

**BRIGHTON & HOVE CITY COUNCIL****HOUSING & NEW HOMES COMMITTEE****4.00pm 26 SEPTEMBER 2018****COUNCIL CHAMBER - BRIGHTON TOWN HALL****MINUTES**

**Present:** Councillor Meadows (Chair) Councillor Hill (Deputy Chair), Councillor Mears (Opposition Spokesperson), Councillor Gibson (Group Spokesperson), Councillors Atkinson, Barnett, Cattell, Druitt, Lewry and Miller

**PART ONE****31 PROCEDURAL BUSINESS****31a) Declarations of Substitutes**

31.1 Councillor Cattell substituted for Councillor Moonan. Councillor Miller substituted for Councillor Bell.

**31b) Declarations of Interests**

31.2 There were no declarations of interests.

**31c) Exclusion of the Press and Public**

31.3 In accordance with section 100A(4) of the Local Government Act 1972, it was considered whether the press and public should be excluded from the meeting during the consideration of any items contained in the agenda, having regard to the nature of the business to be transacted and the nature of the proceedings and the likelihood as to whether, if members of the press and public were present, there would be disclosure to them of confidential or exempt information as defined in section 100I (1) of the said Act.

31.4 **RESOLVED** - That the press and public not be excluded from the meeting during consideration any items on the agenda.

**32 PUBLIC INVOLVEMENT****Petitions**

32.1 There were no petitions.

## Questions

32.2 Barry Hughes asked the following question:

“The recommendations of the report indicate a minimum of £20m per annum being spent on procurement from private contractors with a further £1.8m of the “in-house” budget being used to pay for sub-contractors.

- Could the Committee explain how this justifies any claim that the Future Delivery of Housing Repairs, Planned Maintenance and Capital Works is to be brought “in-house?”

32.3 The Chair replied as follows:

“Thank you for your question. The report sets out a series of recommendations for the future delivery of responsive repairs and empty property refurbishments, planned maintenance and improvement programmes and major projects to council housing stock.

The report does not claim to bring all services in house. However the recommendations are to bring customer service, quality assurance, responsive repairs and empty property refurbishments in house following the end of the current contract.

This is a significant change in the delivery of the service and represents over 30,000 repair jobs per year and 3,000 repair calls every month and covers the main front line service that residents receive. The report also sets out that this in house delivery will need to be supported by sub-contractors to manage the peaks and troughs that naturally exist when delivering a repairs service and that this would make up 20% of responsive repairs and 50% of empty properties works. This is similar to the level of sub-contacting on the current contract arrangements and reflects that this is the level of staff that would have the right to transfer to the council if this recommendation is agreed.

The report also states that it may be possible to reduce the level of sub-contracting over time.

The report sets out the benefits and risks of an option for the delivery of some planned maintenance and improvement programmes through an in house team, however this is not a recommended option as many planned maintenance and large capital works are specialist and involve spend for items such as scaffolding which would be unsuitable to deliver in-house.”

32.4 Mr Hughes asked the following supplementary question:

“I see that making up that £1.8M are sub-contractor costs for empty properties of 50%. Whilst this is a reduction on the current level, I would ask if the Committee requires that all empty properties are inspected by a

housing officer prior to being released as this will ensure that usable contents can be recycled by estate services for tenants in need.”

32.5 The Chair stated that the Committee agreed with Mr Hughes statement.

32.6 **RESOLVED-** That the Public question be noted.

32.7 Nichole Brennan asked the following question on behalf of David Thomas:

“Paragraph 1.7 states that “Feedback from numerous stakeholders has enabled the council’s programme team to develop a set of clear strategic objectives for the future delivery of the services” including; “Increased transparency, control and accountability around cost, programme information and quality assurance”

- Could the Committee please explain how increased transparency and accountability is to be achieved? This is particularly important given the press statements issued around the report and the refusal of the Chairperson to receive a deputation on this issue at the last Committee meeting?”

32.8 The Chair replied as follows:

“Thank you for your question. The council has consulted extensively with stakeholders ahead of developing these options for the future delivery of services and works.

As you have set out some of the key feedback was around transparency and accountability. Stakeholders wanted to see a more transparent demonstration of competitive tendering on a project by project basis for major capital projects – something that setting up our own framework for these works will be able to deliver because of the opportunities to get quotes from different contractors at the time of starting individual projects.

The report also sets out that the council will be responsible for customer service, quality assurance, contract management, procurement processes and quantity surveying giving much greater accountability to the council for the successful delivery of projects. This will be a change to the current service and increase the resource level to the council in checking the quality of works delivered.

I also note your comments around the deputation submitted to the last Housing & New Homes committee and would reiterate that the subject of this deputation was not a matter for this committee. As the council has advised, that deputation could be submitted for the next full Council meeting on the 18th October; the deadline for which is Friday 12th October at 12 noon.”

