

**MINUTES OF THE MEETING OF THE OVERVIEW & SCRUTINY COMMITTEE
HELD ON TUESDAY, 9 JULY 2019**

COUNCILLORS

PRESENT

Derek Levy (Chair), Tolga Aramaz, Guner Aydin, Sinan Boztas, Edward Smith, Lee David-Sanders, Joanne Laban, Chris Bond, Vicki Pite and Derek Levy.

**STATUTORY
CO-OPTES:**

1 vacancy (Church of England diocese representative), Mr Simon Goulden (other faiths/denominations representative), Mr Tony Murphy (Catholic diocese representative), Alicia Meniru & 1 vacancy (Parent Governor representative) - Italics Denotes absence

OFFICERS:

Sarah Cary (Executive Director Place)
Matt Bowmer (Interim Director of Finance)
Stephen Skinner (Head of Highway Services)
Richard Booth (Client Manager for Street Lighting)
Joanne Drew (Director of Housing & Regeneration)
Garry Knights (Head of Housing Property Services)
Susan O'Connell (Scrutiny Officer)
Elaine Huckell (Scrutiny Secretary)

In attendance:

Councillor Gina Needs (Call in Lead- Future of Responsive Repairs)
Councillor Daniel Anderson (Call in Lead- LED Conversion Project 2019 for Highway Street Lighting)
Councillors Ian Barnes, Glynis Vince, Rick Jewell, Dino Lemonides, Anne Brown and Dinah Barry – (All members attended for part of the meeting to listen to the discussion.)

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APPOINTMENT OF CHAIR FOR THIS CALL-IN MEETING

Councillor Levy was elected as Chair for the meeting.

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WELCOME & APOLOGIES

Councillor Levy welcomed all attendees to the meeting.
Apologies had been received from Councillors Erbil, Lappage, and Georgiou.
- Councillor Bond was substituting for Councillor Erbil. Councillor Pite was substituting for Councillor Lappage and Councillor Levy was substituting for Councillor Georgiou.

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DECLARATIONS OF INTEREST

There were no declarations of interest.

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CALL IN: FUTURE OF THE RESPONSIVE REPAIRS SERVICE

The Committee received a report from the Director of Law and Governance outlining details of a call-in received on the Cabinet decision taken on- The Future of the Responsive Repairs Service (Report No:53).

Councillor Levy reminded everyone that discussion on the call-in should not be a political debate. An argument would need to be made to persuade members to revert the Cabinet decision back for their reconsideration, or the decision should stand.

Councillor Smith was invited to outline the reasons for call-in.

Councillor Smith thanked officers for the helpful answers he had received in response to the reasons he had given for call-in. He said there were two main reasons why he had called-in the decision. Firstly, because it was not clear that in-sourcing the management of elements of the housing repairs service would lead to the required improvements in the service, and secondly because there appears to be substantial financial and other risks involved that do not justify making the changes proposed.

He highlighted the following:

1. Improvements that are required to the day to day responsive repairs service could be made without the need to bring the service back 'in house'.
2. The changes suggested may lead to a deterioration in the current service
3. Officers have stated that improvements to the service would happen as investments are made to the housing stock with an increase in replacement rather than repairs. However, this should already be provided for under a planned maintenance programme. The Council can use information they possess to help in service provision for example to help vulnerable residents.
4. Changes to the in-house model would require agreement of trade unions and this may not be forthcoming
5. The service may deteriorate because there would be no competition and no penalties in place for inadequate/ sub-standard work.
6. The new changes would require additional responsibilities for officers and Cabinet members when they already face many challenges, it may be more appropriate to focus attention on improving the existing service.
7. The report has stated that the additional cost of bringing the housing repairs service in-house will be approximately £1.2m over two years and running costs would be kept within the current budget of £4.8m. However, this may be an underestimate as a range of assumptions have been made, for example that the number of repairs would be reduced. Additional costs may apply in respect of labour costs. It is

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noted that only a 2% rate in inflation costs has been given. Also, if TUPE applies some people may not wish to cross over and new staff would have to be employed with a risk of higher pay.

8. An assumption has been made that the number of repairs would be reduced as a result of improvements to the housing stock. However, this was not apparent in the past when improvements had been made as part of an extensive programme to improve bathrooms and kitchens in our properties.

In conclusion, Councillor Smith was of the opinion, that the risks involved in the decision to in-source the responsive repairs service outweighed the advantages. He therefore thought the decision should be referred, back to Cabinet for reconsideration.

