

# Public Document Pack

## Scrutiny Homes Sub-Committee

Meeting held on Monday, 6 February 2023 at 6.30 pm in the Council Chamber, Town Hall,  
Katharine Street, Croydon CR0 1NX

### MINUTES

Present: Councillors Leila Ben Hassel (Chair), Joseph Lee (Vice Chair), Kola Agboola, Adele Benson, Claire Bonham, Danielle Denton, Amy Foster (reserve for Ellily Ponnuthurai).

Also Present Councillors Lynne Hale (Deputy Mayor and Cabinet Member for Homes)

Apologies Councillor Ellily Ponnuthurai

### PART A

#### **1/22 Minutes of the Previous Meeting**

The minutes of the meeting held on 5 December 2022 were agreed as an accurate record, subject to the clarification that the second conclusion on the Homelessness and Rough Sleeping Strategy item should be amended to the following:

‘Members were encouraged that the Council was bidding for funding to bring in additional resource and expertise to address substance misuse.’

#### **2/22 Disclosures of Interest**

No disclosures were made at the meeting.

#### **3/22 Urgent Business (if any)**

There was no urgent business for discussion by the Homes Sub-Committee at this meeting.

#### **4/22 Update on the Re-procurement of Repairs/Voids and Heating**

The Sub-Committee considered a report set out on pages 15 to 38 of the agenda, which provided an update on the process to re-procure the repairs/voids and heating contracts for the Council’s housing stock. The report had been included on the agenda to allow the Sub-Committee to seek reassurance that the re-procurement had followed the process agreed by the Mayor in June 2022. It would also help inform the Sub-Committee’s

consideration of the Cabinet report on the outcome of the re-procurement process at its next meeting on 27 February 2023.

The Cabinet Member for Homes, Councillor Lynne Hale, Corporate Director for Housing, Susmita Sen, Director of Housing – Estates & Improvement, Stephen Tate, Strategic Procurement Manager, Matthew Devan, Finance Manager, Orlagh Guarnori and Peter Gudge from Echelon, the Council's advisor on the process, all attended the meeting for this item.

The item was introduced by the Cabinet Member for Homes, who highlighted to the Sub-Committee that the repairs/voids and heating contracts were some of the biggest and most important contracts for the Council. As such the Cabinet Member had been receiving twice weekly updates on progress made. The level of resident involvement in the re-procurement process was particularly important, with feedback indicating that residents had valued being involved. Thanks was given to the officers for their excellent work throughout the re-procurement process to date.

The Director of Housing – Estates & Improvement explained to the Sub-Committee that the first part of the process could be broken down into four sections. The first was to set the tender strategy, which had been agreed by the Mayor on 22 June 2022. The next stage was the procurement process which was coming to an end with the Mayor due to consider a report on the outcome of the process at the Cabinet meeting on 6 March 2023. Following the decision being made the next step would be to demobilise the current service and mobilise with the new contractors. Once the new contractors had been mobilised, the final phase would be the ongoing management of the contracts.

Before questioning commenced on the information presented in the report, the Chair highlighted that the Sub-Committee had received a briefing prior to the meeting on the re-procurement process and had been reassured that the level of resident and tenant engagement delivered reflected the level of engagement set out in the original tender strategy document agreed by the Mayor in June 2022.

The first question asked by the Sub-Committee questioned why it had been decided to procure the contract for repairs and voids as two separate lots and why repairs and voids had been combined. It was advised that the contract had been split into two lots based on geographical location to mitigate the risk of having only one provider. It was acknowledged that repairs and voids could be delivered as separate contracts but combining the two allowed contractors increased scope to flex their resources as needed.

It was noted that one of the aims from the tender strategy was to encourage smaller to medium sized enterprises (SME) to bid for the contracts and as such how the risk from this would be managed. It was advised that one of the reasons behind the decision to divide the repairs/voids contract into two lots based on a 70% - 30% geographical split had been create to a contract based on a smaller area, which would make it more manageable for a smaller company.

