

Residents, Housing and Communities Scrutiny Panel

Minutes - 14 July 2022

Attendance

Members of the Residents, Housing and Communities Scrutiny Panel

Cllr Mary Bateman
Cllr Philip Bateman MBE
Cllr Greg Brackenridge
Cllr Adam Collinge
Cllr Christopher Haynes (Vice-Chair)
Cllr Carol Hyatt
Cllr Barbara McGarrity QN (Chair)
Cllr Andrew McNeil
Cllr Zee Russell
Cllr Gillian Wildman

Employees

David Pattison
Simon Bamfield

Ian Gardener

Julia Cleary
Earl Piggot-Smith
Kimberly Dawson

Chief Operating Officer
Head of Assets and Stock Investment –
Wolverhampton Homes
Director for Property Services –
Wolverhampton Homes- attending on behalf
of Shaun Aldis
Scrutiny and Systems Manager
Scrutiny Officer
Scrutiny Officer

Part 1 – items open to the press and public

- 1 **Apologies and Notification of Substitutions**
Apologies for absence were received from Councillor Dr Michael Hardacre and Councillor Jasbinder Dehar. The Chair commented that the Senior Governance Manager, Martin Stevens was unwell. She sent good wishes on behalf of the Panel and wished him a speedy recovery.
- 2 **Declarations of interest**
Councillor Zee Russell declared an interest as a Board Member of Wolverhampton Homes.

3 Minutes of the Vibrant and Sustainable City Scrutiny Panel - 3 March 2022

The minutes of the meeting held on the 3 March 2022 were confirmed as a correct record.

4 WV Living Governance and Linked companies.

The Chief Operating Officer gave a presentation on WV Living Governance and Linked companies. The Chief Operating Officer stated the importance of transparency by Local Authorities about the Local Authority bodies that they control.

The Chief Operating Officer had taken an overall report to the Resources and Equalities Scrutiny Panel setting out the approach for all the controlled companies and committed for each of those bodies to bring a report to the relevant Scrutiny Panel. The Residents Housing and Communities Scrutiny Panel clearly had WV Living within its remit.

The Chief Operating Officer went through the background, under the Local Government Act 2003 (LGA 2003) and Localism Act 2011 (LA 2011), Local Authorities could own and control certain types of companies and other bodies such as Limited Liability Partnerships. As of 2018 Grant Thornton estimated that there were over 740 Local Authority owned companies with the largest proportion related to property and investment.

The types of bodies that there were, included; trading companies, certain joint ventures with other organisations, property companies, service provision companies including so called "Teckal" companies, whereby some Local Authorities ran services through companies they owned. A Legal framework provided that Local Authorities could trade using the power in the acts mentioned above. More innovative methods to reduce costs were introduced due to the decline in popularity of outsourcing to the private sector and increased funding pressures on Local Authorities. The types of companies Local Authorities could have were those wholly owned companies by a single Local Authority, wholly owned by a collection of authorities, joint venture companies - such as Birmingham Airport and Limited Liability Partnerships, provided they were not used to trade commercially.

The Chief Operating Officer commented that in relation to WV Living as a trading company there were several measures put in place by LGA 2003. It was about making sure there was a level playing field between Local Authorities and private sector companies. Local Authorities received no direct advantage over the private sector, required greater transparency arising from the company law requirements, avoiding subsidy control restrictions, and had to make sure there was a lot of control over the way that trading took place.

The additional hurdles for trading companies were:-

- that approval was obtained from full Council for the establishment of the company;
- that the Local Authority prepared a business case supporting the exercise of the trading power;
- a prohibition on subsidising trading activities; and
- they could only trade in services other than those in which they had a statutory duty to provide to residents.

Critically for each of those linked bodies (trading companies etc.) best practice stated there should be:

- a Shareholder Agreement between the Council and the linked body defining the arrangement;
- a business case;
- a business plan which was regularly refreshed setting out the Key Performance Indicators and expected financial performance; and
- governance arrangements to monitor the compliance with the Shareholder Agreement/business case/business plan.