Councillor Needs, Cabinet Member for Social Housing responded to the reasons provided for the call-in. Joanne Drew (Director of Housing & Regeneration) and Garry Knights (Head of Housing Property Services) also provided information as follows:

1. A wide-ranging discussion was held at Cabinet to discuss the proposals for insourcing the responsive repairs service.
2. The changes proposed would provide an opportunity to review the service - to improve our ability to be able to respond more effectively. As major investments are made in the improvement of homes this would change the volume of responsive repairs.
3. Money invested previously focused on internal stock. Stock condition surveys have been undertaken which indicate that it is now necessary to tackle the infrastructure which in some cases are shown to be at the 'end of their life'. A strategic agenda is now needed to undertake this work. The HRA has significant capacity to enable us to make a step change to improve and enable us to make changes in a more streamlined way. We believe by insourcing we can square the fundamental changes that are needed over the next five years.
4. Direct control will mean cutting out levels of responsibility – we consult with two contractors at present, this would no longer be required. The proposals would allow us the flexibility to change the service to meet our future requirements.
5. The proposals allow for a phased approach to insourcing the day to day repairs service which builds on the in-house MOT repairs service which has helped to provide a quick response. We would continue to outsource compliance services with a view to consider bringing these in house in the future. As previously mentioned, we are able to identify vulnerable customers which helps us to provide a good responsive service.

The following questions/ issues were raised:

- It was commented that although there had been reports to OSC previously on the responsive repairs service and an OSC workstream on this subject there was no mention of this in the reports.

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- The fundamental changes that appear to be needed for the future appear to be very complex and it is not clear from the report whether it is manageable. Joanne Drew stated that preparations had been made. There was a detailed mobilisation plan and a transformation team tasked to take this forward using an IT platform. There was a forward programme and a programme manager experienced to manage this.

NOTED – It was noted that Councillor Aydin arrived at this point of the meeting and would be unable to vote on this item.

- Reference was made to a SWOT analysis and questions were asked about whether the proposals were deliverable and if they could be delivered in time especially considering that the contracts had not worked well in the past. An answer was provided by Joanne Drew that we had the experience to deliver the changes required - the 'in house' MOT repairs service had shown that we can manage the responsive repairs service and we can continue to work with contractors using a 'phased approach' basis.
- Councillor Laban referred to previous problems the service had experienced with IT issues and asked what was being done differently this time to ensure this does not cause problems? She also referred to the MOT team – and asked how many people were in place. She spoke of the previous contracts which she said had been badly written. and asked whether people who had been working for our contractors would necessarily move over to our team?
Joanne Drew referred to IT provision for the service which she said was 'service-led' with support from the IT service. She said that should there be any failures to deliver, then we have 'workarounds' - a manual system would be in place. With reference to previous problems she thought this was not the fault of staff and we would be using 'Customer Voice' and mystery shopping to ensure standards are maintained. TUPE would apply for staff but at present we do not know the numbers of staff involved. Garry Knights was confident that that we could implement a good IT system but would also have a manual system in place should this be necessary. There are presently 6 operatives and 2 back office staff for the MOT repairs service, and this is anticipated to grow over time.
- Reference was made to penalty clauses for external contractors and whether the future system would be relying on 'goodwill'. Garry Knights said the present contracts are weak on sanctions and this does not usually work well for contracts of this type. Collaboration is the best system to work but with the need to manage performance by use of individual performance indicators and benchmarking in order to ensure efficiencies. The key issue is ensuring good customer satisfaction.
- A concern was expressed about deliverability and whether it would be more beneficial to work with existing contractors and getting customer service improvements by these means especially by working with staff on cultural sensitivity issues. Many problems in the past, have been about repeated problems occurring. We have looked at how other local

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authorities provide this service and consider that the proposals are the best way forward using a slow phase by phase approach.

- It was questioned why the report did not include any reference as to how other local authorities provided the service. Garry Knights said Local Authorities have different approached some successful some failures it is usually dependent on how well they are managed.
- Councillor Aramaz said he welcomed the approach to bring the work in house which he thought would help in 'holding people to account'. He also did not think it appropriate for companies to gain profits from council housing. He asked what mechanisms would be in place for monitoring. Garry Knights referred to Paragraph 14 of the report which sets out the suite of KPI's to be developed to allow monitoring against targets.
- It was noted that there would be changes to the Council Housing Board, which is attended by Customer Voice representatives. Joanne Drew said there would be a broader sense of representation to include homeless representatives and those in temporary accommodation to look at all housing issues.
- It was asked if it would be possible for the existing contracts to be adapted to make it more agile and flexible. It was answered that we could vary the contract to some degree, but it would be difficult for our future requirements.

