value above the EU threshold, thereby requiring an OJEU compliant competitive procurement process to be undertaken.

An update on the procurement process would be added to the work programme.

Action: Mel Barrett

RECOMMENDED THAT:

The report be noted.

38. WORK PROGRAMME AND FORWARD PLAN 2012-2013

RESOLVED THAT:

The work programme be approved.

39. DATE OF NEXT MEETING

RESOLVED THAT:

The date of the next meeting be changed to **20 February 2013**.

40. EXCLUSION OF PRESS AND PUBLIC

RESOLVED THAT:

Under Section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting during the consideration of the following item of business, on the grounds that it contains the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information

41. HOUSING JOINT VENTURE VEHICLE: EXEMPT ASPECTS

The Committee considered the approximate outputs of each of the delivery options: disposal, JVV and direct delivery. The Direct Development option gave a significantly lower return to the Council. This had been based on the inexperience of the Council in undertaking recent large scale residential development for market sale. Lambert Smith Hampton considered that the Council would not be as aggressive as the private sector in pursuing an optimal planning consent in value terms, for example it was unlikely that the Council, as developer, would lodge a planning appeal against itself as Local Planning Authority, which was an option open to a private developer. In addition, it was considered that the Council would achieve a lower number of dwellings.

Mr Barrett responded to a query that Lambert Smith Hampton, the Council's retained Chartered Surveyors, had estimated that, in the event of the Council undertaking direct development. it would achieve 15% less, both in terms of development density and value of development achieved.

RESOLVED THAT:

The report be noted.

Meeting started: 7.00 pm
Meeting ended: 9.55 pm

Chairman

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