



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 10th June, 2015**, Rooms 5, 6 & 7 - 17th Floor, City Hall.

**Members Present:** Councillors Brian Connell (Chairman), Antonia Cox, Richard Holloway, Adnan Mohammed, Gotz Mohindra, Adam Hug and Vincenzo Rampulla

**Also Present:** Councillor Susie Burbridge, (Deputy Cabinet Member for Housing, Regeneration, Business and Economic Development), Steve Mair (City Treasurer), Jane West (Interim Bi-borough Director of Corporate Services), Ben Denton (Executive Director, Growth, Planning and Housing), Cecily Herdman (Principal Policy Officer), Andrew Barry-Purssell (Head of Spatial and Environmental Planning), Hugh Allen (Head of Strategy, Planning, Policy and Insight, Peabody), Alisdair Chant (Managing Director, Berkeley Partnership Homes), Jake Mathias (HRA Strategy Manager), Marc Wolman (Director of Customer Services and Business Transformation, CWH) and Petros Christen (Director of Finance and Strategy, CWH), Reuben Segal (Senior Committee and Governance Officer) and Mark Ewbank (Scrutiny Manager).

**Apologies for Absence:** Councillor Peter Freeman

#### 1 MEMBERSHIP

- 1.1 It was noted that Councillor Vincenzo Rampulla and Councillor Adam Hug had permanently replaced Councillor Paul Dimoldenberg and Councillor Guthrie McKie on the membership.

#### 2 DECLARATIONS OF INTEREST

- 2.1 Councillors Holloway and Rampulla declared a standing interest in that they are board members of CityWest Homes.
- 2.2 Councillor Connell declared that he is an employee of KPMG who are the Council's auditors.

- 2.3 **ACTION:** That a standing declaration of interests list be produced and included in the agenda for each meeting to avoid regular declarations needing to be declared each time. (**Action for Reuben Segal, Committee & Governance Services**)

### **3 MINUTES**

- 3.1 **RESOLVED:** That the minutes of the meeting held on 27 April 2015 be signed by the Chairman as a correct record of proceedings.

### **4 WORK PROGRAMME**

- 4.1 An outstanding response relating to Hallfield Major Works was tabled.

4.2 **RESOLVED:**

1. That the Work Programme for 2015-16 be agreed
2. That the responses to actions and recommendations as set out in the tracker be noted.

### **5 UPDATE FROM CABINET MEMBERS**

- 5.1 The Committee received a written update from the Cabinet Member for Finance and Corporate Services on key areas of the portfolio. The Committee asked for details of the role of the Council's monitoring officer as well as the appropriate timelines for it to engage in the Council's medium term planning exercise to identify potential savings of the next three years to 2018/19.

- 5.1.1 In response to the issue of medium term planning and the budget process the City Treasurer advised that scrutiny of this was undertaken by the Committee's Budget and Performance standing task group which meets annually in January.

- 5.1.2 Jane West, interim Bi-borough Director for Corporate Services, explained that the Council's Monitoring Officer is a statutory role with the following responsibilities: (1) To report on matters he/she believes are, or are likely to be, illegal or amount to maladministration; (2) To be responsible for Matters relating to the conduct of Councillors and Officers; and (3) To be responsible for the operation of the Council's Constitution. While the role is currently performed by the Head of Legal and Democratic Services there is no requirement for this and it could be undertaken by another senior officer. Tasnim Shawkat was appointed to the post of Tri-borough Director of Law replacing Peter Large who will retire on 17<sup>th</sup> August. She is the Monitoring Officer for Hammersmith and Fulham and while she could undertake the role for all 3 boroughs there are several options for the future Monitoring Officer role which are being considered. A decision will be made in August by the Cabinet Member for Finance and Corporate Resources.

