

To: All Members and Substitute Members of
the Overview and Scrutiny - Resources
(Other Members for Information)

When calling please ask for:
Leila Manzoor, Democratic Services Officer

Legal & Democratic Services

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Direct line: 01483 523224

Date: 10 February 2023

Membership of the Overview and Scrutiny - Resources

Cllr Stephen Mulliner (Chair)
Cllr Joan Heagin (Vice Chair)
Cllr Dave Busby
Cllr Jan Floyd-Douglass
Cllr Jerome Davidson
Cllr Brian Edmonds

Cllr Chris Howard
Cllr Peter Martin
Cllr John Neale
Cllr Peter Nicholson
Cllr George Wilson

Substitutes

Cllr David Else

Cllr Christine Baker

Members who are unable to attend this meeting must submit apologies by the end of Monday, 13 February 2023 to enable a substitute to be arranged.

Dear Councillor

A meeting of the OVERVIEW AND SCRUTINY - RESOURCES will be held as follows:

DATE: MONDAY, 20 FEBRUARY 2023

TIME: 7.00 PM

PLACE: COUNCIL CHAMBER, COUNCIL OFFICES, THE BURYS,
GODALMING

The Agenda for the Meeting is set out below.

The meeting can be viewed remotely via [Waverley Borough Council's YouTube channel](#) or by visiting www.waverley.gov.uk/webcast.

Yours sincerely

**Stephen Rix,
Executive Head of Legal & Democratic Services (Interim) & Monitoring Officer**

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Waverley Corporate Strategy 2020 - 2025

Vision

Our vision is that Waverley will be environmentally, economically and financially sustainable with healthy, inclusive communities and housing available for all who need it.

Our strategic priorities:

- ✓ Local, open, participative government
- ✓ Supporting a strong, resilient local economy
- ✓ Taking action on Climate Emergency and protecting the environment
- ✓ Good quality housing for all income levels and age groups
- ✓ Effective strategic planning and development management to meet the needs of our communities
- ✓ Improving the health and wellbeing of our residents and communities
- ✓ Financial sustainability

Good scrutiny:

- is an independent, Member-led function working towards the delivery of the Council's priorities and plays an integral part in shaping and improving the delivery of services in the Borough;
- provides a critical friend challenge to the Executive to help support, prompt reflection and influence how public services are delivered;
- is led by 'independent minded governors' who take ownership of the scrutiny process; and,

- amplifies the voices and concerns of the public and acts as a key mechanism connecting the public to the democratic process.

NOTES FOR MEMBERS

Members are reminded that contact officers are shown at the end of each report and members are welcome to raise questions etc in advance of the meeting with the appropriate officer.

AGENDA

1 **APOLOGIES FOR ABSENCE AND SUBSTITUTES**

To receive apologies for absence and note any substitutions.

Members who are unable to attend this meeting must submit apologies by the end of Monday 13 February 2023 to enable a substitute to be arranged, if applicable.

2 **MINUTES**

The minutes of the meeting held on 23 January 2023 will be agreed at the Committees next ordinary meeting.

3 **DECLARATIONS OF INTERESTS**

To receive Members' declarations of interests in relation to any items included on the agenda for this meeting, in accordance with Waverley's Code of Local Government Conduct.

4 **QUESTIONS FROM MEMBERS OF THE PUBLIC**

The Chairman to respond to any written questions received from members of the public in accordance with Procedure Rule 10.

The deadline for receipt of written questions is 5pm on Tuesday 14 February 2023.

5 **QUESTIONS FROM MEMBERS**

The Chairman to respond to any questions received from Members in accordance with Procedure Rule 11.

The deadline for receipt of written questions is 5pm on Tuesday 14 February 2023.

6 **PROPERTY PERFORMANCE AND ASSETS INVESTMENT ADVISORY ACTIVITY UPDATE** (Pages 5 - 8)

The purpose of this report is to update the Resources O&S Committee (the Committee) performance of the current portfolio projected to the end of the financial year and the progress and work of the Property Investment Advisory Board (PIAB), which advises the Executive on property investment matters.

7 OCKFORD RIDGE - DEEP RETRO REFURBISHMENT (Pages 9 - 16)

To update members on the progress made with delivery of the pilot project to deep retrofit seven properties at Ockford Ridge.

8 EXCLUSION OF PRESS AND PUBLIC

To consider the following recommendation of the motion of the Chairman:

Recommendation

That pursuant to Procedure Rule 20 and in accordance with Section 100A(4) of the Local government Act 1972, the press and public be excluded from the meeting during consideration of the following items on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the items, there would be disclosure to them of exempt information (as defined by Section 100I of the Act) of the description specified in the appropriate paragraph(s) of the revised Part 1 of Schedule 12A to the Act (to be specified at the meeting).

