



MINUTES OF THE COMMUNITY AND WELLBEING SCRUTINY COMMITTEE
Thursday 7 October 2021 at 6.00 pm

PRESENT: Councillor Ketan Sheth (Chair), Councillor Kansagra (substituting for Councillor Colwill), and Councillors Afzal, Daly and Thakkar, and co-opted members Rev. Helen Askwith, Mr Alloysius Frederick .

Also Present (in remote capacity): Councillors Aden, Lloyd, Sangani and Shahzad, and co-opted member Mr Simon Goulden

In attendance: Councillor Southwood, Councillor McLennan (remote capacity)

1. **Apologies for absence and clarification of alternate members**

Apologies were received as follows:

- Councillor Colwill, substituted by Councillor Kansagra
- Councillor Shahzad

2. **Declarations of interests**

Personal interests were declared as follows:

- Peter Gadsdon (Strategic Director Customer and Digital Services, Brent Council), who was presenting the substantive item to the Scrutiny Committee, advised that, while he was a Strategic Director for the Council, he was also a Director on the Board for First Wave Housing Limited (FWH) and would be representing FWH during the meeting.

3. **Deputations (if any)**

There were no deputations received.

4. **Matters arising (if any)**

There were no matters arising.

5. **Implications for BHM and HRA of proposals for ownership and refurbishment of Granville New Homes blocks**

Councillor Southwood (Lead Member for Housing and Welfare Reform) introduced the item which provided the Community and Wellbeing Scrutiny Committee with an update on the options analysis that First Wave Housing (FWH) carried out with the Company's Guarantor, Brent Council, on finding a viable option to fund and deliver the required remediation works at Granville New Homes. She advised that this was about putting things right, and fixing a historic issue that was not of the making of anyone attending the meeting that evening but which needed to be responded to in

the present, looking to the future. The proposal related to Granville New Homes which were built in 2009. The Committee heard that, following the Grenfell tragedy, all Council blocks were inspected to check cladding materials and also for wider fire safety issues. Granville New Homes was found to potentially have cladding that was not fire safe, therefore FWH went through the process of getting relevant inspections into the fire safety of the blocks. A Waking Watch had been in place in the blocks since October 2020 as a result of the concerns raised through those inspections. After further intrusive works were conducted, the total cost estimate needed to remediate the properties was substantial at £18.5m, which had considerable financial implications. Councillor Southwood advised that the proposal to Cabinet was to transfer 85 (84 social tenants and 1 leaseholder) Granville New Homes properties from FWH into the HRA, and further to transfer 25 intermediate rented homes into i4B stock. This recommendation was the option that met all the priorities set out in the Cabinet report.

The Chair thanked Councillor Southwood for her introduction and invited the Committee to raise comments and questions, with the following issues raised:

Further context on the history of Granville New Homes was sought, including when the Board and Guarantor became aware of the defects. Peter Gadsdon (Director of FWH) advised that FWH took over the stock from Brent Housing Partnership (BHP) in 2017. He advised that effectively BHP had stock that was unable to go into the HRA at the time which included Granville New Homes, which FWH took on. He advised that the first time the Board and Guarantor were aware of the full extent of the issues to the stock was in May 2021 when the Ridge report was received. He advised the Committee that the Audit Committee had also been sighted on the issues in the blocks, including the extent of the financial implications, although they had not seen the Ridge report. This was part of the Audit Committee's Forward Plan who, on an annual basis, looked at the business plan for FWH as a subsidiary to the Council. The issue had also been discussed with FWH's external auditors.

The Committee requested further details about how the report was commissioned and who had oversight of the defects, and wanted further details on the considerations given to legal due diligence and financial due diligence. Peter Gadsdon advised that as a result of the government MHCLG asking for all properties over 18 metres with any form of cladding to be reviewed, the Board took the decision to review the Granville blocks at 17.5 metres, where the fire service reviewed the fire safety arrangements and were the first to alert the Board in October of 2020 of issues with the fire safety arrangements. The Waking Watch had been implemented since October 2020 as a result of the advice received to ensure the safety of residents in the event of a fire. Further intrusive works were commissioned following this as there was a need to cut into walls, take windows out and break through walls to understand what the composition was, which Ridge conducted, including in a number of flats which were empty. Following the fully intrusive works where Ridge could see the full extent of the issues, the Board received the final Ridge report in May 2021 and made the Guarantor aware. In response to what financial due diligence took place, Minesh Patel (Director of Finance, Brent Council), representing the Guarantor, advised that Ridge were appointed as independent specialists to work through the surveys and provide an estimate, which internal Finance Officers and Officers on behalf of FWH had checked to ensure was correct. He advised that it was an estimate and they would not know the true cost until the work had been started. Hakeem Osinaike added

that Ridge had been commissioned to undertake the intrusive works with a good quality specification and therefore he had confidence in the report submitted by Ridge.