- 5.2 The Committee also noted the written update from the Cabinet Member for Housing, Regeneration, Business and Economic Development on key aspects within the portfolio. In the Cabinet Member's absence Ben Denton, Executive Director for Growth, Planning & Housing and Councillor Susie Burbridge responded to questions.
- 5.2.1 Members asked about the implications for the housing portfolio arising from the proposals in the Queen's speech. Mr Denton advised that there were 3 key implications: (1) a reduction in the benefit cap from £26,000 to £23,000 and the impact that this would have on homelessness levels in the borough; (2) a disconnect between the Council's processes for housing homeless residents verses case law and (3), the Housing Bill and the Government's policy on extending "Right to Buy" to housing association tenants. The funding of the increased discounts are to be met by local authorities disposing of their high value council homes as they become vacant.
- 5.2.2 Mr Denton was asked whether the Council had any estimates of the financial impact of the proposed new benefit caps. He advised that these were difficult to determine. When the 10 areas of welfare change were introduced as part of the Welfare Reform Act 2012 the Council estimated that this would affect between 5,000 to 8,000 households. The number actually affected was 2,500. The Council had expected homelessness levels to peak and then stabilise following the introduction of the caps. However, this has not been the case and levels of homelessness continues to be an issue. The Council's Homeless acceptances are the 6<sup>th</sup> highest in London.
- 5.2.3 The Committee asked what impact the new "Right to Buy" legislation would have on the Council. Mr Denton informed Members that various organisations including the Greater London Authority, London Councils and Housing Associations were undertaking assessments of the proposals. He advised that the Council receives up to 200 high value voids per year. The impact of the legislation will depend on how many Housing Association homes are sold under "Right to Buy" each year. There remained uncertainty about how and where surplus funding would be used to build replacement homes as the policy details had yet to be set out and no details about timescales for this had been provided by the Department for Communities and Local Government. It was unclear whether the policy would operate at a local, regional or national level. A concern is that not all of the homes sold would be replaced which would impact on the Council's duty to provide accommodation for homeless residents. He advised that the Council would prefer to keep control of the funding and where the homes would be delivered or at the very least that replacement is for the benefit of the authority. The desire from a London perspective would be for funding to remain in London given the acute levels of homelessness in the capital. However, the viability of the scheme would be a challenge outside of London, therefore, the rest of the country would require funding from London to fill the gaps. With regard to building replacement homes in the borough he highlighted that there were few brownfield sites in the city to facilitate this. He clarified that any homes to be rebuilt would be separate to those targets for affordable homes proposed in the council's draft housing strategy

5.2.4 Mr Denton was asked when Ward Councillors would receive an update about the Housing Renewal at Ashbridge Street. He advised that a briefing note would be provided by the end of the week. The first pre-application discussion with Planning officers would take place in the next few weeks.

5.2.5 The Executive Director was asked about the Council's ability to deliver the Church Street Phase 2 Regeneration proposals if its bid for GLA housing zone funding is unsuccessful. He advised that the Council was fairly hopeful that this would be successful and that feedback following the presentation to the Challenge panel group had been positive. In the event that the bid was unsuccessful the Council would need to delay the project by 4 to 5 years as it would have used up all of its own available funding.

5.3 **RESOLVED:** That the written update from cabinet members be noted.

5.4 **ACTION:**

1. Provide the Committee with the timetable and associated public documents of GLA/London Council's assessment of the impact of the extension of the "Right to Buy" legislation. (Action for: **Mark Ewbank, Scrutiny Manager**)
2. Provide Councillor Rampulla with details of the number of tenders received for the regeneration of Paddington Green as part of the Housing Renewal Programme (Action for: **Ben Denton, Executive Director Growth, Planning & Housing**).

## **6 CONSULTATION ON THE COUNCIL'S NEW HOUSING STRATEGY**

6.1 The Committee considered a draft of the new Housing Strategy that had been launched for consultation. Andrew Barry-Purssell, Head of Spatial and Environmental Planning, and Cecily Herdman, Principal Policy Officer, provided an overview of the strategy which was grouped around four themes: Homes, People, Places and Prosperity.

6.2 Before giving their views on the strategy, the Committee heard from witnesses Hugh Allen, Head of Strategy, Planning and Policy Insight, Peabody and Alisdair Chant, Managing Director, Berkeley Partnership Homes, who had been invited to the meeting to assist the Committee in its consideration of the issues.

6.3 Mr Allen addressed the Committee on behalf of Peabody. He outlined Peabody's mission and aims which was to provide good quality, affordable homes and to protect people from homelessness. He advised that the organisation owned and managed approximately 3000 homes in Westminster of which 80% was social housing. Intermediate housing including shared ownership accounted for 14% of the stock and was rising.

