JOINT EXECUTIVE ADVISORY BOARD

24 January 2023

* Councillor Ruth Brothwell (Chairman)
* Councillor Angela Goodwin (Vice-Chairman)

* Councillor Paul Abbey
Councillor Jon Askew
* Councillor Christopher Barrass
Councillor Dennis Booth
* Councillor Colin Cross
Councillor Graham Eyre
* Councillor Andrew Gomm
* Councillor Angela Gunning
Councillor Gillian Harwood
* Councillor Diana Jones
Councillor Steven Lee
* Councillor Ann McShee
* Councillor Bob McShee
* Councillor Masuk Miah
* Councillor Ramsey Nagaty
Councillor Jo Randall
* Councillor Tony Rooth
* Councillor Will Salmon
* Councillor Pauline Searle
* Councillor Fiona White
* Councillor Catherine Young

* Present

Councillors Joss Bigmore, Julia McShane and John Redpath were also in attendance.

56 ELECTION OF CHAIRMAN FOR THE MEETING

The Joint Executive Advisory Board (JEAB)

RESOLVED

that Councillor Ruth Brothwell be elected as Chairman for this meeting.

57 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillors Jon Askew, Steven Lee and Jo Randall. There were no notifications of substitutions.

58 LOCAL CODE OF CONDUCT AND NOTIFICATION OF DISCLOSABLE PECUNIARY INTERESTS

Councillor Paul Abbey declared an interest in item number 6 relating to the Housing Revenue Account Budget 2023-24 and did not take part in any discussion, comments or questions thereon.

59 MINUTES

The minutes of the meeting of the Joint Executive Advisory Board held on 10 May 2022 were confirmed as a correct record, and would be signed by the Chairman at the earliest opportunity.

60 CAPITAL AND INVESTMENT STRATEGY 2023-24 AND 2027-28

The Joint Executive Advisory Board (JEAB) considered a report concerning the Council's Capital and Investment Strategy 2023-24 to 2027-28.

The Lead Specialist Finance presented the report and explained that the Strategy gave an overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of local public services. The Strategy also detailed how associated risks were managed and the implications for future sustainability.

Decisions made now, and during the period of the Strategy, in respect of capital and treasury management would have financial consequences for the Council for many years into the future. The report, therefore, included details of the capital programme, any new bids / mandates submitted for approval, plus the requirements of the Prudential Code and the investment strategy regarding treasury management investments, service investments and commercial investments. The report also covered the requirements of the Treasury Management Code and the prevailing Department for Levelling Up, Housing and Communities Statutory Guidance.

It was highlighted that the Housing Revenue Account (HRA) capital programme anticipated a considerable spend of £20 million in 2023/24 in respect of major repairs and improvements to the existing housing stock, in addition to the budget allocation of £26 million for such works in the current financial year. The General Fund (GF) had seven new bids totalling £10.4 million identified in the Strategy over 5 years increasing the Council's underlying need to borrow to £296 million from 2022-23 to 2027-28. Other bids in respect of the Spectrum and the Council's Operational Depot would come forward as separate mandates in due course. No further investment in North Downs Housing would be made until the Company's operation had been reviewed and its business plan updated accordingly.

Subject to Council approving the budget on 8 February 2023, the Executive would be asked to agree that the amount of £500,000 earmarked for the North Street scheme be removed from the capital programme owing to significant changes in the scheme and that the new bids, as shown in Paragraph 4.12 of the report, be approved for inclusion in the capital programme as indicated.

The JEAB received supplementary information advising that, at its meeting held on 19 January 2023, the Corporate Governance and Standards Committee had also considered this report and endorsed the recommendations to the Executive and Council in respect of this matter.

The following points arose from the ensuing discussion, comments and questions for forwarding to the Executive:

1. The Strategy was intended to represent an appropriate balance between risk and cost effectiveness in relation to new capital bids and mandates. Although some alternative borrowing / investment strategies and risk management implications were highlighted in the report for comparative purposes, none were recommended for adoption as the present approach of a mixture of policies was felt to be the most appropriate. It was acknowledged that, owing to constraints within its reserves, the Council was now entering a period where it would increasingly rely on external borrowing to fund schemes which would lead to increased exposure to risk, such as interest rate rises.
2. With regard to the proposed North Street redevelopment scheme, the Council had received £500,000 on exchange of contracts for its land forming part of the site with a significant capital receipt expected at a later stage. However, as planning permission in respect the current proposal had been refused, the future of the scheme and associated financial implications were now uncertain and under review. It was hoped that a similar scheme for the site could be pursued.
3. It was clarified that HRA capital programme expenditure in respect of existing and new housing stock included works to improve the energy efficiency of homes. The Council was working towards meeting the Government's zero carbon targets which would require further investment in the future. There was some uncertainty as to the costs

associated with the necessary green technology and, with the assistance of consultants, the Council was seeking to identify the correct balance between early adoption of technology at a higher cost or delaying installation until costs had reduced and systems became more efficient and effective.