32.9 **RESOLVED-** That the Public question be noted.

32.10 Daniel Harris asked the following question:

“Paragraph 2.4 recommends approving “the procurement of at least one contract for the provision of planned maintenance and improvement programmes to council housing stock with a term of five years with the option to extend for up to a further two years”

Paragraph 2.5 recommends approving “the procurement of a multi-contractor framework agreement for major capital projects with a term of four years”

- Other than the time period of 5/7 or 4 years in what way can this recommendation be seen as a break with shoddy, over-priced, and sometimes unnecessary work under the present contract and as the issue of potential fraud and lessons from actual fraud are not referred to in the report how to the Committee intend to deal with this problem to ensure this never happens again?”

32.11 The Chair replied as follows:

“This report is clear that whilst there have been challenges with the current contract there have also been successes. Bringing all of the council housing stock up to the government’s decent homes standard was a key objective of the contract and has been successfully achieved and maintained.

The report also reflects the recommendations of the independent review of the contract that was discussed by this committee in June this year.

The report recommendations also set out that moving forward the council will be responsible for customer service, quality assurance, contract management, procurement processes and quantity surveying giving much greater accountability to the council for the successful delivery of projects as residents have requested.

The framework proposed for major capital projects will bring further competition into the process for each project and the report sets out that planned works will be let in a series of lots that may be attractive to small and medium local businesses.

There will also be separate procurement processes for the framework as well as planned maintenance and improvement contracts. These will be run in line with EU procurement law.”

32.12 Mr Harris noted that about a third would come in-house, when it was thought that it would all come in-house which was unsatisfactory. He challenged the Chair on the decent homes standards that were stated as a success. Mr Harris informed the Committee that his mother and her partner lived in a council home. It was like looking at two separate flats. One flat had been brought into the new century and the other flat was 30 or 40 years old. Mr Harris stated that there had been issues with the Mears contract for years. They had said that things would be done and people did come out but work

did not actually take place. Mr Harris asked the Chair to comment on the fact that only 1% of Seaside Community Homes tenants took part in the survey. He would like to have seen that they would have had more of a say within the consultation.

32.13 The Chair thanked Mr Harris for his supplementary question. She stated that the government guidelines on decent home standards were being achieved by the council. There were issues around different works that are being done. Some works needed to be carried out on a health and safety basis, so they might be carried forward ahead of the planned maintenance and improvement programme. That was why sometimes there could be two different assessments in the quality of the home. The Council are working to that and if Mr Harris' mother or her partner wished to ask for something new then they would need to go through the channels and ask the council.

32.14 **RESOLVED-** That the Public question be noted.

32.15 David Croydon asked the following question:

“Paragraph 3.49 states that the “in-house” contract will require 58 workers and 34 managers

- Does the Committee believe this to be a realistic ratio of workers to managers or is it one of the arguments to be used against even a small percentage of the work/budget for the Delivery of Housing Repairs, Planned Maintenance and Capital Works being withdrawn from private companies?”

32.16 The Chair replied as follows:

“Thank you for your question. The report sets out at 3.47 that the estimated staffing levels would be 58 operatives and 34 “management and administrative support staff” for the delivery of responsive repairs and empty properties. The majority of the estimated 34 staff are not managers at all. In fact in the estimates in the report there are only 10 managers in the 92 staff working on the in house service. This is in line with the council’s desired management spans of control on 1 to 7”

32.17 Mr Croydon asked the following supplementary question:

“Was that the ratio that Mears had, and if it was, does that explain some of the costs that they have passed on to us?”

32.18 The Chair explained that it was an estimate of the spans of control on 1 to 7.

32.19 **RESOLVED-** That the Public question be noted.

32.20 Maria Garrett-Gotch asked the following question:

““Paragraph 2.6 “Notes that the specialist works will continue to be delivered through individual contracts, with reports coming back to committee for

authority to procure and award such contracts if required in accordance with the council's Constitution”

- As this process has been shown to be at best controversial and at worst against the interests of residents and an unnecessary burden on Council finances why have lessons learnt not been applied? Even at the current time residents are expressing deep concern over the “Fire Alarm System Servicing, Maintenance, Design, and Installation” long term contract.”

32.21 The Chair replied as follows:

“Thank you for your question. You are correct that the report recommends that specialist services will continue to be delivered through individual contracts. However I don't recognise your comments about the services being an unnecessary burden on the council. For example our specialist Gas contractor has ensured that we have been 100% compliant on gas safety for a number of years and our service contract for legionella testing has operated successfully for a number of years.

The report is not seeking to make any changes to the process as this is separate to the current arrangements that are being considered. Committee will have the chance to review the strategy for each specialist contract in the same way as it does now, with reports for each contract requiring sign off coming to this committee.”

