



CITY OF WESTMINSTER

MINUTES

Housing, Finance and Corporate Services Policy and Scrutiny Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Housing, Finance and Corporate Services Policy and Scrutiny Committee** held on **Wednesday 18th November, 2015**, Rooms 5, 6 & 7 - 17th Floor, City Hall.

Members Present: Councillors Brian Connell (Chairman), Antonia Cox, Peter Freeman, Adam Hug, Gotz Mohindra, Vincenzo Rampulla and Jacqui Wilkinson

Also Present: Councillors Daniel Astaire, Cabinet Member for Housing, Regeneration, Business and Economic Development and Tim Mitchell, Cabinet Member for Finance and Corporate Services, Guy Slocombe, Director of Property, Investment and Estates, Nicholas Gill, Director of Investment, Corporation of London, Simon Latham, Principal, Brook Investment Partners, Fergus Coleman, Head of Affordable and Private Sector Housing, Jake Mathias, Private Sector and Energy Commissioning Manager, Barbara Brownlee, Director of Housing and Regeneration, Steve Mair, City Treasurer, Andrea Luker, CityWest Homes and Reuben Segal, Senior Committee and Governance Officer

1 MEMBERSHIP

- 1.1 It was noted that Councillor Adnan Mohammed's name appeared on the front of the agenda in error and should have referred to Councillor Jacqui Wilkinson.
- 1.2 It was further noted that Councillor Robert Rigby had replaced Councillor Richard Holloway.

2 DECLARATIONS OF INTEREST

- 2.1 The known standing declarations as tabled at the meeting were as follows:

Member	Organisation	Nature of Interest
Brian Connell	KPMG	Employee. Whilst KPMG are no longer the Council's auditors they are completing some residual work which will conclude before the end of December.
Vincenzo Rampulla	CityWest Homes	Board Member

2.2 Councillor Wilkinson declared in respect of Item 5 that she is a member of the Steering Group that is working to promote Pimlico and Tachbrook Market and that part of her ward covers Tachbrook Street.

2.3 Councillor Mohindra declared that he is a member of the Steering Group looking at the refurbishment of City Hall.

3 MINUTES

3.1 **RESOLVED:** That the minutes of the meeting held on 16th September 2015 be signed by the Chairman as a correct record of proceedings.

3.2 **ACTION:** Re-circulate information requested at the last meeting on the proactive resettlement approaches of other London local authorities (**Anne Pollock, Scrutiny Officer**)

4 WORK PROGRAMME

4.1 The Chairman advised that Councillor Mohindra was representing the Committee at meetings being held between Cabinet Members and Executive Directors to develop budget proposals for the coming year. He further advised that the Budget Monitoring Task Group which scrutinises the budget proposals was expected to meet in the early New Year.

4.2 RESOLVED:

1. That the agenda items for the next meeting on the 6th January 2016 be agreed

2. That the responses to actions and recommendations as set out in the tracker be noted.

4.3 **ACTIONS:** Add an item on economic development to the Committee's Work Programme (**Anne Pollock, Scrutiny Officer**).

5 UPDATE FROM CABINET MEMBERS

- 5.1 The Committee received written updates from the Cabinet Member for Finance and Corporate Services and the Cabinet Member for Housing, Regeneration, Business & Economic Development on the key aspects of their portfolios. A written update from the Cabinet Member for Finance and Corporate Services was circulated following the publication of the agenda.

Questions to the Cabinet Member for Finance and Corporate Services

- 5.2 The Cabinet Member was asked about the implementation of the new IT contract. He advised that the service was provided by BT which operates a similar contract in Cornwall. Unlike that contract, which it was reported was experiencing difficulties, the Tri-Borough Service was operating well. He reported that staff satisfaction with the Council's IT had increased significantly in the last year.
- 5.3 The Cabinet Member was asked about economies of scale opportunities across Tri-Borough services. With regards to procurement, he explained that a number of contracts had been developed on a framework model which enables other local authorities to "buy-in" and use the systems or technology. Where this occurs the Council will be reimbursed a proportion of its costs. Procurement was not delivered on a Tri-Borough level. Whether there was merit in moving to such an arrangement was still a matter for consideration. He highlighted a range of examples where authorities were working together at a sub-regional cluster level. This included the London Borough of Wandsworth entering into an arrangement with London Borough of Richmond. The London Borough of Hammersmith and Fulham was part of the West London Alliance while the City Council was a member of the Cross River Partnership which focused on economic development opportunities. Some of the partnerships were driven by financial considerations while others involved sharing expertise or were based on geographical practicalities.