9 PROPERTY INVESTMENT QUARTERLY REPORT AND PROPERTY PERFORMANCE REPORT (EXEMPT) (Pages 17 - 22)

This reports provides the Committee with an update on the performance of the current portfolio projected to the end of the financial year.

10 OCKFORD RIDGE - DEEP RETRO REFURBISHMENT (Pages 23 - 54)

Exempt Papers

Officer contacts:

Louise Norie, Corporate Policy Manager

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Leila Manzoor, Democratic Services Officer

Tel. 01483 523224 or email: Leila.manzoor@waverley.gov.uk

WAVERLEY BOROUGH COUNCIL

RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

20 FEBRUARY 2023

Title:

Asset Investment Advisory Board update

Portfolio Holder: Cllr M Merryweather, Portfolio Holder for Finance, Assets and Commercial Services

Head of Service: Marieke van der Reijden, Head of Assets and Property

Key decision: No

Access: Public/Part Exempt

1. Purpose

- 1.1 The purpose of this report is to update the Resources O&S Committee (the Committee) on the progress and work of the Asset Investment Advisory Board (AIAB), which advises the Executive on property investment matters. The update is detailed in Exempt Annexe 1.
- 1.2 This report also gives the Committee an update on the performance of the current portfolio projected to the end of the financial year (Exempt Annexe 2).

2. Recommendation

It is recommended that the Committee notes the property investment activity and makes any observations or recommendations to the Portfolio Holder and/or Executive as appropriate.

3. Reason for the recommendation

The AIAB works on behalf of, and advises, the Executive regarding property investment matters and decisions. This report provides an overview of the work of the AIAB to the Committee whose role it is to scrutinise the decisions of the Executive.

Investment activity can be:

Investments for commercial purpose - these are long term investments taken or held primarily for financial return. The Council's primary objective in relation to its commercial activity is the security of capital invested and having an exit strategy in place for each investment. Commercial activity will be limited to the legacy portfolio and that which is incidental in any proposed investment activity.

Investments for service purposes - these are taken or held primarily for the provision, and for the purposes, of delivering public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services.

The proposals detailed in annexe 1 will be undertaken within Government guidelines.

4. Relationship to the Corporate Strategy and Service Plan

- 4.1 The Service Plan for Assets and Property Services (2022-2025) aims to Identify and develop opportunities to generate revenue through property development schemes to increase overall income in line with the Medium Term Financial Plan, Asset Investment Strategy and HM Treasury "not for yield" guidelines (Outcome 7). As well as managing the diverse legacy portfolio and operational asset base with the aim of gaining maximum benefit from the assets the Council holds.

5. Implications of decision and consultation and engagement

5.1 Resource (Finance, procurement, staffing, IT)

The performance of the property portfolio is detailed in exempt annexe 2.

6.2 Risk management

Risk is mitigated in accordance with the Asset Investment Strategy by having a governance framework around all investment decisions, a balanced property portfolio with diversity through class and location, exit strategies for each investment and obtaining inflation protected income growth.

6.3 Legal

There are no legal implications arising directly from this report.

6.4 Equality, diversity and inclusion

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

6.5 Climate emergency declaration

The income from the property portfolio supports service delivery and the Council's corporate objectives including with regard to the climate emergency declaration. The Service Plan for Finance and Property Services (2022-2025) aims to effectively manage the investment property portfolio in support of the Council's Carbon Neutrality Plan whilst ensuring income levels match or exceed budget targets (Outcome 7).

7. Consultation and engagement

- 7.1 This is an update report on the progress of the AIAB and no decision is being made at this committee.

8. Other options considered

- 8.1 The Council's property assets will continue to be reviewed for investment opportunities and new opportunities identified in pursuit of best use of assets within the Borough. The property portfolio will undergo continual monitoring of performance.

9. Governance journey

- 9.1 The AIAB reports to the Executive with its advice regarding property investment. This report was produced for the Committee to note the AIAB's recent activity.

Annexes:

Exempt Annexe 1 – Property Investment – update

Exempt Annexe 2 - performance of the current portfolio

Background Papers

There are no background papers, as defined by Section 100D(5) of the Local Government Act 1972).