6.4 Mr Allen commended the Council for its consultative approach to its new Housing strategy. He welcomed the fact that the proposals were informed by an evidence base. He also welcomed the strategy's commitment to work with

other agencies as he considered a joined up approach was important given the complex issues the strategy aimed to address. In respect of the themes of people and places, he considered that there were opportunities for collaboration between boroughs on some issues such as homelessness and welcomed the proposals for improving places in partnership with housing associations. He also considered that there were opportunities for sharing data to better understand residents' circumstances. In terms of the theme of prosperity, he stated that supporting people into work was a key approach to tackling poverty. Peabody was interested in exploring where it could work with the council to pool resources to support its social housing residents into jobs. Reaching people was one of the most difficult challenges and signposting people to services and the provision of outreach work was important.

- 6.5 Mr Allen then outlined some of the areas where Peabody welcomed more information or had concerns. He welcomed the proposals to change planning policies so that in new developments the council would ask for 60% intermediate/40% social housing as there was a need to expand the housing options for low to middle income households. Peabody was interested in the detail of the types of intermediate housing the Council was looking to develop. He advised that Peabody was having less success in shared ownership intermediate housing in Westminster due to the high cost of homes. Residents ordinarily purchase a 25% share and then remain on that share rather than staircase. There was also an issue with affordability in social intermediate rented properties where rents are set at 80% of market value. Residents were paying on average 40% of their income on rent before service charges were taken into account. He welcomed the proposal to deliver 1,250 new affordable homes over the next five years but considered that the targets could be more ambitious. One of the key issues that was considered to be missing from the strategy was the lack of land. It was suggested that a strategy on this is developed to link to the housing strategy in the way that the strategy has been informed by the work undertaken on other council strategic documents. Peabody was also concerned about the proposals to explore the scope to provide homes outside Westminster's boundaries. It was unconvinced that this would give more choice to residents although it may help to address supply shortages. It was interested in seeing the protocols related to these proposals.
- 6.6 Mr Chant addressed the Committee on behalf of Berkeley Partnership Homes which was responsible for the assembly, planning, implementation, procurement and delivery of Berkeley group's programme of affordable housing. Its field of operations covered a wide geographical area including delivering schemes in Westminster. When required to provide affordable housing as part of a larger open market scheme Berkeley traditionally works with a registered social landlord who satisfies its development principles and who has an understanding of the approach required to create sustainable new homes. Mr Chant commended the council for engaging with stakeholders on its strategy at an early stage. He considered that the strategy should include an element of flexibility to accommodate changing circumstances in the market place so that developers had the ability to negotiate on planning policy requirements on a site by site basis.

- 6.7 In respect of the specific theme on homes, he considered that the target of delivering 250 new affordable homes each year could be more ambitious. He questioned how this figure would be arrived at - whether it would be developer led through section 106 contributions, by Registered Social Landlords or the council itself. He suggested that it would be helpful for this detail to be included in the strategy. With regard to the proposed change to planning policies requiring 60% intermediate/40% social housing in new developments, he queried who the intermediate housing was targeted at; whether it was starter homes for individuals or family sized housing. He considered that it might be possible to provide the former for residents in the lower and middle income groups (incomes of up to about £40,000) but questioned whether family sized housing was viable. He advised that Berkeley Partnership had been working on schemes in Lambeth and Hammersmith and Fulham to develop senior living schemes which have helped to address over-occupation by older residents to free up housing for families and the homeless. He suggested that it would be beneficial to address the issue of over-occupation in the strategy to help meet its objectives.
- 6.8 The Committee discussed the draft strategy and submitted questions to officers. It was noted that the last housing strategy ended in 2012. Officers were asked why a new strategy was being developed as the council had appeared to manage without one for three years; whether a strategy drives behaviour and whether the targets within the previous strategy were met. Mr Denton advised that the former strategy had met all of its delivery targets. The new strategy asked more searching questions than its predecessor and focused on how housing plays a vital role within the new vision for Westminster: City for All as well as the Council's wider role in London.
- 6.9 The Committee concurred with the views of witnesses that targets for the delivery of new affordable homes were not sufficiently ambitious. Officers were referred to the fact that Westminster's annual house building target in the London Plan was 1068. The strategy's target to deliver 250 new affordable homes each year would represent only 23% of this target. This contrasted with the targets set by a number of other boroughs which were significantly higher (40% for the London Borough of Hammersmith and Fulham; 50% for the London Boroughs of Hackney, Islington & Lambeth; 36% Southwark). Research had highlighted that 420 affordable homes was required each year. This would equate to 39% of the Mayor of London's target. Officers advised that targets had been set which were deliverable and which were based on those delivered previously. Many of the boroughs referred to would not deliver the house building targets in their City Plans.
- 6.10 Officers were asked why targets had been set for the delivery of types of units rather than the overall units needed. Members were advised that the proposals had been developed on facilitating change and taking into account components of need. To better address the gap in the housing market officers were asked whether it would be more appropriate to increase the intermediate/social housing requirement in new developments to 70%/30%. Officers advised that this would not provide sufficient social housing stock for the Council to meet its statutory responsibility. The Council had modelled the different ratios in terms of the impact on the provision of temporary

