

## **Minutes of the meeting of the Overview and Scrutiny Committee**

**Date:** Thursday, 30 November 2023

**Venue:** The Atrium - Perceval House

### **Attendees (in person): Councillors**

Y Gordon (Chair) J Ball, P Driscoll, M Rice, C Anderson, C Tighe, F Conti (Vice-Chair), R Baaklini, H Kaur Dheer, M Hamidi, F Mohamed, K Nagpal, S Padda and B Wesson

### **1 Apologies for Absence and Substitutions**

There were no apologies for absence.

Councillor Haili was present virtually.

### **2 Declarations of Interest**

There were no declarations of interest.

### **3 Matters to be considered in private**

**RESOLVED:** That all items be taken in public as proposed.

### **4 Minutes of the meeting held on 5 October 2023**

**RESOLVED:** That the minutes of the meeting held on 5 October 2023 are agreed as a correct record of proceedings.

### **5 Broadway Living**

Peter George, Strategic Director of Economy and Sustainability; Ozay Ali, Interim Housing Development Transformation Director; and Phillip Bown, Director of Housing Development presented an update on Broadway Living to members.

The Committee noted that:

- Broadway Living was the Council's wholly owned Housing Development Company. It had been loaned money by the Council to develop genuinely affordable housing in the Borough.
- The report provided to the Overview and Scrutiny Committee set out the risks and mitigation of these risks to the Council around Broadway Living's business plan.
- Brexit and the COVID-19 pandemic had led to a reduction in the construction workforce, resulting in wage increases for construction

workers and therefore corresponding inflation increases for projects. Materials costs had also increased, and since the inflationary increase costs had levelled off and not come down. This meant there was a viability gap between the construction cost of projects and the value of the housing stock the projects would generate.

- The country had also left a long period of historically low interest rates, with interest rate increases also negatively impacting on project costs.
- The Council had been granted £109 million of grants to build affordable homes. However the amount of grant that could be used per home had remained steady while the cost per unit had gone up.
- The Council still aimed to build 4,000 genuinely affordable homes, but didn't underestimate the scale of the challenge due to the changing market landscape.
- As a response to these challenges some additional measures had been put into place to ensure that projects were deliverable. These included reviewing 'hurdle rates' – which involved putting hurdles into place like increasing the payback period – to test the viability of schemes. If schemes didn't pass these hurdles with sufficient confidence then the schemes were re-evaluated.

Ozay Ali provided the Committee with further detail of the 'hurdles' and the options that could be considered. It was noted that when hurdles couldn't be met for schemes, the schemes were reviewed. For example, could the mix of tenures be changed, could additional temporary accommodation be added to the scheme in order to bring general fund money into the picture, could the Council dispose of the scheme to another developer but retain nomination rights to any social housing on site. These options would be considered in detail by officers in order to make a decision on whether a scheme was viable or not.

Philip Browne explained to the Committee that the time that Broadway Living was set up, and when it attained the grants from the Greater London Authority, economic times were very different. Broadway Living and the Council were considering different ways of delivering and different governance models to assist with viability issues. For example, moving to become a Community Interest Company. Broadway Living had been given a generous allocation of Greater London Authority affordable housing grants however the funds were required to be spent by 2026.

The Committee asked Officers the following questions:

- Was land supply a barrier to delivering the commitments in the Council Plan?
- Was there a tension between funding maintenance in existing stock and building new homes?
- With all the changes to the housing market and constructions sector did this mean targets were not attainable?
- How much had been leant to Broadway Living from the Council, and how much of this loan had been utilised?

- How did the Council manage quality of delivery, as some developments were notably better quality than others.
- What was the outcome of the skills audit that was carried out?

In response to questions from the Committee, the officers confirmed that:

- The Council wasn't hitting its target of 2,100 new homes being built each year, which pointed to problems with developers bringing forward enough new homes.
- The Council was working on Housing Strategy to help understand how it would prioritise Housing Revenue Account spend, including the split between maintenance and new development.
- Setting appropriate hurdle rates and reviewing schemes were the key methods used to manage the delivery risk of schemes. The key to ensuring longer term viability of sites was partnership working. Some sites that were no longer viable for the Council to develop could be viable for an alternative developer with the Council retaining nomination rights, for example.
- The Council had agreed a £100 million loan facility to Broadway Living in 2020, alongside the business plan. Further loans hadn't been made since then, as many Broadway Living schemes had been moved into the Housing Revenue Account due to viability issues.
- The Council was locking in good design through improving the design code at planning application stage, and ensuring the same architects that designed developments at Planning Application stage remained on the project for the build. The Council was also bringing together an in house design team to work with developers to advise on quality of design.
- The Skills Audit concluded that there was a strong team of housing professionals delivering affordable housing. However the team was under resourced for the ambition of the Council, with 8 large estate regeneration schemes being delivered. No Council in London was delivering more than this and many had significantly more resource.

The Chair thanked the officers for providing the Committee with the information it requested on Broadway Living, including risks and the Council's mitigation of the risks.

**RESOLVED:** That

1. The changes in Broadway Living's business plan, arising out of a harsher economic and operational climate for the development of affordable housing across the country are noted.
2. The ongoing transformation activities that will impact on Broadway Living's future business plans are noted.
3. The various reviews/policy work that will strengthen controls and reduce risk across the entire development process are noted.

## **6 2022-23 Scrutiny Annual Report**

Sam Bailey, Head of Democratic Services, introduced the 2022-23 Scrutiny Annual report. The Committee heard that the 2019 Statutory Guidance on Overview and Scrutiny in Local Authorities had recommended authorities prepare a Scrutiny Annual report and present it to Council. Prior to 2022-23, it was not felt that this was necessary in Ealing as each panel produced an in depth report at the end of the year with its recommendations and reasoning behind them, which was considered by Cabinet. However 2022-23 marked a change in approach and scrutiny panels instead had began focussing on individual themes and making recommendations according to the information heard at the meetings. At the same time, annual reports for the panels had been pared back. Therefore an annual report had been prepared summarising the work of all of the scrutiny panels, which would be presented to Council after consideration by the Overview and Scrutiny Committee.

The Committee noted the recommendation from the statutory guidance and were content that it was appropriate to draft a scrutiny annual report and present it to Council. However for future years, it would be preferable to deliver this report to Council earlier in the year – at the June or July Council meeting.

### **RESOLVED:**

That the 2022-23 Scrutiny Annual Report (Appendix 1) is agreed.

## **7 Overview and Scrutiny Committee Work Programme**

**RESOLVED:** That the Overview and Scrutiny Committee Work Programme is agreed.

Meeting commenced: 7.01 pm

Meeting finished: 8.16 pm

Signed:

Dated: Tuesday, 6 February 2024

Y Gordon (Chair)