CONTACT OFFICER:

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Position: Corporate Asset Manager

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Agreed and signed off by:

Legal Services:

Strategic Director:

Portfolio Holder:

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WAVERLEY BOROUGH COUNCIL

RESOURCES O&S/EXECUTIVE/COUNCIL 7 MARCH 2023

Ockford Ridge Refurbishment Phase 4 Deep Retrofit - Green Technology Pilot

Portfolio Holder: Cllr Rivers, Portfolio Holder for Housing (Operations)

Head of Service: Andrew Smith, Executive Head of Housing

Key decision: Yes

Access: Part Exempt – Report Open / Annexes Exempt

Note pursuant to Section 100B(5) of the Local Government Act 1972

This report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, namely:

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

1. Purpose and summary

1.1 Purpose and summary of the report.

- To update members on the progress made with delivery of the pilot project to deep retrofit seven properties at Ockford Ridge. A pilot project that will contribute to the Council's environmental and sustainability objectives and aim to become a net zero-carbon council by 2030 through the delivery of affordable homes which are more sustainable and energy efficient than they are at present. At the same time improving quality of life and reduce fuel poverty for future tenants by using renewable energy sources (air source heat pump / photovoltaic cells (PV's)) and reducing the overall heat demand through the provision of additional external wall and internal floor and roof insulation and modern A+ rated double glazed windows. Electric vehicle charging points will be installed where the properties have off street parking.
- Advise members on:
 - the outcome of the procurement process to identify a build contractor
 - background to the request for additional budget to complete the proposed pilot and
 - options considered to reduce the costs
- Seek member approval to enter into contract to deliver the pilot project.

2. **Recommendation**

The Executive, after considering the report and annexes and comments of the O&S Resources Committee.

1. Recommends to Full Council that an additional budget allocation of £784,000 is agreed for Phase 4 of the OR Regeneration Project, bringing the total allocated budget to £1.765m, to enable the deep retrofit of seven homes, piloting the use of green renewable energy sources and enhanced fabric, to proceed according to the previously approved specification as detailed in Exempt Annexes 1 – 4; and
2. Subject to the agreement of Full Council of the additional budget allocation, approves:
 - i. Entering into a contract with the preferred contractor for the delivery of the works;
 - ii. Entering into any related contractual documentation (including collateral warranties or agreements) relating to the project; and
 - iii. Giving delegated authority to the Executive Head of Legal and Democratic Services to approve the final form of legal agreements.

3. **Reason for the recommendation**

- 3.1 The Council has already committed to the delivery of the regeneration of the Ockford Ridge estate which includes both regeneration and refurbishment of homes. To date, three phases of refurbishment have been completed and a budget of £981,000 was approved at full Council in February 2022 to deliver this next phase.

The project will deliver modern, safe, and secure, sustainable homes and support delivery of the Council's [Corporate Strategy 2020 – 2025](#), [Climate Change and Sustainability Strategy 2020 - 2030](#), [Carbon Neutrality Action Plan 2020 - 2030](#) and [Housing Asset Management Strategy 2022-2030](#) commitments and targets.

The Housing Asset Management Strategy sets out that the Council will take a 'Fabric First' approach when investing in our properties to reach a carbon neutral position which aligns with the Social Housing Decarbonisation Fund principles. However, to reach a carbon neutral position it highlights that more complex measures may be required including a whole house retrofit strategy, potentially following the principles of PAS 2035 (PAS, performance advisory specification to be implemented by 2035) which is a British quality standard for the retrofit and energy efficiency sector for housing.

The next phase of retrofit at Ockford Ridge provides the opportunity to implement a pilot which takes the whole house retrofit approach with an enhanced fabric using external and floor insulation and replacement of the use of fossil fuels with green renewable energy sources and technology. This will enable the Council to:

- demonstrate its commitment to its Climate Emergency declaration and how it can retrofit its homes to ensure their energy performance is fit for a carbon-neutral energy system

- demonstrate its intent to invest in our housing stock and how much implementing the commitment costs, informing the details required as part of the Council's call to government to provide long term funding solutions to support delivery of local and national climate targets
- take a 'learning through doing' approach which with monitoring, evaluation, and documentation, will provide an enhanced understanding of the whole house retrofit process and identify areas of cost reduction, replicability, and scalability to potentially develop larger-scale programmes
- develop handover advice and training on the upgrade of fabric envelop and systems that ensure efficient interaction and operation of the property
- undertake post retrofit insitu measurement and monitoring of the performance of the property and post occupancy evaluation
- use the pilot and lessons learnt to assist when bidding for future funding programmes
- maximise the potential and value of a Council owned asset and proactively decarbonise homes.

