

Economic Regeneration, Housing and the Arts Policy and Accountability Committee Minutes

Tuesday 1 December 2015

PRESENT

Committee members: Councillors Adam Connell, Alan De'Ath (Chair) and Harry Phibbs

Other Councillors: Sue Fennimore, Lisa Homan and Max Schmid

Officers: Kathleen Corbett and Jana Du Preez

23. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Lucy Ivimy.

24. DECLARATIONS OF INTEREST

There were no declarations of interest.

25. MINUTES & ACTIONS

The minutes of the meeting held on 3 November were agreed to be accurate.

26. THE FINANCIAL PLAN FOR COUNCIL HOMES

Kath Corbett explained that the report addressed the Housing Revenue Account (HRA) budget and business plan for both the next year and the next 40 years. She explained that when she had attended the PAC last year in December 2014 to discuss the financial plan for council homes, residents had supported a rent increase of CPI (Consumer Price Index) + 1%, a service charge increase at CPI, and an extra £1 per week increase for those not yet

paying target rents. This was intended to allow significant investment in the council's housing stock, and was considered to be a good balance between affordability for residents and ensuring that homes were of a decent standard. In July 2015 the government had decided to cut all social rents by 1% per year for each of the next four years, which by 2020 would lead to the average weekly rent being £17 per week lower than under the previous plan. The change would however take £24 million from the business plan over the next four years and results in a £74 million shortfall in the Long Term Financial Plan covering the next ten years. She clarified that the HRA was not just losing 1% but the previously planned rises as well. This is a significant loss of expected income; the only reason the position was not even worse was because the recent stock condition survey had reduced some of the future years costs.

The planned works schedule would have to be altered to take account of the reduced budget. Planned works for 2016/17 would be protected as it would be difficult practically to cancel them, and residents were already engaged in the plans. The new stock condition survey, carried out as part of the work of the Residents' Commission on Council Housing, had been very useful in starting to plan a new schedule of works. The Housing Representatives Forum had been asked about what should be protected and what could be delayed, and window replacement had been identified as a priority, alongside boiler replacement, whereas new kitchens, bathrooms and heating systems were seen by residents as less urgent.

Kath Corbett said that officers had tried to mitigate the impact on the window replacement programme, but that it had not been possible to protect it completely. She explained that works to windows in the following locations may be delayed: Linacre Court, Derwent Court, Verulam House, Waterhouse Close, Arthur Henderson House, William Banfield House, 5-48 Walham Green Court, Lampeter Square, Clem Attlee Estate, Becklow Gardens, Burnand House, Bradford House, Lancaster Court, Ashcroft Square, White City Estate, Griffin Court and Sullivan Court.

Kitchens, bathrooms and electrical wiring might be delayed beyond the replacement cycle period in the following locations: Wormholt Estate, Old Oak Estate, Creighton Close, Orwell, Crengam and Hayter Houses, Aspen Gardens, Flora Gardens, Woodmans Mews, Derwent Court, Chisholm Court, Mylne Close, Standish House, Paddenswick Court, College Court and Bulow Court.

Heating distribution systems, including pipework, radiators and controls, might be delayed at: White City Estate, Sullivan Court, Flora Gardens, Aspen Gardens, Queen Caroline Estate, Emlyn Gardens, Riverside Gardens, Fulham Court, Barclay Close and Springvale Estate.

Kath Corbett explained that there was a difficult decision to be taken around street properties, which had seen under-investment for some time and many therefore needed significant works, however, many of these properties were likely to be sold off as a result of the government's decision to force councils

to sell off high value voids. If a property were renovated and then sold off significant sums could be spent without any benefit to council tenants.

Councillor Homan explained that she understood that the rent decrease would be good for tenants, noting that not many people would turn down the offer of paying less for housing in London, but said that the impact on the council's ability to maintain the stock was significant. She said that as well as rental income being reduced by 1% per year, the council would also lose out on rent from those high value voids which it was forced to sell by the government. The budget gaps Kath Corbett had spoken about didn't take account of this because the government still hadn't provided any detail on the high value voids scheme. There was also no information on how the 'pay-to-stay' scheme the government was proposing would work, and so the council had to set its budget for the next year without all of the information it needed, which she felt was unacceptable. Councillor Homan explained that the council would be doing all it could to raise money through commercial rents, garage lettings and selling advertising space, but this could not reduce the budget gap by much.

