

MINUTES OF THE HOUSING SELECT COMMITTEE

Tuesday, 12 September 2023 at 7.00pm

IN ATTENDANCE: Councillors Stephen Penfold (Chair), Natasha Burgess, Rosie Parry and Sakina Sheikh.

APOLOGIES: Councillors Bill Brown and Suzannah Clarke.

ALSO PRESENT: Councillor Will Cooper (Cabinet Member for Housing Management and Homelessness), Councillor Brenda Dacres (Cabinet Member for Housing Development & Planning), Councillor James Rathbone, Gillian Douglas (Executive Director for Housing), Fenella Beckman (Director of Housing Strategy), Simone Russell (Interim Director of Housing Resident Engagement and Services), Patrick Dubeck (Director of Inclusive Regeneration), Lynne Sacale (Housing Transformation Programme Lead), and Nidhi Patil (Scrutiny Manager)

ALSO PRESENT VIRTUALLY: Councillor Chris Best and Councillor James Royston.

NB: Those Councillors listed as joining virtually were not in attendance for the purposes of the meeting being quorate, any decisions taken or to satisfy the requirements of s85 Local Government Act 1972.

1. Election of Vice-Chair

1.1. RESOLVED: that Councillor Rosie Parry be elected as Vice-Chair of the Committee.

2. Minutes of the meeting held on 12 September 2023

2.1. RESOLVED: that the minutes of the last meeting be agreed as a true record.

3. Declarations of Interest

3.1. Councillor Stephen Penfold declared an interest as a Director at J49- which is a registered social housing provider that operates within Lewisham.

4. Co-optee proposals

Nidhi Patil (Scrutiny Manager) introduced the report. This was followed by a discussion by the Committee members. The following key points were noted:

- 4.1. A report on the co-optee proposals was first presented to the Committee at its September 2023 meeting. At that meeting, it was discussed that the Committee would temporarily implement an informal attendee approach before considering a formal co-option scheme.
- 4.2. Nominations for informal co-optees had been sought from Regenter B3 and Lewisham Council housing (formerly Lewisham Homes).
- 4.3. The Committee also wanted to appoint an informal co-optee from the private rented sector in Lewisham and, because there was no clear Lewisham-based private renters organisation, it had been agreed that the 'Private Rented Sector in Lewisham Task and Finish Group' would explore how to identify a suitable informal co-optee.
- 4.4. The Task and Finish Group had recently published a survey for the private renters in the borough. This survey asked respondents to express their interest in participating in

a focus group discussion regarding the private rented sector in Lewisham. It was discussed that attendees of that focus group could potentially be approached for the informal co-optee position.

- 4.5. However, the Committee agreed that a better approach would be to advertise this position on the Council's website. This method would ensure that any private renter in the borough could apply for the position. While the focus group would be a valuable platform for promoting this position, the role itself should be open to all private renters in the borough.
- 4.6. Councillor James Rathbone attended the meeting as a guest of the Committee and shared that he had recently participated in appointing formal co-optees to another Council Committee- the Audit and Risk Committee. There were 3 positions, and a formal application process, followed by interviews had led to the ultimate selection of candidates.
- 4.7. It was noted that completing the recruitment process for the private rented sector informal co-optee by the Committee's next meeting on the 4th of January 2024 would be challenging.
- 4.8. The Committee discussed that the recruitment process was likely to have some budget and resourcing implications, such as the cost of advertising the position and the officer time involved in the recruitment process. It was important to assess the scope of these implications.

RESOLVED:

- that the report be noted.
- that the position for the informal co-optee representing private renters in Lewisham be advertised.

5. Housing Revenue Account (HRA)- Rent Setting Report

Simone Russell (Interim Director of Housing Resident Engagement and Services) introduced the report. This was followed by questions from the Committee members. The following key points were noted:

- 5.1. Engagement meetings on rents, service charges and garage rent proposals took place through tenant representatives and leaseholders. Comments received from residents during these meetings were included in Appendix 1.
- 5.2. The increase in service charge for RB3 managed properties was higher than those for Lewisham Council properties. This was because of the PFI contract which allowed for the additional increase for RB3 properties.
- 5.3. The Council's HRA (Housing Revenue Account) had been subject to inflationary increases, difficult labour and supply chain issues, increased regulatory burden and other pressures such as challenging climate change targets.
- 5.4. An error last year resulted in delayed rent increases for Lewisham Homes, with the rent going up in the month of May instead of April. Officers reported that legal advice was being sought on this as rents could only be changed once within a 12-month period. It had been proposed that once this year's rent setting process was completed, an external specialist would be consulted to ensure the Council's compliance with the regulator's rent standard and to explore solutions to revert to April rent increases.
- 5.5. While RB3 rent increases were linked to RPI, Council properties' rent increases were based on CPI. This was because the RPI calculation was part of the PFI contract. When RB3 properties came back in-house to the Council, it was expected that the CPI

calculation would be used, aligning with the regulator's rent standard which required social rents to be set at formula rent.

