

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA**HOUSING AND PROPERTY SCRUTINY COMMITTEE****15 MARCH 2012****CABINET MEMBER FOR HOUSING AND PROPERTY SERVICES****CABINET MEMBER REPORT ON CURRENT ISSUES**

The purpose of this report is to inform Members of recent policy and practice developments, which are likely to impact on the future work of the Business Group and to update Members on progress of important current projects.

FOR INFORMATION**HOUSING****1. Update to the Royal Borough's response to the changes in Housing Benefit.**

- 1.1 Previous advice sessions hosted by the Royal Borough for residents affected by the changes to Local Housing Allowance were not particularly well attended: 495 households were invited but only 23 attended. As a result we ran a follow up session in January and invited all residents previously contacted, as well as those residents for whom the changes would impact in April. A total of 677 households were written to, but again the attendance was poor, with only 47 households coming in for advice.
- 1.2 We plan to hold an additional session for those affected in May and June in March inviting another 371 households. We have individually contacted all the over 70's affected between January and June 2012 and offered individual visits, but we have had received no response to this.
- 1.3 Approaches for advice and assistance, and as a result numbers in temporary accommodation continue to steadily increase. The percentage of homeless approaches from the private rented sector has increased monthly since September, and there was a sharp increase in approaches from residents due to the benefit changes in January 2012:-

Homeless approaches from the PRS

| | Total PRS approaches | Approaches due to benefit changes | Approaches for other reasons | % due to benefit changes |
|--------|----------------------|-----------------------------------|------------------------------|--------------------------|
| Apr-11 | 51 | 12 | 39 | 23.53% |
| May-11 | 97 | 8 | 89 | 8.25% |
| Jun-11 | 90 | 14 | 76 | 15.56% |
| Jul-11 | 80 | 7 | 73 | 8.75% |
| Aug-11 | 115 | 13 | 102 | 11.30% |
| Sep-11 | 80 | 14 | 66 | 17.50% |
| Oct-11 | 83 | 17 | 66 | 20.48% |
| Nov-11 | 83 | 20 | 63 | 24.10% |
| Dec-11 | 63 | 17 | 46 | 26.98% |
| Jan-12 | 107 | 47 | 60 | 43.93% |

- 1.4 Procuring temporary accommodation to cater for the additional demand is becoming much more competitive – local authorities are seeking to maintain as much temporary accommodation within their borough as they can, which is leading to shortages of available and affordable accommodation in the areas of London where Kensington and Chelsea historically have procured in (East and North London). To meet demand we continue to investigate all options to increase supply and anticipate that there will be increasing pressures on boroughs to increase payments to providers.
- 1.5 In November we implemented a new scheme (the Private Rented Access Scheme) aimed at applicants resourceful enough to find their own accommodation, but without the financial backing to do so. There has been a great deal of interest in the PRAS but most of the interested applicants have not been successful in finding suitable accommodation within the new LHA caps, and this is perhaps because their focus has been finding accommodation in the Central London areas where market rents are far in excess of the capped rates. We have however been successful in assisting one family to move to a property in Ealing, and continue to look into ways of ensuring the scheme is a success. We are now looking at how housing advice staff can offer additional advice to people wanting to use the scheme, so that people have

realistic expectations about where they can find affordable accommodation.

- 1.6 In January we received permission from Brent Council to join their temporary accommodation framework, introducing us to 12 RSLs and letting agents, and 5 that we already work with to procure accommodation for us. We have since procured our first units of accommodation and continue to play an active role in the framework.
- 1.7 We are updating our temporary accommodation placements policy, confirming which households we will prioritise for in-borough and local accommodation, and accommodation in London. We continue to speak to existing agents and newer agents introduced via the Brent Framework with regards to finding accommodation further afield in order to meet our statutory demands.
- 1.8 As Councils attempt to source accommodation across London it is inevitable that there will be competing tensions between boroughs. Some boroughs will have concerns about the relocation of households within their areas and the associated pressures on Council services that may arise as a result of this. We will address this by ensuring that we place the most vulnerable households within the Royal borough whenever possible.
- 1.9 Concurrently boroughs are facing increasing pressure from landlords to increase payments, whilst the Pan London protocol that Leaders of all London Council's have signed up to sets out the agreement that no placing borough will pay more than a host borough in securing accommodation. Given the wider pressures on the private rented housing market and the competing interests of private individuals looking to access the market, this may be unsustainable.

