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OVERVIEW & SCRUTINY COMMITTEE - 12.11.2020

MINUTES OF THE MEETING OF THE OVERVIEW & SCRUTINY COMMITTEE HELD ON THURSDAY, 12 NOVEMBER 2020

COUNCILLORS

PRESENT (Chair) Susan Erbil, Achilleas Georgiou, Edward Smith, Lee David-Sanders, Hass Yusuf, Birsen Demirel, Elif Erbil and Margaret Greer (Vice-Chair)

ABSENT

STATUTORY CO-OPTES: *1 vacancy (Church of England diocese representative), Mr Simon Goulden (other faiths/denominations representative), Mr Tony Murphy (Catholic diocese representative), Alicia Meniru & 1 vacancy (Parent Governor representative) - Italics Denotes absence*

OFFICERS: Peter George, Programme Director Meridian Water, Rafe Bertram, Sustainability Facilitator, Jeremy Chambers, Director of Law and Governance, Claire Johnson, Head of Governance, Scrutiny and Registration Services, Andy Ellis, Governance and Scrutiny Officer.

Also Attending: Councillor Nesil Caliskan (Leader of the Council)
Councillor Lindsay Rawlings (Call-in Lead)

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WELCOME & APOLOGIES

The Chair, Cllr Susan Erbil welcomed everyone to the meeting.

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DECLARATIONS OF INTEREST

No declarations of interest were received.

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CALL IN: MERIDIAN WATER ENVIRONMENTAL SUSTAINABILITY STRATEGY

The Chair introduced this item and explained the process to be followed in hearing the Call-in. Cllr Lindsay Rawlings was welcomed as the Call-in Lead and presented reasons for issuing the Call-in.

- 1) A lengthy paper was presented to Cabinet and a sustainability strategy is a good thing, however residents would want to see figures relating to costs likely to be incurred.

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- 2) The report states that individual projects report their progress against the strategy, however, how can projects report without financial information being available?
- 3) Financial parameters are referred to in the report but without any associated figures. How can Councillors carry out effective scrutiny over how money is being spent, when there is no estimated amount mentioned in the main report. In addition, the length of the scheme is estimated to be between 10-30 years, therefore new Councillors could be in place.
- 4) There have been previous examples of reports coming to meetings, seeking additional resources, above an original estimate. At least with an original estimate it is possible to see what is being requested and for the necessary scrutiny to take place.
- 5) With best practice and new technologies being developed constantly, this will have an impact on the finances needed for the scheme. Without a financial model within the strategy, it is not possible to make a decision on the incorporation of new environmental practices.
- 6) The report does not explain the potential risk to delivery, if the costs are higher than expected and how this will be mitigated. The Meridian Water Scrutiny Workstream highlighted the uncertainties around such a long-term scheme which were rebutted by Cabinet.
- 7) The response report concludes by stating that the strategy does not commit the Council to a higher cost of delivery as it is bound by the long-term financial parameters of the project, however, these figures are not quoted in the main report.
- 8) Is there an actual budget for Meridian Water or is there a guideline figure, or an upper limit figure?
- 9) The Cabinet Member should return to the Overview and Scrutiny Committee with an addendum to the Meridian Water Environmental Sustainability Strategy, outlining the budget for delivery.

The Chair thanked Cllr Rawlings and asked the Leader of the Council, Cllr Caliskan and the Programme Director Meridian Water, Peter George to respond.

- 10) It was noted that the strategy is a high-level document that sets out the aims and direction. It is not a report intended to detail finances or operational delivery. The finances for the scheme have been agreed by Full Council previously. It is fully appreciated that residents would want to be appraised of the finances of the project but it is not possible to include detailed finances of the entire scheme within every document produced.
- 11) We are in year 6 of a 30-year project at Meridian Water. The pace with which climate change regulations and technology is changing is unforeseen. It is not possible to predict how technology and the market will evolve. For example, what may be punitively expensive now may become more affordable in the future.
- 12) The financial parameters refer to the comprehensive financial model approved by Cabinet within which the scheme will be delivered. This totals £1 billion, and it is forecast to recover that investment, plus make

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a return on investment, which is equivalent to an internal rate of return of 4.6%.