In response to a question about whether the tender strategy had required bidders to demonstrate how they met other Council priorities; it was confirmed that the Mayor's priorities had been set out in the tender documents for bidders to respond to. This could be evidenced through items such as having an electric fleet of vehicles. All bidders have also offered other items such as road safety training and others that reflected the Council's policies such as Health & Safety, Safeguarding and a Contractor Code of Conduct. It was highlighted that the appendix provided with report to the Sub-Committee explained how responses on these items would be scored.

It was questioned whether best practice had been identified prior to commencing the re-procurement process. It was advised that when the tender strategy was being prepared the team had reviewed what had worked and what had not in the previous contract. This had resulted in the decision to in-source the contact centre to allow the Council to directly rebuild its relationship with residents and have control over the data collected. Best practice had been sought from elsewhere and bidders had also brought forward their own suggestions for best practice.

Given it was proposed that the out of hours contact centre would be provided by the winning bidder of Lot 1, it was questioned how the relationship with the Council's own in-hours service would be managed. It was advised that it would be essential to ensure there was a good flow of data between to two services, to understand what was happening with residents repairs. Having an in-sourced contact centre would allow the collection of real time feedback from residents which would allow the service to understand any areas of concern. Confirm of what services could be provided out of hours would need to be clearly communicate to residents, as it would not be possible to provide the same level of service available during standard operating hours.

It was questioned whether having the successful Lot 1 contractor providing the out of hours contact centre could lead to a conflict of interest with the Lot 2 contractor. In response it was advised that all the Lot 1 bidders worked on a national basis, which meant they had the capacity to deliver an out of hours contact centre service. As Lot 2 had been designed to be attractive to smaller providers, not all of these had an out of hours call centre, with some offering an on-call system instead. The Lot 1 contractor would transfer issues raised

on properties under the Lot 2 contract to that contractor to respond. It was agreed that the delivery of the out of hours contract centre would need to be closely monitored to ensure poor service did not arise due to miscommunication.

As a follow-up, it was questioned what system would be put in place to manage the out of hours service from the client side. It was confirmed that management of the contract needed to be looked at in the context of the wider Housing Transformation Programme, but good contract management would be needed for both the in and out of hours contact centre service.

Consideration had been given to delivering the out of hours contact centre in-house, but on the grounds of cost and quality, it had been decided that the Lot 1 contractor would be asked to price for this service, as all bidders had their own established out of hours contact centres already in place.

It was confirmed that the structure for the in-house contact centre was currently being considered to ensure that the expected level of service improvement was delivered. It was likely that the level of staffing would be higher than would normally be expected to ensure that targets could be met.

As it was recognised that the re-procurement process had produced a lot of good practice, it was questioned how this learning could be fed into other transformation projects across the Council. It was advised that delivery of the re-procurement of the repairs/voids and heating contracts had not solely been the responsibility of the Housing service, with the Procurement and Finance teams also involved along with project support from the Programme Management Office. A lessons learnt exercise had been run half-way through the procurement process to check that nothing had been missed and to record what had gone well. It was highlighted that the high level of resident involvement in the project had made a fundamental difference and once the new contracts were implemented there would be further engagement with residents on the delivery of the contract.

In response to a question about whether the number of bidders had been impacted by the process being in part run in August 2022, it was confirmed that the Council had done well to get the level of interest it had in the contracts given the volatile market for these services. This may have been helped by the soft market testing carried out in advance of the process. It was confirmed that data originally used for the tender did not include the right volume of work, but this had been corrected at an early stage and had not impact upon the process.

As staff would be transferred under TUPE from the current provider, whose performance led residents to raise concern about the level of service provided, it was questioned what could be put in place to ensure that the right

culture and processes were in place from the outset of the new contracts. It was confirmed that the culture was set by the organisation, and during the mobilisation period the expectations of the customer experience would be set out to staff. The contractors would also want to put their staff through a training process to ensure they started the contract on a good footing. Going forward good contract management was essential to ensuring the expected level of service was being met.