Councillor Smith was asked to summarise which was as follows:

- The current contracts come to an end in April 2020 although back up provision from existing contractors will be required beyond 2020. The timescale for change could lead to a risk, especially as he considers the current contracts are not fit for purpose. He suggested that we continue outsourcing the service but with additional mechanisms in place.
- Problems that arise may be due to contractors but generally it is a management problem. It is important that surveyors check specifications carefully and ensure work is completed correctly.
- There are advantages in having a competitive system – using contractors to get an efficient system in place.

Overview & Scrutiny Committee considered the reasons provided for the call-in and responses provided. Having considered the information provided the Committee voted to refer the matter back to Cabinet

The reasons for referring the matter back to Cabinet were as follows:

1: Whilst the principle and overall philosophy behind the Cabinet decision is generally supported by the Committee they felt that there was not the robust evidence to support the decision at present; and that the report itself was still something of a work-in progress.

2: In particular the issues of financial risks raised in the call-in and within the debate were not addressed sufficiently to persuade OSC to allow the detailed rather than headline decision to stand in its current form.

3: The Committee suggested that more detailed SWOT analysis of both the recommended and alternative options should be completed to more explicitly support the deliverability of a phased approach to in-sourcing the day to day repairs service; that more depth be provided to the grid lists of benefits of the phased approach; and some of the mitigations within the risk analysis should be fleshed out to address questions of how, when, and what.

Councillors Aramaz, Bond and Boztas voted in favour of the above decision. Councillors David-Sanders, Laban, Pite and Levy voted against. Councillor Aydin arrived at the meeting after the Call in discussions had started and was therefore unable to vote. The original Cabinet decision was therefore referred back to the Cabinet for reconsideration.

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CALL-IN: LED CONVERSION PROJECT 2019 FOR HIGHWAY STREET LIGHTING

The Committee received a report from the Director of Law and Governance outlining details of a call-in received on the Cabinet decision taken on – LED Conversion Project 2019 for Highway Street Lighting. (Report No:54).

Councillor Levy referred to the absence of Councillor Dogan, Cabinet Member of Environment and Sustainability who had been expected to attend the meeting. Councillor Barnes and Jewell were in the audience and were asked, as Members of the Cabinet (who would have been involved in discussions at Cabinet and active parties to the decision being called in), if they wished to participate in the discussion of this item but they refrained from doing so.

Councillor Anderson was invited to outline the reasons for call-in. He said he was disappointed that Councillor Dogan was not in attendance. He had received responses to his reasons for call-in and drew attention to five key reasons of concern –

1. Original estimated net savings given were for £250K in 2019/20, however it is stated that there could be a shortfall against this, and any shortfall could be dealt with within existing Environment and Operations budgets. For this to be achieved it would require budget re-profiling. If the budget is not achieved, it is not clear where savings would come from.
2. The annual savings are said to be £760K per annum and £15.2m over a 20-year period. This is assuming the equipment remains good for this time period. It may be that technology becomes obsolete as changes occur very rapidly. It is also not clear what would happen if lights fail during this period and who would be liable to pay for replacements. The PFI contract is due to expire in 2031 but costings run to 2039, it is not clear what would happen during this 8-year gap.
3. The estimated cost of the project is given as being £6.375m, to be covered between an interest free 5-year loan of £4.1m and Public Works Loan Board (PWLB) borrowing of £2.3m. However, the financial

costings for this are not clear to see as the £4.1m stated is a loan and would need to be accounted for.

4. No mention had been made in the report with regards to the environmental impact of removing the 21,000, street light stock of SON Units, which are in good working order. Although an answer had been provided, that it was unlikely the units would be thrown away and end up in landfill sites, no evidence is provided on this. He asked if there was evidence of what has been done for other Local Authorities.
5. As a result of the existing PFI contract, a decision was taken to relocate lamp columns away from the kerb line. This will restrict our ability to provide usage of lamp columns via electric charge points, in the future. Other councils are utilising this technology and it is in line with the Mayor of London's policy to increase the number of electric charging points and the Governments' intention to remove petrol/ diesel vehicles by 2030/40. We should consider whether this is the time to move lighting columns back to the kerb line to allow for installation of electric charging points.

Councillor Anderson said taking all these points into consideration this decision should now be referred back to Cabinet.

Councillor Levy questioned whether the Cabinet member had provided answers to any of the points raised by Councillor Anderson as this was not reflected in the answers given in the papers provided.