A resident asked whether council tax would be raised to fill the gap. Councillor Connell noted that the government had recently announced that it would allow councils to increase council tax by 2% to fund adult social care spending, but that this could not fund council housing. Councillor De'Ath noted that the administration had committed to cutting council tax. Councillor Phibbs supported the intention to cut council tax.

Joy Nichols asked whether service charges for leaseholders would increase as a result of the cut in social rents. Kath Corbett said that they would not, explaining that the council could only charge leaseholders what they actually spent on their properties and the areas covered by their lease.

A resident asked whether the lower investment in properties would lead to higher reactive repairs costs and therefore be a false economy. She also felt that if there was greater pressure on the repairs service a better system of prioritisation would be needed to ensure that those in real need of repairs could get them done. Kath Corbett said that it was hard to model the precise impact of lower investment on repairs, however she expected that the amount of money spent on repairs would rise.

Councillor Connell asked whether the reduced investment might impact on the value of the stock. Kath Corbett explained that because of the way council housing stock valuations were undertaken it was unlikely to have a significant impact in the current housing market. If the reduced spending was sustained over a long period lower property values might impact on the value of the HRA reserves.

Councillor Phibbs said that he was pleased that rents had been reduced, but was disappointed with the tone of the report; he felt that there were further opportunities for saving money without cutting services which the report failed to recognise. He raised particular concerns about the cost of scaffolding which was left up for extended periods of time and long term voids. He felt

that some council houses ought to be sold if they were particularly valuable and would require significant investment to make them habitable. Kath Corbett explained that savings could and would be made, however, the impact of the rent reduction was so large that delays to the planned works programme were inevitable. Other efficiency savings were always being investigated; indeed the Head of Housing Financial Investment and Strategy was currently attending project meetings for planned works to try to reduce costs. Officers were keen, however, to ensure that efficiency savings didn't make the service worse for residents. Councillor Homan explained that scaffolding cost a significant amount to erect and dismantle, but that the rent was relatively cheap. Therefore it was sometimes better value to leave scaffolding up around a property where further works were scheduled.

ACTION – Kath Corbett to provide the Chair and Councillor Phibbs an explanation of how scaffolding was charged.

Councillor Phibbs asked whether there were plans to share more housing services with Kensington and Chelsea. Councillor Homan explained that there were not; there were practical problems around keeping HRA funds, which had to be used for specific purposes in Hammersmith and Fulham, separate from other funds, as well as significant differences in the approaches the two councils were taking to housing. The council was however looking at selling its expertise in dealing with homelessness to other boroughs and its Right to Buy and leaseholder enforcement services to housing associations.

Councillor De'Ath asked how planned works were currently procured. Kath Corbett explained that there were a small number of contracts in place which covered most of the planned works in the borough. These contracts were currently being reviewed as they were due to expire in 2016, however, she explained that the current contracts were quite good value as construction inflation was high, whereas the prices in the most contracts were linked to CPI.

Councillor Connell asked whether the sale of high value void properties would be sustainable for the borough. Kath Corbett explained that the money from the sales would have to be given to government, and the council was expecting to have to sell a significant proportion of its void properties. This would reduce the council's housing stock and might lead to increased temporary accommodation costs and a greater use of bed and breakfast accommodation. Councillor Phibbs noted that the money taken by government would be distributed to housing associations for building new stock; he thought that this could lead to an equal or possibly even a greater number of social housing units in the borough. Councillor Homan noted that it was difficult to build new housing, noting the difficulties faced in the current right to buy scheme. Kath Corbett noted that there was still no detail from the government on how the scheme would operate, and explained that even if homes were built on a one for one basis, there would still be a considerable period of time between a sale and a new property being built, meaning that the social/affordable housing stock was temporarily reduced.

