

# **Pre-Scrutiny questions and answers on reports being considered by Executive on 10 December**

*(Forms part of the considerations at Group Meetings before a decision is made on which Executive reports will be called in for scrutiny by Overview & Scrutiny Committee and Finance & Audit Scrutiny Committee)*

## **Item 5 – Formation of a Local Housing Company - Report Author: Lisa Barker**

Questions asked by Councillor Syson:

### **1. 3.25 – Page 7**

A Local Housing Company can be a very impactful additional channel that can offer the Council a 'triple dividend':

- Much needed extra housing.
- A greater stewardship role in place shaping and **meeting climate change objectives.**
- A financial return to the Council.

Both activities are geared to produce an income primarily for the General Fund **but also for the Housing Revenue Account.**

Is the latter from recharging the LHC at a commercial rate for staff time? Will additional staff be required, and has this been taken into account in calculating the potential income of £63k over 7 years (page 13)? £63k over 7 years is better than nothing but does not seem very much.

Will the properties bought for renting be made more energy efficient?

Response:

Yes, the income for the HRA is in recognition of staff time. These are indicative figures which will be revised as the business develops.

It is not anticipated that additional staff will be required for the activities outlined in the business plan.

We propose to buy predominantly new homes which will have an EPC above C (normally they are B or A).

### **2. Appendix A**

#### **3.4 - Housing Supply and Demand - Page 5**

Are any of these figures likely to be affected by letter of 3 December from the Director General for Regulation, Office for Statistics Regulation, Ed Humpherson, saying "We have decided to undertake a review of the population projections and population estimates produced by the Office for National Statistics (ONS) and how they are used."

Response:

This extract is from the Local Plan and accurate at the time of writing

### 3. **Appendix A - Page 6: Paragraph 2**

Data from Hometrack showed that the average price for a home in the district was £338,600 compared to a regional average of £205,200. Prices had risen by 12.3% over the 12 months to November 2015, properties were taking just 2.3 weeks to sell and the selling prices obtained were 99.3% of the asking price."

Surely data that is 5 years old is not appropriate for a decision to be taken in 2020?

Response:

This was an illustrative figure for the Business Case. Most recent data from rightmove shows that properties around CV32 had an overall average price of £270,972 over the last year.

The majority of sales around CV32 during the last year were semi-detached properties, selling for an average price of £250,314. Terraced properties sold for an average of £194,310, with detached properties fetching £435,857.

Overall, sold prices around CV32 over the last year were similar to the previous year and 7% up on the 2017 peak of £254,232

### 4. **Appendix A - Page 12/13: Market Rental**

"The LHC will purchase 50 units of existing homes which would be funded by borrowing from the General fund on a 40 year PWLB Annuity Loan of which the capital and interest repayments are fixed of a 40-year term and are met solely by rents received. It is anticipated that this initiative could **achieve £195k income per year** for the General fund over the lifetime of the loan which is expected to be repaid in full by 2060/61."

This doesn't sound very much for 50 properties in the local market, even after paying the loan charges.

Response:

This figure is effectively the profit that the LHC provides to the Council just for loaning the money. It does not represent the amount of operating profit for the Company

### 5. **Appendix A - Page 13**

"The LHC will generate c£10K from its share issue in Year 4 and then will continue to generate income from surplus rents up to £18.5k per year until the £7m profit share from the developer Joint venture is received in 2026/27.

After this time, the reserve balance for the LHC is forecast at c£5.67m."

Could you please explain where the surplus rents are from – the bought properties or the constructed properties being rented out or both? Again £18.5k a year does not sound much.

