



GUILDFORD
B O R O U G H

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Tom Horwood
Joint Chief Executive
Guildford & Waverley
Borough Councils

Executive

Thursday, 23rd November, 2023

Supplementary Information Sheet

Agenda No Item

14. **Supplementary Information Sheet (Pages 1 - 16)**

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Executive

23 November 2023

Supplementary Information

Procedure for the discharge of business at this meeting

The Leader of the Council welcomes the attendance of members of the public and non-Executive councillors at this meeting.

The procedure for dealing with each item of business shall be as follows:

1. Lead Councillor to introduce report on the matter.
2. Non-Executive councillors invited to ask a question or comment, for which they will have a maximum of **five** minutes each.
3. Lead councillor to respond to any questions/comments.
4. Executive debates the matter
5. Lead councillor to respond to any questions/comments.
6. Executive to make decision on the matter.

Agenda item 5: Review of Councillors' Allowances: Report of the Independent Remuneration Panel (Pages 11 - 80)

Lead Councillor: Councillor Richard Lucas, Lead Councillor for Finance and Property

Lead Officer: John Armstrong, Democratic Services and Elections Manager

Dennis Frost (chair of the panel) and Rodney Bates (panel member) will be present to introduce their report and answer any questions from councillors.

Correction:

On page 20 of the agenda, the figure quoted as the Employers' National Insurance contribution in the table in paragraph 9.1 (Financial Implications) is incorrect. It should have read "£18,153". The table should now read as follows:

	£
Basic Allowance	411,792
Special Responsibility Allowances	131,542
Co-Optees' Allowance	2,574
Employer's National Insurance (est)	18,153 1,814
Travelling & Subsistence Allowance (est)	5,000
Dependants' Carers' Allowance (est)	2,500
Total:	571,561 555,222

Agenda item 6: Guildford & Waverley Transformation & Collaboration Programme (Pages 81 - 122)

Lead Councillor: Councillor Carla Morson, Lead Councillor for Community and Organisational Development

Lead Officer: Robin Taylor, Joint Executive Head of Organisational Development

Agenda item 7: Adoption of the Green Belt Supplementary Planning Document (Pages 123 - 164)

Lead Councillor: Councillor George Potter, Lead Councillor for Planning, Environment and Climate Change

Lead Officer: Stuart Harrison, Policy Lead – Planning Policy

Agenda item 8: Recycling Policy Review (Pages 165 - 184)

Lead Councillor: Councillor George Potter, Lead Councillor for Planning, Environment and Climate Change

Lead Officer: Liz Mockeridge, Waste Strategy and Technical Support Lead

Agenda item 9: Medium Term Financial Plan (MTFP) And Financial Recovery Plan - November Update Report (pages 185-202)

Lead Councillor: Councillor Richard Lucas, Lead Councillor for Finance and Property

Lead Officer: Richard Bates, Interim Chief Finance Officer (s.151 Officer)

Correction:

Paragraph 11.2 on page 197 of the agenda should read:

“11.2 The projected budget gap over the MTFP period is now £7.3m ~~£18.3m~~ and plans need to be developed to address this so that a balanced and robust budget can be agreed in February 2024.”

For the minute from the Corporate Governance and Standards Committee meeting 19/11/23 please see the appendix to this Supplementary Information Sheet.

Agenda item 10: Capital and Investment Outturn Report 2022-23 (Pages 203-288)

Lead Councillor: Councillor Richard Lucas, Lead Councillor for Finance and Property

Lead Officer: Victoria Worsfold, Lead Specialist (Finance) & Deputy s151 Officer

For the minute from the Corporate Governance and Standards Committee meeting 19/11/23 please see the appendix to this Supplementary Information Sheet.

Agenda item 11: Housing Revenue Account - Revenue Outturn Report 2022-23 (Pages 289 - 308)

Lead Councillors: Councillor Julia McShane, Leader of the Council and Lead Councillor for Housing and Councillor Richard Lucas, Lead Councillor for Finance and Property

Lead Officer: Victoria Worsfold, Lead Specialist (Finance) & Deputy s151 Officer

For the minute from the Corporate Governance and Standards Committee meeting 19/11/23 please see the appendix to this Supplementary Information Sheet.

Agenda item 12: General Fund Revenue Outturn Report 2022-23 (Pages 309-326)

Lead Councillor: Councillor Richard Lucas, Lead Councillor for Finance and Property

Lead Officer: Victoria Worsfold, Lead Specialist (Finance) & Deputy s151 Officer

For the minute from the Corporate Governance and Standards Committee meeting 19/11/23 please see the appendix to this Supplementary Information Sheet.

