

# SCRUTINY PANEL

## 16 May 2024

*Present: -* Councillor Laws (Chair), Councillor McCarthy, Councillor Rowe, Councillor Smalls, Councillor Willetts

*Substitutions: -* Councillor Moffat for Councillor Arnold, Councillor Rippingale for Councillor McLean.

*Also present: -* Councillor Dundas, Councillor King, Councillor Naylor, Councillor Smith

### **465. Minutes of previous meetings**

*RESOLVED* that the minutes of the meetings held on 13 February 2024, 26 February 2024 and 12 March 2024 be approved as a correct record.

### **466. Call-In: Update for Viability Assumptions used for HRA affordable housing delivery - April [20]24**

Councillor Dundas attended and, with consent of the Chairman, addressed the Panel to argue that the call-in was not about the housing shortage, but was rather about the Council being realistic. The updating of assumptions was welcomed, but queried as to whether it was done correctly and realistically. Councillor Dundas argued that the housing market was more complicated than the report implied, and that incorrect assumptions would mean higher financing costs, leading to higher rents and less money spent on repair and maintenance. The paper assumed rent rises of 25% in real terms, over the long term, but this would be higher if the assumptions were incorrect. Councillor Dundas asked if the discount rate assumption was realistic, when it diverged from the Altair figure given. The Panel was asked whether the decision would stand up to public scrutiny and was asked to minimise the risk to tenants.

Councillor Naylor attended and, with consent of the Chairman, addressed the Panel to emphasise the importance of getting the decision right, with assumptions being the foundation on which new housing would be built. The Panel was asked to consider whether the assumptions would allow the building of necessary homes, and to focus on the need to maintain the trust of residents and tenants.

The Chairman introduced the decision, which had been called in by Councillor Sunnucks for the reasons set out within the report. The decision must be taken in line with the conditions of 12.02 of the Council's constitutional articles, and the

objectives of the Strategic Plan. The timeline was given, from call-in being received and accepted as valid, to the mediation session held prior to this formal meeting, where resolution had been sought but not agreed. The rules of a call-in hearing were covered, as were the options open to the Scrutiny Panel.

Philip Sullivan, Chief Executive of Colchester Borough Homes [CBH], explained why it was recommended that this item be taken into Part B confidential session for discussion. A theoretical scenario of the Council buying five properties was used to show how, if the Council's assumptions were made public, this would affect negotiations and potentially increase the prices set by developers or owners. The Council would not want sellers to know what the Council could pay for properties or land, as this would leave the Council at a financial disadvantage in negotiations.

A member of the Panel argued that the Council was a public organisation and should publish its assumptions, claiming that previous assumptions had been published and that others could guess as to how these had changed, and establish the Council's limits anyway. The view was given that the commercial downside was outweighed by the importance of openness.

The Chief Executive of CBH argued the need to keep the assumptions as commercially sensitive, to protect the Council's financial position. Some data was in the public domain such as sales values, but the Council's assumptions used for viability assessments that inform negotiations with developers and landowners were not. The example which had been given had been a generic model. In some cases, the Council could be in competition with other bidders.

Another Panel member argued in favour of moving into confidential session. Developers could guess at what the Council's assumptions might be, but that did not mean that the Council should not pursue being as competitive as possible. The Council had to be seen to be as careful as possible with investing public money. A Panel member noted that the consultants had advised that none of their other housing clients published their assumptions and data.

A Panel member stated that the issue was about tenants and residents getting confidence that the Council was doing the right thing, and what was in the taxpayers' best interests. Spending must be wisely done, getting best value. If the issue could not be considered in public, due to competitors gaining a major commercial advantage, then the item must be considered in Part B of the agenda. If that was what was decided, the Panel member requested that the Panel be given a chance to scrutinise the full Housing Revenue Account [HRA] model in the future, including how the assumptions were used, later in the municipal year. The Council's approach to the HRA was currently under review, so the Panel had the opportunity to review the whole process in open session in the future. It was noted that the Portfolio Holder for Housing was expected to provide a briefing to the Panel during 2024-25, and suggested that such a review could be timed to occur at that meeting.

*RESOLVED* that this item be further considered in confidential session, under Part B of the agenda.

[The record of the further consideration of this item is recorded as confidential minute 467.]

**468. Items requested by members of the Panel and other Members**

The Chairman expressed his hope that the next Portfolio Holder briefing from the Portfolio Holder for Housing could be scheduled for early in the 2024-25 municipal year, where the additional information requested by the Panel at this meeting could be discussed.

*RESOLVED* that an additional item be added to the Scrutiny Panel work programme for 2024-25, for scrutiny of the HRA [Housing Revenue Account] model and the current review of the HRA.