Councillor Phibbs asked whether the council had a plan to reduce its HRA debt by selling stock and thereby reduce interest payments. Kath Corbett

explained that at present high interest loans from the 1980's and 1990's were being refinanced with loans at a much lower rate. She noted that selling stock could cut interest payments, but the rental income from the property would also be lost.

Shirley Cupit said that she did not feel that saving seventeen pounds per week was worth the reduction in the planned works programme it forced upon the council. She had spoken to many residents about it and none were supportive of the rent cut once they knew its implications. Councillor De'Ath asked what the government's reason for reducing rents was. Kath Corbett explained that the aim appeared to be to reduce the cost of housing benefit payments made by the government.

Councillor Phibbs asked whether rent types could be changed to affordable rents when tenants moved out, thereby mitigating some of the impact of the reduction in social rents. Kath Corbett said that the legal position remained unclear, but that even if the authority were able to change rent type it would be restricted by the housing benefit limit rent. Councillor Homan explained that the administration would not change rental types without an extensive period of engagement and a thorough consultation with residents; she reminded all present that the administration wanted to do things with people, not to people. Shirley Cupit noted that only social rent was affordable to those in the greatest need of housing.

A resident of Emlyn Gardens asked why a housing association was being allowed to build on council land. Councillor Homan explained that the council would be able to allocate the new properties to people on the housing register and that existing residents would benefit from a new tenants hall. She was happy to look into any specific concerns raised with her about the scheme.

Scott Reeve asked what the impact of the reduction in social rents would be on the recommendation of the residents commission. Councillor Homan explained that the residents commission had known about the reduction in social rents which had been announced in the budget on 8 July. The reduction in social rents made a stock transfer to a housing association more appealing as the new association would be able to borrow to cover the shortfall in rental income, which the council could not do because of the HRA debt cap.

27. SERVICE CHARGES FOR LEASEHOLDERS

Kath Corbett explained that there were two types of charges made by the council to leaseholders. These were the annual service charge, which covered services delivered by the council to a building or estate, and major works bills, which were for significant periodic works done to buildings and tended to be more costly.

Service charges were estimated each March and leaseholders were invoiced for this amount which they could then pay in ten monthly instalments. A reconciling invoice or credit note was then issued in the September after the end of the charging period, so that leaseholders paid the cost of the service

they received rather than the estimate. The average annual service charge in Hammersmith and Fulham was £827, which was much lower than service charges in either Kensington and Chelsea or Westminster. A resident said that this was appropriate as Hammersmith and Fulham residents were less affluent than those in the other two boroughs. Kath Corbett said that the council knew that approximately 10% of its leaseholders were former social housing tenants who had exercised their right to buy their homes. As well as low service charges the borough had generous payment terms and special schemes for those in financial difficulty.

When major works were needed residents were issued with Section 20 notices, before the works began. These were then invoiced after completion, with flexible payment terms available. Major works understandably caused some concern for leaseholders as works to buildings are quite complex and the bills could be significant.

Kath Corbett explained that leasehold services were trying to work with residents to improve many of their processes. Some of these related to the service charge, for example, a caretaking service review group had been formed and was to look at what and how caretaking services were provided. Estate inspections were being reviewed again, with a focus on feedback.

Improvements to major works processes had been significant, and over the past year with the help of leaseholders the wording and format of the Section 20 notice had been revised, whilst the process of estimating the work required to a building and/or estate have been reviewed. Training has also been provided for staff involved in the process. The repairs working group was also looking at how residents could be made aware of planned works before Section 20 notices were issued. Where leaseholders owned all the flats in a building, they could buy the freehold and then organise works themselves; this opportunity was now given to residents before notices were issued.

Councillor Homan said that she thought that services were improving, but noted that there were some areas which were still not as good as she would like; communication between officers, contractors and residents was an area where more needed to be done. She said that it was important that the council worked with residents to get services right, as only they knew what was important to them. Anthony Wood explained that the communications group would be looking at communications between MITIE and leaseholders, and that more leaseholders were needed to help with this work.