2. Silchester Estate

- 2.1 Since the selection of a development partner, Peabody in September, 2011 good progress has been made in implementing the project. Peabody has developed the details of their proposal to the level required for the submission of a planning application. This culminated in an exhibition of residents and other interested parties on 2 February, 2012 and the formal submission of their application on 14 February, 2012. The project is therefore on target for the planning application to be determined by the end of June, 2012.

- 2.2 In addition to this work, officers have begun working with those residents directly affected by the proposals. The tenants of the garages and parking spaces to be demolished for the first phase of work have been contacted and a programme of finding alternative parking spaces for these residents is underway. Formal consultation about the details of the decant package for tenants and leaseholder has commenced with those living in 1 – 27 Shalfleet Drive who will be required to move to allow the second phase of the scheme to proceed. Individual discussions with these tenants and leaseholders have also commenced.

3. Hidden homes

- 3.1 At Elm Park Gardens, where the development of new homes for affordable rent successfully concluded last year, further opportunities for basement homes for sale have been identified in the unimproved storage spaces beneath the existing blocks. These spaces are being investigated now, with the potential for disposal to the market, with a view to generate funds for investment elsewhere in the Council's housing stock. A report will be prepared for a Key Decision on the spending of the funds raised in this way.
- 3.2 In line with the new affordable homes developed at Elm Park Gardens, the TMO is now working with the Council to investigate the potential for other small developments elsewhere in the Royal Borough, such as at Holmefield House in Golborne Ward, and if these can be brought forward a report will be prepared to seek authority to invest in the development of these new homes.

4. Target Rents

- 4.1 At its last meeting, the Committee considered the Housing Revenue Account Rent Report for 2012/13. During the discussion, a request was made for a further explanation of target rents.
- 4.2 In 2002, the Government introduced a rent restructuring regime, with the aim of introducing comparability of rents within the social housing sector. A national formula is used to calculate a target rent for each property (sometimes referred to as Formula Rent). This is the level of rent that should be set at the end of the process and is calculated as follows:

- 70% of the average local authority rent multiplied by relative county earnings multiplied by bedroom weight; and
- 30% of the average local authority rent multiplied by relative property value as a percentage of the national average value.

The valuation used is the open market value as at January 1999 assuming vacant possession and continued residential use. No downward adjustment can be made for the fact that the property is used for social housing.

4.3 The expectation is that current rents move in equal steps to the target rent by 2015/16. However, in order to avoid large increases arising, the Government introduced a number of limits and caps to protect tenants from excessive increases in rents. The limits/caps are as follows:

- No rent shall increase by more than the Retail Price Index (RPI) + 0.5% + £2.
- Rent caps have been set to ensure that no tenant pays over a maximum rent for any particular size property, no matter what the value of that property.

4.4 As a result of these caps and limits, the majority of the Royal Borough's properties will not reach their target rent by 2015/16 but will continue to increase at a steady rate over a number of years.

4.5 A further complexity within the rent restructuring regime is the level of annual increase. Once target rent has been reached, the level of rent should continue to increase by 0.5% more than the actual level of inflation. This is one of the key reasons for the anticipated level of surplus arising on the Housing Revenue Account.

5. Fire Doors

5.1 A meeting took place on 29th February 2012 to discuss enforcement of leaseholder flat entrance doors which are not compliant with fire safety standards and was attended by RBKC and TMO Officers and the LFB's Fire Safety Team Leaders for Kensington and Chelsea and also Hammersmith & Fulham. (It has recently been announced that these teams are to be merged with effect from the 1st April 2012 and so it is imperative that both Team Leaders are party to any agreement reached on enforcement issues.)

