JOINT EXECUTIVE ADVISORY BOARD

7 January 2021

* Councillor Paul Abbey
* Councillor Jon Askew
* Councillor Christopher Barrass
* Councillor Dennis Booth
* Councillor Ruth Brothwell
Councillor Graham Eyre
* Councillor Andrew Gomm
* Councillor Angela Goodwin
* Councillor Angela Gunning
* Councillor Gordon Jackson
* Councillor Diana Jones
* Councillor Steven Lee
* Councillor Ann McShee
* Councillor Bob McShee
* Councillor Masuk Miah
* Councillor Ramsey Nagaty
* Councillor George Potter
* Councillor Jo Randall
* Councillor Maddy Redpath
* Councillor Will Salmon
* Councillor Pauline Searle
Councillor Fiona White
* Councillor Catherine Young

* Present

Councillors Tim Anderson, Joss Bigmore, John Redpath, Caroline Reeves, Tony Rooth and Deborah Seabrook were also in attendance.

12 ELECTION OF CHAIRMAN

The Joint Executive Advisory Board (EAB)

RESOLVED

that Councillor Angela Gunning be elected as Chairman for this meeting.

13 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillors Graham Eyre and Fiona White.
There were no substitute councillors.

14 LOCAL CODE OF CONDUCT AND NOTIFICATION OF DISCLOSABLE PECUNIARY INTERESTS

Councillors Angela Goodwin and Gordon Jackson both declared non-pecuniary interests in agenda item number 5 as Directors of North Downs Housing Limited.

15 MINUTES

The minutes of the meeting of the Joint EAB held on 11 November 2020 were confirmed as a correct record, and would be signed by the Chairman at the earliest opportunity.

16 HOUSING REVENUE ACCOUNT DRAFT BUDGET 2021-22

The Joint EAB considered a report which provided a position statement on the proposed Housing Revenue Account (HRA) draft budget for 2021-22 and made recommendations to the Executive in respect of both the HRA revenue and capital programme budget. The estimates upon which the draft budget was based were predicated on the assumptions, ambitions and priorities contained in the current HRA Business Plan which was to be reviewed in the light of the implications stemming from Brexit and the Coronavirus pandemic.

The Director of Finance advised that the 2021-22 HRA budget was a roll forward of the 2020-21 budget and there had not been any new growth bids or capital bids to date due to changing circumstances including the Council's transformation programme and therefore previously agreed projects would be pursued.

It was reported that on 31 March 2021, social rent policy requiring social housing providers in England to reduce social rents by 1% per annum for the four years from 1 April 2016, as prescribed in the Welfare Reform and Work Act 2016, would cease. From April 2021, the rents for 2021-22 would increase in line with the Consumer Price Index (0.8%) plus 1% and would continue to do so in future years.

Attention was drawn to the fact that the HRA did not budget to repay any of its debt, the responsibility for which had been assumed by the Council in 2011 as part of the self-financing HRA settlement therefore the servicing of debt against the HRA was in the form of an interest only mortgage allowing the generation of a significant surplus to invest in the housing stock and new build housing schemes.

Although bad debt provision had been increased in the current year as a result of potential risk associated with the Coronavirus pandemic, no rise in bad debt had occurred to date.

In terms of fees and charges, a 3.4% increase in garage rents was proposed from April 2021 continuing the trend the Council had been following in recent years to bring garage rents more closely in line with rents for storage units instead of parking spaces.

Appendix 5 to the report set out the capital programme which indicated proposals to invest in the housing stock and new build programme during 2021-22. It was anticipated that a surplus of £11 million (m) would be generated in the HRA which would, in line with normal policy, be transferred into a combination of reserve for future capital and the new build reserve. Annually surpluses in the HRA had built up over the past ten years to a current accrual of reserves of over £100m to finance the construction of new social and affordable housing.

The schedule of loans outlined loans against the HRA and the remaining repayment terms. The majority of the loans were on a fixed interest basis enabling interest charges to be determined with some certainty.

The HRA budget took account of Right to Buy property disposals, over which the Council had no control. Although typically 20-25 properties would be sold per annum under this legislation, the number in 2020-21 had reduced, presumably due to the Coronavirus pandemic with ten properties sold since April 2020 and a further eight sales being processed.

