

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE OVERVIEW AND SCRUTINY - RESOURCES - 23 JANUARY 2023

(To be read in conjunction with the Agenda for the Meeting)

Present

Cllr Stephen Mulliner (Chair)
Cllr Joan Heagin (Vice Chair)
Cllr Dave Busby
Cllr Jerome Davidson

Cllr Peter Martin
Cllr John Neale
Cllr Peter Nicholson

Also Present

Louise Norie, Councillor Paul Follows and Councillor Richard Seaborne

1 APOLOGIES FOR ABSENCE AND SUBSTITUTES (Agenda item 1)

Apologies were received from Councillor Howard.

2 MINUTES (Agenda item 2)

Members agreed the Minutes of the meeting held on the 23 November 2022 were correct.

3 DECLARATIONS OF INTERESTS (Agenda item 3)

Councillor Martin declared a non-pecuniary interest in Item 7 as a Member of the Save Crown Court Car Park Action Group.

4 QUESTIONS FROM MEMBERS OF THE PUBLIC (Agenda item 4)

None received.

5 QUESTIONS FROM MEMBERS (Agenda item 5)

None received.

6 COMMITTEE WORK PROGRAMME (Agenda item 6)

Louise Norie (Corporate Policy Manager) reminded Members that part 1 & 2 of the work programme reflected the responses to the committee's recommendations and part 3 identified the resolutions. Part 4 of the Work Programme reflected the current agenda going forward.

Louise Norie informed the Board that recurring items had not been included in the agenda and there would be an extraordinary O&S meeting in February to discuss

those items. Councillor Hyman recommended that the Resources Committee should also have access to the Executive Forward Plan.

Members agreed to the recommendation and the motion was carried

7 PETITION - SAVE CROWN COURT CAR PARK (Agenda item 7)

Fiona Cameron (Senior Governance Officer) presented the report to note receipt of the petition received at Full Council on 13/12/2022 by the 'Save Crown Court Car Park Action Group'. In accordance with the Council's Petition Scheme, a petition with 2,000-4,999 signatures would be referred to the Overview and Scrutiny Committee.

It was recommended that the Resources Overview and Scrutiny committee note the petition as the item had already been debated at Full Council.

The committee resolved to make the following recommendations to the Executive:

- To provide a detailed Risks and Revenue Analysis for the regeneration project, to outline the timeline and cashflows.
- To ask the Executive for a formal update of the work and timeline for taking this matter forward.

Members agreed to the recommendations.

8 CAPITAL STRATEGY 2023-24 (Agenda item 8)

Peter Vickers (Executive Head of Finance and Section 151 Officer) presented the capital strategy. He noted that the Capital Strategy brought together the Council's detailed policies, procedures and plans related to capital expenditure, capital financing and treasury management activity. He explained that it incorporated the Treasury Management Framework, Prudential Indicators and Asset Investment Strategy. It was noted that the capital strategy provided an overview of how associated risk was managed and the implications for future financial sustainability.

Councillor Heagin raised concerns about the Treasury management policy statement and pointed out that the treasury management quarterly report did not identify risk. Peter Vickers explained that within the quarterly performance indicators, the treasury management indicators were usually reported. He agreed to amend the report in response to the Councillor's recommendation.

Councillor Martin queried where he could find the capital expenditure in relation to climate change. Peter Vickers informed the committee that the details could be found in the Capital Programme. Officer Rosie Plaistow added that when assessing capital projects, a climate change impact column is created to score and assess projects. She noted that the column could be found at Page 42 of the papers.

Councillor Mulliner queried the Second Stage Priority Scoring; and whether a project was more desirable if it required 100% external funding or no external funding. Officer Rosie Plaistow explained that the score 5 reflected where a project had secured 90-100% external funding and the score 0 was where no external funding had been secured. She noted that a higher score was more desirable as it

required less engagement from Waverley borough council. Councillor Mulliner recommended the papers were amended to make the weighting clearer.

Councillor Mulliner went on to reference page 43, more specifically the direct revenue savings, the savings from efficiencies and the cost avoidance, for example paying down MRP. He asked how they were different from each other. Peter Vickers explained that direct revenue savings referred to a project that would avoid costs going forward so it would generate direct savings. He advised that savings for efficiencies were more strategic in terms of what took place in whole teams rather than individual processes. He also noted that cost avoidance was focused on capital programme rather than service delivery.