Cabinet Member for Housing, Regeneration, Business & Economic Development

- 5.4 The Cabinet Member supplemented his written paper with a verbal update on key activities within his portfolio. This included details of a Federation of Small Business award for the Council's work on Maida Hill market, activities associated with Westminster Enterprise Week, a recent meeting with the city's BIDs and an update on the progression of the Housing Bill and the Council's lobbying activities in relation to it.
- 5.5 With regards to the renewal of Tollgate Gardens, the Cabinet Member was asked whether the temporary accommodation residents being decanted from the estate would be provided with alternative accommodation within the borough. He informed the committee that the affected families would be offered accommodation which is both suitable and affordable in line with the council's policies.

- 5.6 The Cabinet Member was asked which elements within the draft housing strategy would be taken forward in the Direction of Travel document. He advised that the document would incorporate the theme on people such as improving health by investing £12 million in tackling cold/damp in over 5800 council homes and the economic opportunities and work programmes included in the theme on prosperity. The aspects of the draft housing strategy that focused on intermediate housing would be put to one side until there was greater clarity about the implications of the Housing Bill.
- 5.7 The Cabinet Member was asked about the requirement of CityWest Homes to reduce its operating costs by £5.2m. He explained that the savings were needed to balance the HRA account which would be affected by the government's housing/welfare changes where there would be an annual 1% cut in social rents for 4 years. The Altair report also identified areas where CityWest Homes could deliver savings. These included opportunities for improving IT and developing online services and introducing a new procurement operating model.
- 5.8 The Cabinet Member was referred to the fact that the Roughsleeper's Strategy was due for renewal next year. He was asked what joint working would be undertaken in the development of the strategy with the Cabinet Member for Public Protection. The Cabinet Member clarified that he was responsible for all aspects of rough sleeping with the exception of addressing on-street rough sleeping. He explained that the Council was looking to re-commission the service.
- 5.9 In relation to the City's BIDS, the Cabinet Member was asked about the liaison arrangements at a senior level between the Council and the executive teams running the BIDs. He explained that while the BIDs involved and impacted upon a number of Cabinet Member portfolios he coordinated this relationship with the aim of addressing issues and resolving blockages within the Council. In the last year he had developed a new method of working with the city's BIDS. Quarterly meetings were now held between members of the Council's executive and BID chairmen. Additionally, the Cabinet held an annual meeting with representatives of the BIDs. In response to supplementary questions, the Cabinet Member advised that any decision on extending the BID's enforcement powers was a matter for the Cabinet Member for Public Protection. He explained in relation to measuring performance that the BIDs were held to account by those businesses that pay the running costs. The Cabinet, however, has responsibility for approving the bid proposal so that a ballot on establishing a BID may take place. In considering a proposal the Council will expect plans to align with the Council's priorities.
- 5.10 How the council promotes apprenticeships and engages on this subject with local businesses was raised with the Cabinet Member. He was informed that some businesses had found it difficult to obtain information and assistance in recruiting apprentices. The Cabinet Member stated that there was a team within the Council dedicated to promoting the Council's various work programmes. Officers promoted apprenticeships directly with local businesses and advertised opportunities in the young person's magazine. On

some occasions activities were outsourced to the London Apprenticeship Company. He accepted that the wide range of routes could be confusing and that the process needed simplifying and this was being looked into.

5.11 The Cabinet Member was asked about the cost per placement achieved through the Council's employment and skills projects. He advised that there may be other metrics that are more relevant to focus on when assessing project outcomes and performance such as the benefits and savings of helping the long-term unemployed into work.

5.12 **RESOLVED:** That the updates from Cabinet Members be noted.

5.13 **ACTION:**

Provide the committee with details of the alternative accommodation offered to temporary accommodation residents vacated from Tollgate Gardens once all relocations are complete. (**Action for: Barbara Brownlee, Director of Housing & Regeneration**)

6 THE COUNCIL'S CORPORATE PROPERTY STRATEGY AND CURRENT SITUATION

6.1 The Committee received a report that outlined the Council's Corporate Property Strategy and the current situation and aspirations for growth over the next five years.

6.2 The paper outlined the breadth of the Council's property assets – the corporate portfolio, that is the real estate the Council occupies to provide its services, and the investment portfolio from which the Council generates revenue and to highlight the strategic approach to its management.

6.3 Guy Slocombe, Director of Property, Investment & Estates, provided a PowerPoint presentation highlighting the key issues.