Response:

Effectively all properties are on a mortgage (a loan from the Council) paid by rents. The rate that the company is paying is a commercial rate (est 4.5%) there are other operating costs (including staff time and repairs, insurance etc). The surplus is therefore the profit once all of the outgoings and corporation tax have been accounted for

#### Questions asked by Councillor Kennedy

1. In terms of the money involved (£52.825m) and the long-term impact (50 years) on the district this is the biggest decision likely to be made in the life of this Council. We need to get it right. We note that Local Housing Companies in other authorities have failed to provide the anticipated returns on investment, or the numbers of houses planned, and in one high profile case (Brick by Brick) in Croydon have "bankrupted the Council." We appreciate the risk assessment provided in the papers. What further assurances can the Executive provide that short term and longer-term risks will be rigorously assessed and mitigated and transparently reported to members? Residents in the District need to know that their Council and the essential services it provides is not being put at risk by a commercial venture

Response:

The business model of Brick by Brick differs greatly to that of the proposed LHC. Brick by Brick developed and rented affordable homes whereas the LHC will be offering market rents. We understand that the Board of Brick by Brick had no development expertise.

The viability of the activities of the company will be rigorously checked prior to approving loans and performance will be carefully monitored

2. The purpose of the company as set out in paragraphs 3.2 – 3.9 of item 5 makes no mention of our Climate Emergency. In addition paragraph 3.23 talks of the company operating at "arm's length" from the Council. However, if the Council owns 100% of the company, should it not be directing the company to comply with the requirements of the Council's headline climate emergency policy? Paragraph 3.25 seems to imply that climate change objectives are desirable rather than mandatory. Finally in paragraph 4.2 it suggests that houses should be developed to a minimum of an EPC rating of C. This in no way meets the standards of our own emerging sustainable housing DPD, let alone current best performance-in-use practice in houses built by many other local authorities (Exeter, Norwich, York, etc). We cannot support the setting up of the LHC unless housing quality is defined to meet

our climate emergency objectives and mandated as part of the purpose of the company, against which it will be required to report alongside financial returns. Can a rigorous carbon plan and account (to cover carbon usage by the company in building, materials, and the performance-in-use of the houses built) be added as an integral part of the business plan?

Response:

The company needs to have an element of independence from the Council in order to be classed as non teckal.

When approving loans, the Council will set conditions including reducing carbon and place shaping activities. In this way, the Council can achieve its ambitions without affecting the format of the company.

Carbon costs are factored into the business model

3. Governance. If publicly owned and voluntary sector companies fail it is often the result of inadequate independent oversight by non-executive directors. While annual approval of the business plan and accounts will be provided by the Council this may not be sufficient supervision, particularly in the early years of the company. As presently proposed the non-execs would come from the commercial property sector. It is vital that a director is appointed with specific expertise in carbon accounting to oversee the carbon usage of the company. This could be WDC's Climate Emergency Programme Director, or a similarly qualified external non-executive. Can the Executive commit to do this?

Response:

The composition of the board has been designed taking into account advice from Trowers and Hamlins and from Warwickshire Legal Services

4. Name of the company. Please not 'Leafy Lane Homes'! How about Warwick District Sustainable Homes instead?

Response:

The name should provide some degree of separation from the Council and therefore including the words Warwick District will not achieve this.

It is agreed that Leafy Lane Homes will not be used. It was merely illustrative and will depend on availability at Companies House

## **Item 6 – Housing Revenue Account Business Plan Review 2020 - Report Author: Lisa Barker**

Question asked by Councillor Kohler

1. The last item listed in the Appendix is 'Rural Community Capacity Building Pilot'. How long has this pilot been running for and is it envisaged to continue as a pilot for another 3 years?

Response:

**Item 7 – Climate Emergency Action Programme (CEAP) Review - Report**  
**Author: Dave Barber**

Questions asked by Councillor Milton:

1. Given the tight financial constraints on the Council at the moment, how can we ensure that the appropriate level of budget is prioritised?

Response:

2. If the required £60k funding is requested is not all used (due to additional funding from SDC) are there other areas that could be prioritised this year?

