

APPENDIX 2

Committee: Overview and Scrutiny Committee	Date: 20 January 2014	Classification: Unrestricted	Agenda Item:
Draft Report of: Overview & Scrutiny Committee		Title: Reference from Council - Watts Grove Depot Project and financial mechanisms for Dame Colet House and Poplar Baths projects – Draft OSC report to Council Wards Affected: All	

1. **SUMMARY/ BACKGROUND**

- 1.1 Full Council (18 September 2013), passed a motion expressing concern at the Mayor's decision on 29 July 2013 not to proceed with the Watts Grove Depot redevelopment project and also questioning the suitability of the financial mechanisms used to fund Dame Colet House and Poplar Baths.
- 1.2 Full Council referred the issues to the OSC and asked it to investigate in detail and to report back to full Council on 27 November 2013.
- 1.3 OSC (01 October 2013) considered this request and agreed that, to enable it to undertake full/ appropriate scrutiny of the issues and reach an informed decision/ conclusion, The Corporate Director Development and Renewal be instructed to prepare a comprehensive report, containing all relevant information on the matter for OSC consideration.
- 1.4 OSC (05 November 2013) considered the report of the Corporate Director Development and Renewal and exempt appendices thereto, and had requested further information, the presentation of the relevant information in a more transparent way, and different access arrangements to exempt information. Accordingly the OSC agreed that further consideration of the matter be deferred to the next meeting of the OSC.
- 1.5 OSC (03 December 2013) had considered a further report on the matter which included additional information requested by the OSC and further information was provided by Officers when introducing the report. However the Mayor/Cabinet Members with portfolio for this matter were not in attendance. The OSC agreed that the Chair should prepare a full report on OSC consideration of this matter, including any recommendations arising,

and that this be submitted to the next OSC for agreement before onward reporting to full Council.

- 1.6 OSC (07 January 2014) received the proposed recommendations of the Chair of the Committee and commented on them prior to submission of a report for the Committee to consider at its meeting on 20 January 2014.
- 1.7 A comprehensive discussion took place at the OSC meetings held on 05 November and 03 December and the key findings are summarised below:-
- 1.8 Cabinet members pointed to two key reasons for the decision by the Mayor not to progress with procurement of the Watts Grove Depot redevelopment. These were the implications for the council's Housing Revenue Account (HRA) and overall debt cap of:
 - the Comprehensive Spending Review; and
 - a change in the terms of one of the most attractive bids between the competitive dialogue and competitive tender stages, which transferred much of the cost and risk of the redevelopment back to the council.

However, the advice to the Mayor from the relevant Corporate Director (signed in mid-June), and the Chief Finance Officer (in mid-July) was to proceed with the procurement, as it had been assessed as being affordable. In spite of this, on the same day as the Chief Finance Officer's signoff, these recommendations were rejected. The reason for the disparity between officer advice and the Mayor's decision remains unclear.

- 1.9 The reasons the Committee was given for not delivering the Watts Grove Depot redevelopment through a partnership with a registered provider (RP) were:
 - When the procurement process began for Watts Grove, the future costs of flexible tenancies and affordable rent models inherent in using an RP partner were felt to outweigh the likely costs to the HRA and debt cap of the council retaining the stock itself;
 - The Mayor had decided that the council should retain ownership of the housing stock to ensure more secure tenancies; and
 - An RP would likely have charged 80% of the market rent for the homes in order to meet the needs of its business plan, which would not have been sufficiently affordable for residents.

However, this route would have had no effect on the Housing Revenue Account (HRA) and the council's statutory debt cap. Furthermore, any RP

partner would, as a member of the Common Housing Register, be required to allocate homes in accordance with the council's policy and procedures. Indeed, this option was used for the procurement for Dame Colet House and Poplar Baths.

2.0 In addition to the above findings, Overview & Scrutiny Committee concludes that:

- The decision to use the model selected for the Watts Grove Depot redevelopment was flawed, and vulnerable to potentially foreseeable changes. The consequence of these decisions has seen the council incur costs of approximately £308,000 (as of 5th November), and lose out on the opportunity to provide 149 affordable homes. A partnership with an RP, or another more economically viable model such as council housing, would have been a better option. However, to pursue this now would involve starting the full and costly process again from the beginning.
- Whilst the Mayor is entitled to make certain decisions in private, doing so makes it difficult to ascertain the full rationale for these, and for the Committee to discharge its functions (as was the case here). The Committee therefore believes that decisions such as these should be made in public unless absolutely necessary. Equally importantly, where decisions are made in private, the basis and rationale for these should be clear and available for scrutiny just as for decisions made in public, and the Mayor should make himself available in person to justify them when requested by the Committee.
- Related to the above, the Mayor and Cabinet members should adhere to the council constitution and attend the Overview and Scrutiny Committee when they are required, rather than leaving officers to defend their decisions. The absence of the political leadership of the council from meetings has obstructed the Committee from fully carrying out its role in scrutinising their decisions.
- Where the Mayor rules out working with RSL partners on a project which is otherwise financially unviable he should justify his reasons for doing so.
- The cabinet member responsible for housing should provide accurate figures when commenting on the number of homes built by the council, so that members and residents can be confident that these are reliable.
- Cabinet members should be fully briefed and should have all the information they need before they attend meetings of the Committee, so that the Committee's discussions, findings and recommendations are based upon the fullest and most accurate information possible.
- Reports should be unrestricted in the interests of transparency, with exceptions for restricted papers only where absolutely necessary (such as

commercially sensitive information). In this case, the Committee believes that more of the reports should have been unrestricted.

2. RECOMMENDATIONS

- 2.1 The Overview & Scrutiny Committee recommends that the Council endorses the above findings, and that the Mayor and Cabinet members act accordingly.

3. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 3.1 This report updates Members on the results of the Overview and Scrutiny Committee's consideration of the Watts Grove Depot Project following its referral from Council in September 2013.
- 3.2 The comments of the Chief Finance Officer were included within the various reports previously considered by the Overview and Scrutiny committee.

4. COMMENTS OF LEGAL SERVICES

- 4.1 The Council is required by section 9F of the Local Government Act 2000 to have an Overview and Scrutiny Committee and to have executive arrangements that ensure the committee has specified powers. Consistent with this obligation, Article 6 of the Council's Constitution provides that the Overview and Scrutiny Committee may consider any matter affecting the area or its inhabitants and may make reports and recommendations to the Full Council or the Executive in connection with the discharge of any functions. In this instance, the Committee has asked Full Council to endorse its recommendations in relation to the carrying out of executive functions. It will be for the Executive to determine how it responds to such recommendations.

5. ONE TOWER HAMLETS CONSIDERATIONS

- 5.1 Any relevant matters are set out in the previous reports.

6. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 6.1 Any relevant matters are set out in the previous reports.

7. RISK MANAGEMENT IMPLICATIONS

7.1 Any relevant matters are set out in the previous reports.

8. CRIME AND DISORDER REDUCTION IMPLICATIONS

8.1 Any relevant matters are set out in the previous reports.

9. EFFICIENCY STATEMENT

9.1 Any relevant matters are set out in the previous reports..

10. APPENDICES

None

**Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report**

Brief description of “background papers”	Name and telephone number of holder and address where open to inspection.
None	N/A