Sarah Cary (Executive Director Place), Matt Bowmer (Interim Director of Finance), Stephen Skinner (Head of Highway Services) and Richard Booth (Client Manager for Street Lighting) responded to the reasons provided for the call-in as follows:

- Sarah Cary said this project has been discussed over the last six months and Councillor Anderson, as a previous member of the Cabinet would be aware of the intention to improve street lighting and the resultant savings which are expected to be made. She was confident that any possible shortfall could be dealt with within existing Environment and Operations budgets. Reference was made to savings already made - LED lamps last much longer, and we have delayed replacement of existing lamps.
- The costings shown in the report include the refinancing of the interest free loan through the PWLB – overall financing of the investment takes place over 20 years. The interest free part of the loan is only over five years. Interest rate used is 2.25%.
- In answer to Councillor Levy's concerns as to whether the Cabinet Member for Environment and Sustainability has been informed of arrangements relating to the financing of this project, Sarah Cary said she had met with and discussed the project with the Cabinet member many times.
- Stephen Skinner pointed out that the LED's are expected to last for 100k hours. As they usually burn for 4k hours a year they are rated to last for at least 25 years. Under the PFI contract there is a five year

term after the end of the contract when the service provider would still be responsible for any failures. He said changing technology is a big unknown however, we cannot stand still, he said there is a strong business case for making these changes now.

- Richard Booth advised that originally LED units cost approximately £700 and are now £200 to £250.
- Confirmation was given that the old SON units would not go to landfill, it would be illegal for this to happen.
- The installation of electric charging points is being considered however, this project relates to the changing of lamp units on top of street lighting columns. There would be a high level of costings involved in moving lighting columns. This project aims to make savings.

The following questions/ issues were raised:

- Councillor Smith referred to the financing of the project and asked how confident officers were in the robustness of the figures given. Officers answered that figures had been carefully checked - there is a contractual commitment that would ensure we were not responsible for any additional costs.
- It was asked why with changing technology, we consider this to be the right time to make changes. It was stated that this was based on best practice, reports from industry and similar changes that are taking place countrywide. It was expected that the CMS technology would be adaptable for any future technological changes.
- Councillor Aramaz said he welcomed this proposal as it would reduce our carbon footprint and save money. However, he was concerned at what may happen if savings are not met from this project. Sarah Cary gave an assurance about the importance of funding/ budget issue discussions held.
- At present this capital investment shows a saving of £500K in the budget, any delays to this could add to shortfall. The report states that original estimated net savings included in the MTFP were £250k in 2019/20 and a further £250k in 2020/21. Revised net savings are now £382k when the financing costs are taken into account (savings/efficiencies revised upwards to £760k and financing costs of £378k). Councillor David-Sanders said that the original estimated savings given for the project for this year had been reduced and was concerned that this might happen again.
- In answer to a question about how the new LED units would be installed and how electric charging points could be connected, an answer was given that the new LED units would be fixed to the existing street lighting columns in their current positions. New electric charging units may be attached to side of lamp posts or whole lamp columns replaced but they would need to be repositioned at the front of the pavement.
- It was asked what would happen if the company who are sub-contracted to carry out the PFI contract were to become bankrupt. An answer was given that work would be sub-contracted to a new company by the PFI Service Provider.

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- The issue of electric charging points is being considered separately by the council. This report is aiming to make a saving to our energy costs.

Councillor Anderson was asked to summarise which was as follows:

- Councillor Anderson thanked officers for their answers but said questions remain unresolved. He said it is not clear if Cabinet members understand the finances of this project, much has been taken on trust.
- It is not clear how the savings given in the report would be made. The life of an LED unit given in a laboratory may be different to that in practice. He did not think we can determine that this is the best way forward, given the long repayment costs for the next 25 years and considering the changes in technology that can occur.
- On the environmental impact of this scheme it is still not clear where the old units would go. This issue does not appear to have been addressed. The issue regarding whether electric charging points should installed at the same time should be considered.

Overview & Scrutiny Committee considered the reasons provided for the call-in and responses provided Having considered the information provided the Committee agreed to confirm the original Cabinet decision:

- 2.1 To approve a project to replace the existing street lights with LED lighting in line with current design standards and introduce a smart central management system.
- 2.2 To approve, for recommendation to Council, the inclusion of the Street Lighting Project in the council's approved Capital Programme at a cost of £6.375m.
- 2.3 To approve, for recommendation to Council, funding arrangements as set out in the report being external borrowing of £6.375m of which there is a five year interest free loan of £4.09m from SALIX.
- 2.4 To note the updated net savings will be reflected in the MTFP for 2020/21 and future years.
- 2.5 To delegate to the Director of Environment and Operational Services, in consultation with the Director of Law and Governance, approval to make any necessary changes to the terms of the Street Lighting PFI contract.

Councillors Aydin, Bond, Boztas and Pite voted in favour of the above decision. Councillors and Aramaz voted against and Councillors David-Sanders, Levy and Smith abstained. The original Cabinet decision was therefore agreed.

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MINUTES OF THE MEETINGS HELD ON THE 1 MAY 2019 AND 22 MAY 2019

Noted that the Minutes had previously been agreed.

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DATES OF FUTURE MEETINGS

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