

SOCIETY, ENVIRONMENT, AND COUNCIL DEVELOPMENT EXECUTIVE ADVISORY BOARD

5 January 2017

* Councillor Adrian Chandler (Chairman)
Councillor Pauline Searle (Vice-Chairman)

* Councillor Christian Holliday	* Councillor Tony Phillips
* Councillor Liz Hooper	* Councillor David Quelch
* Councillor Jennifer Jordan	* Councillor David Reeve
Councillor Nigel Kearse	* Councillor James Walsh
* Councillor Dennis Paul	Councillor David Wright

*Present

S37 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillors Pauline Searle and Nigel Kearse. In accordance with procedure rule 23(j) Cllr Caroline Reeves attended on behalf of Councillor Searle.

Councillor Michael Illman, Lead Councillor for Finance and Councillor Tony Rooth, Lead Councillor for Housing and Social Welfare were in attendance.

S38 LOCAL CODE OF CONDUCT AND DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS

There were no declarations of pecuniary interest.

S39 MINUTES

The minutes of the meeting held on 21 November 2016 were confirmed as a true record and signed by the Chairman.

S40 GENERAL FUND AND HRA CAPITAL PROGRAMMES (2018-19 TO 2021-22)

The Head of Financial Services was in attendance and the Board received a presentation from the Principal Accountant for Capital, Assets and Treasury setting out an overview of the committee report.

The Board was asked to review and comment on a draft report and recommendations that would be submitted to the Executive for consideration on 24 January 2017.

In a series of appendices, the report set out approved and existing schemes, but in the main detail of the report was a number of new capital bids for new schemes. The new schemes were either completely new projects, or had been on the Capital Vision list, or were updated bids for schemes already accepted on the provisional capital programme. The detailed bids supporting these schemes were in the appendices of the report. The Principal Accountant noted that further, more detailed business cases would be required to be presented to Executive for the new schemes before any decision to implement the project and spend the budget is taken. Therefore, the capital programme report did not present these schemes with detailed cost commitments, instead it is more indicative of the overall general funding and borrowing requirements needed to achieve them. It was explained that should the new bids be approved there would be an increase in the underlying need to borrow of £125 Million. This would bring the total underlying need to borrow to £392 Million. However, once cash reserves were included the underlying need to borrow was reduced to £337 Million. All projects and schemes would be funded by capital receipts where possible, then by contributions from reserves and finally by borrowing. The report set out the implications for

reserves and for revenue and explained a number of prudential indicators that were used to calculate the impact and financing costs of borrowing.

It was noted council had an ambitious Corporate Plan some of which would be achieved by some of the capital schemes listed.

The Corporate Management Team (CMT) and the Joint Executive Advisory Board Budget Working Group (JEABBWG) had previously reviewed the new bids.

The Lead Councillor for Finance commended the officers on the report.

The Board made the following comments:

It was queried if the council would individually raise the entire funds for the schemes listed or if there would be scope for joint or partnership arrangements. It was noted that it was likely some of the larger schemes would attract joint funding and there could be grants through the Local Enterprise Partnership available or some other partnership funding. Such joint funding opportunities may apply to a number of the bids listed and would become apparent once more detailed costing was undertaken. It was explained that the Government has recently launched a new Infrastructure Fund which would enable councils to bid for an opportunity to borrow at a lower rate of interest.

Councillors queried, if all of the schemes went ahead, whether the council would actually need to borrow some £612 million and noted that in some cases, it was difficult to see the financial return from the expenditure. The HoFS and Principal Accountant clarified that page 200 of the agenda relating to the capital programme report showed a table which states the need to undertake new borrowing was £337 million not £612 million, the £612 million referred to by Councillors is shown in the table but is the capital financing requirement (CFR). The actual level of borrowing will be very unlikely to reach the level of the CFR. The total level of borrowing the Council is likely to have once, existing borrowing and the need to undertake new borrowing is taken into account, is shown by the liability benchmark in the table on page 200 of the agenda. This shows a total level of borrowing of around £500 million. It was noted that and some of the capital expenditure would be outside of the five-year span of the report and that some schemes do not necessarily generate a financial return. It was explained that in some cases the council had a duty to undertake some schemes as part of its responsibilities in relation to regeneration, and that there would always be a need to maintain assets and improve services, those schemes will not generate a financial return and therefore the revenue implications of the borrowing will fall on the council taxpayer.