- 5.6. The 2020 regulatory rent standard allowed variations to formula rent, including exemptions for PFI contracts, making it legally permissible for the Council to adjust charges based on contract prices.
- 5.7. A Committee member enquired about how rent rises and support offers were being communicated, especially to residents on benefits. Officers confirmed that residents received rent change letters, and that the Council consistently communicated its support offers, assuring residents of continued support.
- 5.8. RB3 officers operated a welfare advice surgery twice a week and had seen an increase in caseload. The uptake of support services was expected to increase going into December.

RESOLVED:

- that the report be noted.

6. Building For Lewisham Programme Update

Patrick Dubeck (Director of Inclusive Regeneration) introduced the report. The following key points were noted:

- 6.1. In February 2023 Lewisham Homes' delivery function merged with the Council's Strategic Development team and the Building for Lewisham (BfL) programme was now being delivered in-house within the Council's Place directorate.
- 6.2. On the direct delivery aspect of the programme, there had been 164 completions in the last 12 months. The following were the key successes to note from the programme-
 - 6.2.1. In Creekside, Deptford, the Council ventured into shared ownership, with 70% of units selling off plan before completion, demonstrating high demand.
 - 6.2.2. The Mayow Road scheme introduced a new tenure mix for the Council to be delivering directly. This scheme had a combination of temporary accommodation and supported housing tenure, facilitated via specific grants and partnership working with NHS.
 - 6.2.3. The Council had a significant focus on housing acquisitions. There was a GLA programme in the last financial year, that incentivised acquisition of homes that had previously been sold under Right-to-Buy. The report stated that under the Right to Buy Buyback scheme, the Council successfully purchased 111 properties. At the meeting, it was discussed that this number was actually 117, including 6 late additions.
 - 6.2.4. The Brasted Close scheme showcased an innovative partnership with London Community Land Trust and Lewisham Citizens. Lewisham Council was one of the few organisations to have successfully achieved a CLT (Community Land Trust) scheme of this scale.
- 6.3. The following were some key challenges to note from the programme-
 - 6.3.1. High levels of cost inflation, with increases of around 25% over the last 2 years, posed significant challenges to the deliverability of the programme. During this period, grant rates didn't increase, rent was capped, and the Council's rate of borrowing experienced an upward trend.
 - 6.3.2. The economic climate had an adverse impact on the contractor market, which was the most pronounced at Edward Street and Home Park developments. The

modular scheme contractor at these 2 sites went into administration in 2022. Despite efforts with Phoenix to retain delivery options, the viability of that endeavour had become increasingly challenging.

6.3.3. The Algernon Road scheme contractor had also gone into administration.

Ongoing efforts were being directed towards finding a way to procure completion of that scheme.

6.4. It was reported that various models were being explored to ensure the continued delivery of the programme. This involved maximising grant delivery and ensuring a diverse development programme.

The Committee members were invited to ask questions. The following key points were noted:

6.5. Contractor failure was a significant issue in the market. A key factor contributing to this issue was the commitment to contractors before the economic shock, resulting in contractors being bound to prices they could no longer sustain. Regardless of contractual obligations, failure to meet these prices could lead contractors into receivership or liquidation. In the realm of development, inherent risks were always present. It remained impossible to fully insure against the entirety of financial risk involved in development, especially in contracts conceived before the economic shock.

6.6. In the current programme, there were some difficult contractor relationships that needed careful management and often necessitated legal advice. Delays in the delivery of a scheme posed a threat to the viability of the development scheme and caused loss of rental income along with additional costs of housing people elsewhere in nightly paid accommodation. To navigate this, the Council had to adopt a commercially sensitive approach and introduce measures like performance bonuses to incentivise timely delivery.

6.7. Capital works programmes set before the pandemic were challenging to deliver, with most schemes experiencing delays in expected completion dates. Two schemes that raised some non-delivery concerns were- Algernon Road, lacking an assigned contractor, and Bampton Estate, grappling with complex utility issues.