The Chief Operating Officer remarked that if the Local Authority had set up a limited company, you would expect that linked body to have a certain amount of autonomy to act. The Council as shareholders did have some critical powers, including the power to appoint/remove directors, approve/reject business plans and importantly the power to wind up the linked company. Whilst most of the Local Authority Linked Bodies had worked well, assisting in the delivery of key services, there has been issues with some such bodies including those in Nottingham City Council and London Borough of Croydon. Local Authority companies had led certain Local Authorities to face significant financial risks. It was critical the Council learnt lessons from other authorities and that was part of the Council's culture.

The Chief Operating Officer stated that Lessons from Nottingham City Council were laid out in a report in August 2020 from auditors Grant Thornton regarding Robin Hood Energy "RHE" which was a trading company set up by Nottingham to provide energy to its residents. However it was not successful and led to a substantial financial loss to the Local Authority. The business failed and led to a bill to the tax payer which resulted in a report for the public interest. The auditors noticed that there was very much a mudding of the water between Robin Hood Energy the company and the Council itself. The company which was a separate legal body had Councillors on its board, there was confusion and a lack of control. The two sets of interests were merging, when it came to winding the company up there was a delay, which led to a further decline in finances.

The Chief Operating Officer stated that there was also a report produced relating to the London Borough of Croydon and its company Brick by Brick. This led to the Council issuing a s114 notice. This was when the Director of Finance considered that the finances of the Local Authority were in such a perilous state that anything other than urgent expenditure cannot be incurred. Brick by Brick was said to have been managed extremely poorly, there should have been better oversight of Brick by Brick, improved monitoring, and communication. Over 200 million pounds was invested into Brick by Brick with the local authority seeing no dividends or return.

The Chief Operating Officer assured Members that in Wolverhampton for all Linked Bodies there was greater oversight. This included the Council's Annual Governance Statement taken to Audit and Risk Committee each year and monitored on a 6 month basis. The Monitoring Officer had a duty to report to the Council that they had confidence that the relevant rules were being complied with and there was good oversight with each of the linked bodies.

The Chief Operating Officer stated that he believed that, as the Monitoring Officer, he did have good oversight. Every month to two months an update was provided on

those bodies either owned by the Council or potentially large liabilities to the Council (such as Wolverhampton College) to Cabinet Members/Leader of the Opposition. At these meetings they went through the Budget, compliance with the business plan, the Key Performance Indicators and future planning. In addition, the Council also had regular discussions with external auditors about the linked bodies. Auditors noted that regular check and challenge would lead to greater insight relating to Local Authority controlled companies across the board. The Chief Operating Officer stressed the importance of regularly bringing the details of each of the relevant Linked Local Authority Bodies to the relevant Scrutiny Panel. The Chief Operating Officer stated that they made sure they had a detailed review of the arrangements of every single one of the Linked Bodies at least every three years.

The Chief Operating Officer stated that WV Living was a City of Wolverhampton Council owned Housing Company. It had been established in 2016 following approval from Council as a Limited Company, wholly owned by the Council, set up under the trading powers in the LGA 2013. WV Living focused on developing properties within the City to meet the Council's aspirations in terms of affordable housing, particularly on sites which the market would not otherwise meet. The accounts were audited each year as part of the Council's due diligence. The accounts were looked at by the Council's auditors in addition to the auditors at WV Living.

The Chief Operating Officer remarked that it was good practice to have a clear Shareholder Agreement setting out the terms between the Council and the Linked Body defining the arrangement. This had been setup in January 2017, it set out the parameters of what WV Living could decide and what was prohibited without Council approval. It was good practice to have a business case and regularly refreshed business plans. The Council also had governance arrangements to monitor the compliance with the Shareholder Agreement, business case and business plan. There was a Shareholder Board which was made up of a cross party selection of Councillors to comprehensively check and challenge these arrangements.

The Chief Operating Officer said that in 2020/2021 there was a detailed review of the governance of WV Living by the Chief Operating Officer. The review resulted in several changes including the appointment of a Non-Executive Director of the relevant sector, a new business plan, strengthening of the Shareholder Board and transparency and appropriate separation between the Council and the company.