Agenda item 13: Timetable of Council and Committee Meetings 2024-25 (Pages 327 – 332)

Lead Councillor: Councillor Merel Rehorst-Smith, Lead Councillor for Regulatory and Democratic Services

Lead Officer: Carrie Anderson, Senior Democratic Services Officer

EXTRACTS FROM THE DRAFT MINUTES OF THE CORPORATE GOVERNANCE & STANDARDS COMMITTEE – 16 NOVEMBER 2023

MEDIUM TERM FINANCIAL PLAN AND FINANCIAL RECOVERY PLAN – NOVEMBER UPDATE REPORT

The Committee received a report setting out an update on the Medium-Term Financial Plan (MTFP) and progress with the Financial Recovery Plan.

The Committee noted that the Council had agreed the 2023-24 budget in February 2023 with a £3.3m shortfall requiring further work to remove this gap, with the fallback position being the deployment of usable reserves.

An updated MTFP position had been presented to full Council on 25 July 2023 which set out the key issues and the position in which the Council was now left. In summary, this had been a remaining in-year deficit of £1.7m and a budget gap of £18.3m over the MTFP period to 2026-27.

A Financial Recovery Plan had been presented to full Council at its extraordinary meeting on 30 August and updated at its last meeting on 10 October. This had set out the immediate and medium-term actions being taken to address both the in-year and medium-term budget gaps.

In October, the Interim s151 officer had concluded that sufficient progress had been made to avoid the need for a s114 report to be issued but that significant work was still required to produce a balanced budget for 2024-25 and beyond.

In addition to providing an update on the MTFP position, potential funding changes, and progress on the Recovery Plan workstreams, the report presented to the Committee had also set out the outcome of the review of the Capital Programme. If approved, this would remove £96.6m from the Approved and Provisional Capital programmes which, in turn, would reduce the Council's projected borrowing needs.

The report had also provided a high-level update on the potential remaining budget gap to be addressed and the actions ongoing to address this. The work to date on the Financial Recovery Plan had reduced the July MTFP gap of £18.3m to £7.3m. Although excellent progress had been made, significant further work was still required to produce a balanced budget for 2024-25.

The Interim Section 151 Officer informed the Committee that he was hopeful that when the finance settlement was announced by Government in December the New Homes Bonus, which was one of the funding assumptions that had been built into the July MTFP update, would continue for the next financial year.

During the debate, the Committee made the following comments:

- In response to a question as to whether increased housebuilding was factored into future Council Tax funding assumptions and whether it had much of a significant effect, the Interim Section 151 Officer confirmed that the finance team had built an assumption each year, both around the actual increase in Council Tax, assuming that the capping limit would remain at 2.99%, and also an assumption of taxbase growth year on year.
- Concern that measures to be actively implemented over the four-year period only constituted approximately half what was assumed to be the total range of measures that would be needed to get the Council back to the financial position in which it wanted to be. In response, the Interim Section 151 Officer confirmed that approximately half of the £18.3 million budget gap effectively comprised of additional borrowing costs, but that other workstreams being undertaken as part of the Financial Recovery Plan such as income reviews, for example around car parking were generating a significant contribution towards closing that budget gap. Contract renewals, such as utilities, were likely to generate further significant savings.
- Concerns over proposals in the approved capital programme to delay flood resilience measures, and traveller transit site provision. A response from the relevant heads of service, setting out the reasons for the delay would be circulated to the Committee.
- In response to a question as to whether extra car park revenue of approximately £950,000 would be achieved in the current year, the Interim Section 151 Officer confirmed that was his expectation, and that it may even be exceeded. It was noted that approximately £80,000 of that figure was expected to comprise parking fines.
- It was noted that the wording of paragraph 11.2 of the report needed to be updated to reflect the fact that the revised projected budget gap over the MTFP period was now £7.3 million, rather than £18.3 million. This would be corrected.
- It was noted that not all of the £96 million of the reduction in the capital programme attracted MRP, and the revenue saving was only £2.5 million. It would be useful to understand what the implications for MRP were for

each of the proposed reductions in the various capital projects. In response, the Interim Section 151 Officer indicated that this could be incorporated into the report on the Capital & Investment Strategy to be taken to the budget Council meeting in February.