- 13) The speed at which the strategy is implemented will be in part determined by the pace at which the market and regulations evolve as we have to work within the financial parameters.
- 14) The strategy doesn't commit the council to specific costings but any further projects with financial implications will be part of a reporting process to Cabinet and subject to call-in.
- 15) We are confident that resources have been identified, we have appointed a Sustainability Facilitator and we will ensure that sustainability is embedded across the Meridian Water Team.

The Chair asked Members for any questions and comments, relevant to the area of the call-in. The Chair also commented that it may be difficult to provide detailed financial costings when some projects are a number of years ahead.

- 16) It was commented that any large-scale regeneration scheme should have a budget associated with it, to be amended as necessary.
- 17) A question was asked in relation to what cost assumptions have been made and what standards have been adopted for the current base budget.
- 18) In response it was noted that the overall financial model approved by Cabinet, is to cost the scheme with a conventional development appraisal approach, recommended by the Royal Institute of Chartered Surveyors, which gives present day costs and values. Therefore, over time there is an expectation that costs will rise generally and values will rise in turn.
- 19) In relation to environmental sustainability, the base cost is effectively provided by the change in regulations and where the increase in value can't cover improvements, then the Council would either not pursue the higher standards at that time or, preferably, the Council would pursue different delivery options to achieve the standards within the financial parameters. Alternatively, the Council would consider grant opportunities to pay for the additional cost of achieving the desired standard, in excess of those required in the regulations.
- 20) A question was asked in relation to CO2 reductions over the next 10-15 years, the implications of this on the design and construction of the project and an appraisal of the Mayor of London's standards against the base-line costs. In response it was noted that the Council had a preferred partner on the Meridian One project, Vistry. The contract with Vistry preceded the approval and adoption of, subject to this call-in, the environmental sustainability strategy, therefore the company have proposed standards above the regulations but not achieving Council strategy standards. The Council are in discussions with Vistry to improve their environmental performance, which would in turn be subject to a separate report, setting out the financial implications. This is the process to be taken, going forward. The costs for this

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improvement are appearing negligible and can be afforded within the project's financial framework.

- 21) A comment was received that there should be a measurable outcome from the increase in Vistry's improved environmental performance and this should be relayed across the whole of the scheme.
- 22) Reference was made to a newspaper article which highlighted the uncertainty and complexity of seeking to cost an environmental development when so many assumptions would have to be made. It was reiterated that it would be inappropriate to put costs before members that were unreliable and highly speculative.
- 23) It was noted that it would be useful to make cost comparisons between differing models i) With the Council being a pioneering agent of change and ii) With the Council maintaining the absolute minimum standards. A further cost required would be the cost of individual units to potential residents. It was highlighted that if the Council were to implement the entire Environmental sustainability strategy today, it would break the financial model. It is envisaged that as new technologies advance, costs will reduce.
- 24) It was stated that on occasion companies may chose not to be in the forefront but rather slightly reserved, allowing costs to be picked up elsewhere. However, in response it was noted that funding is only provided to those with an ambitious agenda, at the forefront regeneration.
- 25) It was noted that if there are increased costs, there has to be a trade-off, potentially meaning less other desirable elements such as affordable housing, size of units and the amount of green space. Therefore, establishing a cost for all these areas is so essential. In response, it was clarified that industry experts have confirmed that there will be a reduction in costs.

The Chair then called upon Councillor Lindsay Rawlings to summarize the reasons for call-in:

- 26) It is acknowledged that the environmental world is changing but this doesn't mean that budgets can't be stated and amended as necessary. It is concerning that the first phase of the Meridian Water development may not be built to the high standards set out in the strategy. Although resources have been identified, it would be more appropriate to note these resources within the strategy and it is hoped that this does not set a precedent for future strategy documents.

The Chair concluded this part of the call-in by thanking all Members and Officers for their input, before moving on to the vote.

- 27) The Chair, Cllr Susan Erbil moved a proposal that the original decision be confirmed and this was seconded by Cllr Birsen Demirel. Cllrs Margaret Greer, Achilleas Georgiou, Hass Yusuf, Birsen Demirel and Elif Erbil voted in favour of the proposal. Cllrs Lee David-Sanders and Edward Smith voted against the proposal. It was therefore agreed to confirm the original Cabinet decision.

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DATES OF FUTURE MEETINGS

The dates of future meetings were noted.

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