The Chief Operating Officer commented that the WV Living Board was made up of four Directors and a Company Secretary. Directors were appointed through Individual Executive Decision Notice's made by Cabinet Members for City Housing and City Assets and Resources, in conjunction with the Director of Finance. Through Delegated Authority those appointed had the power to run the business and ensure it was operating properly within the clear parameters set by the Council. A Board of Directors was made up of Council and Wolverhampton Homes Senior Officers. Council's "key" controls were its ability to appoint and remove directors, amend the articles and exercise controls over shares and dividends and ultimately to wind the company up if it was not operating properly. The WV Living Board did not set remuneration policy, this needed to be approved by Council.

The Chief Operating Officer remarked that when a review took place back in 2021 there was a new business plan produced setting out clearly what the business would

focus on, and it would be renewed each year. The Business Plan was approved by Cabinet in April 2022, it made clear that work would not be carried out beyond the City boundaries. If that were to change it would need to go through the business plan and the Shareholder Board. Critically borrowing from the Council to WV Living had significantly reduced to less than £3 million. WV Living assets which the Council owned significantly exceeded the Council's lending.

In the worst case scenario the tax payer would not lose out and would receive their money back. When looking at the Shareholder Board the Robin Hood Energy set out that the failures were down to poor sharing of quality information on a regular basis both with the Shareholder Board and with lead Councillors. Key Performance Indicators were now central, all asks of the Council were directed to lead Councillors. There was an improved use of the Shareholder Board, such as quarterly meetings and an annual governance review on WV Living by the Monitoring Officer, as part of the Annual Governance Statement. It was important to be transparent about the risks and manage those risks.

The Chief Operating Officer stated that the role of the Shareholder Board was to provide oversight on the operation of WV Living. Their focus was on review and compliance with the Annual Business Plan and other key principles. There was a Governance and Finance update for each Shareholder Board Meeting. WV Living needed the space to operate commercially within the business plan, along with clear measures and controls in place to understand how it was working and quarterly meetings. Officers from WV Living attend the Shareholder Board meetings and are challenged and questioned. Advice was given by Governance and Finance departments.

The Chief Operating Officer commented that Clear Blue Water was a term under the LGA 2003. Under Local Government legislation the Council could not subsidise the running of trading companies. Additional checks through internal audits were being carried out to provide assurance on the matter. Audits were there to provide early warning and assurance that things were working well. There should be a clear approach on conflicts and separate legal representation for WV Living when dealing with the Council. When looking at land transactions, all sales to WV Living by the Council must be at best consideration under s123 of the LGA 1972. This required testing through a market sale or through the report of a qualified independent chartered surveyor providing clear evidence that this was the right level.

A report on all land sales was to come to the relevant Scrutiny Panel in Autumn. The subsidy provisions in relation to national legislation that provided the extent to which Local Authorities could subsidise business was tightly controlled to ensure public money was being used effectively. Clear blue water provided for transparency, ensuring that external audit reports were available publicly.

The Chief Operating Officer concluded that Linked Bodies were likely to continue to operate to assist Local Authorities with budgetary challenges and to find innovative ways of working. City of Wolverhampton Council had robust measures in place to check and challenge how the linked bodies operated. Those measures would continue to be reviewed. A full review every three years of all linked bodies including WV Living would occur and be reported on to Councillors, including relevant Scrutiny Members. The City of Wolverhampton Council has good governance in place for its linked bodies. The Chief Operating Officer confirmed the importance of learning from

other Local Authorities, this could mean that the Council's monitoring arrangements or approach could change.

The Chair acknowledged that there was a lot stated that the key thing was transparency and lesson learning from other Local Authorities so the Council did not end up in the same situation as Nottingham or Croydon.

A Panel Member thanked the Officer for the presentation, they had been particularly interested in hearing about the governance structure. With reference to the scrutiny of land transactions, they asked how those transfers were scrutinised before they took place. The Chief Operating Officer responded that the financial viability of WV Living was based on its assets and the assets it had were based on the transfers from the Council. In one sense we had gone from land that has not been developed by the Council to potentially land that was being developed by WV Living or land banked, if it was not being developed.

A Panel Member in reference to Key Performance Indicators asked if the Council transferred land with any clauses, penalties, or conditions. Citing as an example a piece of land must have a planning application submitted within 2 years etc. This was normal business practice. The Deputy Chief Executive had a large role at the Council in overseeing City Assets as well as being a Director on WV Living. They asked if the Deputy Chief Executive could say WV Living was not working from a Council perspective and would he be able to do so given his management of City Assets.