- Support the assumptions in the report about capital asset disposal.
- Query the pay assumption at 3.3% when inflation was still high. The Interim Section 151 Officer stated that the average pay award over the three-year period was 3.3%, but understood that it was frontloaded in the provision for next year.
- Concern was expressed, and clarification was sought, in respect of the Council's intentions in relation to the Shaping Guildford's Future project. The Interim Section 151 Officer informed the Committee that it was proposed to remove the capital allocation of £4.1 million within the programme, and that there would be some revenue impacts which would be brought forward as part of the budget proposals in February.
- Clarification was sought in respect of the reference in paragraph 9.2 of the report that the 2023-24 in-year position was balanced whilst the table in paragraph 9.1 had indicated that the remaining target to be achieved in 2023-24 was £600,000. In response, the Interim Section 151 Officer explained that in terms of balancing the budget for the current financial year, many of the actions taken, for example, holding vacancies and stopping some discretionary expenditure, were of a one-off nature, and would not be repeated as base budget adjustments for the next financial year. The £600,000 referred to needed to be addressed as extra base budget savings to balance the budget in the next financial year.
- Clarification was also sought in respect of the reference in the report to possible policy changes (accounting and discretionary policies) as one of the potential further measures to reduce the shortfall. In response, the Interim Section 151 Officer explained that this related to matters over which the Council had some discretion such as reviewing the charges we make both into and out of the Housing Revenue Account, which impacted on the General Fund.
- The report needed to be explicit and honest about the climate change and sustainability implications of some of the proposed changes to provisional schemes in particular. For example, energy efficiency compliance, flood resilience, and electric waste vehicles were being delayed, and the sustainable movement corridor was no longer required.

Having considered the report and noted that this matter would also be considered by the Executive at its meeting on 23 November, and by Council on 5 December, the Committee

RESOLVED: That the recommendations to the Executive and full Council contained in the report be supported, subject to the comments referred to above made by the Committee during its debate.

Reasons:

To enable the Council to protect the current level of reserves and to set a balanced budget and a robust Medium-Term Financial Plan.

(Councillor Bob Hughes requested that his abstention in respect of the vote on this matter be recorded)

Action:	Officer to action:
(a) To circulate to the Committee a response from the relevant heads of service regarding the concerns expressed over proposals in the approved capital programme to delay flood resilience measures, and traveller transit site provision, and the reasons for the delay.	Lead Specialist – Finance
(b) To update the wording of paragraph 11.2 of the report to reflect the fact that the revised projected budget gap over the MTFP period was now £7.3 million, rather than £18.3 million.	Democratic Services & Elections Manager

CAPITAL AND INVESTMENT OUTTURN REPORT 2022-23

The Committee considered the annual outturn report on capital expenditure, non-treasury investments and treasury management performance for 2022-23.

In total, expenditure on the General Fund capital programme had been £35.4 million against the original budget of £158 million, and revised budget of £169 million. Details of the revised estimate and actual expenditure in the year for each scheme were set out in Appendix 3 to the report.

The budget for Minimum Revenue Provision (MRP) had been £1.5 million and the outturn was £1.38 million. This was due to slippage in the capital programme in 2021-22.

Officers had reviewed the capital programme and had determined that there were schemes that were no longer required, that no longer met the original business case or had been removed pending a new business case in light of the Council's ongoing budget deficit. These schemes were detailed in the Financial Recovery Plan within the capital programme workstream. Removing these schemes would reduce the Council's underlying need to borrow for capital purposes and would generate a saving to the revenue account in respect of MRP and interest.

The Council's investment property portfolio stood at £178 million at the end of the year. Rental income was £9.5 million, and income return had been 5.7% against the benchmark of 4.7%.

The Council's cash balances had built up over several years, and reflected the strong balance sheet, with considerable revenue and capital reserves in the HRA. Officers carried out the treasury function within the parameters set by the Council each year in the Capital and Investment Strategy. At 31 March 2023, the Council held £98 million in investments, £295 million in borrowing of which £147 million related to the HRA, £32 million related to the Weyside Urban Village Project, and £115 million was short term borrowing, resulting in net debt of £197 million.

The Council borrowed short-term from other local authorities for cash flow purposes in the year and had taken out a loan for Weyside Urban Village under the infrastructure rate. This interest was capitalised against the project and not charged to the General Fund as interest payable.