Councillor Mulliner queried the scale of the CFR in table 1.7, he expressed that it was larger than the other previous tables. It was noted that Peter Vickers would circulate a summary of the table in a spreadsheet and accept questions from Members outside of the meeting. Councillor Mulliner suggested that the writing of the documentation in section 1 was reviewed. He suggested a sub-group should be set up to meet with officers to gain a full understanding of the concepts so this could be communicated back to the Committee effectively. He advised that the task group would essentially look at the documents and agree on more simplified wording.

The Committee resolved to make the following recommendations to the Executive:

- To simplify the wording of the documents in section 1 so that it can be more readily understood by Members. The Chair suggested that a small task and finish group should be set up to meet with officers and gain a full understanding of the concepts so it can be communicated back to Members effectively. The task group would essentially look at the documents and agree on more simplified wording.

Members agreed to this recommendation and the motion was passed.

9 GENERAL BUDGET 2023-24 AND MEDIUM-TERM FINANCIAL PLAN 2023/24 - 2026/27 (Agenda item 9)

Rosie Plaistow (Finance Manager) presented the General Fund Budget and Medium-Term Financial Plan 2023/34. She advised that the report detailed a number of issues brought into the 2023/24 Budget, including:

- A 2.99% increase in Waverley's Band D council tax charge for the next financial year
- A general inflationary increase to fees and charges
- A 4% increase in the weekly charge for garages
- Details assumptions regarding inflation and mitigating inflationary cost through some of the targets set commercially.

Rosie Plaistow further explained that the Fair Funding Review had been delayed by a further year and would be carried out in line with Government Spending Review. It was noted that the funding provided by the government for the next financial year was set out in the report.

Councillors Edmunds and Hyman joined the meeting at 18:28pm due to technical difficulties and requested the incident be minuted.

During the meeting, several councillors expressed concern about the proposed budget. Councillor Neale raised concerns about item 10.4, he queried why garages intended for council tenants were being rented to private residents; and if that related to tenants parking on roads and possible Electric vehicle charging concerns. Councillor Mulliner queried whether garages were mainly leased to HRA tenants or other tenants. Officer Peter Vickers stated that 75% of garages were leased to private tenants. He also explained that garages as they stand were not part of the Housing Act 85 Provision of Dwellings due to the state of repair. Peter Vickers noted that they could not be ring fenced in the HRA therefore they have to fall to the General Fund. Councillor Hyman queried the appropriation of garages from HRA to general fund. Officer Peter Vickers explained the garages were appropriated through the CFR in the treasure management strategy with a net revenue stream of £100,000 a year to the General Fund.

Councillor Heagin expressed concern that some of the financial issues attributed to COVID-19 in Annex 1 Note A, may be due to the cost-of-living crisis, such as reduced gym membership and changes in parking.

Councillor Martin asked for more information regarding savings from collaboration with Guildford Borough Council. There was an identified budgetary saving of £202,000 in 23/24 but wanted to understand the savings from the financial year and the previous financial year. He went on to request more information on staff vacancies, local costs, and income from leisure centres, as well as fluctuations in the new homes bonus and the funding guarantee grant. The Officer responded by offering to provide further information on staff vacancies and agency costs outside of the meeting. He went on to explain that the new homes bonus was driven by the performance of the council tax base itself i.e., new properties brought into use within the course of the year. He also noted that the funding guarantee grant was a late announcement from the government in response to the cost-of-living crisis, guaranteed a 3% spending power guarantee, but this was a one-off and would not be received next year. The Officer also agreed to circulate more information on the income from leisure centres and the savings from collaboration with Guildford Borough Council at a later time.

Councillor Edmunds and Mulliner queried the pension contribution decline due to a rise in interest rates. Officer Rosie Plaistow confirmed that a triannual review of the pension fund was carried out every 3 years for current members and back funding applied to members. She advised that forecasts had been provided for the next year which included savings for the following 2 years until the next triannual review. It was noted that there was a cash saving made.

Councillor Heagin sought clarification on the redundancy costs as part of the collaboration savings included estimates on pension strains. Officer Rosie Plaistow agreed that the costs of collaboration savings and redundancy would also include pension strain. However, from the known redundancies made, pension strain was not applicable to any at Waverley. However, efforts would be made to include pension strain alongside redundancies going forward.

The Committee then discussed Council Tax increases. Councillor Martin referred to Annex 2 and queried the correlation of council tax to the increase in the number of houses. He also queried the £1m funding grant from the government and how the funds were distributed within the service costs. Officer Rosie Plaistow explained that Annex 1, showed a tax increase as part of the £11,232,335 figure and the £63,465 growth element that indicated an increase in taxable dwellings within the year which was a higher increase than usual. She advised that it was important to note that Waverley borough council only keeps 10% of the revenue. To answer the second question, the officer referred to Annex 1 Note C, which outlined that the government grant was predominantly used for the increase in Property Maintenance Fund, growth in the development management and the local plan review. Councillor Martin then referred to the Waste Contract in Annex 1 Note I and the CPI and house increases, he sought further clarification on the increase in house numbers. Rosie Plaistow agreed to circulate the requested information outside of the meeting.