The Chief Operating Officer confirmed that there was prior approval, any significant land transaction had to go through Cabinet or Cabinet Resources Panel for approval and this information was publicly available. There could be a commercial confidential aspect, when reporting so some reports were exempt from the public, but this information was often made available later or after the decision had been made.

The Chief Operating Officer stated that WV Living would have to look at what other options there were in relation to assets and whether it needed to purchase land not just from the Council but from other bodies. WV Living was still required by the Council in the view of Senior Officers. There were clear provisions in the agreement in the contracts, such as when the Council would expect the sale to have taken place by a certain date or conditional agreements. The key point was not to subsidise and to undertake business on a commercial basis. The Deputy Chief Executive was very clear on making sure that any conflicts were avoided, any decisions relating to assets he was scrupulous in making sure there was clear blue water. Disposals were managed entirely separate from him.

A Panel Member asked how many of the Directors were Officers within the Council.

The Chief Operating Officer stated there were two, the Chief Accountant and the Deputy Chief Executive. The other members were from Wolverhampton Homes and one who had no connection to the Council but had significant expertise working for registered social landlords.

5 **Heath Town Regeneration**

The Head of Assets and Stock Investment for Wolverhampton Homes gave an overview of the Heath Town Regeneration Project. Heath Town had been originally constructed with considerable deck access blocks linking, in theory allowing people to walk from one side of the estate to the other without ever having to touch the ground following the “streets in the sky” concept of the 1960’s.

The Head of Assets and Stock Investment stated that the estate was opened in 1969 by HRH Princess Margaret and there was just over 1250 dwellings on that estate, most being in either tower blocks or deck houses. Pictures were shown of the view in the 1970’s of Hobgate Road, Hampton View, the shopping centre and Chervil Rise. There were large amounts of brick façade and cladding which made it virtually impossible to see in. This type of layout overtime created quite a few issues. Since construction two blocks were demolished in 1990, six were converted into houses under “lopped and topped” programmes also in the 1990’s. In 2018 as part of regeneration a further four deck access blocks were demolished to open the heart of the estate. Issues with the deck access block were with crime and policing. This was because there were several different escape routes and the Police did not have the resources to combat that effectively.

Consultation had taken place with the residents in 2015, which concluded that their principal concerns at the time were safety, security, and car parking. The link bridges were in immensely poor condition with significant amount of the concrete damaged. The timber cladding was losing its bearing, panels were falling off and there was a real concern for the general condition of the estate at the time.

The Head of Assets and Stock Investment stated that the reality was that the future of the estate had been uncertain for so long, consequently there had been a lack of planned improvements. In 2014 the Council made the decision to regenerate the Heath Town estate. They had created a “master plan” which included selective demolition and the remaining blocks to be refurbished. The Heath Town Masterplan was shown to the Panel which had Phase 1 and Phase 2. It involved a range of infilled sites primed for development and the plan was to build over 200 new family homes with a mix of affordable and open market sale housing. The first phase was still under way, they were involved with a company called Black Country Make to construct six homes. The second phase was currently being procured with a view to work starting next Summer.

The Head of Assets and Stock Investment remarked that the strategy to combat the issues with some of the deck access blocks was trying to get people on the ground working to create a secure environment. They wanted to create a more welcoming environment to each of the deck access blocks. To create secure points of access, to monitor the entrances and circulation spaces with CCTV. To address long standing parking issues by creating additional parking spaces, where needed, and ensuring there was brand new lighting so people could feel confident when walking from their cars or buses. As part of the refurbishment there was the removal of linked bridges between the blocks, external cladding had been installed to increase thermal insulation all of which was non-flammable.

They had improved the aesthetics of the building and repaired failed wall ties which stopped the outer leaf from falling out. They had put in new mono-pitched roofs, recovered the walkways, renewed walkway flooring, replaced the entrance screens

with aluminium sectional frame system and replaced all windows with new PVCu. Additionally, the refurbishment had constructed new lift enclosures to blocks, removed timber cladding from the existing stair-cores, installed new access controlled entrance doors, redesigned car parking to create more spaces, improved landscaping, improved lighting of circulation spaces and improved CCTV coverage. At Wednesfield road and Lincoln Street, new air handling fans would take away moisture from the bathrooms and there were new gutters, windows, and entrance points. A new entrance had been created at Chervil Rise with the car park being moved to the front of the block. A new staircase on Hobgate road, with a new lift on Chervil rise and play areas.