Section 8 of the report confirmed that the Council had complied with its prudential indicators, treasury management policy statement and treasury management practices (TMPs) for 2022-23. The policy statement was included and approved annually as part of the Capital and Investment Strategy, and the TMPs were approved under delegated authority.

The treasury management performance over the last year, compared to estimate, had been summarised in the report, and the factors affecting this performance had also been highlighted. There had been slippage in the capital programme which resulted in a lower Capital Financing Requirement than estimated. Interest paid on debt had been lower than budget, due to less long-term borrowing taken out on the General Fund because of slippage in the capital programme.

The yield returned on investments had been lower than estimated, but the interest received had been higher due to more cash being available to invest in

the year – a direct result of the capital programme slippage. Officers had been reporting higher interest receivable and payable and a lower charge for MRP during the year as part of the budget monitoring when reported to councillors during the year.

The report also contained detailed information on the return on investments, and interest paid on external debt.

During the debate, the Committee made the following comments:

- In relation to the Council's investment property fund portfolio, it was noted that demand for light industrial units was particularly high, and this element of the portfolio had performed considerably better than other parts of the property market within Guildford.
- Concerns were expressed regarding ongoing slippage in the capital programme and over provision in the budget for MRP. The Committee noted that MRP was calculated on a scheme-by-scheme basis, and it was only applicable when a capital scheme becomes operational. Where there was slippage, the impact on the budget for MRP was reduced.
- In response to a question as to the extent to which the Council was receiving a good return on its investments, and whether the Council should continue to hold certain investments, the Committee noted that a review of all investments would be taking place imminently.
- In relation to key points relevant to investment property in the local area, it was suggested that the office and retail markets were "stagnant" rather than "subdued". Clarification was sought in respect of whether the comment in the report that landlords were "taking a 10-year approach when renting" meant that landlords were actually seeking 10-year leases.
- Clarification was also sought as to whether town centre retail vacancies were significantly down and running at a lower vacancy rate than the south-east average.
- In response to a question as to the approximate proportion of the Public Works Loan Board (PWLB) debt related to assets acquired to increase rental incomes and therefore would no longer be allowed under the rules, it was confirmed that none of it was used for such purposes. It related mainly to the borrowing on the Housing Revenue Account and to the Weyside Urban Village project. The Council had used its own resources to finance the acquisition of investment properties.

Having noted that this matter would be considered by the Executive at its meeting on 23 November, and by Council on 5 December, the Committee

RESOLVED: That the recommendations to the Executive and full Council contained in the report be supported, subject to the comments referred to above made by the Committee during its debate.

Reasons:

- To comply with the Council’s treasury management policy statement, the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on treasury management and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- As per the treasury management code although the scrutiny of treasury management (and indeed all finance) had been delegated to the Committee, ultimate responsibility remained with full Council. This report therefore fulfilled that need.

Action:	Officer to action:
<p>(a) To clarify whether the comment in the report that landlords were “taking a 10-year approach when renting” meant that landlords were actually seeking 10-year leases.</p> <p>(b) To clarify whether town centre retail vacancies were significantly down, and running at a lower vacancy rate than the south-east average.</p>	<p>Lead Specialist - Finance</p>

HOUSING REVENUE ACCOUNT FINAL ACCOUNTS 2022-23

The Committee considered a report on the Housing Revenue Account (HRA) final accounts for 2022-23. The HRA recorded all the income and expenditure associated with the provision and management of Council owned residential dwellings in the Borough. The requirement to maintain a HRA was set out in the Local Government and Housing Act 1989 and the requirement to publish final accounts was set out in the Accounts and Audit (England) Regulations 2015.

The report had set out the actual level of revenue spending on day-to-day services provided to tenants and recorded in the HRA in 2022-23. The operating surplus for the HRA in 2022-23 had been £3.12 million less than the budgeted surplus of £10.89 million (Section 7.5) at £7.76 million. The outturn allowed a contribution of £2.5 million to the reserve for future capital and a

contribution of £5.26 million to the New Build reserve. The HRA working balance at year-end remained at £2.5 million.

The Chief Finance Officer, in consultation with the Leader of the Council and Lead Councillor for Finance and Property had used their delegated authority to make the necessary transfers to reserves. This continued the policy adopted in previous years, whereby the year-end surplus was applied to each of the two reserves referred to above.

The HRA capital programme had budgeted expenditure of £53.9 million with an actual spend of £26.3 million. There had been £24.5 million of major repairs estimated with an outturn of £20.3 million. £27.05 million had been budgeted for new developments, where actual expenditure had been £6 million due to delays in the progression of some of the new schemes.

