

OVERVIEW AND SCRUTINY COMMITTEE – RESOURCES

2 December 2024

* Councillor Philip Brooker (Chair)
Councillor Dominique Williams (Vice-Chair)

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| * Councillor Phil Bellamy | * Councillor Vanessa King |
| * Councillor Dawn Bennett | * Councillor Masuk Miah |
| Councillor Honor Brooker | * Councillor Richard Mills OBE |
| Councillor Jason Fenwick | * Councillor Katie Steel |
| * Councillor Stephen Hives | Councillor Sue Wyeth-Price |

***Present**

Councillors Tom Hunt (Deputy Leader of the Council and Lead Councillor for Regeneration), Richard Lucas (Lead Councillor for Finance and Property), Julia McShane (Leader of the Council and Lead Councillor for Housing), and Howard Smith were also in attendance, with Councillors Geoff Davis, Catherine Houston (Lead Councillor for Commercial Services), and Fiona White (Lead Councillor for Planning) in remote attendance.

OSR24 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

The Committee was advised of apologies from Councillors Honor Brooker, Dominique Williams, and Sue Wyeth-Price.

OSR25 LOCAL CODE OF CONDUCT AND DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS

There were no disclosures of interest.

OSR26 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 12 November 2024 were approved.

OSR27 WEYSIDE URBAN VILLAGE – UPDATE ON DELIVERY AND PROGRESS ON FINANCIAL MITIGATION STRATEGY

The Chair reminded the Committee that the meeting had been arranged to consider Weyside Urban Village (WUV). With reference to the lateness of the report submitted to the Committee and the role of overview and scrutiny, the Chair asked Committee members to confirm that they had had sufficient time

to review the information within the report. After Committee members had indicated their agreement to proceed with the item, the Chair invited the Lead Councillor for Regeneration to introduce the report and provide an explanation for the delay in its publication.

The Lead Councillor for Regeneration outlined the aims of the Weyside Urban Village programme, including the provision of 1,500 homes, employment space, upgraded highways, and improved public realm and footpaths. He advised that the relocation of the Thames Water sewage treatment works was being funded by the Council because it was cheaper to remediate the site of the old sewage treatment works than the landfill site on which the new sewage treatment works would be.

The Lead Councillor for Regeneration advised that other projects within the programme included the relocation of Surrey County Council's waste transfer facility. He informed the meeting that in May 2024 a report to full Council had advised of a deficit on the WUV programme and the consideration of mitigations. The Lead Councillor for Regeneration indicated that the report submitted to the Committee described the mitigations in more detail.

The Lead Councillor for Regeneration apologised for the late submission of the report and indicated this was due to a delay in the obtaining additional information for inclusion in the report.

During the ensuing discussion, a number of points were raised and clarifications offered:

- A member of the Committee spoke against the option to reduce the percentage of affordable homes across the site, indicating the need for affordable housing in the area. Other members of the Committee indicated their support for delivery of 40% affordable housing, with one member suggesting that changing the tenure balance of the housing stock would defeat the objectives of the WUV programme. In response, the Lead Councillor for Regeneration advised that while reducing the level of affordable housing was not a choice desired by the Council, it needed to be included as an option to mitigate the WUV programme deficit.

- In reply to questions on the Income Strip mitigation option within the report, the Lead Councillor for Regeneration confirmed that there was a risk that index-linked payments for an investor would outstrip any increase in the rent received from housing. He indicated that discussion of specific financial information would first require the closure of the meeting to the public. The Lead Councillor for Regeneration advised that income stripping was one of a range of possible mitigation measures that might be utilised, and he identified the asset disposal programme and the acceleration of land disposal as other notable options.
- In relation to the Income Strip mitigation option within the report, the Strategic Director of Finance and Resources referred to the potential benefits of such the arrangements and the difficulty of managing the inflation risk, rent caps, and other elements outside the control of the Council. He advocated pursuing a collection of actions to address the WUV programme's financial deficit, rather than a single measure.
- In reply to a question about the contract with Thames Water, the WUV Lead advised that if a regulated business failed then the government would step in as a matter of last resort. The Lead Councillor for Regeneration indicated that the sewage treatment works project was over halfway to completion. The WUV Lead informed the meeting that there would be a risk of delay if Thames Water failed as a business, rather than a risk of non-completion.
- A member of the Committee noted the size and complexity of the WUV programme, particularly in relation to the scale of the organisation leading the undertaking. He commented on the financial mitigation options within the report, noting the possible value in considering the income strip in the early stages of the programme and the improbability of changing the funding basis at this stage of the programme. The Councillor suggested that Homes England might be receptive to requests for additional support or adjustment of timescales. He indicated agreement with the finding that early disposals of land were unlikely to reduce the financial deficit at the end of the programme. The Councillor suggested the merit in pursuing Housing Revenue Account investment in Council housing on the development and in using asset sales to fund the