The Head of Assets and Stock Investment commented that as well as construction the project was also trying to improve the social value outcomes for residents such as volunteering hours, community events, trade apprentice's appointments and employment through the Government Kickstart Programme.

The original plan had been to refurbish the boiler house, the next stage was to replace the current boiler house which fed the entire estate, providing heating and hot water to all the dwellings. They would create a new low carbon energy centre which would be more energy efficient and reduce heating costs for residents. He hoped this would be completed within the next couple of years. The proposal was to remove warm air heating across the estate and to install radiators. They wanted to resolve any remaining building or fire safety issues. They would replace the windows, roofs, any external wall insulation, replace worn out components and install sprinklers. Some of the defects identified on the tower block were things like cracking and spalling to brick work, areas of missing mosaic tiles, remedial wall ties failing and communal fire doors needing replacement. The project was trying to be creative about the design and making sure the entire estate looked the same.

The Chair and Panel Members thanked the Head of Assets and Stock Investments for his presentation. They had seen the difference when driving past the Heath Town Estate, it was looking colourful and bright.

A Panel Member asked how they dealt with existing residents when works were being undertaken.

The Head of Assets and Stock Investments responded by confirming that before the starting of any phase, a consultation had been held with the residents. This provided them with materials to give visibility as to what was coming and sought their input, especially in the design phase. It was sometimes quite difficult to get that engagement and so working with the contractors were Tenant Liaison Officers who kept in regular contact. They talked to the residents about the project. Since it was such a long project, there had been very good relationships established and community leaders identified across the estate.

A Panel Member commented that the regeneration project was outstanding. They asked if there were any plans for development on Wednesfield Road.

The Head of Assets and Stock Investments responded that this was the old pub site and it would be developed. There were plans in Phase 2 for it to be a new block of flats from his recollection, five or six floors.

The Panel Member asked if crime had started to reduce because of some of the wide open spaces. The Head of Assets and Stock Investments responded that crime had reduced. There had been a lot of problems with gang related activity, the anti-social behaviour team was eager to remove one individual who was at the heart of that, and significant nuisance had been created by his associates. Dealing with this issue had a significant impact in creating what was called a defensible space. There were no longer people loitering in those areas using and abusing various chemicals. The problem with anti-social behaviour was that the offenders did not necessarily stop, they moved on. They were certainly seeing some benefits in Heath Town but there could still be problems in other parts of the city.

A Panel Member reiterated that aesthetically the regeneration did look very pleasing. Around 30 years ago a Residents Estate Management Board was established which gave ownership and residents a real voice, unfortunately that had seemed to wane. Following the key findings in the Hackett Review it was vitally important to obtain residents voices. He asked what Wolverhampton Homes were doing to try and enhance the residents voices in the area.

The Head of Assets and Stock Investments confirmed that in terms of residents voice, the challenge primarily was engagement. There had been a fair bit of work done regarding reaching out, building the customer base of willing volunteers. There were now over 1000 residents who were actively involved in engagement which gave a strong basis for discussion around things such as fire safety. They were ensuring that they were talking to residents in each individual block around fire safety in their area. This gave residents extra confidence in what had happened, and they planned to address any issues.

A Panel Member stated that when residents voices were considered the issues were wider than just fire safety. The Board had a real key influence on the estate which made a huge difference. He was pleased to see the fire-retardant lacing of the insulation and sheet materials and fire doors which was really pleasing to see as a Member of the Council's Fire Safety and Scrutiny Group. Wolverhampton Homes had an excellent reputation when it came to fire safety. Wolverhampton wanted to avoid tragic incidences, such as Grenfell Tower. He asked if Wolverhampton Homes were considering now or in the future having low rises fitted with sprinklers. He also asked if they were considering having solar panels placed on roofs and if have the Bridge could be repainted black and gold when it was finished?