- 5.2 TMO Officers reiterated that responsibility for the flat entrance door is demised to the lessee in the lease and further to that a recently produced opinion from Counsel had confirmed that the TMO and RBKC had no responsibility in regard to this. Additionally, the guidance document recently commissioned by the Local Government Group, "Fire safety in purpose-built blocks of flats", which is now accepted by Fire Authorities etc. as the definitive guidance in this area also supports this position. Specifically, this guide accepts that where a door is outside the control of the freeholder and is legally part of the demised premises the landlord has no legal right to force the resident to upgrade to the current standards or to carry out the works unilaterally.
- 5.3 The LFB Fire Safety Officers accepted this position and confirmed that the LFB is clearly the enforcement body in this situation as per the Regulatory Reform (Fire Safety) Order. However, advice from their senior colleagues at LFB headquarters is that, instead of taking enforcement action against the leaseholder under this fire safety legislation, there should be engagement with the local Environmental Health Department who should be encouraged to use the Housing Act 2004 for enforcement purposes.
- 5.4 This approach would require an initial assessment using the Housing Health & Safety Rating System (HHSRS) to identify what level of hazard the substandard door represents. The Hammersmith & Fulham Fire Safety Team Leader confirmed that this approach had already been adopted in his borough where they have just concluded a test case on a substandard door. This had proved to be successful as during the process the leaseholder had been persuaded to replace his door. However, one potential area of concern that the LFB face is that, in this case, the HHSRS assessment had concluded that the substandard door represented a "Category 2" hazard and currently the Borough Environmental Health Department's policy is to take enforcement action against only the highest risk i.e. "Category 1" hazards.
- 5.5 The LFB Officers confirmed that this approach *will also be adopted in Kensington & Chelsea*. However, at this stage, only preliminary discussions have taken place with the Borough's Environmental Health Officers and it has yet to be confirmed what level of hazard they would be prepared to enforce against. The Team Leader confirmed that further detailed discussions will be required before a test case can be undertaken in this Borough.

5.6 Whilst neither RBKC nor the TMO can take enforcement action against leaseholders' substandard flat entrance doors, the TMO advised that it intends to:

- inform the leaseholders of the legislation and the required fire safety standards,
- provide leaseholders with details of the contractor who is undertaking the replacement of substandard tenants doors so that any who wish can enter into a private arrangement with these contractors and
- advise the leaseholders as necessary on the possibility of enforcement action etc..
- advise LFB where a leaseholder flat entrance door is believed to be defective.

5.7 The LFB Officers agreed to undertake further discussions with RBKC Environmental Health Team whilst the TMO identifies a possible "test" leaseholder door in the Borough so that LFB may progress this. The LFB, TMO and RBKC agreed to continue holding regular meeting to monitor progress with enforcement in this area.

6 Update on the procurement of the building contractor for the Kensington Academy and Leisure Centre (KALC) Project

6.1 As with all the building contracts in Corporate Property's Capital Programme over the EU procurement rules threshold of £4.35 million, the KALC works contract will be procured using the IESE (Improvement & Efficiency in the South East) Major Projects framework.

6.2 This is a fully EU compliant procurement route which avoids the cost and time of a undertaking a single OJEU procurement which could add up to 3 additional months to the selection process and up to £100,000 in internal and external resource management. Also, there is a considerable risk of legal challenges to the procurement process. This has become more common in recent years when contractors have realised that there may be a possibility of either re-opening tender processes or winning very large sums in damages. This is far less likely when using a framework as the pool of challengers is limited to the contractors using it, who would be effectively suing their client for the entire stream of work procured.

6.3 The IESE major projects framework was first established in 2006 and has successfully procured £1.3 billion worth of

projects with £92.2 million in cashable savings¹. It is now in its second generation and has eight firms of contractors.

6.4 Contracts are procured through the IESE framework via a two-stage process:

ONE An initial pre-construction stage agreement

At this stage a contractor is selected on the basis of a 70% quality 30% price split. The price element is comprised of their management costs for the project (overheads and profit, head office costs, insurance etc.) and their role as a member of the design team in the pre-construction phase (design advice and tendering activities). For KALC it is expected that the contractor will be on board at the end of Stage C (concept design and cost plan). The contractor will then work with the client and design team during Stages D (design development) and E (Technical Design). It is currently estimated that the contract value for the pre construction stage will be below that requiring Cabinet approval.

TWO A design and build construction contract

During the pre-construction stage the contractor will get quotes for the various individual sub-contract tender packages (groundworks, concrete frame fabrication, steelwork, glazing etc, etc) in a fully 'open-book' manner. All of these smaller tender processes will be overseen by our project cost consultants Appleyards DWB, there will also be oversight on a programme level from Faithful and Gould. Once a level of at least 80% price certainty has been reached (i.e. 80% of the works have been tendered), then the main construction contract will be entered into, following Cabinet sign-off. This will ensure, on the one hand, that prices are competitive, and on the other, that by the time the contract is signed there will be a high level of certainty in terms of cost, programme and quality.

FOR INFORMATION

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Cabinet Member for Housing and property Services

Background Papers used in the Preparation of this Report: None

¹ Source: IESE report – summer 2011