32.22 Ms Garrett-Gotch stated that she would like to challenge what the Chair said about gas safety works in council properties. She was a Whitehawk resident of 10 years and had had a faulty boiler for three years which was not put in place properly and had been seen as dangerous. The Chair asked Ms Garrett-Gotch if she had reported the fault and Ms Garrett-Gotch confirmed that she had reported the fault numerous times

32.23 **RESOLVED-** That the Public question be noted.

32.24 John Hadman asked the following question:

“Paragraph 4.3 of the ‘trowers & hamlins’ report provides an option of a “Wholly-Owned Subsidiary (and Managed Service)” and claims that “This is an innovative option where employees are engaged by BHCC but treated as part of contractor's supply-chain and managed by the contractor” and of the 268 pages that comprise the report as a whole at least 200 are provided by “consultants” from the private sector

- Does the Committee regard a “wholly-owned subsidiary” as just another way of forcing through privatisation and does the Committee accept the domination of “consultants” as undue influence by those who profit from the proposals they support?”

32.25 The Chair replied as follows:

“Thank you for your question. Officers and Councillors through the Procurement Advisory Board have looked at a wide range of delivery options for these services in great detail. One of the options we looked at was a Wholly Owned Subsidiary, however this was discounted for the reasons set out in paragraph 4.57 of the report. We have committed to being transparent throughout this process and that is why all of the options are set out in so much detail here and why we have shared the work that consultants have done to support officers and members in this process.

As part of the information gathering process and research for the programme council officers have also visited other local authority housing departments to share best practice and information. Many of these other authorities have also engaged consultants and industry experts to support in similar circumstances to the council.

Consultants have been helpful in providing detailed options and costs of models using their wide industry knowledge. Members fed back how helpful this has been in developing understanding of the different models available. It would be clear though that these are the council’s reports and recommendations not the consultants.”

32.26 Mr Hadman asked the following supplementary question:

“Is it a back door privatisation”.

32.27 The Chair confirmed that it was not back door privatisation.

32.28 **RESOLVED-** That the Public question be noted.

32.29 Jim Deans asked the following question:

“We are facing a housing crisis in the city yet we see many properties, council owned lying empty for many months. How many council homes are "empty"...whether it is waiting for refurbishment or otherwise? These properties are under the control and timescale of Mears and the current contract with them.... How many are more than 3 months empty? What has been the turn round times in empty properties?”

32.30 The Chair replied as follows:

“Thank you for your question. The committee receives a regular performance update which gives detail on the management of our empty properties and how quickly these are being refurbished and re-let.

At this time there are 67 council properties that are empty, our total stock is 11,550. These properties will be at different points in the re-letting cycle. Some will be under refurbishment and some will be ready to let.

Of the 67 properties, 17 have been empty for longer than three months. This is made up of:

- 9 Seniors housing properties
- 5 undergoing major works
- 3 undergoing normal refurbishment work

On average our regular properties are empty for 21 calendar days, our key to key empty period including properties which have major works or extensions is 56 days. This information was reported to committee on the 19<sup>th</sup> September and is available on our website.”

32.31 Mr Deans asked the following supplementary question:

“Would this committee consider the following suggestions. Allow a taskforce to be created which would be a mixture of professionals, volunteers and the homeless themselves for a project driven by a local charity with no financial axe to grind but the sole purpose of reducing the homeless crisis. This force would turn around empty properties to the agreed living standard moving between properties just like private landlords do in the city. Does this Committee agree that we now have to think outside the box when it comes to tackling the housing crisis”?

32.32 The Chair thanked Mr Deans for his ideas and suggestions. They would be taken back for discussion.

32.33 **RESOLVED-** That the Public question be noted.

### **Deputations**

32.34 There were no deputations.

## **33 THE FUTURE DELIVERY OF RESPONSIVE REPAIRS AND EMPTY PROPERTY REFURBISHMENTS, PLANNED MAINTENANCE AND IMPROVEMENT PROGRAMMES AND MAJOR CAPITAL PROJECTS TO COUNCIL HOUSING STOCK**

33.1 The Committee considered a report of the Executive Director, Neighbourhoods, Communities & Housing which set out the recommendations for the future delivery of responsive repairs and empty property refurbishments, planned maintenance and improvement programmes and major capital projects to council housing stock following the expiry of the current contractual arrangements in March 2020. The report was presented by the Head of Housing Strategy, Property and Investment, accompanied by the Business & Performance Manager, and the Business and Performance Project Manager.

33.2 The Chair stated that all councillors had been offered briefings on the report, including substitute members. An addendum with officer’s amendments to the report had been circulated and published.