Response:

3. What other sources of funding have been identified and what progress has been made in sourcing these?

Response:

4. On page 14 there is a figure relating to the solar farm work of £40. I'm assuming this should be £40k?

Response:

Correct

5. Can you confirm what the £5k relating to Abbey Fields Cycleway will cover? Will the Council ensure that work already conducted by Sustrans is used in order to reduce potential costs or reworking?

Response:

6. With regards to the carbon neutral ambitions around Kenilworth Leisure, what best practice is the council looking at and where does it believe that compromises will need to be made

Response:

Question asked by Councillor Syson:

1. On page 14 there appears to be a mistake relating to the Explore Solar Farm Feasibility costs. Should be £40,000 rather than £40.

Response:

Thank you, you are correct.

Question asked by Councillor Kohler

1. Item 1.1 of the Fuel Poverty Action Plan contains a commitment 'for all Council homes to be heated by non-fossil fuels by 2030', but it does not contain any details.

Is there an equivalent item on the Climate Emergency Action Plan? The closest I could find was a Domestic Energy Project theme initiative 'Fuel poverty strategy refresh', but again it does not contain any details.

Could you clarify if the Council has previously committed to all Council homes to be heated by non-fossil fuels by 2030 or is this a new commitment?

Response:

I am not aware that "all Council homes to be heated by non-fossil fuels by 2030" has been a previous action.

The issue you raise here actually links to three reports on the Executive agenda – including the HRA business plan as well as the two you have referred to.

The Climate Emergency Action Plan considered last February set out the strategy for reducing carbon emission from the Council's housing stock without making a specific reference to replacing heating systems. As the current CEAP report explains, our inability to hold a referendum in May means that we now need to refresh the CEAP. Further detail relating to carbon reduction in our housing stock will be set out in the refresh to be considered in May or June next year and this will need to dovetail with the Fuel Poverty Strategy and the HRA business plan.

Appendix 5 of the Housing Revenue Account Business Plan report (item 6) sets out proposals to spend over £23million over the next 10 years on climate change work for our housing stock. This provides the core funding (hopefully supplemented by grant funding) to deliver significant carbon reduction. The detail of how this will be spent is currently being developed by the Housing Service, but you can see from appendix 5 that nearly half the spend is on central heating replacement. The precise nature of this needs to be worked out to ensure alignment with both the CEAP and the Fuel Poverty Strategy. As a result I am unable to say more at present about the nature of the programme for non-fossil fuel heating systems, particularly as the picture

is currently changing rapidly at national level in relation to renewable generation from the electricity grid and the potential of hydrogen to replace existing natural gas.

What we can say at present is there is an action in the fuel poverty strategy which is backed up by significant resources set out in the HRA business plan

Question asked by Councillor Dearing on behalf of the Green Group

1. The strong commitment in the CEAP to reaching zero carbon targets is clear. However, while the phrase 'ensure new buildings are as close to net zero carbon as possible' may have been appropriate for developments that were underway before the Climate Emergency was declared it is now less appropriate for designs that have been developed since the Climate Emergency (e.g. Community Stadium and Spencer Yard). Is it possible to modify the CEAP to qualify 'as close to net zero carbon as possible' in terms of minimum standards or specific targets for construction and in-use performance?

Response:

Alan (Councillor Rhead) and I would suggest the short answer in relation to the Community Stadium is - yes, that should be possible. To achieve that we suggest that in Appendix 1, we change to wording from:

"Community Stadium - ensure new buildings are as close to net zero carbon as possible" to read "**Community Stadium – aim for the proposal to be zero carbon in operation and, in addition, consider the extent to which embodied carbon can also be addressed**"

For Spencer Yard, this is much more difficult as this scheme is for the refurbishment of existing buildings, including a listed building. So for that, we suggest we should leave the wording as it is. But we certainly need to keep this as a priority to encourage CDP to achieve as much as we possibly can, which is why it is picked out as an immediate priority for the CEAP