As the report noted that the bidders had raised concern about the use of financial penalties within the contract to manage poor performance, reassurance was sought that any such penalties could be enforced. It was advised that the use of financial penalties would be decided through the contract management process and would need to be supported by good quality data. It was essential that both parties were clear on what part of the service was failing and the improvement required. Financial penalties included those available through Right to Repair legislation, requiring certain repairs to be made in a statutory timeframe, and a £25 per day penalty for void properties not delivered within agreed timescales.

It was advised that all the bidders had confirmed that they would be able to work with the NEC system being rolled out within the Housing service. To mitigate against the risk that the new system may not be in place for the start of the new contracts, all bidders had been asked to include a proposal within their bids for an interim option. The NEC system would be able to provide real time data which would help with managing the quality of service being provided to residents.

There was concern flagged about the potential risk that the service to residents may worsen in the short-term as the existing contract was wound down. It was advised that there were several measures that could be put in place to mitigate against this risk including bringing the call centre back in-house earlier than intended and looking at other providers to provide additional capacity for outstanding routine work. The demobilisation process would be closely monitored to ensure that any such mitigation could be deployed at the right time.

It was noted that further work was needed with the current provider to establish the backlog of jobs outstanding. Once this process had been completed, the team would then need to discuss with the new providers how any outstanding repairs could be finished. The Sub-Committee was advised that depending on the volume of work outstanding, it may be necessary to look at another contractor to pick up the outstanding repairs.

It was confirmed that if another contractor carried out work that was identified as outstanding under the current contract, then the cost for this work should

be deducted from the contractor as it had already been paid for. There was also a 12 month liability clause in the current contract should work not be completed to the required standard, which gave the contractor the opportunity to rectify the issue. The Sub-Committee agreed that potential volume of work outstanding was a significant risk that would need to be closely managed by the Housing service.

In response to a question about the key performance indicators (KPI) that would be used to monitor the delivery of the new contracts, it was highlighted that the current system made it hard to understand the customer journey. The new NEC system provided a higher level of functionality including a portal for residents to monitor the status of their repairs. A list of KPIs had been provided in the report to the Sub-Committee and included areas such as customer satisfaction, turnaround times, and appointments made and kept. It would be essential to ensure that residents played a key role in informing the contract management process using their feedback to guide the service delivery. Given the importance of contract management to contracts of this size, a specialist team would be created to monitor delivery.

As a follow-up it was questioned how the new approach to the monitoring and delivery of the contract would prevent the repetition of past instances of non-escalation of outstanding repairs. It was advised that at present the Service did not have access to good enough real time data. The new NEC system would provide real time data which would ensure there was a greater understanding of the reasons for outstanding repairs. The in-house contact centre would also help to ensure that patterns and trends could be flagged in real time. The complaints process for the service also needed to be improved to ensure that learning from complaints was a key part of the process.

In response to a question about the cost of mobilisation, it was advised that contractors, as part of their bids, had outlined the resources needed for mobilisation. Some viewed it as a normal part of their business, so had not included additional costs, but others had built this into their bids. It was expected that the Housing service would provide a mobilisation plan for the contractors, and it was likely this would require support from across the Council to deliver. It was also confirmed that additional staff resource would need to be brought in to provide capacity for the mobilisation process.

It was confirmed that the risk register for the re-procurement process was regularly reviewed and up until now the key risk had been keeping to the procurement timeline. Looking forward the key risks were likely to include the timeline for mobilisation and demobilisation, the interdependency between the new NEC and its integration with the new contractors, and ensuring staff understood the new systems. Staffing structures and recruitment within the

Housing service was being reviewed to ensure the right resources were in place to manage the new contracts.

At the conclusion of this item the Chair thanked those present for their attendance at the meeting and their engagement with the questions of the Sub-Committee.

### **Actions arising from the meeting**

Following the discussion of the re-procurement item at the meeting, the Sub-Committee agreed the following actions that would be followed up after the meeting.