33.3 The Head of Housing Strategy, Property and Investment explained the structure of the report and highlighted the main elements. Officers had engaged with members through the Members' Procurement Advisory Board. There had also been a dedicated Members' workshop. There had been a series of workshops for tenants and leaseholders as detailed in Appendix 10 & 11 of the report and an independent door to door survey across the city as set out in Appendix 12. The feedback from stakeholders had enabled the council's programme team to develop a set of clear strategic objectives for the future delivery of the services and works as set out in paragraph 1.7 of the report. The recommendations in the report were based on this feedback. The report also set out the risks and benefits of the proposals. An independent report from Savills detailing the breakdown, methodology and requirements for setting up an in-house service was detailed in Appendix 9. Alternative options were set out in Section 4 of the report.

33.4 The Chair stated that she would hear all the amendments first and then have a general discussion.

33.5 Councillor Mears set out the Conservative amendment as follows:

"That the Housing & New Homes Committee recommends to Policy, Resources & Growth Committee that it:

Customer service and quality assurance

2.1 Agrees that the customer service and quality assurance services are brought in-house and delivered by the council following the expiry of the current contractual arrangements;

Responsive repairs and empty property refurbishments

2.2 ~~Agrees that responsive repairs and empty property refurbishments works to council housing stock are brought in-house and delivered by the council following the expiry of the current contractual arrangements;~~  
**Approves the procurement of one contract for the provision of responsive repairs and empty property refurbishment works to council housing stock with a term of five years and the option to extend for up to a further two years.**

2.3 ~~Approves a 'set-up and mobilisation' budget of £0.112m for 2018/19 funded by an in-year virement transferring this budget from the capital financing costs budget in the Housing Revenue Account (HRA) and the creation of an earmarked 'set up and mobilisation' reserve of £0.982m for use in 2019/20 funded from HRA general reserves; That the agreed allocation of funding as shown in Appendices 3 and 4 be approved for inclusion within the council's Capital Investment Programme 2018/19;~~  
**That funds (£1.094m) previously earmarked for set up and mobilisation of an in-house service are spent on purchasing or developing additional council housing stock to be rented at social or living rent levels in the financial year 2019/20. And that the**

***ongoing revenue savings of £0.618m by taking the decision at 2.2 are spent year on year on increasing the Estates Development Budget and the proposed in-house clerk of works and surveyor service so the team has sufficient capacity to check the work undertaken.”***

33.6 The amendment was seconded by Councillor Barnett, who stated that the amendment showed commitment to local residents and tenants.

33.7 Councillor Druitt set out the following Green amendment:

“To amend the recommendation 2.4 as shown below in ***bold italics***

Planned maintenance and improvement programmes

2.4 Approves the procurement of at least one contract for the provision of planned maintenance and improvement programmes (***excluding kitchen and bathroom replacement programmes***) to council housing stock with a term of five years with the option to extend for up to a further two years;

***Approves the procurement of one contract for kitchen and bathroom replacement programmes to council housing stock with a term of three years;***

***Notes that a report considering the business case for the in-house delivery of bathroom and kitchen replacement programmes to council housing stock will be brought back to committee for a decision prior to the end of the three year contract.”***

33.8 The amendment was seconded by Councillor Gibson.

33.9 Councillor Druitt stated that the Green Group believed that the amendment would improve the contracts as it allowed the council to take a more long term view. An in-house service for kitchen and bathroom replacement would provide greater value, greater flexibility and take the profit margin out of the process. Councillors had correspondence from residents who had had work carried out by Mears. Some of the short term decisions around materials had demonstrated why taking the service in-house was a good idea. The report stated why the repairs service should be taken in house. He believed that the same argument applied to bathrooms and kitchens.

33.10 Councillor Gibson set out the following Green amendment:

“To add recommendation 2.8, as shown below in ***bold italics***

***2.8 Affirms its intention to review whether further elements of the services and works may be brought in-house in such a way that any timescales would ensure thorough preparation and a smooth transition.”***

33.11 The amendment was seconded by Councillor Druitt.

33.12 Councillor Gibson stated that the reason for the amendment was to demonstrate the intention of bringing more services in-house. Councillor Gibson made the following points to support his view that the council was more likely to get a better contract if it was an in house service.

- There was no contractual profit funded by rents.
- The social value benefits were greater (Reference was made to page 31 of the report showing social value framework principles).
- Better working conditions for staff. Valuing staff was likely to lead to a better service.
- Greater flexibility. In a contractual arrangement there was a danger that it could become more adversarial. If the council managed its own workforce, it was easier to monitor.
- It was more accountable. There would only be one body to deal with responsive repairs.

33.13 At this point in the proceedings members moved to questions and debate on the report's recommendations and the amendments.