4. Relationship to the Corporate Strategy & Service Plan

4.1 Affordable housing is central to community wellbeing. The actions within the Housing Service Action Plan are consistent with the Council's Corporate Strategy 2020-2025 and strategic priorities to deliver 'good quality housing for all income levels and age groups', 'a sense of responsibility for all of our environment, promoting biodiversity, championing the green economy and protecting our planet', 'effective strategic planning and development management to meet the needs of our communities.'

The project aims to provide seven (6 x 2b 4p / 1 x 3b 5p) modern, energy efficient, and affordable homes; six will be available for those that are in housing need and registered on the Council's housing register and one tenant will return to a refurbished home.

5.1 Resource

Finance

Drafted by: Candice Keet, Senior Accountant

The delivery of seven refurbished homes would be funded through the Major Repairs Reserve. The Council approved budget for Ockford Ridge refurbishment for 2022/23 is £981,000.

The total required for these works now totals £1,765,000. There is therefore a budget shortfall of £784,000.

The Major Repairs Reserve has sufficient balances to cover this additional spend, with a balance of £1.7m. The Major Repairs Reserve is used to fund capital spend on our current dwelling stock and is monitored regularly to ensure balances are sufficient.

Procurement has been undertaken in compliance with the Council's Financial Regulations and Contract Procedure Rules.

As advised above the budget for the project was agreed at full Council in February last year however inflationary pressures and construction cost uplift have impacted on the value for the works costs in the tenders received and additional budget is required to deliver the pilot. Further details including details of the procurement, tender, the Tender Evaluation Report and Appendices, and review of cost estimates can be found at Exempt Annexe 1, 2 and 3.

In consideration of the increase in these costs officers have obtained advice from the Council's consultant employers agent, quantity surveyor and mechanical and electrical consultants on alternative options which have been costed and can be found at Exempt Annexe 4

5.2 Risk management

Risk will be managed in accordance with the Council Risk Management Framework with consideration of the Council's Risk Appetite Statement and risk domains.

The existing Ockford Ridge Regeneration Project risk register will be reviewed as part of the ongoing project management and governance of this project.

5.3 Legal

Drafted by: Ian Hunt, Interim Deputy Borough Solicitor

The Council's Legal Services team has already been fully involved with the process linked to the delivery of both the new build and refurbishment projects at Ockford Ridge. Internal and external specialist legal advice has been sought regarding procurement and contract documentation and this will continue as and when required.

5.4 Equality, diversity, and inclusion

There are no direct equality, diversity, or inclusion implications in this report. Equality impact assessments are carried out, when necessary, across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

5.5 Climate emergency declaration

The deep retrofit pilot project will contribute to the Council's environmental and sustainability objectives and aim to become a net zero-carbon council by 2030 through the delivery of affordable homes which are more sustainable and energy efficient than they are at present.

Design / retrofit

Work has been undertaken with surveyors, mechanical, electrical and sustainability consultants to design, and deliver more sustainable and energy efficient homes and identify carbon off-set opportunities in the materials used for the retrofit.

The use of contractor shortlisting / tender process supports the Council's ambition of being carbon neutral by 2030.

The most economically advantageous tender criteria will be used to enable the Council to take account of the qualitative, technical, and sustainability aspects of the tender as well as price when evaluating and reaching a contract award decision. This included an assessment of responses in relation to minimizing carbon impact on the delivery of this retrofit project with specific references to addressing the environmental impact, through all phases of delivery and management of their supply chain.

Contractors are required to demonstrate areas of innovation that they have developed, or products used and how any contractor work with the council, having regard to the Council's current Employers Requirements.

6. Consultation and engagement

The Resources Overview and Scrutiny Committee scrutinised this report, Ockford Ridge Refurbishment Phase 4 Deep Retrofit – Green Technology Pilot report on 20 February 2023.

7. Options considered

Do nothing

If no action were taken, we would fail to use our existing assets to their fullest potential and relet properties at a void standard (with kitchen and bathroom replacement) without making use of the opportunity to improve their energy efficiency and internal configuration (e.g., moving the bathroom upstairs to deliver a kitchen breakfast room etc). We would not be fulfilling our aim to regenerate Ockford Ridge through new build and refurbishment or address several the Council's commitments and targets. Due to investigatory work to inform the tender pack there has been some disturbance to the internal fabric of the be properties which would require rectification ahead of relet. It is estimated that this work would cost £15k per property including provision of new kitchen and bathroom. Following this the homes would continue to be maintained through the programme works delivered by Property Services and appointed contractors.