1. As the Sub-Committee would have the opportunity to review the Cabinet report on the contract award at its next meeting on 27 February 2023, it is requested that further information on the next steps for the mobilisation and the ongoing management of the contract are provided for this meeting.
2. The Sub-Committee would ask that they are kept informed on progress to implement the new NEC system, especially if any issues arise that may delay delivery.

### **Conclusions**

Following its discussion of the re-procurement item, the Sub-Committee reached the following conclusions: -

1. Given the challenging timetable for the re-procurement process, the Sub-Committee recognised that it would have taken a lot of hard work from all involved to ensure that the process had remained on track, on programme and on time.
2. The Sub-Committee agreed that the project remaining on track was a positive indicator that the culture of the organisation was improving. Going forward it was essential that the experience and learning from the re-procurement process was used to inform the wider corporate learning on project management.
3. The Sub-Committee was happy that the level of tenant and residents' involvement reflected what was set out in the original tender strategy and agreed that the level of engagement should be seen as an example of best practice by the wider organisation.
4. The Sub-Committee welcomed confirmation on several specific areas, including: -

- The contracts being split to provide an opportunity for smaller contractors to bid.
  - That financial penalties had been included in the contract.
  - That the outstanding disrepair work under the current contractor would be separated from the ongoing work of the new contractors.
  - That the staff of the contractors would be co-located with council staff.
  - That there was a clear recognition that the level of data available was not good enough and that this was being actively addressed through the installation of a new system.
  - That it had been identified there was a need to provide mitigation to manage the risk from installing and integrating the new NEC system, to ensure there was not any undue impact on the start of the new contract.
5. Given that prior feedback from tenants and leaseholders had raised significant concerns about staff culture, the Sub-Committee welcomed acknowledgment of this issue and confirmation that steps would be taken to define and provide training on the expected staff culture going forward during the mobilisation period.
  6. The Sub-Committee agreed that there was a risk of there being a significant backlog of work outstanding at the end of the current contract and welcomed confirmation that officers were working with the contractor to understand this and put appropriate mitigation in place.

**5/22 Update on the Housing Revenue Account and Housing General Fund Budget**

The Sub-Committee considered a report set out on pages 39 to 44 of the agenda, which provided an update on Housing Revenue Account (HRA), the current in-year budget position for the Housing General Fund and proposals for 2023-2024 budget. The report had been included on the agenda as part of the Budget Scrutiny process to allow the Sub-Committee to reach a conclusion on the deliverability of the budget which would be reported to the next meeting of the Scrutiny & Overview Committee on 16 February 2023.

The Cabinet Member for Homes, Councillor Lynne Hale, Corporate Director for Housing, Susmita Sen, Finance Manager, Sarah Attwood, Finance Manager, Orlagh Guarnori, Head of Temporary Accommodation, Beatrice



Cingtho-Taylor and Head of Homelessness & Assessments, Hamid Khan all attended the meeting for this item.

Ahead of the Sub-Committee questioning on the information provided, a presentation on the budget was provided by Sarah Attwood and Orlagh Guarnori, Finance Managers supporting the Housing service. A copy of the presentation delivered can be found at the following link: -

<https://democracy.croydon.gov.uk/documents/s43385/HRA%20Housing%20Budget%20Presentation.pdf>

The first comment from the Sub-Committee highlighted concern about the lack of information available in the report on the HRA Business Plan and a further briefing to provide this detail was requested. In response it was highlighted that the Business Plan was still going through the process of being finalised which was why it had not been included in the report. It was confirmed that the capital programme for the HRA was based on a 5% stock survey, which was not ideal. However, as work had started on a full stock condition survey, it would allow the Business Plan for 2024-25 to be much more developed.

Given the Business Plan for 2023-24 was based on a 5% stock survey, it was questioned how robustly the assumptions made in the report had been tested, particularly given the financial challenges of the Council. It was advised that external expertise of Savills had been engaged to support officers with the preparation of the Business Plan. Some of the key assumptions made in the Business Plan included: -

- Core inflation being set at 8.4% for 2023-24 before dropping in subsequent years to 3%.
- Rent increases being set at 7% in the coming year and 3% in subsequent years.
- Reduced assumptions on income from other areas such as garages due to the level of repair needed.