33.14 Councillor Miller raised the following comments/questions:

- Quality Assurance: Reference was made to the number of quantity surveyors, mentioned in the current recommendations. Councillor Miller could not find an explanation of how many would monitor the in-house service and those who would be monitoring both the planned and specialist work. Councillor Miller would not like to see all the quantity surveyor working on the external works and the council not quality assuring its internal work.
- Officers were asked to provide clarity with regard to the wording of the planned works recommendation and why it was not a framework.
- Officers were asked to outline the financial implications of the Green Group amendment proposed by Councillor Druitt, to bring more services in-house.
- Officers were asked to outline whether there was likely to be some pension implications as a result of increased pension liabilities.
- There was a need to understand the risks of TUPE for management and workers.
- The financial implications outlined that the estimated costs from Savills could be as low as 7.1M if the council contracted out and the upper limit for the in-house was 7.866M. On the estimates presented Councillor Miller asked for clarification that the maximum potential cost of bringing the service in-house would be £868,000 a year x 5 which was £4.3M. plus the £1.1M additional mobilisation costs which was closer to £5.4M than the £4.2M set out in the report. He stressed that the cost could be closer to £7M if the council had a 5 plus 2 contract that would be closer to £8M over the course of the contract by bringing the service in-house.

33.15 The Business & Performance Manager replied as follows:

- Quality assurance: The best comparative was the current service for monitoring the contracted element. That was made up of 1 general building manager, 3 surveying contract manager staff and 3 quantity surveyors. There was also a Major Projects Manager and a temporary quality assurance member of staff. They would be deployed around the contracted works. In terms of the in-house service there were approximately 17 staff that were responsible for supervising works. (quality assurance on the in-house repairs and empty properties service). This was a combination of supervisors and quality assurance staff.
- Planned works: The recommendation set out that there would be at least one contract for planned works. The lotting and number of contracts was set out in more detail on page 23 of the report. The report recommended that the contract was split into smaller lots based on work type. This would mean that small to medium contractors would be able to bid for individual lots. Paragraph 3.80 sets out that it would be possible for contractors to win multiple lots if they submitted a winning bid when they bid for each of those lots. That might open the opportunity for the council to benefit from reduced prices due to the economies of scale and deliver some efficiencies through managing a fewer number of contractors.

33.16 The Executive Director, Finance & Resources referred to the financial implications of Councillor Druitt's amendment. The implications were set out in the body of the report at paragraph 4.19, with potential benefits and risks at 4.25 & 4.26. There was a potential impact that the amendment might reduce the number of bidders and/or increase the costs as a three year contract would not be as attractive as the original proposal for five plus two, but that was speculation. There could be additional expense.

33.17 Councillor Miller asked if members could make a sound recommendation on that amendment without having the full financial implications. The Senior Lawyer stressed that the Executive Director had stated that it was not possible to provide the Committee with the full financial implications. It was only possible to make a guess. The Committee could make a decision in the knowledge that it would never have the full information.

33.18 The Executive Director, Finance & Resources referred to the question about pensions. The pension calculations were built into the calculations set out in table 2 on page 16 of the report. This was not an exact science as officers did not know the exact pension arrangements of the current staff members. It was assumed that they would end up receiving the employer contributions based on what Brighton & Hove paid as a council. However, the future lump sum payments for new joiners of the scheme could in theory be smaller.

33.19 The Principal Accountant referred to the question about the difference between the in house proposal and the contracted out service for responsive repairs and empty properties. Officers had taken the higher estimate from

Savills of that contracted price and compared it with the higher estimate of the council's cost. It was felt that this was a good reflection of the difference. If the council were to take the lower estimate that would add another 250 for each of the years (£250,000). For five years that would be £1.25M extra difference between the two. The Executive Director, Finance & Resources stated that in the final two years (the plus 2) it was hoped that the council would be in a position to deliver efficiencies.

33.19 The Executive Director, Neighbourhoods, Communities and Housing agreed that there was a risk around TUPE, however she stressed that that was not only a risk for transferring to an in-house service. There was a risk in doing anything other than keeping the current contractor.

33.20 Councillor Atkinson thanked officers for the comprehensive report and made the following points.

- He agreed with all the recommendations in the report, but did have some concern about timescales which were ambitious. He noted in some of the examples from other authorities that a three year lead in period was needed to ensure safe processes were in place.
- He supported bringing customer service, quality assurance services back in-house. He further supported bringing responsive repairs and empty property refurbishment back in house. This received the lowest satisfaction rate in the ARP report and in the survey.
- There needed to be experienced and competent managers in place to make the in-house service effective and to monitor all the other contracts.
- Planned maintenance should go to external contractors but using the Preston model, using local firms and staff. It was not realistic to expect council managers to take on such a huge piece of work. The same approach could apply to major capital projects.
- Value for money needed to be demonstrated for leaseholders. The first report from Savill in April 2018 had noted this concern.
- There appeared to have been widespread engagement with tenants, leaseholders, staff and the unions. This was to be applauded. Hopefully the extensive feedback set out on pages 201 and 219 of the report from tenants and leaseholders could help inform the drawing up of all services and contracts.
- The importance of quality assurance was stressed for both in-house and contracted work.
- The apprenticeship scheme was an absolute priority and Councillor Atkinson had a question around Savill's recommended BHCC training agency. Was this the action referred to under paragraph 3.70 on page 21. It was important to grow the council's own work staff.