The Committee queried whether the Council, as Guarantor of FWH, had chosen to challenge FWH on the issues. Minesh Patel advised that the Council's role as a Guarantor was to meet with the Board of FWH on a regular basis to go through Key Performance Indicators and understand how the Company was running. The Guarantor had not been made aware of any issues prior to the final Ridge report. Hakeem Osinaike (Operational Director Housing, Brent Council) advised that the properties were managed by Brent Housing Management (BHM) on behalf of FWH, and they had managed the repairs in those blocks up until the inspection. He advised that it was in rectifying the fire safety issues a decision was taken to rectify any other issues as well.

The Committee noted that Higgins had been appointed to design and build the blocks in 2009, and had heard from residents and staff that there had been problems with the blocks since they were built. They queried what legal action against Higgins, as the contractor, had been pursued, considering the roofs had been previously replaced when FWH took over the building. Peter Gadsdon confirmed that BHP had replaced one of the roofs before FWH took over, and once FWH had taken over they had done works on water ingress issues and had planned to replace all roofs over time as part of previously published business plans for the Company, with an original cost estimate of £2m – 2.5m. With regard to any legal action taken, Peter Gadsdon advised that the records showed the building had been signed off and handed to the Council, but he was unable to comment on anything before 2017 when FWH took over the buildings. He advised that FWH had not had any conversations with Higgins regarding the defects which they were made aware of in May 2021. Legal advice was previously sought about whether there was any chance of redress but due to the passage of time were advised it was unlikely. The Board's priority was to ensure the properties were repaired back to safety.

Continuing to discuss the contract with Higgins, the Board queried why the Council were not communicating with them on this considering they were current contractors on other blocks being built. They queried whether there was a risk of this happening in other blocks that had been built or were being built. Minesh Patel advised that he did not have the details on the construction contracts with Higgins as that was a procurement process, but nothing had been brought to his attention that there were any concerns on any of the blocks Higgins had worked on. Councillor Southwood advised that the contractor had been awarded work by the Council through a procurement process without prejudice, the specification of which would have applied modern building control and expectations to whatever they built, and which would include monitoring on the delivery of their contracts. From a FWH perspective it was highly unlikely any other stock would have these issues as Granville New Homes were the only medium rise buildings in the assets. Peter Gadsdon added that, like the Council, FWH and i4B commissioned stock condition surveys and had Fire Risk Assessments in place and there were no issues in that regard. Councillor Southwood agreed to provide written assurances to the Committee that there was no issues in any of the blocks Higgins had worked on, and further information on the procurement process such as whether past performance of a contractor was considered before awarding a contract.

The Committee considered the financial implications of the proposals, and Ravinder Jassar (Deputy Director of Finance, Brent Council) confirmed that no funds were being written off to the Council's general fund. FWH would refinance the debt but still have a debt to the Council and service that debt over a 50 year period. The remaining stock in FWH remained with positive cashflow that allowed the servicing of that debt. The Committee queried what risk assessments had been done considering the rise of inflation and high likelihood of a rise in interest rates. Councillor Southwood advised that was why the paper was being brought to Cabinet, as every penny borrowed against the HRA was needed and the Council wanted to minimise the amount per year that tenant's rent was used to pay interest towards. It was in the Council's interest to secure the borrowing as soon as possible before interest rates changed. Further considering financial implications, the Committee highlighted the labour shortages, and increased labour and material costs as a result of the pandemic, and queried whether that had been budgeted for in the contingency. Peter Gadsdon advised that the costings were estimated in May of the current year, post pandemic, with those things taken into consideration as much as possible. In considering the finances of FWH, Committee members highlighted that FWH's most recently published accounts showed a discrepancy in the valuation of the Company, and asked about the justification and reasoning behind the valuation. Finance Officers agreed to provide a written explanation to the Committee. In terms of the financial implications to i4B, Ravinder Jassar advised that i4B would acquire the units for £3.5m, with an average weekly rent of £324 per unit per week, which made the purchase price per unit around £140,000. This was within the overall affordability limits of i4B and was a reasonable deal for them.

The Committee queried the rationale behind the proposal and why the Council were not able to lend FWH money to undertake the remediation. Ravinder Jassar explained that FWH were not able to afford the remediation works required even if they tried to refinance at a lower rate, and the business plan would no longer be viable. The option to demolish and rebuild had also been considered but was not financially viable. The Committee were advised that borrowing with the HRA was cheaper than lending to FWH, and the Council could not lend money to its subsidiary at the rate it could get as a Local Authority.

The Committee queried whether there was a risk to the business plan of a loss in rental income should a large number of tenants exercise the right to buy once they were brought in to a secure Council tenancy. Hakeem Osinaike advised that the right to buy in itself did not affect the financing of the transfer, and the income from any right to buy would be used to build New Council Homes. Councillor Southwood gave assurance to the Committee that the Council knew how many people exercised the right to buy on average per year, and she had received assurance from officers that there was no reason to think the proportion would be greater amongst this cohort. The financial assumptions were modelled on the same as any right to buy across the HRA, and if a greater proportion exercised that right there was contingency built in to the revenue forecasting. Peter Gadsdon added that 72 of the 84 social tenants had right to buy when the blocks originally transferred into BHP with only 1 tenant exercising that right. The Committee highlighted that the refurbishment of the blocks may change the numbers exercising their right to buy.