As a follow-up, it was questioned how the budget for stock replacement had been calculated in the Business Plan. It was advised that the budget had been based upon information provided from the 5% sample stock condition surveys. As this was a small percentage of the total stock, additional growth had been costed into the budget to account for a degree of uncertainty. Given that a full stock condition survey was in the process of starting, it should provide a greater level of certainty in future years on the exact work required.

As it was noted that the Capital Programme for 2023-24 had been set at £31m, it was questioned how this compared to previous years. It was advised that the budget had been increased by £9.4m from the previous year to provide for the delivery of fire safety and other statutory compliance work. The budget also included £15m for property improvement and £6m for communal improvement.

Key pressures for the capital programme included work to ensure stock met fire safety standards, work to treat damp and mould and other work to meet legislative safety requirements. It was acknowledged that there had not been sufficient investment in the Council's housing stock and as such some of it was reaching the end of its life. It was likely that within the next 2 to 3 years the Council would need to look at borrowing to invest in its stock.

As it had previously been noted that an error had been identified concerning the recharging of expenditure to the HRA from the Council's general fund account, an update was requested. It was confirmed that significant progress had been made in understanding the scale of the issue and adjustments had started to be made, which would ensure the in-year HRA budget was balanced. Without the recharge the budget would have been overspent due in part to the increased cost of utilities. The Sub-Committee agreed that it wanted to be kept informed of the outcomes from the work on the HRA recharge issue.

Regarding the overspend on the in-year budget for temporary accommodation, it was highlighted that every London borough was projecting an overspend of a similar percentage. As demand was increasing across London, it was frequently the case that boroughs were paying above the agreed rate for temporary accommodation to meet this demand. There had been pressure placed on the budget following the fire at Sycamore House, but many of these costs had been absorbed by insurance.

It was confirmed that the Chief Executive had written to neighbouring boroughs to raise concern about the number of placements made in Croydon and to highlight that they should not be paying above the agreed rate. However, it was difficult to address the issue as the reality was Croydon was seen to be the cheaper option to place people seeking temporary accommodation. The issue of out of borough placements was also being picked up at the sub-regional group of South West London boroughs and the Mayor had escalated the issue through London Councils to his political counterparts across London.

In response to a question about whether the winter top-up from the Government for homelessness prevention was likely to be repeated next year, it was advised that it had been provided as a one-off. At this stage the

Government's future intentions on this were not known. It was highlighted that £1.4m of Public Health funding had been provided to support work on substance misuse linked to homelessness over the next two years.

At the conclusion of this item, the Sub-Committee agreed that further information was needed on both the HRA or Housing General Fund budgets to enable it to reach its conclusions on their deliverability. As such a further briefing would be arranged before the budget meeting of the Scrutiny & Overview Committee on 16 February 2023, to allow the Sub-Committee to seek further reassurance.

### **Actions arising from the meeting**

Following the discussion of the Budget item at the meeting, the Sub-Committee agreed the following actions that would be followed up after the meeting.

1. That a further briefing would be arranged for the Sub-Committee prior to the Scrutiny & Overview Committee meeting on 16 February 2023, to seek further reassurance on the Housing Revenue Account and the Housing General Fund budgets.

### **Conclusions**

Following its discussion of the report, the Homes Sub-Committee reached the following conclusions: -

1. From the meeting on 6 February, the Sub-Committee concluded that there was insufficient budgetary detail provided in the report to enable it to reach a decision on whether it was reassured on the deliverability of the budget.
2. As such, it was agreed that a briefing would be arranged for the Sub-Committee to seek further assurance on the budget. The outcome from this session would be reported to the Scrutiny & Overview Committee on 16 February 2023, to inform its consideration of the wider Council budget.

(Note: the conclusions reached by the Sub-Committee following the briefing are appended to these minutes).