33.21 The Business & Performance Manager referred to mobilisation and timescales. Extensive site visits and research had seen examples of authorities mobilising similar services within 12 months or less. The resourcing and mobilisation set up budgets indicated in the report reflected the importance of mobilising the new service in an effective way. That

included funding within the 2018/19 year. The planned works lotting and the frameworks options would provide opportunities for smaller contactors to bid and enable the council to engage with a wider range of providers. In terms of the apprentices, paragraph 3.70 did relate to the observations in the Savill's report. Elsewhere in the report it was identified that for the in-house service the council would seek to deliver apprenticeships to the same ratio as the current arrangement with Mears. The apprenticeship scheme co-ordinator post set out in Paragraph 3.70 would facilitate apprenticeship placements across the diverse range of contractors.

33.22 Councillor Mears made observations and raised questions as follows:

- Reference was made to granting delegation to the Executive Director Neighbourhoods, Communities & Housing as stated in recommendation 2.7 (iv). This could not be supported until there was a clear report as to what this meant.
- Reference was made to the poor management of the Mears contract by the council. She stressed the importance of good management in the future.
- The Conservative Group were listening to tenants. They did support customer service and quality assurance being brought in-house.
- Councillor Mears stressed that she was not in any way connected to Mears Ltd.
- The Conservative Group did not support the figure for set up costs as set out in the report. Councillor Mears believed it would be nearer to £5M plus. Management costs would reach £1.5M yearly. This was to manage 58 staff.
- There was little detail regarding the number of small businesses in the city. Local businesses employed local people and supported the local economy. By having an in-house contract, local people could lose their jobs as small businesses closed. Unfortunately some small businesses would not fit into the procurement framework.
- Reference was made to the Green amendments. There was no way of knowing what Councillor Druitt's amendment entailed financially. The Conservative Group could not support Councillor Gibson's amendment as reviews were already in place.
- Breaking down contracts into smaller and smaller lots would make them more expensive.
- Tenants would be paying for all these recommendations through the HRA, when all they wanted was a good service and their homes kept to a good standard. The whole report was about spending millions of pounds of tenant's money.
- Mention was made of a serious fraud in the old Brighton Borough Council.
- Councillor Mears was concerned that the council would be paying more and would receive far less.
- The council should be looking to achieve best value for money.

33.23 Councillor Gibson raised the following points/questions:

- The Conservative amendment referred to funds of £1.094m. How many homes was that estimated to achieve? In terms of the £0.618m, how much was earmarked for the Estate Development Budget.
- Officers were questioned about the satisfaction with repairs as reported in the last Star Survey.
- A question was raised about the estimated annual value of kitchens and bathrooms planned maintenance.
- A question was raised about the value of a training agency. Officers were asked to confirm that Islington Council had set up their own workshops.
- Officers were thanked for their work on the report.

33.24 The Business & Performance Manager replied as follows:

- The distribution of the £1.094M would depend on the method of delivery.
- It was confirmed that Islington had joinery on their site.
- Officers would come back to Councillor Gibson on the level of satisfaction with repairs in the Star Survey.
- The spend on kitchen and bathrooms was £1.5M a year at the moment. Kitchens were more expensive than bathrooms but the council gave residents a choice between kitchens and bathrooms and residents tended to choose a kitchen.

33.25 The Executive Director Neighbourhoods, Communities and Housing confirmed that the question relating to the breakdown of the £0.618m was not for officers to answer.

33.26 Councillor Druitt thanked officers for the report. He was generally in favour of the direction of travel. He also thanked staff who worked for Mears. The main concern had related to management and not the quality of work. Councillor Druitt made the following points:

- With regard to the Conservative amendment, the Green Group could not support the amended 2.2. Councillor Druitt found amendment 2.3 to be interesting and its intention commendable and something he would like to support. However, as it could not be tied with 2.2, he suggested bringing it back to a future Housing & New Homes Committee and Budget Council.
- The report gave good opportunities for small businesses wanting to tender for work. Councillor Druitt was in favour of the small lots approach to procurement which did enable smaller businesses in the city to bid for work.
- Councillor Druitt's amendment would create greater social value.
- It was clear in the officers' briefing that after five years there was the potential of financial savings in the future. For example, there was no profit requirement, there was greater ability to plan longer term, and use more durable materials, and there was no incentive to carry out unnecessary work. There were incentives to do the whole job the first time. It would not be necessary for two organisations to carry out quality assurance. There was the potential in the long term for the council to save money.