accommodation. While the intermediate offer included shared ownership the experience in Westminster was that it had been difficult to make this work well given the cost of property which was why there would be more of a focus on intermediate rent.

- 6.11 Officers were asked whether the proposals took into account the demographic changes over the next 5 years. Members were informed that this had been factored in and the information was set out in the appendices to the strategy. This highlighted that there would be an increase in Westminster's population of 10,300 people over this period.
- 6.12 In addition to the proposed number of affordable homes not being ambitious enough questions were also raised about whether the developing City Plan was sufficiently ambitious to address the challenges for Westminster over the next 20 years including meeting the needs for school places. It was suggested that if the cost or availability of land is an issue then consideration should be given to building upwards. Officers advised that land in the city is heavily contested. Officers are considering, as part of the City Plan, the issue of density and building more units per square metre. There are many planning issues associated with building upwards including the impacts on existing views.
- 6.13 Officers were referred to the fact that living close to a place of work was important to many people. They were asked whether any research had been undertaken on the distance that people in different housing tenure were willing to travel for work. Officers advised that they were not aware of whether any research on this existed.
- 6.14 **RESOLVED:** That by a majority the following views were expressed on the draft strategy to inform the public consultation:
1. The Committee welcomed the early consultation on the strategy and commended the emphasis on inter-agency working including with Registered Social Landlords and the health sector.
  2. The Committee was pleased to note that the council aims to provide 1,250 new affordable homes over the next five years, above historical rates of delivery, and that there would be an increased focus on intermediate housing which reflects the demand for such housing tenure in the borough. The Committee were curious that the strategy focused on the number of units to be delivered rather than the stock which existed and was required.
  3. Whilst welcoming the proposals for new affordable homes the committee considered that the targets could be more ambitious. It also considered that the proposals in relation to planning policies should include some flexibility on the delivery of new affordable homes in case of possible changes to market conditions and individual site circumstances.
  4. The Committee noted that the focus on intermediate housing was an attempt to assist residents in a challenging private rental sector. It

considered that a better level of understanding and focus was required around intermediate housing in order to better meet needs.

5. The Committee has suggested that the strategy should include clearer links to land issues which due to limited availability and high costs has a clear impact on the delivery of housing in the city.
6. The Committee was surprised by the absence of the private rented sector from the draft strategy given its importance in Westminster and recommended that it should form part of the strategy.

#### 6.14 **ACTION:**

1. Provide the Committee with the modelling undertaken on the impact of different intermediate/social housing ratios in new developments required by planning policies (Action for: **Andrew Barry-Purcell and Cecily Herdman**).
2. Provide the Committee with details of why the strategy is focused on delivering types of tenure rather than overall units, i.e. the components of need. (Action for: **Andrew Barry-Purcell and Cecily Herdman**).
3. Assess an appropriate date for a follow-up item to be included in the committee's work programme which should be in advance of the adoption of the strategy by the Cabinet Member. (Action for: **Mark Ewbank**).