Councillor Phibbs asked why the charge made to leaseholders for caretaking had increased when he understood that the number of caretakers and regularity of visits, and therefore the cost of providing the service, had been reduced. Kath Corbett explained that the contract was based on outputs rather than the number of times a caretaker visited a block, and so the cost of the service may not have fallen. Jana Du Preez explained that sickness absence was now part of the Pinnacle contract cost and charged to leaseholders, whereas previously the council had borne this.

Councillor Phibbs asked how leaseholders could find out more detail about their service charge bills. Kath Corbett explained that bills were already broken down by item giving the total cost for the block, the proportion of each cost the leaseholder was expected to pay, as well as the amount they needed to pay. A list of reactive repairs undertaken in the block was also sent out with the bill so that leaseholders could see where money had been spent. The leasehold services team could answer more detailed queries. If Councillor Phibbs had particular concerns she was happy to look into them. She also explained that there was a right of appeal to the first tier tribunal.

Councillor Phibbs asked how Hammersmith and Fulham's service charges compared to West London boroughs other than Kensington and Chelsea and Westminster. Jana Du Preez said that she would provide benchmarking information to Cllr Phibbs. **ACTION - Jana Du Preez to provide benchmarking statistics to the Chair and Councillor Phibbs.**

Councillor Phibbs asked what proportion of spending was a management fee. Jana Du Preez explained that management fees had been benchmarked about 18 months ago and that Hammersmith and Fulham had performed well. **ACTION – Jana du Preez to provide the benchmarking information to the Chair and Councillor Phibbs.**

Councillor Phibbs asked what involvement leaseholders had in setting the specification for works. Kath Corbett said that the council had a responsibility to do some works, citing fire doors as an example; the repairs working group was looking at how leaseholders could become more involved in planning repairs. Councillor Phibbs asked whether a sinking fund model could be used to spread payments by leaseholders. Kath Corbett explained that this would lead to higher bills in the short term and was administratively burdensome, but that it had been considered before. Councillor Homan agreed to discuss the idea with the Leaseholders' Forum.

Joy Nichols asked how accurate estimates were. Kath Corbett explained that service charges were generally quite accurate, but that there was certainly more work to do on the major works estimates.

Councillor Connell said that he was pleased to hear about the work which was being done to improve services with residents.

A resident was concerned that leaseholders in the West Kensington and Gibbs Green Estates would be forced to move out of the borough. Councillor Homan explained that negotiations with CapCo were ongoing, but that it was difficult for the council to achieve everything it wanted to. Kath Corbett explained that the current offer gave leaseholders a right to a replacement home. Properties would be discounted by ten percent, and leaseholders could pay only from the money they received for their current home and the home loss award towards their new replacement home; the council would then hold the remainder of the equity, which would not be subject to rent. Shirley Cupit said that she had spoken to a representative of CapCo and they had suggested that the council would set the value of properties. Kath Corbett explained that a valuation would be done by a firm procured by the council to

establish the value of properties, both those the leaseholders were moving out of and their new homes.

28. WORK PROGRAMME AND DATE OF THE NEXT MEETING

Councillor De'Ath explained that a revised work programme had been developed and that members views on it would be very welcome. He noted that the March meeting was being kept clear to allow scrutiny of any cabinet decision arising from the Residents' Commission on Council Housing.

Councillor Connell asked that the item about new Key Performance Indicators (KPIs) for Mitie be brought to the committee soon as the item had first been suggested at the beginning of the municipal year. Anthony Wood explained that a sub group of the repairs working group was looking at this issue, and that they could bring their findings to the committee when they were complete.

Anthony Wood also explained that the communications working group was working with officers on a new communications strategy and that the item on the residents communication strategy would best be considered once that had been completed.

Shirley Cupit said that there would be a council housing residents conference in June, and that it might be timely to consider the resident involvement structure.

Councillor Homan suggested that the discussion on the private rented sector be delayed from the January meeting as the cabinet had agreed in November to consult on a range of options to improve standards in the sector. She suggested that the committee consider the issue once residents views were known. **ACTION – Ainsley Gilbert to remove the Private Rented Sector from the work programme for 19 January 2016.**

Meeting started: 7.00 pm
Meeting ended: 9.05 pm

Chairman

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