6.8. Significant changes in financial assumptions for the BfL programme have occurred since the Mayor & Cabinet approved the programme in 2020. Acknowledging the inherent flux in financial assumptions for a programme of this scale, strategies to manage and mitigate these changes had been implemented. Conventional financial models for affordable housing, relying on a degree of private sale, had evolved over the past 3-4 years. Lower market land values in Lewisham compared to neighbouring boroughs meant that the conventional market sale cross-subsidy model did not work in Lewisham.

Shared ownership had emerged as a more viable cross-subsidy model due to recent changes in government legislation around the use of retained Right-to-Buy receipts. However, this was accompanied by market exposure risks. Another delivery model being used was collaboration with third-parties resulting in reduced direct-delivery schemes.

6.9. Concerns were raised about significant lead-in times and delays in certain development schemes, notably the Mayow road scheme. Despite handover of the scheme in April 2023, occupation of the homes was delayed until mid-June 2023, incurring financial costs. Questions were raised about how well the scheme was tracked and managed, indicating that earlier preparation for certain aspects of the scheme could have reduced delays.

It was reported that construction contracts typically included the processes for managing delays. It was possible for the contractor to 'request for time' for valid reason resulting in delays. Over last 3-4 years, it had been found that most of the 'request for time' requests were valid and justified due to difficult market conditions.

The Council did not have any previous experience of delivering a scheme like Mayow Road which involved a mix of different tenures. One significant problem with the Mayow Road scheme was the energy commissioning. It had been a long time since the Council undertook a direct delivery scheme of that scale, so the energy contract arrangements had changed, making the energy commissioning process legally complex. There were legal complexities around the pavement resurfacing works as well because the contractor was liable for it and if the Council's highway contractor undertook those works it would affect the Council's ability to pursue a legal challenge against the contractor for non-delivery of the scheme. It was discussed that officers would share some 'lessons learnt' from the delays and issues with the Mayow Road and Elderton Road schemes.

- 6.10. It was reported that residents had expressed feeling uninformed about development schemes in their area. While officers aimed to use ward councillors to communicate with residents, the lengthy development process posed challenges in maintaining continuity of engagement.
- 6.11. The modular scheme at Home Park and Edward Street, was the most significant risk and failure in the BfL programme. In modular schemes, there was a disconnect between the works in the factory and the work at the building site leading to a complex supply chain. A high rate of contractor failure was observed amongst the modular contractors. The reasons for this included the fall in demand for modular units and changes in the building regulation landscape. The modular market hadn't accelerated at the predicted rate and many contractors were folding their modular activity. Therefore, it was challenging to find other modular contractors to deliver Home Park and Edward Street. Officers were looking for avenues to maximise the financial return to the Council from the modular units that sat in the factory and from the assets that sat on the ground across those 2 sites. Unfortunately, the most probable scenario involved disposing of the modular units as scrap due to extremely low demand.
- 6.12. Councillor Brenda Dacres expressed anticipation for forthcoming plans involving more conventional/ traditional construction across the two sites (Edward Street and Home Park). It was discussed that the changes in building safety regulations had affected a lot of developments and that the viability of all schemes on the BfL programme was constantly being reviewed. It was important to acknowledge the success of good schemes such as the Mayow Road development that offered high-quality temporary accommodation plus supported housing. The Shaftesbury Centre scheme which focused on providing affordable homes for younger people, was another example of a good scheme.
- 6.13. Questions were raised about how the experience with modular housing on Home Park and Edward Street had affected the Council's approach to sustainable housing. It was reported that there were no more modular schemes in the BfL programme. Many lessons had been learnt from the failure of modular scheme on those 2 sites such as the need to diversify the procurement process and not work with the same contractor across both sites.
- 6.14. The discussion highlighted the movement towards higher efficiency standards in housing development such as calculating the impact of development through biodiversity net gain and undertaking whole life carbon assessments.