## 7 **REVIEW OF HOUSING MANAGEMENT OPTIONS**

- 7.1 Jake Mathias, HRA Strategy Manager, introduced a report on a review of housing management options, the Altair review. The purpose of the review was to highlight the successes and advantages of the current ALMO as well as help the council to improve performance and generate efficiencies is where possible.
- 7.2 The report also included CWH's response to the Altair findings and the Council's approach to the implementation of the review's recommendations.
- 7.3 Altair concluded that the Housing Revenue Account (HRA) is financially strong and there is no financial or performance imperative to either bring the management function back in-house or to transfer the stock to an outside body. The review highlighted particular areas of focus for the Council and CWH. These included Value for Money, Communications and a need for better alignment between the goals of the Council and CWH.
- 7.4 It was noted that the Council and CWH are now working together to develop a new strategic framework which will set CWH's long term priorities and align these with those of the Council and enable the Council to monitor change projects as well as 'business as usual'.



- 7.5 In response to the Altair review, CWH is implementing transformation plans which will change its service delivery model through innovative IT solutions and developing plans to save £5m over the next 5 years.
- 7.6 Marc Wolman, Director of Customer Services and Business Transformation, and Petros Christen, Director of Finance and Strategy, CWH attended the meeting to answer questions from members.
- 7.7 The Committee considered the Altair report. Members questioned the overall conclusions of the review that CWH is an excellent housing manager given its challenges with value for money. The Committee was concerned that CWH is one of the most expensive housing providers (per property) in comparison with peers.
- 7.8 The Committee also challenged the review's findings that CWH is maintaining very high levels of satisfaction. Questions were raised about the reliability of the annual survey into resident satisfaction, particularly around the manner and range of responses received.
- 7.9 The review found that those members interviewed by Altair Consultants had concerns about the organisational culture at CWH. This centred around the complexity and ambiguity of the ALMO's governance arrangements. It was felt that there was a view within the organisation that it was only responsible to the City Council as its sole shareholder rather than to residents or individual councillors. Questions were raised as to whether this was still the case or whether the review had resulted in a step change.
- 7.10 The Committee asked for further details about the proposed commercial activity to generate income for the HRA. Officers advised that commercial expansion would in the main involve the provision of services to third parties both within Westminster and further afield. In pursuit of this objective CWH was looking at a number of areas including lessee services which the organisation was good at and where there was the potential to expand commercially.
- 7.11 Members noted that Altair had found that the ALMO's overheads were high. This included office costs. The latter was likely to be as a consequence of the number of estate offices that the organisation maintains and the high cost of its head office. It was noted that CWH aimed to achieve savings of approximately £5 million by year 5 by reviewing the services' proposition of the estate offices including how to redesign the model into community spaces focused on resident needs. Comments were raised by members about the advantages of estate Management offices and the negative experiences raised by remote contact centres. Concerns were also expressed about the high costs of CWH's head office and whether a space in Victoria was a necessity. Officers advised that CWH was developing online digital services to provide a broader set of channels for residents to engage with the organisation. This was partly aimed at providing communication options that better suit people's lifestyles. It would also embed mobile working capabilities into its delivery model. The service's ambition across its channels would enable the organisation to shift the idea of estate offices to opportunities

where the space could be shared with other public sector bodies or used in part as enterprise space.

- 7.12 The Deputy Cabinet Member for Housing, Regeneration, Business & Economic Development, advised that the organisation's head office based in Grosvenor Place was comparatively cheaper than City Hall. She believed that some of the newly appointed executive staff would make a significant difference to the organisation. It was recognised that significant improvements in how the organisation consults with residents particularly on major works schemes, was required. This was being taken forward with the development of an online engagement portal where residents could find and track information about pending and on-going works.

**RESOLVED:**

1. The Committee did not consider there was a need to fundamentally change the way in which the council's housing stock is managed and by default agreed that an arms-length management organisation (ALMO) funded via the HRA continued to be the best option.
2. Members have questioned the Altair review's key findings that CWH is an excellent housing manager given its challenges with value for money. The committee wished to see a lean, value for money organisation.
3. The Committee welcomed proposals on improving value for money and reducing costs, however, it considered that the proposed financial savings over the next five years will only be successful if the proposed service delivery changes such as changing the provision of estate offices and offering online communication services meet the needs of residents.

The Meeting ended at 9.05 pm

**CHAIRMAN:** \_\_\_\_\_

**DATE** \_\_\_\_\_