Dispose of seven Council homes

Disposal of the seven council owned properties would reduce the ability of the Council to meet local housing need and the cost of the replacement of these assets would exceed the budget request for delivery of the deep retrofit – green technology pilot.

Regeneration – Demolition & new build

Only two of these properties are adjacent to each other, the other homes are either one of a pair of semi-detached homes or part of a terrace where the other homes are privately owned. This option would require the acquisition of property and due to the pepper potted nature of their locations would not be viable to deliver a significant net gain.

Refurbishment - Deep retrofit – Green Technology Pilot

This option is considered the preferred option as a commitment has already been made to refurbish homes that are owned by the Council and are not part of a site for regeneration at Ockford Ridge and budget has been approved. Previous phases of refurbishment have been undertaken where homes have been reconfigured, new heating (gas boilers), electrics, kitchens and bathrooms, and increased insulation in the loft space. However, this option considers that the retrofit is taken further to contribute to the Council's aim of becoming a net-zero carbon council by 2030 and reducing fuel poverty by removal of the use of fossil fuel gas boilers and replacement with the use of green technology, air source heat pumps and photovoltaic cells. The fabric efficiency of the building will also be enhanced from the outside using external insulation for example KRender, roof and floor insulation and new A+ rated double glazing with a higher energy performance (conduction heat loss, solar heat gain, and a heat loss through air filtration).

The external insulation system used will consist of several material layers which include insulation material and external render finish which will have limited contribution to fire.

Whilst the property will have improved airtightness when works have been completed, assessments will be undertaken to ensure that adequate ventilation, either natural or mechanical is in place to mitigate against the risk of mould formation. Contractors will need to comply with all current Building Regulation Approved Document requirements associated with retrofit works and Waverley Building Control will be appointed to ensure compliance.

The appointed contractors and consultants will work with the Council's Housing Development Team to deliver homes that use green technology and enhanced fabric efficiency with the aim to achieve an EPC (Energy Performance Certificate) A or near A rating from a current EPC D rating for existing stock.

To support and evidence the success of this option the following information can be obtained.

- EPC assessment of existing property, based on drawings and specification and at the point of completion
- Data on energy and water usage
- Sample reports on thermography
- Airtightness test
- Carbon reduction assessment
- Post retrofit insitu measurement and monitoring using for example Switchee (in accordance with privacy policy associated with use of equipment and information obtained)
- Post occupancy interviews prior to the end of the defects period

The investment through this deep retrofit option will remove the cost of standard void works at relet, reduce the potential level of responsive repairs and the required programmed works on these homes in the medium term.

Appointed contractors will be required to contribute to the Community Benefit Programme for example mentoring via SATRO at Rodborough School, investment in The Green / Gardening Club or contributing to the delivery of improvements to The Green.

All properties are currently void and surveys with resulting reports and drawings used to secure planning permission and preparation of the tender pack.

Stakeholder engagement would continue through the Ockford Ridge Liaison Group (which includes council officers, Ward Members, and a local resident / Tenants Panel representative), project governance board Ockford Ridge Programme Board, and Housing Delivery Board.

All properties are currently void and surveys with resulting reports and drawings used to secure planning permission and preparation of the tender pack.

Stakeholder engagement would continue through the Ockford Ridge Liaison Group (which includes council officers, Ward Members, and a local resident / Tenants Panel representative), project governance board Ockford Ridge Programme Board, and Housing Delivery Board.

9. Governance journey

A project governance board Ockford Ridge Programme Board is made up of key officers from Housing, Finance, Legal services, Communications, Strategic Director and Executive Head of Regeneration and Planning Policy provide strategic oversight and direction. This governance board reports to the Housing Delivery Board which met on 8 December and members received a verbal update on the progress of this project, procurement outcome and requirement to seek additional budget to facilitate delivery.

Exempt Annexes:

Annexe 1 – Ockford Ridge Refurbishment Phase 4 (Deep Retrofit – Green Technology Pilot) Summary – Procurement & budget

Annexe 2 – Tender Evaluation Report and Appendices A1 & A2

Annexe 3 – Ockford Ridge Refurbishment Phase 4 – Cost estimates Jan 22 / 23

Annexe 4 - Ockford Ridge Refurbishment Phase 4 – Costed options summary.

Background Papers

There are / are no background papers, as defined by Section 100D(5) of the Local Government Act 1972).

CONTACT OFFICER:

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Agreed and signed off by:

Legal Services: Ian Hunt

Finance: Candice Keet

Strategic Director: Annie Righton

Portfolio Holder Housing (Operations): Councillor Rivers

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