new Council depot. He concluded by suggesting that the programme move forward as quickly as possible.

- The Lead Councillor for Regeneration indicated the difficulties of restructuring the WUV programme, the need to provide clarity to Homes England on how the deficit would be closed, and concerns from developers that no one would want to live next to an old sewage treatment works.
- The Strategic Director of Finance and Resources advised the Committee of discussions with the National Wealth Fund, formerly the UK Infrastructure Bank, over the possible financing of part of the WUV programme. He indicated that the National Wealth Fund offered lower rates than the Public Works Loan Board.
- The Lead Councillor for Finance and Property explained how using asset disposals to fund the new depot could benefit the Council, particularly in relation to interest payments.
- In response to a question, the Strategic Director of Finance and Resources updated the Committee on the Council's sale of assets and indicated he wanted to achieve the £35m worth of capital receipts within the three year target. He advised that a report on the asset disposal programme was forthcoming.
- In reply to a question, the Strategic Director of Finance and Resources stated that capital receipts could be used to repay borrowing, to pay for new assets, such as the new depot in WUV, and to fund revenue expenses in certain circumstances.
- In response to a question on the consequences of missing a key milestone or housing output, the Assistant Director of Regeneration and Economic Development outlined the special measures that might be placed by Homes England on the WUV programme and the grant agreement in such circumstances.
- The Lead Councillor for Regeneration confirmed that the financial deficit for the WUV programme was unchanged since its existence was reported to Council in May 2024. He advised that a report including the

costs, benefits, and risks of all the mitigations options was being worked on.

- The Committee was informed that failure to reduce the financial deficit of the WUV programme to zero would affect the Council's revenue budget in terms of interest and Minimum Revenue Provision payments.
- In response to questions from a Councillor, the Lead Councillor for Regeneration suggested the Council would need to decide how to cover the financial deficit of the WUV programme within six months. He indicated that preceding the decision concerning the deficit there would be further briefings on the WUV programme for Councillors, probably in March or April 2025.

In summarising the discussion, the Chair noted the desire of the Committee members to try and reduce the financial deficit, alongside the view that the delivery of 40% affordable housing should remain. He expressed a hope that suitable alternatives to close the financial deficit would be identified within six months.

In response to a query from the Chair, the Committee members indicated that they did not need to discuss or receive further commercially sensitive financial information at the meeting.

The Chair thanked the Lead Councillor for Regeneration and the officers for attending and answering questions.

OSR28 PERIOD 6 FINANCIAL MONITORING 2024/25

The Assistant Director of Finance introduced the report submitted to the Committee, highlighting the forecast underspend of £0.285m in the General Fund Revenue Account and overspend of £0.247m within the Housing Revenue Account (HRA), and advising that the General Fund reserves were expected to be £35.4m. The meeting was informed that the capital programme was being reviewed, and that from a budget of £166.8m spending was forecast to be £127.5m or approximately eighty percent. The Assistant Director of Finance indicated that debt due to the Council was over £9m. She advised the Committee of approximately £5m of budget savings for 2024/25.

The Assistant Director of Finance advised the Committee of the changes to the projected outturn position since the publication of the report, including a slight increase in revenue underspend, an increase in the HRA overspend, and a reduction in Council debt.