Councillors were invited to submit questions or comments in respect of points of detail arising from consideration of the report to the Director of Resources for a separate response.

The following points and views arose from related questions, comments and discussion:

- Becoming an equity sharer or leaseholder of a home offered alternatives to continuing a Council tenancy. Equity sharing was a matter of individual choice where a tenant preferred to occupy a shared ownership property as a means to progress towards climbing onto the home ownership ladder, possibly utilising the Council's equity share repurchase scheme. Leaseholder status occurred where a tenant purchased their Council-owned home, usually a leasehold flat in a block where the freehold was not available for purchase, under the Right to Buy scheme.

- The general approach to housing repairs was to undertake a stock condition survey which informed a programme of planned maintenance as it was more cost effective to implement a regular programme of planned maintenance than perform reactive repairs and maintenance when the need arose. Reference was made to a particular flat development where some of the properties in the block were outside the Council's ownership and some repair issues had been experienced.

- The possible carry forward into 2021-22 of the underspend of approximately £2 million in the responsive and planned maintenance budget, which was partly due to COVID-19, would be considered at the end of the current financial year when the related accounts were closed. The decision whether to carry forward funds would take account of work prioritisation and the physical capacity to undertake any backlog of maintenance work from 2020-21 in the next financial year.

Following receipt of supplementary background information from the Lead Councillor for Housing and Development Control concerning the Right to Buy scheme, the low amount of bad debt throughout the pandemic in 2020, the high level of property maintenance enjoyed by tenants and the need to concentrate on providing social housing new build, possibly involving joint ventures, the Chairman summarised the points to be submitted by the Joint EAB to the Executive and Council as set out below:

- Having recognised the unmet need for social and affordable rented accommodation, the Board agreed that it would be beneficial for a team of relevant Guildford Borough councillors and officers to meet the Secretary of State for Housing, Communities and Local Government, local MPs, and councillor and officer representatives of the other councils in Surrey with a view to requesting the Government to promote the funding and delivery of social and affordable rented accommodation whilst reducing the current emphasis on the Right to Buy scheme. This initiative could include discussions with the two councillors who were members of the Board of North Downs Housing Ltd when the company had progressed its ambition to develop homes in addition to purchasing existing property to rent.

- The Housing Team should be thanked and congratulated for providing an excellent service to tenants and homeless people during the extremely challenging circumstances presented by the Coronavirus pandemic.

17 CAPITAL AND INVESTMENT STRATEGY 2021-22 TO 2025-26

The Board considered a draft report to the Corporate Governance and Standards Committee in respect of the Council's Capital and Investment Strategy 2021-22 to 2025-26 which included recommendations to both the Executive and full Council, subject to the latter approving the budget at its meeting on 10 February 2021. The report explained that the Strategy gave a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of local public services together with an overview of how associated risk was managed and the implications for future sustainability. Details of any new capital programme bids together with the requirements of the Prudential Code and the investment strategy covering treasury management investments, commercial investments plus the requirements of the Treasury Management Code and the Ministry of Housing, Communities and Local Government Statutory Guidance were included in the report.

The related presentation by the Lead Specialist – Finance introduced and provided the context to the Capital and Investment Strategy and advised that although this report would normally be before the Board to invite it to review each new capital bid, no new capital bids had been received to date owing to the present financial constraints. However, a new bid in respect of the Guildford Economic Regeneration Programme was expected. A summary regarding the current capital programme focused on four schemes, namely, the Museum, public realm, Bike Share scheme and town centre gateway regeneration, which were recommended for deletion from the programme, where they had been included for some time, as the related business cases originally approved were no longer relevant and the schemes were now subject to the new governance process featuring new business cases outlining new remits. This was not an indication that the schemes would not proceed at some point in the future if considered appropriate. The Board's attention was drawn to a detailed summary of the capital programme in the report and supporting appendices, the internal / external borrowing line and the liability benchmark which showed the overall net borrowing amount required for capital purposes and was split between the General Fund (GF) and Housing Revenue Account (HRA).