Although councillors who were also members of the JEABBWG had reviewed the new bids previously and were provided with a summary sheet showing the total cost of the new bids, the review had been undertaken on an individual bid basis. The JEABBWG did not review the aggregate cost of the new bids together with the existing capital programme, as the report being considered by the Board was the first time officers had produced the information. It was commented that further information on the overall impact of the existing programme and the new bids, was contained in the Treasury Management Strategy report that is due to be presented to Corporate Governance and Standards Committee on 12th January 2017.

There was some criticism that the report itself did not provide more detailed information about returns on investment and capital receipts in the longer term. The Board heard that the Borrowing Strategy was to go before the Corporate Governance and Standards Committee

the following week and members were referred to that paper. In future it was agreed that liability benchmarks would be included in the report presented to the EAB.

S41 HOUSING REVENUE ACCOUNT ESTIMATES 2017-18

The Board received a presentation from the Director of Community Services setting out the main points in the Housing Revenue Account annual report.

It was explained that the Housing Revenue Account (HRA) was the 'landlord' account for the council. The council had around 5,000 rental properties and there was a Business Plan for the HRA.

The Board heard that the Government had scrapped the 'Pay to Stay' scheme. Under this scheme, it would have been mandatory for the council to charge varying rents dependent upon the income levels of tenants. Any additional rent collected through this proposed scheme would have had to have been paid to the Government. It had been described as heavily administrative.

There had been no update on the Government's Right to Buy scheme except that the council would not have to make a payment to the Government during 2017-18.

The Government imposed 1% rent reduction was good news for tenants but meant that income for the council was reduced. Most tenants would see a rent decrease of between £0-£1.49 per week.

It was noted that the cap on welfare benefits was increasing the number of tenants having trouble in paying their rent. It was also noted that there was a likelihood that the contribution from Surrey County Council would be significantly less or could be scrapped due to the pressure on Social Care budgets at the county level.

It was noted that the HRA had a debt of around £195 million. The Council had previously decided that this debt would be serviced but not repaid. The first tranche would need to be repaid or refinanced in six years' time, but it was likely that it would be refinanced dependent upon the budgetary position at that time. The interest rate was said to be manageable.

A significant amount of rent received went into reserves to fund new build or to maintain assets. The Kitchen and Bathroom project had received a lot of investment and spending in this area was now being scaled back. The new build programme included the Corporation Club site in Slyfield which was now underway. The Apple Tree site had been acquired and tenders would be sought to provide 18 affordable units. The development of former garage sites in Bushy Hill would provide 17 new units. The Homestead would provide four new units. Discussions with Surrey County Council had now concluded and the development of 12 units at 16-18 Ladymead would be taken back to the Planning Committee. The Guildford Park site had planning permission, but preparatory work had revealed a large water main that would need to be relocated at an estimated cost of around £1 Million. A number of the properties on this development would be sold at market price and these sales would contribute towards the cost of the new MSCP. The HRA spend on the development would be paid back over time from rental income. Investigation into a development of the Bright Hill site was continuing.

The Lead Councillor for Housing and Social Welfare said that the council was trying to invest in more affordable housing in Guildford and acknowledged the real difficulties for local people in securing a home.

The Board clarified that the use of the word 'depreciation' in the report referred to the depreciation of the council's assets (housing stock) and not to the value of the land.

The Housing Business Plan would not be updated this year, as there was considerable uncertainty over the Government's enforced sales scheme and also the contents of the forthcoming White Paper.

It was noted that although the Executive had vired funding in September 2016 to carry out further research into the Slyfield Area Regeneration Plan, the future schedule for the development remained uncertain. The Board heard that the council will do all it could to push the project forward, and further central Government funding would be sought if a suitable opportunity arose.

The Board heard from the Lead Councillor for Housing and Social Welfare that there would be no consideration given by the council to transfer the housing stock to the private sector in any way.

S42 PROGRESS WITH MATTERS PREVIOUSLY CONSIDERED BY THE EAB

The report was noted by the Board.

S43 EAB WORK PROGRAMME

The work programme was noted by the Board.

S44 EXCLUSION OF THE PUBLIC

In order to discuss the details of General Fund Capital Programme bid PR000348 the Board:

RESOLVED that under Section 100A(4) of the Local Government Act 1972 (as amended), the public be excluded from the meeting for consideration of agenda item 9 on the grounds that it involved the likely disclosure of exempt information, as defined in paragraph 3 of Part 1 of Schedule 12A to the Act.

S45 GENERAL FUND CAPITAL PROGRAMME BID NO. PR000348 - DETAILS OF PROPOSAL

The Board noted the bid number PR000348.

The meeting finished at 8.37 pm

Signed

Chairman

Date