## **6/22 Work Programme 2022/23**

The Sub-Committee considered a report on pages 45 to 48 of the agenda which presented its work programme for review.

It was confirmed that the next meeting, to be held on 27 February 2023, was the last Sub-Committee meeting of this municipal year.

**Resolved:** That the work programme for the Homes Sub-Committee is noted.

The meeting ended at 9.36 pm

**Signed:**

**Date:**

.....  
.....

**Conclusions of the Homes Sub-Committee following its additional briefing on the Housing Revenue Account and Housing General Fund Budget**

1. Although it was noted that there was a current overspend of £4.6m the Housing Revenue Account (HRA) revenue budget, the Sub-Committee agreed that the Service had a good understanding of the reasons for this, which included rising utility costs, increased in legal disrepair costs and void rents.
2. Due to the work on the HRA recharging issue the revenue budget was likely to be balanced at the year end. However, without the recharge correction, it was reasonable to assume that reserves would have been used to cover the overspend. As the current level of reserves held for the HRA are healthy, this could have been managed as a one-off.
3. The Sub-Committee was reassured that most of the above causes of the overspend had been incorporated within the HRA revenue budget over the three year period of the Medium Term Financial Strategy, but there was a concern about the possibly optimistic assumption made for inflation on expenditure from April 2023 being set at 8% and at 3% from April 2024, given current levels of inflation exceeded 10%.
4. The Sub-Committee recognised that a significant amount of work had been invested in understanding the full scale of the issues related to the historic recharging to the HRA and the Sub-Committee understood the reasons for the readjustment included rightsizing corporate costs. However, further work was required to ensure that costs had been properly recharged from individual services' service level agreements, with a further update requested by the Sub-Committee on this work.
5. The Sub-Committee accepted that the future budgets presented to them adequately accounted for the future needs of the service, including the planned transformation work. However, there remained a concern about whether there was sufficient capacity within the Service to deliver the scale of transformation planned.
6. The Sub-Committee accepted that while not ideal, the current HRA Business Plan including its capital programme was based on a 5% sample of housing stock as an initial starting point and focussed on clear priorities such as buildings at the end of life, large panel systems and large scale disrepair. Confirmation was welcomed that going forward the Business Plan would be informed by an ongoing programme of stock condition surveys.

7. The Sub-Committee welcomed the approach not to pursue further borrowing over the next couple of years, considering the healthy reserve balance. It was also reassured that the future capital programme included a healthy budget to manage the upcoming legislative building safety changes.
8. The Sub-Committee questioned whether, considering the rising cost of utilities, further resources could have been allocated to the Net Zero workstream beyond the £1m allocated in the capital budget.
9. The Sub-Committee recognised that Housing General Fund activities, mainly homelessness and temporary accommodation services faced significant challenges with demand outweighing supply.
10. The Sub-Committee noted that the Council had been facing a significant reduction in its Homelessness Prevention Grant, but following lobbying from London Councils, this decision had been reversed and an additional winter pressures grant provided, which had helped to minimise the overspend for these services.
11. The Homelessness Prevention Grant was below the needs of the Council and as the Winter Pressures Grant was a one-off, it was agreed that the Council should continue to lobby Government for additional support to manage the homelessness pressures in the borough.
12. The Sub-Committee recognised the placement by other boroughs of people in to temporary accommodation in Croydon created a significant cost pressure for the Council and welcomed confirmation that the Council was actively engaging with these authorities to manage this issue.
13. The Sub-Committee welcomed the strand of the Transformation Programme which aimed to refocus the Service towards homelessness prevention, as this would help to reduce expenditure on temporary accommodation. However, due to the wider issue of poor quality data in the service, which was being addressed, it was recognised that some of the assumptions could not be more robust.
14. The Sub-Committee welcomed confirmation of one-off Public Health funding to allow the service to take a more holistic approach to alcohol and substance abuse issues. Confirmation of a Government grant to support the Council to meet its statutory duties towards domestic abuse victims was also welcomed, particularly as Croydon had one of the highest levels of domestic abuse in London.