33.27 The Business & Performance Manager replied as follows:

- The Savill's report on pages 198 to 199 set out some of the potential efficiencies that could be delivered over the longer term.
- The report itself compared costs on a five year basis for comparison with contractual lengths.
- When the last Star Survey was completed in 2016, 77% of residents were satisfied with the repairs service overall. 81% were satisfied with the last repair they received. 93% were satisfied with the process for reporting a repair and 81% were satisfied with the planned maintenance service.

33.28 Councillor Miller made the following points:

- With regard to small businesses, by bringing the service in-house the council would reduce the number of sub-contractors that it would be able to use. A framework arrangement for one large contract would help that as it would have smaller lots within lots which would help small businesses.
- Councillor Miller thanked officers for their work on the report.
- It was important to write into the contracts and the council's plan going forward that element of quality assurance.
- Concern was raised at the financial implications of the Green amendments.
- The proposals if agreed would mean the council was paying significantly more for less.
- The Conservative Group were happy with Customer Service and quality assurance services being brought in-house.
- Tenants were happy with the repairs service. The problem was with planned and major works.
- Reference was made to page 21 & 22 of the report (paragraphs 3.72 and 3.73). Councillor Miller had never seen officers recommending a course of action with so many risks. Significantly fewer risks were listed on page 36 (paragraph 4.8) under possible options that are not recommended.
- Estimated costs were not a reflection of reality. The private sector costs would be at the lower end and the council costs would be at the upper end. The cost of the post of Assistant Director (£102,000) had not been set out in the ongoing costs in the report. This was now set out in the addendum. This would be £510,000 more expenditure over the five years than it would have been.
- The estimated costs in the officer's report would be £4.184 higher but Councillor Miller considered that it could be closer to £8M. It would be higher if the 5 plus 2 model was chosen. There were exceptional costs with IT, risks with TUPE and operational risks.
- Concerns were raised that the HRA would be used as a 'cash cow', and that apprenticeships would not be as good as in the individual contract.
- The proposals would lead to a City Clean service with tenants paying more for less. The service would cost £1M more for less of a service and tenants would have less value for money.

33.29 The Executive Director stressed that the recommendations were her recommendations and she & her officers had not been put under any political pressure. The methodology for the recommendations was i) Across the housing world more and more councils and associations were beginning to bring services in-house. ii) Tenants were saying that they wanted more from a repairs contract than just repairs (e.g drying areas) An in-house service would provide flexibility. iii) The recommendations were about flexibility to put resources where they were needed. iv) There was broadly cross party support when officers had spoken to individual councillors around the idea of some services coming in-house. The Executive Director agreed that staffing costs would be increased. However, Mears and any other contractor would have a Director, an Assistant Director and managers that ran each of the individual parts. Whatever decision the council took there would management costs. The staff costs had all been discussed and looked at by finance colleagues, legal colleagues and procurement colleagues and had been deemed to be reasonable for the services the council would be providing.

33.30 Councillor Mears stated for clarity that she was saying that the council had a procurement framework and some small businesses within the city would not fit into that criteria and would not be able to bid for contracts. Meanwhile, Mears Ltd now had a contract for Lewes District Council and Eastbourne Borough Council which could mean skills could be lost for the city.

33.31 Councillor Hill made the following points:

- There had been dissatisfaction with Mears and this was partly due to the size and length of the contract Mears was given. This had led to the perception that the contract was not very competitive. It made sense to break up the contract and deal with the types of work in different ways and to decrease the length of the contract.
- There were risks associated with the proposals and these were outlined in the report. There was a perception that if a service was brought in-house it would automatically save money because the cost of what was being done was going to be exactly the same as the cost the contractor had but without their profit margin. That was a simplistic way of looking at things and this was borne out in the report.
- The benefits of the proposals outweighed the risks and the views of tenants were being acknowledged when it came to the proposal.
- The properties belonged to the council and the council should be able to manage them. There was a need for good managers in place for the proposals to be a success.
- The Labour Group would not support the Conservative Amendment. Although it was accepted that the proposals could cost more money Councillor Hill did not know how the Conservative Group had reached the figure of £8M and 40 units. Councillor Hill stressed that most of the figures in the report were estimates.
- Councillor Hill was minded not to support the Green amendment relating to kitchens and bathrooms. The council would be reviewing the situation after three years.

33.32 Councillor Druitt made the following points:

- All the figures in the report were officer's best guess with the information that was available
- Apprenticeships were one of the social value reasons why it was better to carry out as much work in-house as was possible. The Council could run as many apprenticeship schemes as it wanted, whereas the opportunity for apprenticeships was limited if the contracts were outside the council
- Financially it was likely that an in-house service in the long term would be cheaper to deliver and offer better value to residents.