The Head of Assets and Stock Investments stated There was a very delicate balance between the amount of revenue that could be raised and the affordability of the rent. They would be focusing on higher risk blocks of flats where there were any additional risks created to occupants regardless of height, beyond that it was a financial issue. They were already forecasting a significant shortfall against the climate change directives. They were seeking to gather grants wherever possible, but that grant would not cover everything. It was for Councillors to set directions as to what were the overarching priorities they wanted Wolverhampton Homes to deliver for them.

A Panel Member agreed that it was a matter of funding, they wanted more but due to the economic circumstances it was not necessarily very likely. The Council did need to keep pushing the mantra that legislation was minimum standards and the Council should be setting their own standards. Wolverhampton Homes were doing such a good job in so many different areas.

A Panel Member asked how we monitored the new efficiencies in Heath Town such as heating and was there a continual improvement set up in blocks.

The Head of Assets and Stock Investments confirmed that the work that was being designed now or that has been implemented over the last 5 years was future proof. They could have simply done the structural repairs and facelift. It had been agreed that it was more effective and efficient solution to deal with those issues and ensure they have got such a sufficient length of life that they could make it to the 2050's and beyond. There had been quite a significant step up in the efficiency on the demand for heat, thus effecting the cost of energy and achieving lower heating bills comparatively. They were, bringing money forward so they could deliver more efficient heating solutions and more energy efficiency to buildings generally.

A Panel Member suggested to the Chair that it would be worth a site visit to the estate soon.

A Panel Member added that if a site visit were to be arranged it would be beneficial for the Fire Safety Officer from the West Midlands Fire Service to attend. This was agreed by the Panel.

A Panel Member acknowledged that there had been a vast improvement at Heath Town. He asked if rainwater harvesting had been considered as those were big surface areas which could be used to supplement sprinkler systems. He commented that what made a community was what else was available, such as engagement for community assets for the elderly and pop libraries. He asked how this was planned to work, to build the wider community.

The Head of Assets and Stock Investments agreed with the Panel Member that the community engagement really had to come from the residents. They could help facilitate the process and play a strong role. Without a willingness and desire for residents to almost demand that they get this, it was difficult to tell them that they then should be doing this. There would be a new community hub built, a multi-use facility for things such as knitting clubs with a community room. Customer engagement was powerful in understanding what the desires are within that community and what was needed to create that cohesion. Due to changes in public services, it was also evident that those local services had retreated over the years and so there has been a reduction in those sorts of facilities in places like Heath Town.

There was only so much of that Wolverhampton Homes could bridge as they had a clear mandate in terms of what services they could provide. It was about engaging with other organisations and bringing those in wherever possible. It was also about using what assets they had within the housing revenue account that they could repurpose. They did also not want to spend a lot of time and money creating an empty space that wouldn't be utilised by the community. The problem with the rainwater and solar panels was that those had to be fed into a communal supply. The issue with solar panels was that it should be providing a benefit directly to the residents but because the space was communal it would be providing minimal benefit to Wolverhampton Homes. There was very low energy lighting in the homes with special controls. There was an opportunity to provide electrical vehicle charging points. Water could be harvested but they did not have a direct place to put it, as it

would have to be pumped to sprinkler and so whilst it had been considered it had been dismissed.

The Director for Property Services commented on the community and community resilience. They would be bringing the Customer Engagement Strategy to Members later in the year. He stated that the Council should be proud of what they have achieved in Heath Town, and the compliments given by Members at the Panel would be taken back to the team. He also thanked the communities and people living on a building site for several years, most customers were now so proud to live there.

A Panel Member mentioned the Ashmore Park Community Hub which was run by volunteers and requested Wolverhampton Homes Officers visit.

The Head of Assets and Stock Investments suggested that residents of Heath Town could visit to help stimulate ideas.

A Panel Member thanked Wolverhampton Homes not only for Heath Town, but also for Ashmore Park and Wednesfield in Bloom, which involved volunteers and people in the community.

The Chair stated that it was not just about housing it was about the community, she praised the fact that Wolverhampton Homes were bringing the community together.

The meeting closed at 7:34 pm.

6 **Date of Next Meeting**

The date of the next Residents, Housing and Communities Scrutiny Panel was a scheduled for Thursday, 29 September 2022 at 6pm.