During the debate, the Committee made the following comments:

- In response to a question, the interim Section 151 Officer confirmed that the figures in the report represented all the HRA expenditure both in terms of revenue and capital incurred in 2022-23, including the unbudgeted sums in relation to housing maintenance. There were, however, outstanding orders and other work that was ongoing, which were not included in those figures, but would be included in the current year's figures.
- Whilst the Committee could be reassured that the figures represented what had actually been spent, it could not at this point be assured as to what had been delivered in terms of physical improvements to the housing stock as a consequence of that expenditure.
- The Committee noted that the Monitoring Officer would be submitting a report to the Committee at its special meeting on 29 November outlining the governance around the housing maintenance issue.
- In response to a question as to whether the 3% loss of rental income compared to estimates due to voids was within the normal range, or whether it was something about which the Committee should be concerned, officers indicated that the quarterly Performance Monitoring Report considered by the Overview and Scrutiny Committee included a KPI on void properties.

Having considered the report and noted that this matter would also be considered by the Executive at its meeting on 23 November, the Committee

RESOLVED: That the recommendation to the Executive contained in the report be supported, subject to the comments referred to above made by the Committee during its debate.

Reason:

To allow the Statutory Statement of Accounts to be finalised and subject to external audit prior to approval.

GENERAL FUND REVENUE OUTTURN REPORT 2022-23

The Committee received a report setting out the final position on the General Fund and the Collection Fund revenue accounts, for the 2022-23 financial year.

Overall, the outturn on the General Fund for 2022-23 had been £6.49 million more than originally budgeted, which would be financed from the Medium-Term Financial Plan reserve. The Chief Financial Officer, in consultation with the Leader of the Council and the Lead Councillor for Finance and Property, had delegated authority to deal with the overspend and to transfer the necessary resources from the reserve.

The report had set out the major reasons for the variance. Net income from interest receipts had been £915,000 more than estimated and the minimum revenue provision (MRP) for debt repayment had been £5,000 higher than estimated.

During the accounts closure process, a number of adjustments had been made following a review of the balance sheet, details of which were set out in the report.

Historically the Council held many reserves for specific purposes. For 2022-23 all reserves that were held for internal policy reasons had been merged into the Medium-Term Financial Plan Reserve. There were still some specific reserves, but these had been kept to a minimum.

The business rates balance on the collection fund was particularly susceptible to movements in the number and values of appeals businesses had made against their rateable values. The Council had no control over such appeals and had limited information from the Valuation Office to help assess the potential impact.

The Collection Fund revenue account for the year had shown an overall deficit of £1.735 million, of which the Council's share was £0.694 million, which would be recovered from the General Fund in 2023-24.

The outturn position will be included in the Statement of Accounts which would be signed by the Chief Financial Officer and subsequently audited by Grant Thornton. This Committee would review the audited statement of accounts.

During the debate, the Committee made the following comments:

- In response to a request for an update on the annual audit of accounts, the Interim Section 151 Officer had spoken recently to Paul Cuttle, Lead Auditor from Grant Thornton who had indicated that nationally, the government had decided that outstanding audits not finalised by 31 March 2024 were unlikely to be completed. For Guildford, that would mean that, although the 2020-21 accounts would be signed off before that date, the audits of the 2021-22 and 2022-23 accounts might never be completed. The Committee was advised that the finance team had undertaken a full review of those accounts and had exercised due diligence to ensure that the issues raised as part of the 2020-21 accounts did not recur in the subsequent accounts. A particular problem that might arise in respect of the audit of the current year's accounts would be establishing opening balances.
- Concern over provision for bad debt of £500,000 for caravan sites identified following the balance sheet review during the 2022-23 closing process, and enquiry as to what provisions had been put in place to prevent a recurrence of the bad debt. In response, officers explained that the review of the balance sheet had been comprehensive, and that the figure represented an accumulated historical error and that the provision for bad debt had been revised based on actual arrears shown on the system.

Having considered the report and noted that this matter would also be considered by the Executive at its meeting on 23 November, the Committee

RESOLVED: That the recommendation to the Executive contained in the report be supported, subject to the comments referred to above made by the Committee during its debate.

Reasons:

- To note the final outturn position for 2022-23 and delegated decisions taken by the Chief Financial Officer which would be included in the statutory accounts.
- To facilitate the ongoing financial management of the Council.

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