In considering the tenants within the block, the Committee queried what the proposals would mean for them. Councillor Southwood advised that for the 85

residents transferring to the HRA, the tenants would become full secure social tenants with the same rights as anyone else in the HRA, which she highlighted was one of the most secure forms of housing. The one leaseholder would become a Council leaseholder. The intention was for the Council to waive the charging of the cost of refurbishment to the leaseholder. The rents for the 84 social tenants would not change, and neither would the 25 intermediate rented properties proposed to transfer to i4B. In addition, there would be no change in their housing management services, which would continue to be delivered by Brent Housing Management (BHM). The Ridge report predicted that the works could be carried out without decanting residents.

With regard to whether tenants would get a rent waiver, reduction, or rent free period, the Committee were advised that none of those issues had been considered yet but would be as part of the consultation process. Hakeem Osinaike advised that it was not usual for the Council to offer rent reductions when carrying out major refurbishment.

The Committee asked how tenants would be engaged and how resident engagement had gone so far. BHM undertook engagement on behalf of FWH. At the time of the fire survey all residents were written to with an explanation of the issues, the Waking Watch and the work that was done to strip out flammable portioning. An online Zoom meeting had also been set up for tenants to raise concerns, however only a few people had joined. The Committee were advised that up to the point of the Committee meeting there had not been much response from residents. As such, BHM were engaging with residents individually when repairs were carried out in their homes, and everyone was aware of the issues and the way they were being taken forward. Further communications to residents would be necessary with the next steps.

The Committee queried whether the Council had considered carrying out energy efficiency and decarbonisation works in tandem with the remediation. Councillor Southwood advised that any discussion about decarbonisation works for those homes would be considered in the context of them being part of the HRA. The £18.5m in costs referred only to structural and safety works required and not any additional cosmetic work such as updating kitchens or bathrooms or decarbonisation works. She advised that the cyclical maintenance schedule would mean the properties under discussion would be due for new kitchens and bathrooms around the time of the works being undertaken, so while builders were in and tenants were disrupted it made sense to do as much work as possible. Hakeem Osinaike added that as the internal and external walls had been stripped back as part of the intrusive surveys, when they were reconstructed they would meet the required energy efficiency targets. In terms of the Council's decarbonisation work they were currently looking to retrofit a street property. No decarbonisation grants had been considered for the Granville New Homes properties.

The Committee questioned the delegated authority for the decision and Councillor Southwood advised that the issues crossed portfolios, but because the issue was specifically a technical financial recommendation it sat with the Deputy Leader, Councillor McLennan. Councillor Southwood was presenting to the Scrutiny Committee as they had asked to look specifically at the HRA, which was within her remit as the Cabinet Lead for Housing and Welfare Reform.

The Chair thanked officers for their responses. In considering their recommendations, the Committee discussed concerns over the reputational risk to the Council, the relationship between the Council and its subsidiaries, the engagement and communication between the residents and the Council and its subsidiaries, the concerns over the building handover process of the blocks, and concerns regarding the commissioning process and contract monitoring of these types of contracts.

The Chair reopened the meeting to provide the recommendations agreed. The Committee RESOLVED:

- i) To recommend that officers provide assurance that the Council has undertaken due diligence reviews of its subsidiary bodies, including governance, fitness for purpose, financial soundness and reputational risk.
- ii) That officers ensure that the Ridge report is made available to the Community and Wellbeing Scrutiny Committee and audit committee.
- iii) To recommend that officers review arrangements for entering contracts of this kind, in particular to ensure adequate arrangements are made to ensure appropriate design and build quality, and that the Council has appropriate recourse where latent defects are later identified.
- iv) To recommend that officers ensure all potential contractors are made aware of the standards expected by the Council and to ensure these are met before buildings are formally accepted by the Council.
- v) To recommend that the Council provide written assurance that it has taken, or will undertake, independent legal and financial advice (including tax) regarding the proposals and next steps.
- vi) To recommend that all contracts procured by the Council and its subsidiaries include a review of past delivery of any potential contractors.
- vii) To recommend that the Council ensures that where issues are evident in a particular project, all remaining projects by the same contractor are reviewed as a matter of urgency.
- viii) To recommend that officers review the steps that make up the procurement, commissioning and contract monitoring system to identify any gaps, especially in relation to risk and review. Where risks are identified to recommend that immediate action is taken.
- ix) To recommend that the Council puts in place arrangements to ensure learning about this case and any others raising issues of similar significance is shared across the Council as well as with existing and potential future partners/contractors.

- x) To recommend that officers establish and publish a comprehensive plan for ongoing engagement with residents.

6. **Any other urgent business**

None.

The meeting closed at 8:10 pm
COUNCILLOR KETAN SHETH