During the ensuing discussion a number of questions were asked, and clarifications offered:

- A member of the Committee noted the apparent correlation with increasing staff within the accounts receivable section and reducing the deficit in that area and suggested the advantages of further staffing increases in the section. In response, the Assistant Director of Finance referred to other actions enacted or planned to reduce the money owed to the Council. In addition, the Assistant Director of Finance noted the training period for new staff and suggested the merit in reviewing the impact of newly recruited staff once they were fully trained.
- In reply to a question on the adverse variance for the HRA and the completion of necessary works, the Assistant Director of Finance indicated that the HRA overspend centred on reactive repairs that were difficult to predict but that all the backdated information had been reviewed by housing services and included within the financial forecast.
- With reference to Appendix 4 to the report submitted to the Committee, the Assistant Director advised that '#N/A' referred to money paid to the Council but not yet ascribed a cost centre or reference code; she indicated that the money had been allocated since publication of the report. The Committee was informed that subsequent financial monitoring reports would allocate all such payments to the Council.
- A member of the Committee referred to the £3.798m of overdue debt due to the Council and not supported by a payment plan. He asked what measures have been taken to reduce this debt and whether an assessment been undertaken to forecast likely bad debt provision. In reply, the Assistant Director of Finance advised that all bad debt was being reviewed, the review of the debt policy was in progress, and bad debt provision was held on the balance sheet.

- In response to a query on the red-rating for vacancy credit, the Assistant Director for Finance advised that the targeted underspend on staff and posts would be achieved. She stated that further details of the work undertaken to achieve the saving would be presented to the Committee at a future date.
- The Lead Councillor for Finance and Property indicated that it was approximately one year since monthly expenditure reports had been introduced at the Council.
- In reply to a question on savings achieved from staff vacancies and the financial consequences of a return to being fully staffed, the Assistant Director of Finance advised that many vacancies were covered by interim staff who were more expensive than permanent staff.
- The Strategic Director of Finance and Resources advised the meeting of a possible arrangement with the University of Surrey that would include on the job training for students and might lead to them joining the Council's workforce in future.

RESOLVED: That the latest financial monitoring for the financial year 2024/25, as presented to the Committee, be noted.

OSR29 MEDIUM TERM FINANCIAL PLAN UPDATE

The Strategic Director of Finance and Resources introduced the item and updated the Committee on a government finance policy statement issued since the Autumn Statement. He advised the meeting that next year's finance settlement for councils would likely be announced on 19 December.

The Strategic Director of Finance and Resources confirmed that changes announced to National Insurance in the Autumn Statement would impact employers and raise approximately £25 billion. He suggested that the NI change would cost the Council about £1,000 per employee, or approximately £700k per annum, and that it was unknown whether the extra costs would be funded by the government.

The Strategic Director of Finance and Resources indicated that Council Tax referendum limits had been confirmed for 2024/25 and remained at 2.99% for district councils. He suggested that extra money for local government

allocated based on deprivation would mainly favour councils in the north of the country over those in the south.

The Strategic Director of Finance and Resources advised that the New Homes Bonus was to continue for another year and would be a considerable help to the Council.

The Strategic Director of Finance and Resources indicated that the minimum funding guarantee for 2024/25 was to set at zero percent, whereas the current year the Council had been protected at a minimum increase of 3% in cash. The Committee was advised that money raised from a council tax increase could effectively be lost by a lower government grant through the minimum funding guarantee mechanism.

With reference to a new Fair Funding Review, to review future funding allocations, the Strategic Director of Finance and Resources highlighted the importance of the transitional period for implementation of any changes.

In reply to comments, the Strategic Director of Finance and Resources suggested that interest rates would now reduce much slower than anticipated previously.

The Lead Councillor for Finance and Property stated that it was clear that central government would not be coming to the Council's rescue, and he highlighted the need for the Council to act more like a commercial organisation in order to continue to function and provide the range of services desired.

RESOLVED: That the progress on updating the Council's Medium Term Financial Plan be noted.

OSR30 WORK PROGRAMME

The Senior Democratic Services Officer (Scrutiny) advised the meeting that, to accommodate preparation of the Budget finance report, the Committee's next meeting date had been moved from 14 January to 21 January 2024.

RESOLVED: That the work programme presented to the Committee be approved.

The meeting finished at 8.16 pm

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2 DECEMBER 2024

Signed

Date

Chair