- 6.15. It was discussed that London affordable rent, target rent as well as temporary accommodation all counted as genuinely affordable home tenures whereas shared ownership didn't fall under this category.
- 6.16. There were two different ways of counting a home or scheme as being delivered-
- The Council as a developer- counted a scheme or home as being delivered when they had started the work on site, known as 'start-on-site' count.
 - Homes developed by private developers but secured as affordable homes through the Council's planning authority powers were counted towards the Corporate Strategy target when they were completed and reported through the Planning Authority's Annual Monitoring Report.
- 6.17. Since 'start-on-site' was counted as the home or scheme being delivered when the Council was the developer- Home Park, Edward Street and Algernon road had been reported as being delivered in the report. However, this would be rectified in future reporting.
- 6.18. It was agreed that the following information would be provided to the Committee after the meeting-
- Out of the 164 completions in the last 12 months, how many had been counted in the '1285' figure of homes that were delivered as part of the house building commitment made in 2018?
 - Out of the 456 new genuinely affordable rented homes that were currently in delivery and were expected to be completed within the next 12 months, how many had been counted in the '1285' figure?
 - In 18 months of this administration, how many homes had been delivered out of the target of 800?
 - In the affordable homes being delivered- how many were target rent and how many were London affordable rent? And what did those rates exactly look like?
- 6.19. In the report, Algernon Road had a target completion date of June 2024. This was because the shell and core was ready and only fit-out works such as cladding, installing windows, etc. was left. The June 2024 target date assumed that a contractor would be in place by early 2024 to carry out these works. If that didn't happen, the target date would slip.
- 6.20. Approximately, 60 to 64 homes had been lost because of the stalling of work at Edward Street and Home Park. However, officers would check and confirm these numbers. Loss in terms of financial costs was estimated to be circa £10 million on each site. This was the estimated financial loss in case of the worst-case scenario.
- 6.21. The Besson Street development in New Cross was mentioned on the Council's website but it did not feature in this report. This development was a joint venture arrangement that the Council had with Granger (specialist private rented sector developer) which included the delivery of intermediate rental homes within a larger 300-unit private rented sector scheme. A joint venture was a good way to share risk and bring in expertise, but it also meant that the Council did not have complete control over delivery. The joint venture with Granger needed to pass some viability hurdles which had been challenging in the current market. This was being reviewed by the joint venture board members quarterly.
- 6.22. Residents on Lewisham Council's housing register waiting list were given priority in the shared ownership schemes in the borough. Officers agreed to confirm- how many, if any, people from the Lewisham's housing register had gone on to buy a shared ownership property at the Creekside development.

6.23. A Committee member enquired if there was any update on the Plassey Island site and was informed that the Council had been involved in some pre-application engagement on that site as the planning authority, but no planning application had been submitted yet.

RESOLVED:

- that the report be noted and that 'Building For Lewisham Programme Update' be added as an annual standing item to the Committee's work programme.

7. Housing Futures Programme Update

Fenella Beckman (Director of Housing Strategy) and Lynne Sacale (Housing Transformation Programme Lead) introduced the report. This was followed by questions from the Committee members and the following key points were noted from the discussion:

- 7.1. This report marked the conclusion of the Housing Futures transition programme. Key achievements from the programme included the smooth transition of 550+ staff members on the 1st of October 2023, timely payroll processing of all transitioned staff members, establishment of the new Housing Directorate, successful migration of all transitioned staff to Council IT and adherence to high-level costs within approved budget.
- 7.2. Although progress had been made in resolving IT issues, some joint inboxes still posed challenges due to their size. The data transition had enabled timely responses to complaints and queries, minimising resident impact. However, certain staff and teams were grappling with difficulties in accessing old systems. The IT team was actively addressing these challenges, and Phase 2 of the IT transition was underway.
- 7.3. The Committee Chair recounted their experience of calling the Council's repair service phoneline revealing that on one occasion they had to wait for 45 minutes before being answered and on another occasion they waited 17 minutes before being put through to an answering machine. This underscored a significant problem with the repairs service. It was suggested that a queuing system for call waiting could be introduced, providing users with estimated call wait times. Officers acknowledged the challenges, noting that with the service transition now complete, the focus had shifted to service transformation. The Housing Transformation Board was commencing its work and would be prioritising the issues with the repairs service.
- 7.4. Acknowledging the shortcomings of the repairs services, Councillor Will Cooper reassured the Committee that short term actions were being taken such as three members from the Council call centre moving to the repairs phone line. An update on the repairs service transformation was being presented at the Cabinet Briefing next week.

RESOLVED:

- that the report be noted.
- that the Committee members, while expressing specific concerns about repairs, acknowledged that officers and Cabinet Members were aware of the issues and working towards resolving them.

8. Select Committee Work Programme

- 8.1. The Committee briefly discussed its work programme and the agenda for its January 2024 meeting.
- 8.2. It was discussed that the Committee should receive an update on repairs transformation at its January 2024 meeting but that a final decision on this would be made at the agenda planning meeting.

RESOLVED:

- that the agenda for the Committee's January 2024 meeting be confirmed after the agenda planning meeting scheduled for the 29th of November 2023.

The meeting ended at 8.54pm.

Chair:

Date:
