

OVERVIEW AND SCRUTINY COMMITTEE

Monday 4 May 2020 at 7.00 pm

MINUTES

PRESENT: Councillor Tim Briggs, Councillor Liz Atkins (Chair), Councillor Mary Atkins (Vice-Chair), Councillor Jonathan Bartley, Councillor Stephen Donnelly, Councillor Joshua Lindsey, Councillor Scarlett O'Hara (Substitute), Councillor Lucy Caldicott and Councillor Jessica Leigh (Substitute)

APOLOGIES: Councillor Marianna Masters and Councillor Joanna Reynolds

ALSO PRESENT: Councillor Scott Ainslie, Councillor Matthew Bennett, Councillor Pete Elliott, Councillor Nicole Griffiths and Councillor Jack Hopkins

Action
required by

1. DECLARATION OF PECUNIARY INTERESTS

Councillor Liz Atkins, Chair, opened the meeting and welcomed all attendees. It was noted that this was the first Overview & Scrutiny Committee meeting held virtually in accordance with the recently-published government regulations.

Apologies for absence were noted.

There were no declarations of interest.

Cllr Bartley made a statement to the committee confirming that although he was a signatory to the call in form, he was approaching the meeting with an open mind and would listen to all the arguments before making a decision.

2. HFL DELIVERY PLAN AND HFL CORPORATE PLAN: CALL IN

The Senior Democratic Services Officer outlined the procedure for the call in hearing as set out in the agenda report and stressed that the call in had been accepted in relation to only one of the grounds cited in the call-in form, namely risk management in light of the risks posed by Covid-19 and how these would be managed and monitored in the year ahead. Comments and questions should therefore be confined to this subject. The options available to the committee were outlined.

Cllr Pete Elliott introduced the call in and made the following key points:

- He did not believe Homes for Lambeth (HfL) was sufficiently transparent nor run in the interests of residents
- The estate regeneration programme had cost £100m and produced nothing of note
- Issues raised at the previous HfL scrutiny meeting held in June 2019 still remained and few of the recommendations had been actioned
- HfL had failed to deliver against the targets in its last two business plans, yet the 2020-23 business plan committed to a huge amount of expenditure
- Members were told in June 2019 that the HfL Ownership and Stewardship Panel would meet quarterly yet it had in fact only met twice in nearly a year since then
- A Corporate Committee challenge session and the scheduled Cabinet meeting which was due to consider the business plan had both been cancelled due to Covid-19. This meant there was a lack of scrutiny and public input which would improve decision making
- The Overview & Scrutiny Committee (OSC) meeting scheduled for 25 March 2020, which also had to be cancelled, was due to consider the HfL business plan. OSC members had submitted a list of questions but many remained unanswered
- Contracts with Mott McDonald and Mace had been cancelled with nothing to show for it
- He commended the members of the public who had sent in written submissions, contributing considerable professional expertise for free. They deserved to be listened to and he believed the representations should be put on record
- With so much uncertainty at present, the sensible thing to do would be to pause and reconsider the business plan when it was clearer what a post-Covid Lambeth would look like

It was noted that the deadline for written representations to be submitted for this meeting was 5pm on Friday 1st May. The committee had received five submissions by the deadline, from the following people:

- Andrew Coveney
- Gerlinde Gniewosz
- W J Haddock
- Ben Rymer
- Simon Morrow

The Chair noted that these representations had been circulated to all committee members in advance of the meeting and that she trusted these had been read and taken on board by all members. Though she regretted that it was not possible to hear from the public at this meeting, she committed to publishing the submissions received, which provided an important perspective, along with the minutes.

Councillor Scott Ainslie and Councillor Nicole Griffiths spoke in favour of the call in and made the following key points:

- The level of council housing in Lambeth had decreased dramatically in the last 20 years. It was believed this coincided with a move to attract more well-off people into the borough
- It was not doubted that Labour colleagues wanted to do the right thing

- with HfL but the administration had met with resistance from residents
- A peer review conducted in 2016 raised concerns regarding the ability of the administration to gain resident support for its planned objectives
- Cllr Ainslie had repeatedly asked for the HfL business plan to be referred for scrutiny to no avail
- The skills audit was two years behind schedule
- It was queried what the monthly Joint Approvals Board was and when it had met
- It looked like London would be one of the cities worst affected by Covid-19 but it was clear that a local response was needed, with Environmental Health Officers at the forefront
- It was vital that the fear of estate regeneration be removed for front line workers
- Three of the top ten risks on the corporate risk register were related to HfL
- The public submissions brought clarity to the risks involved with the business plan, in relation not just to Covid-19 but also the economy and the climate emergency
- The unpredictable and risky elements of the business plan should be put on hold
- It was possible that social distancing could continue into next year and it was almost impossible for this to be observed on building sites
- BAME communities were the worst affected by estate regeneration
- The decision should be sent back for reconsideration in light of the new realities introduced by the pandemic

3. HFL DELIVERY PLAN AND HFL CORPORATE PLAN: RESPONSE TO CALL IN

The Chair invited the Cabinet Member for Planning, Investment and New Homes, Councillor Matthew Bennett, to respond to the points raised. Cllr Bennett stated that:

- It was his intention to bring the HfL business plan to Overview & Scrutiny in March prior to the decision being taken but events had made this impossible. It was noted that government regulations did not allow for virtual meetings to take place until April
- The Council had taken the political decision in 2014 that if it was going to tackle the housing crisis, it was better to set up a company owned and controlled in the public sector than doing a deal with the private sector. HfL was therefore established in 2017 and an experienced team of industry experts had been recruited
- The business plan set out a three-year programme, by the end of which there would be almost 400 new homes in the borough including 223 at council rent. This was far in excess of the usual planning policy target
- Social investment plans were set out, along with details on how the Council's climate change commitments would be delivered. A full review of resident engagement had also been committed to
- The HfL business plan represented a big financial stimulus. Taking the decision now allowed for the desk work to be done in order that HfL would be ready to proceed with a £375m investment at the time communities desperately needed it
- He hoped members had read the Equalities Impact Assessment, which was extremely thorough
- He was grateful for constructive scrutiny and noted that 58 written

questions from scrutiny members had been received and responded to prior to the decision being made

- The report established the framework for borrowing subject to the governance framework
- The £875k spent on Cressingham Gardens brought the project up to RIBA Stage 1. This work had been done well and would be used to inform the next stage
- There were risks in relation to HfL but these were being identified and managed
- The HfL business plan did not pose a systemic risk to Council finances. It set out projects the administration wanted to see delivered and limits on financing subject to controls
- Each project had to move through a series of gateways involving checks by members, officers, grant funders and an independent board with years of experience before funding was released
- The schemes which were on site or about to start were 100% affordable housing with no market sales risk
- 450 residents had taken part in online consultations and freephone conversations
- Build times for schemes were usually 18 months or more and construction was not expected to start until towards the end of this financial year, so HfL was not expecting to be exposed to sales risk for some time
- PWC had recently completed an audit on risk management within the Council for HfL which would be going to the next Corporate Committee meeting. This showed HfL was on the right track
- He had agreed to work with the Chair of Overview & Scrutiny on a best practice review of governance
- It was acknowledged that there were risks but the programme was robustly stress tested and HfL had the right people and structures in place to manage and monitor risk

Councillor Jack Hopkins, Leader of the Council and formal decision maker, added that:

- The HfL business plan had been through a huge level of scrutiny from Cabinet, the board, professionals and external advisors
- The HfL board had a wealth of experience in all relevant areas
- It was vital to take forward the plan in order to build homes for those who needed them and provide training and employment opportunities for local people

The Chair then took comments and questions from committee members. In response to the points raised, Councillor Matthew Bennett, Cabinet Member for Planning, Investment and New Homes; Christina Thompson, Director of Finance and Property; Jitinder Takhar, CEO Homes for Lambeth; Eleanor Purser and Sara Waller, Co-Strategic Directors, Sustainable Growth and Opportunity; and Richard Stevens, Chair, HfL Homes, stated that:

- The Secretary of State for Housing, Communities and Local Government had written to councils stating that they would be fully covered for Covid-19 costs. This included loss of income from fees and charges
- In the HfL business plan, money was committed up front for feasibility work but beyond that development schemes were self-financing
- Unless the level of grant from government covered the full cost of

social housing then there was always an element of sales risk dependency; however, it was not expected that construction would begin until 2021 and this typically took around 18 months. This meant HfL could respond to the emerging situation with appropriate controls including risk appetite adjustments

- Specialist advice was being sought regarding sales market predictions. Advisors currently expected a sharp bounce back or a U-shape trajectory extending to 6-9 months
- Additional grant funding was being sought from the GLA
- The potential impact on programme level risks of the pandemic had been considered, along with a range of mitigation levers. As far as project level risks were concerned, the decision report and response to the call in set out the process of gateways and governance for the development proposals. This meant risks were reviewed before commencement of each stage, from feasibility work through to detailed planning and construction
- Any project had to be viable; therefore, schemes would only be progressed where analysis indicated the project was sufficiently robust and fit within an ongoing viable programme
- During the construction phase, reviews would take place via the Joint Approvals Board
- HfL would report annually to Cabinet
- There was a risk in any cross-subsidised model that planned levels of social housing may have to be revised downwards to recoup costs. In the case of HfL, this risk had been mitigated substantially by the mix of units, grant expectations and the fact it was a wholly owned company (WOC)
- It was unclear what the “new normal” would be in the housing sector in terms of assumptions around home working, online shopping, conversion of office units and density; however there remained severe demand for new social housing and the HfL business plan committed to this
- The business plan was not a blank cheque and a flexible approach would be taken as the situation developed. At this stage, much of the work was on design, consultation and planning
- HfL first began to consider the impact of Covid-19 in February. The current view of the risks was as set out in the call in response but it was acknowledged societal shifts and changes to building regulations and design specifications may result from the pandemic. It was stressed that each scheme and phase would need specific consideration with a view to the circumstances at the time but it was believed HfL’s systems and controls were robust
- The PWC report referred to, which had been completed very recently and could be shared with the committee, stated that risk management was a strength for HfL
- It was noted that five major house builders planned to resume work next week. HfL had stopped building work to maintain social distancing but was proposing to move forward with design work
- In terms of what other WOCs were doing, there was no recognised forum but HfL did speak to others on an ad hoc basis. Barking & Dagenham’s WOC was pushing ahead with design work, as was Croydon’s, while Ealing’s was proceeding with plans
- HfL was going beyond minimum standards and there would continue to be a demand for well-designed, spacious homes with access to amenities
- Risk management was overseen by the HfL Group board and the

Joint Approvals Board for the Council

- HfL's risk management policy, which was adopted in February 2019, provided a framework in which risks were assessed and managed. There was a risk register at HfL Homes level, which was compliant with regulatory requirements, and at Group level. These were updated by the executive management team and scrutinised by independent and Lambeth-appointed directors at every board meeting
- Regular horizon scanning was carried out; this meant the "new normal" would feed into risk review activity on a regular basis as details emerged. In addition to this, it was common practice in the social housing sector to conduct regular "deep dives" into key strategic risks
- The governance structure adopted was based on that of the National Housing Federation and there was a strong risk management culture within the HfL team. Details of the governance framework were contained within the decision report
- The HfL Homes Chair had a wealth of experience and had held senior positions including the Chair of the Audit and Risk Committee at Family Mosaic housing association
- A review of resident engagement was being carried out. It was noted that recent online only consultations had had better responses than previous ones
- There had always been risks associated with HfL. While sales risk had increased due to Covid-19, the corporate risk register had not been adjusted upwards at this stage as no schemes were on site yet
- If the HfL business plan decision was referred back for reconsideration it would cause an unnecessary delay in progressing the projects
- Approving the HfL business plan decision would help to stimulate the local economy and create local jobs and apprenticeships

Guillotine

At this point in the meeting the guillotine fell at 9.00pm.

MOVED by the Chair and

RESOLVED: That the meeting continue for a further period of up to 30 minutes.

The Chair invited Cllr Pete Elliott to sum up and state whether he believed the issues raised in the call in had been dealt with. Cllr Elliott stated that:

- Three of the Council's top ten risks related to HfL even before Covid-19 hit. The effects of the pandemic would further exacerbate the situation with regards to risk
- He was pleased that Lambeth's risk strategy was due to be reviewed as the risk appetite was currently too high
- There was a lack of transparency and scrutiny regarding the HfL risk register
- The actions from previous scrutiny meetings had not been followed through
- Covid-19 would be likely to change building standards
- There were differences in expert opinion regarding the prospects for the housing market
- It was unclear how long it would take to overcome Covid-19
- Now was the time to pause, re-examine the housing crisis and do

more to involve opposition councillors and the public

The Chair took a series of indicative votes on the options open to the committee.

Councillors Donnelly, Lindsay, Leigh and O'Hara voted to resolve not to refer the decision back to the Leader of the Council.

Councillors Caldicott, Liz Atkins and Mary Atkins voted to resolve not to refer the decision back to the Leader of the Council but nonetheless to make such recommendations as the committee saw fit.

The option to resolve to refer the decision back to the Leader of the Council for reconsideration with a written explanation setting out the nature of the committee's concerns fell with no members voting in favour.

Councillors Bartley and Briggs voted to resolve to refer the matter to Full Council if it is felt the decision is contrary to the Council's Budget and Policy Framework.

RESOLVED: To not refer the decision back to the Leader of the Council.

The Chair acknowledged that the resolution of the committee was to allow the decision to stand without making recommendations but expressed the hope that there would be further constructive dialogue between OSC and the Cabinet Member for Planning, Investment & New Homes regarding HfL in the coming months. Cllr Bennett concurred with this sentiment and confirmed that a review of HfL's governance was to be carried out which would involve OSC.

The Chair concluded by thanking everyone for their contributions, in particular the members of the public who had taken the time to submit written representations.

The meeting ended at 9.20 pm

CHAIR
OVERVIEW AND SCRUTINY COMMITTEE
Tuesday 19 May 2020

Date of Despatch: Thursday 21 May 2020

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