The Lead Councillor for Resources provided supplementary information and explanations advising that the report constituted a high level overview of Council expenditure covering both financing and treasury management together with the checks and balances utilised to ensure scrutiny and apposite financial control.

The underlying borrowing to fund the capital programme was approximately £400 million (m) and all projects would be funded by GF capital receipts, grants, contributions, reserves and borrowing with scope to utilise HRA funds. The main areas of expenditure consisted of strategic property acquisitions (£24m), town centre transport schemes (£32m), Ash road bridge (£25m), North Downs Housing Limited and Guildford Borough Council Holdings Limited (£42m), Midleton Industrial Estate development (£14m) and Wisley Urban Village scheme (£265m).

In terms of treasury management, the budget for investment income in 2021-22 was £1.684m based on an average investment portfolio of £79.8m giving a typical return rate of 2.18%. The budget for debt interest paid was £5.656m, of which £5.06m related to the HRA, where the majority of Council reserves lay. Commercial assets had been valued at £153.4m in 2019/20 generating rent receipts of £8.4m providing a yield of 6.4%.

To enable the Council to approve the Capital and Investment Strategy for 2021-22 to 2024-25 and the funding required for the new capital investment proposals, the Joint EAB indicated its endorsement of the three following recommendations to the Executive set out in the report:

(1) That the following schemes be removed from the capital programme because the remit of the schemes, if they were to proceed, would be different to the business case that was originally approved in the programme:

- Museum £18.26m
- Public realm £1.6m
- Bike Share Scheme £530,000
- Town centre gateway regeneration £3.473m

(2) That should any of the schemes be moved forward in future, a new business case be presented to councillors.

(3) That the affordability limit for schemes to be funded by borrowing be set as per paragraph 4.32 in Appendix 1 to the report.

The following points arose from related questions and discussion:

- Notwithstanding the current economic downturn, partly due to COVID-19, the yield generated from the lease of the Council's commercial property acquisitions was favourable largely due to the portfolio's concentration on industrial units, which remained in demand, over office and retail elements. The Commercial Property Team was thanked for its good work in this area.

- It was difficult to anticipate the impact that Brexit might have on the Council's Capital Investment Strategy and the local economy. Although recent economic forecasts and anticipated fiscal growth rates regarding the United Kingdom were optimistic, the Council would need to monitor the situation carefully and respond accordingly to safeguard its financial position.

- Significant demand from local businesses for start up premises in the Borough from which small companies could develop and expand had been observed and it was hoped that the Commercial Property Team was aware of this market trend.

- The importance of engaging with, and supporting, local companies where possible was highlighted and acknowledged.

18 SAVINGS STRATEGY UPDATE PRESENTATION

The meeting received and discussed a presentation from the Director of Finance which gave an update in respect of the Savings Strategy. The presentation provided a reminder of the budget gap as at November 2020 based on core assumptions, explained changes since November to give the latest financial position regarding the budgetary gap, and included an update concerning the Savings Strategy for discussion in Part 2 of the meeting.

The Board was reminded that in November 2020 the Council was predicting a budget gap of £2.69 million(m) in 2021-22 climbing to approximately £ 4.4m by 2024-25. The Local Government Finance Settlement (LGFS) had been received subsequently and offered a more positive outlook with additional one-off grants relating to the New Homes Bonus (£192,000), Section 31 of the Local Government Act 2003 grant for Business Rates multiplier not increasing with inflation (£153,000), Section 31 grant for Local Council Tax Support (£100,000), grant for lower tier services (£237,000), additional COVID-19 funding (£623,000), and savings from reviewing the Capital and Investment Strategy (£700,000). As a result of the LGFS, the budget gap was currently in the region of £1m for 2021-22 rising to around £4.7m over the medium term period to 2024-25. However, Business Rates income and Collection Fund deficit figures remained to be determined and a related gap in collection rates could possibly result from the impact of COVID-19.

The Joint EAB

RESOLVED

That, under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the consideration of the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act; namely, information relating to the financial or business affairs of any particular person (including the authority holding that information).

Accordingly, the Board moved to a second (Part 2) meeting to consider the Savings Strategy element of the presentation which contained exempt information.