33.33 Councillor Cattell made the following points:

- Staff were thanked the staff for the astonishing amount of work carried out.
- Councillor Cattell thought the proposals were the right course of action, particularly as many local authorities were moving towards bringing services back in-house. The proposal was a mix of having a DLO and something that would benefit many small to medium size businesses.
- It was noted that one of the local authorities visited was Preston. The Preston Model was being held up as a near ideal way of placing money in the local economy and making sure that smaller businesses would benefit.
- Councillor Cattell stated that it was time to bring back civic pride to workers in local government and she supported every recommendation in the report.
- Councillor Cattell did not support the Conservative and Green amendments.

33.34 Councillor Gibson responded to points made in the debate as follows:

- There was a debate around cost versus quality. The Green Group argued that an in-house service had a greater potential for quality and that the cheapest was not always the best.
- The first part of the Conservative amendment could not be supported and the second part of the amendment depended on supporting the first part. However, there was something admirable within the second part of the amendment, which could be separated from the first part. Councillor Gibson looked forward to discussing further how the council could extend the principles contained in that amendment. This was saying if the council could find resources and savings they could be used to subsidise rents. That principle was interesting and Councillor Gibson suggested that the council should look to see how this could be achieved in a way which did not jeopardise bringing the responsive repairs and empty properties service in-house. Councillor Gibson suggested that the best way to achieve this was to use the existing and significant programme. Savings identified could be used to lower rents as many people in the city could not afford the so called affordable rents and LHA rents. There was a need for social rents and living rents.
- The other admirable element of the second part of the Conservative amendment was to ensure sufficient resources for the Estate Development Budget. He stressed that the Green Group had proposed an increase in the

Estate Development Budget at Budget Council and received no support. The tenants were saying that the cuts were too severe. There was a need for everyone to work together with the tenants to identify what was needed and then look to identify the resources and prevent the erosion of the Estate Development Budget.

- In terms of satisfaction it was clear a better service was possible in-house if it was well managed. An in-house service would allow more control and flexibility to improve.
- The Green amendments would allow the work to move more quickly. The amendments had been discussed with the officers and the same action had been taken in Islington and other councils. The amendments would provide benefit in terms of social value and make a difference in terms of having control and accountability.

33.35 At this point in the proceedings members voted on the amendments as follows:

Members voted on the Conservative amendment. The amendment was not carried (4 votes in favour and 6 votes against).

Members voted on the Green amendment 2.4. The amendment was not carried (2 votes in favour and 8 votes against).

Members voted on the Green amendment 2.8. The amendment was not carried (2 votes in favour, 4 votes against and 4 abstentions).

33.36 Members voted on the substantive recommendations as follow:

2.1 was unanimously agreed.

2.2 and 2.3 and were carried (6 votes in favour and 4 votes against).

2.4 was unanimously agreed.

2.5 was unanimously agreed.

2.6 was unanimously agreed.

2.7 (i, ii, iii, & iv) was carried (6 votes in favour and 4 abstentions).

33.37 **RESOLVED:-**

That Housing & New Homes Committee recommends to Policy, Resources & Growth Committee that it:

Customer service and quality assurance

- (1) Agrees that the customer service and quality assurance services are brought in-house and delivered by the council following the expiry of the current contractual arrangements;

### Responsive repairs and empty property refurbishments

- (2) Agrees that responsive repairs and empty property refurbishments works to council housing stock are brought in-house and delivered by the council following the expiry of the current contractual arrangements;
- (3) Approves a 'set-up and mobilisation' budget of £0.112m for 2018/19 funded by an in-year virement transferring this budget from the capital financing costs budget in the Housing Revenue Account (HRA) and the creation of an earmarked 'set up and mobilisation' reserve of £0.982m for use in 2019/20 funded from HRA general reserves;

### Planned maintenance and improvement programmes

- (4) Approves the procurement of at least one contract for the provision of planned maintenance and improvement programmes to council housing stock with a term of five years with the option to extend for up to a further two years;

### Major capital projects

- (5) Approves the procurement of a multi- contractor framework agreement for major capital projects with a term of four years;

### Specialist works

- (6) Notes that the specialist works will continue to be delivered through individual contracts, with reports coming back to committee for authority to procure and award such contracts if required in accordance with the council's Constitution;

### Delegation

- (7) Grants delegated authority to the Executive Director Neighbourhoods, Communities & Housing to:
  - (i) commence the procurements and award the contracts required to implement the recommendations;
  - (ii) use the 'set-up and mobilisation' budget to create and appoint to new roles to enable these recommendations to be delivered;
  - (iii) award call-off contracts under the major capital projects framework agreement; and
  - (iv) take any other steps necessary to implement the recommendations in this report.

The meeting concluded at 6.06pm

Signed

Chair

Dated this

day of