4. A range of options were available regarding the future of the Spectrum. A significant investment in the existing facility would be required for it to meet the Council's 2030 carbon neutral target. The capital programme included a sum of approximately £7 million which was the estimated amount required to prolong the life of the existing building until a new facility could be provided. The Council was committed to continuing to provide this sports and leisure service which supported the health and wellbeing and the fitness of its many users, from within and outside the Borough.
5. It was recognised that the projected amount of £145 million included in the capital programme to spend between 2022-23 and 2027-28 in respect of development projects to build or acquire new housing, including Weyside Urban Village (WUV), may require revision when delivery options were known. Further information concerning measures to mitigate the deficit in relation to the WUV project would be reported in due course.
6. The cost associated with the provision of Walnut Bridge was anticipated to be £5-6 million and discussions with the contractor were taking place to establish the final cost.
7. Capital programme project ED32 related to the construction of an internal estate road at Slyfield Industrial Estate to facilitate the WUV development whilst project OP6(P) Replacement Programme referred to refuse and recycling collection vehicles.

61 HOUSING REVENUE ACCOUNT (HRA) BUDGET 2023-24

A report outlining the Housing Revenue Account (HRA) budget for 2023-24 was before the Joint Executive Advisory Board (JEAB) for consideration.

The Lead Specialist Finance and the Head of Housing jointly introduced the report, which provided a position statement on the 2023-24 draft budget and made recommendations to the Council in respect of the HRA revenue budget. Details of the HRA capital programme were set out within the Capital and Investment Strategy, which had been considered as a separate agenda item at this meeting.

The JEAB was reminded that the Council owned the freehold and managed over 5,200 council homes which it rented to tenants who qualified for social housing. The HRA was a ring-fenced account within which the Council recorded the income and expenditure for its operations as landlord to its residents and for the day-to-day management, repairs and maintenance of the Council housing stock.

The report outlined the proposed HRA budget for 2023-24, which had been built upon the estimates and assumptions in the updated 2023 HRA Business Plan. The annual budget and Business Plan assumed that any surpluses in the HRA would be used to invest in redevelopment and upgrading of the existing stock, invest in new build affordable housing to be retained and rented by the Council within the HRA and then, if sufficient monies were available, the repayment of debt taken on under HRA self-financing. The Business Plan had been reviewed to reflect changes in relevant legislation and guidance, along with consideration of the Council's declaration of a Climate Emergency and the ongoing challenges of the wider operating environment. It showed that there were sufficient resources within the HRA to carry out the Council's investment plans in addition to repaying the debt over the 30 year plan period and leave a healthy reserve balance at the end of the 30 years for further investment not yet identified. There were further expected investment needs that were yet to be fully developed in order to meet carbon targets and expected regulatory changes, and work on these continued. These factors were not fully reflected within the current Plan and would be considered in future reviews.

Although a new Direction issued by the Regulator of Social Housing on 12 December 2022 indicated that rents should be capped at 7%, the Council was proposing to adopt a 5% rent cap in respect of its housing stock in recognition of the challenging wider climate faced by residents. This reduced cap was achievable due to the ongoing prudential management of the overall HRA to provide households with some additional financial assistance at this time. Although the Government had not set a rent cap for those living in shared ownership properties, the Council was proposing to cap those rents in line with rented homes at 5%. A 3% increase in garage rents was proposed to correspond with the wider Council policy concerning fees and charges.

The following points arose from the related discussion, comments and questions for forwarding to the Executive:

1. Although the Government had set a social rent increase cap of 7%, the report was proposing an increase of 5% in the Borough to reflect balances in the HRA and the impact of the cost of living situation on tenants. There was no risk that levying a lower rent increase in 2023/24 would lead to more significant compensatory increases in the future as rent levels were currently governed by the Secretary of State and Regulator of Social Housing. It was understood that the Government would be consulting in respect of a new rent setting strategy in the future.
2. In line with Government guidance and the findings of the National Housing Federation, it was proposed that people living in shared ownership properties should receive the same level of rent increase as tenants of social housing as they were facing the same cost of living challenges.
3. All tenants would be advised of the proposed rent increase and offered support and advice if required. The aid would be provided by two new postholders who would identify where assistance was required and offer the appropriate support liaising with third parties such as job centres and social care where necessary. Technology enabled tenants' rent accounts to be closely monitored to identify those possibly in need of assistance. This method enabled the Council to achieve a low level of rent arrears.
4. With regard to garage rent levels, a 3% increase was proposed. The approach that had been adopted in recent years was that garage rental amounts should fall in line with fees and charges set in the wider Council budget. Although some garages fell within the HRA, others were included in the General Fund and it was felt that there should be consistency in rent increases across both areas. There was currently a national level debate as to whether any garages should be held within the HRA. A more significant increase in garage rents was likely to deter people from renting them leading to vacant garages. The associated licence agreement clearly stated that garages should be utilised for parking, which would relieve parking pressure in residential estates, and not for storage purposes.
5. A further factor relating to garages was that they were not sufficiently large to accommodate modern vehicles and occupied land which could otherwise be utilised for housing provision. Although some house building on garage plots had taken place and some more was expected to follow, it did present some challenges such as access issues.
6. The intention to allocate a further sum of £20 million towards housing stock repairs and improvements was welcomed. There was confidence that this amount was adequate to meet the Council's anticipated maintenance responsibilities, although possible

changes instigated by the Government could lead to the need to review the funding situation.

7. The Council continued to pursue a programme of replacing traditional boilers with air source heat pumps in a number of properties. However, financing was an issue as the installation of heat pumps cost in the region of £9,000 whereas the price of replacement conventional boilers was approximately £1,800. Future options, such as utilising traditional boilers to burn alternative green fuel which did not emit carbon dioxide, were possibilities.
8. The Right to Buy initiative had been reviewed by the Government on a number of occasions. A positive factor of the scheme was that when tenants opted to purchase their home, it provided the Council with funding to invest in providing alternative accommodation for people unable to purchase a home.
9. It was highlighted that unhealthy living conditions involving factors such as damp, mould and lack of ventilation were not limited to social housing. The Council's approach was to expedite related repairs without delay in line with regulators' guidance and recommendations and also offer tenants advice if their lifestyle appeared to be contributing to unhealthy living conditions.

62 GENERAL FUND BUDGET 2023-24 AND MEDIUM TERM FINANCIAL PLAN 2024-25 TO 2026-27

The Joint Executive Advisory Board (JEAB) was invited to consider a report in respect of the Council's General Fund Budget 2023-24 and Medium-Term Financial Plan 2024-25 to 2026-27. The report was introduced by the Lead Councillor for Finance and Planning Policy who sought councillors' views thereon.

The JEAB was advised that the report set out the draft General Fund Budget for 2023/24 and Medium-Term Financial Plan (MTFP) ending 2026/27. The MTFP set out a four year view and highlighted the key issues and work streams that the Council must focus on over this period to address the projected significant shortfall in the General Fund budget. The report also requested that the Council approve the budget and Council Tax for 2023/24.

The Board's attention was drawn to the first column in Appendix 1 to the report in particular, which indicated the changes in various elements from the 2022/23 base budget in terms of inflationary pressures and contractual changes. However, there were some off-setting factors and it was noted that the budget deficit of approximately £3 million would be met from reserves. The JEAB's views regarding the position were sought.

The following points arose from related discussion, comments and questions for forwarding to the Executive:

1. The JEAB was reassured that the Council's financial position was sound and it had not over extended its borrowing capability in order to fund capital projects. In terms of projects, the Weyside Urban Village scheme represented the greatest risk. A governance audit of the scheme had been undertaken and resulted in some recommendations to strengthen the governance arrangements. There was an intention to keep councillors informed of the financial projections relating to the scheme.
2. During the last year, the Council's asset base had been revalued and found to have increased in value by £60 million. During the same timeframe, debt in the region of £40 million had been repaid, increasing the value of the authority's asset position by £100 million to reach a total of £750 million. This was a strong asset base compared to many other local authorities.

3. The majority of assets held by the Council were revenue generating and if sold would reduce income to the revenue account, therefore there was no intention to sell such properties. There was a need to identify the correct balance to be achieved between selling assets to release cash and incurring the cost of borrowing funds.
4. There were opportunities to consolidate services and operational buildings to free properties for sale and the Assets Team was undertaking a review to identify under utilised or surplus property or land which could be sold to generate income.
5. There was no guarantee that the New Homes Bonus would be paid to the Council by the Government in future years and the Medium-Term Financial Plan made an assumption that this funding would not be received. In the absence of the Bonus, it was felt that the Government should identify an alternative incentive to encourage the delivery of housing. The Revenue Settlement Grant could play a role in this area.

The Lead Councillors and officers were thanked for their input during the course of the meeting.

The meeting finished at 8:39 pm

Signed ………………………………………… Date ……….………………………………
Chairman