6.4 The Committee heard from Nicholas Gill, Director of Investment, Corporation of London and Simon Latham, Principal, Brook Investment Partners, who had been invited to the meeting to assist the Committee in its deliberations.

6.5 At the Committee's request Mr Gill summarised his professional experience. He stated that he had worked in the property investment market for 35 years, 30 years of which had been in private practice. Since October 2010 he had been employed by the Corporation of London as its Director of Investment managing £3 billion of property assets with an objective of maximising revenue and delivering performance.

6.6 Mr Gill provided the following information about the Corporation of London's investment portfolio:

- It was benchmarked by Investment Property Databank and was a top quartile performer over 20, 15, 10, 5 and 3 year terms.

- Investment was only made in property located in central London; 60% of the portfolio was located in the city of London with 20% based in Westminster and the remainder in Tower Hamlets, Southwark, Camden and Islington.
- The investment portfolio's objective is to assist the Corporation in being the foremost global financial centre in the world. The directorate also aims to utilise the portfolio to provide accommodation for the areas small and medium enterprises.
- The portfolio was diversified consisting of 60% offices, 35% retail and 5% industrial.
- The property management function consists of directly managed short term lets and other properties where the Corporation is a landlord and collects ground rent.
- It has pools of available capital to reinvest in the portfolio. In the last few years it has actively invested capital by undertaking major refurbishments to future proof properties. This has included installing air conditioning, showers and bike facilities that office tenants are looking for. This has resulted in an increase in rental growth.
- The investment portfolio has a five-year strategy which is reviewed annually. Business plans are developed for each property and are examined forensically on a regular basis to ensure that the best outcomes are being achieved.
- The investment and corporate property portfolios at the Corporation are managed by different people. Similarly to the City Council, the Corporation was looking to reduce its corporate property footprint.

6.7 Simon Latham then summarised his property investment experience. He had spent 30 years working in real estate, predominantly in the commercial sector. 17 years of this was spent working as a fund manager overseeing a portfolio with a value of £3.5 billion. This consisted of collective investment schemes involving a multiplicity of fundholders. The management of the schemes was predicated on two key objectives; i) using the best advice available at the appropriate price to ensure that assets were delivering to their full potential to meet the requirements of stakeholders and ii) constantly questioning how assets can be managed better. In managing the portfolios consideration was given not just to increasing revenue and driving rents but also to understanding the requirements of tenants who in some cases had occupied premises for many years. The portfolios were built by design and without the constraints of political considerations unlike some of the Council's portfolio which has been inherited and is to some degree run passively.

6.8 The committee then considered the issues set out in the report and submitted questions to officers and witnesses.

- 6.9 Mr Gill was asked about the separate management arrangements of the corporate property and investment portfolios at the Corporation of London and whether he would recommend this arrangement to the City Council. He explained that he worked in the City Surveyor's Department where the senior management team included the City Surveyor, Corporate Property Director and Property Projects Director as well as himself. All of the property was managed in-house which contrasted with Westminster whose investment portfolio is managed by external agent, Bilfinger GVA. He considered that the management arrangements at the Corporation of London worked extremely well.
- 6.10 Mr Slocombe informed members that the Council's internal Corporate Property Service consists of different teams which have specific responsibilities similar to that at the Corporation of London. He advised that the management contract with Bilfinger GVA was very cost-effective and that it would likely be more expensive to undertake the work in-house given the number of property managers it would require to undertake all the duties associated with managing the investment property assets.
- 6.11 Mr Slocombe was asked about the criteria used to measure the value of a building. He explained that every building within the investment portfolio is measured against a number of criteria, its lease term, location, condition and income. This will identify its capitalisation rate (or yield) which is multiplied against the revenue it generates and what it could generate on reversion. The Council will wherever possible avoid selling assets however where there is a clear rationale for doing so it will go through the necessary governance processes.
- 6.12 The Committee asked Mr Slocombe whether the Council looks to improve the investment portfolio when disposing of an asset that is not delivering a competitive yield. He stated that this was the case. The Council's Corporate Property Strategy is to restructure the investment portfolio incrementally. This will include refurbishing office buildings to optimise revenue generation as well as ensuring the portfolio is sufficiently diversified so as not to be overexposed in any one area or location. In response to a supplementary question about risk management he explained that the Corporate Property team work closely with the City Treasurer to manage risk and that contingency was built into business plans. As a long-term asset holder the Council was able to withstand short term fluctuations in the market.
- 6.13 Reassurance was sought from Mr Slocombe that any review of retail parades which are secondary in nature (family run corner shops and hairdressing salons, for example) would be considered in the round. He was informed that some of the tenants were struggling and an increase in rents would prove critical to their businesses viability. Mr Slocombe explained that historically each shop within a parade had been considered individually. He advised that in future retail parades would be considered holistically, though individual tenancies remain integral to a combined strategy. Fundamental to the Council's property asset management strategy is a need to consider a range of factors including socio- economic factors. He advised that whilst secondary retail does not provide the prospect of high levels of revenue or capital growth

it does provide a low risk from revenue void. Some of the businesses had been run by generations of the same family providing a continuity of income to the Council as well as services to the local community and Westminster would not want to lose this.

- 6.14 The expert witnesses were asked how the Council could best pursue commercial development opportunities with private sector investors as equitable partners. Members commented that there were various political and statutory obligations incumbent upon the Council which impacted upon and sometimes conflicted with the requirements and speed desired by private investors. Mr Latham highlighted that the Council had a greater diversity of opportunities than other local authorities in that its assets were located in one of the most highly desirable and valuable geographical areas of the country where there was a finite amount of land. He stated that there were a number of private sector bodies who were hugely experienced in the areas that the Council is looking to increase the value of its investment portfolio. For a fee the Council could enter into a joint venture structure. Raising capital, pursuing compulsory purchase orders and meeting planning policy requirements were all in the Council's control. He considered the Council needed to be more transparent with equity partners about these processes which also needed to be streamlined to combat private sector concerns that a significant amount of time and effort would be involved for little gain.
- 6.15 Mr Slocombe was asked about the membership of the Property Investment Panel and whether there was room on the membership for a member of the minority party. He explained that the councillors that sit on the panel (Councillors Tim Mitchell, Ian Rowley and Jean-Paul Floru) were selected as they have direct private sector experience in property portfolio investment or have responsibility as Cabinet Member, or Deputy, for Property. He undertook to raise the matter with the Cabinet Member for Finance & Corporate Services.
- 6.16 The Committee asked whether the examples in the presentation around reducing the operational portfolio were based on intended projects. Mr Slocombe clarified that they were illustrative. Members commented that any proposals to co-locate other services within libraries would require extensive community consultation. Mr Slocombe explained that every asset within the portfolio would be carefully reviewed. The corporate property team was embarking on a very detailed analysis of how the operational portfolio was being used. As an example he highlighted that some of the Council's schools were not fully used and were largely empty after 3:30pm whereas other buildings close by might only be occupied by community groups for a couple of hours per day. There were opportunities to match users to assets in a much more productive manner.
- 6.17 Mr Slocombe was asked about the 10% of the investment portfolio that was let to voluntary & community services. It was suggested to him that it might be preferable for those organisations that were funded by the Council to pay market level rents to determine which were viable. Mr Slocombe explained that there were 35 voluntary and community services tenants. Many of the tenancies were historic, gifted by the City Council some 40 to 50 years ago

and would be expensive to take back. Currently tenancies are awarded as part of a commissioning structure where the Council provides a grant and accommodation to an organisation that is providing a useful community service. These tenancies are on more flexible terms than would be given to a commercial tenant. However, if the commissioned service failed to deliver the structure could be reviewed.

6.18 **RESOLVED:**

1. The Committee welcomed the witnesses' observations and felt reassured that the Council's decision to desist from funding its capital programme from asset sales is appropriate and that the organisation has the ability and professional expertise to manage its property investment portfolio.
2. The committee agreed that the Council should use its General Fund land and property assets more effectively to grow income lines to support front line services.
3. The committee noted the witnesses' advice about how the Council can best pursue commercial development opportunities with private sector investors as equitable partners.
4. The committee endorsed the aim of reducing costs and increasing revenue from the rationalisation of the operational portfolio in order to contribute to the Council's budget arrangements. It considered that in principle no asset should be exempt from review to ensure that all properties were being used to their maximum potential. The review of some sites will require sensitivity and any proposal for change will need wide consultation due to the nature of the use(s). However, it considered that it was important that the Council explores the use of its assets in line with its fiduciary duty to the council's taxpayers.
5. The Committee welcomed the establishment of the Property Investment Panel which provides expert advice to the Council on the investment portfolio which included, as part of its membership, external, professional Fund Managers, Dr Robin Goodchild of LaSalle Investment Management and Simon Latham of Brook Investment Partners.

ACTION: Advise whether a member of the minority party can join the membership of the Property Investment Panel (**Councillor Tim Mitchell, Cabinet Member for Finance & Corporate Services**).

7 **REGISTERED PROVIDER PERFORMANCE AND CITYWEST HOMES RESIDENT SATISFACTION**

- 7.1 The Committee received a report that detailed i) the performance and tenant satisfaction of registered providers (RP) and other social landlords who have housing stock in Westminster and ii) CityWest Homes Customer Satisfaction.

- 7.2 Members were informed that RP landlords are independent of the City Council and are regulated by the Homes and Communities Agency. Being independent, the City Council does not have direct control over RP's but works in partnership with them to meet the needs of Westminster residents.
- 7.3 The Committee had previously raised a concern that the CWH customer satisfaction surveys do not get responses from all of the target audience and may exclude the hard-to-reach and discontented. The paper provided further detail on the methodologies employed by CWH and commentary on the reliability of the results and their plans for supplementing the present approach.
- 7.4 The Committee discussed the issues of RP performance. Members considered there to be a mismatch between the social landlord performance and tenant satisfaction data set out in the report and the volume of complaints councillors receive from RP residents about their housing provider. A further comment raised was that the performance data did not seem to vary over time which seemed unlikely and further brought into question the accuracy of the data.
- 7.5 Officers considered that residents experiencing problems were more likely to get in touch with their local councillor which could potentially skewer members' perception of satisfaction levels. Officers stated that the Council would never truly have an accurate picture of RP resident satisfaction levels until there was a proper data set of information provided by RPs relating to their operations in the city.
- 7.6 Fergus Coleman, Head of Affordable and Private Sector Housing, commented in respect of RP's that one of the biggest challenges was communicating with residents and understanding their needs. Members commented that in some instances there was a lack of connection between provider call centres and the local housing stock. Concerns were also raised about the refurbishment cycles of some RPs which were much longer than those of CityWest Homes.
- 7.7 Barbara Brownlee, Director of Housing and Regeneration, suggested that members forward copies of complaint letters to her so that she can take up issues directly with the relevant RPs. She commented that while the Council did not have direct control over RPs it had the ability to influence them. For example, they may wish to obtain approval to develop housing within the borough. Proposals are included in the Housing Direction of Travel document regarding developing preferred partner lists where RPs with high tenant satisfaction levels would have opportunities to bid for development funding provided through the affordable housing fund. She further commented that RPs care about their reputation and would be concerned about councillors perceiving them negatively as a consequence of receiving complaints from residents.
- 7.8 Officers were asked about the design of an annual questionnaire that could be sent out to all major RPs requesting information concerning their performance and tenant satisfaction data as it relates specifically to their operations in the city. Officers advised that for consistency and benchmarking purposes

the survey would use the standardised questions used in the Housemark questionnaire.

7.9 The second part of the report set out the different satisfaction levels between CityWest Homes lessees and tenants. With regard to tenant satisfaction levels with repairs and maintenance, Andrea Luker, CityWest Homes, explained that the organisation undertook 30,000 repairs in the previous year. In 90% of cases residents were satisfied with the work undertaken. Despite dissatisfaction with repairs and maintenance running at only 10% this meant that there were 3000 occasions where residents were unhappy and it was these matters that councillors were likely receiving correspondence about. CityWest Homes was working to understand what had gone wrong on these occasions and was putting in place measures to ensure that they did not re-occur.

7.10 **RESOLVED:**

1. The Committee noted officers desire to be able to make comparisons between the performance and tenant satisfaction of all major RPs in the City. It was further noted that while officers would like to produce an annual questionnaire that will be sent out to all our major RPs requesting standard information further discussions should take place to discuss the best mechanism to gather the necessary data.
2. The Committee agreed that members of Westminster's Housing Association Chief Executives Group should be asked to make a voluntary commitment to provide local Westminster performance and tenant satisfaction data available to the Council in future.
3. The committee requested that officers utilise the range of levers at their disposal to encourage an improvement in RP performance in Westminster. This could include developing preferred partner status lists to senior housing officers raising complaints and issues directly with relevant RPs. The Committee could also consider adding an annual public question session with RPs to its Work Programme.

7.11 **ACTION:** Provide the Committee with an update on approaches being put in place to influence an improvement in RP performance in Westminster.
(Barbara Brownlee, Director of Housing and Regeneration).

The Meeting ended at 9.25 pm

CHAIRMAN: _____

DATE _____