Councillor Mulliner referred to item 7.7 and recommended that within the structural deficit to Waverley's budget, 'other sources of income' should be added, because they were also limited by government controls. He then referred to Annex 1 and recommended a proper breakdown of collaboration savings be included and sent to the Executive, as a full analysis of JMT savings for Waverley was essential. Councillor Mulliner highlighted item 13.1 'Investment Property Voids'; he sought further clarification of the wording and felt that the word 'voids' should be changed to prevent negative connotations where the document stated that it was an increasingly important revenue stream. Councillor Mulliner queried the investment property voids reference to the loss of income or the creation of provisions to avoid loss of income Peter Vickers explained that the investment property stream was an important source of income to the Council and voids needed to be mitigated. Officers agreed to amend the wording.

Councillor Edmunds asked if leisure centres were becoming unsustainable due to heating costs. He also queried why the council was entering into contracts with inflations risks. Rosie Plaistow explained that contractors would not accept contracts without inflation risk and that the Council would be faced with increased contract costs or reduced contract income where contractors had mitigated the risk themselves.

It was noted that the proposed budget allocated 5% of funds for road maintenance, while 30% was allocated for new construction. Councillors argued that the borough's roads were already in poor condition and in need of repair, and that prioritising new construction over maintenance was short-sighted.

It was also argued that the proposed 10% cut in funding for social services would have a negative impact on vulnerable members of the community who relied on those services for support. Councillors expressed the need for a more balanced budget that prioritised critical infrastructure and public services, such as road maintenance and public safety, while still allowing for necessary investments in new construction and economic development.

The committee resolved to make the following recommendations to the Executive:

- The Executive must consider whether it is appropriate to continue referring to the Covid run-off where cost of living may be more appropriate. This is in

reference to Annex.1, Note. A where a number of items were attributed to Covid.

- The Committee requested a detailed breakdown of the collaboration savings.

Members agree and the motion was passed.

10 HOUSING REVENUE ACCOUNT BUDGET PAPER 2022-23 (Agenda item 10)

Candice Keet (Senior Accountant) introduced the item. She advised that the recommendation drawn out in the report was to:

- Increase rents by 4%
- Proposing to increase service charges by 4% for senior living
- Increase fees and charges by 9% in line with inflation

Members discussed the pros and cons of different rent increase options and considered factors such as borrowing stress, inflation, and tenant impact. Councillor Martin expressed his opinion on the rent levels, he stated that he would prefer a 4% increase. He compared it to the inflation increases in the general fund and council taxes, which were going up by nearly 3%. However, he acknowledged that it was a difficult call, and he was not sure where the right balance lay.

Councillor Nicholson further added to the discussion by stating that if they could eliminate the borrowing stress, then he would consider a 4%. Councillor Edmonds also felt that with regard to the borrowing profile that the 5% increase was a reasonable option. He stated that councils had a legal obligation to keep track of borrowing. The chair asked if any other members wished to contribute, and Councillor Heagin noted that doing less than the maximum was a good thing for regulatory purposes and asked officers if there was any opportunity for advanced lobbying. She suggested that a gradual catch up should be allowed for councils who did not implement the full rent increase.

Candice Keet noted that within the papers, a proposal for additional borrowing was made in order to finance the capital program and debt repayments. She also noted that the debt repayments would be ramped up in the next few years and an additional £4.5 million would be borrowed over the next 12 years, totalling £26 million of additional borrowing based on a 4% rent increase in 2023-24. Members discussed the differences between a 4% and 5% rent increase, with the latter being preferred due to concerns about the debt profile. Members expressed concern about the impact on tenants, suggesting that a more gradual catch-up approach may be more appropriate. Overall, the committee concluded that the 4 or 5% rent increase discussion should be revisited by the Executive.

Councillor Heagin addressed the issue of rental increases and the recharge for energy costs in HRA properties in the context of the proposals. She went on to raise concerns that the recharge for energy costs for senior living accommodation was not fully recovering the energy costs, and it might be subsidising some residents to the tune of almost £300,000. Councillor Heagin questioned whether the energy costs were just for heating or the full-service charge cost and if any other groups of residents were receiving the same level of subsidy. Councillor Heagin also asked whether any senior living residents had gained anything from the energy support

packages that were currently in place but likely to be less generous from April. Councillor Heagin suggested that the Executive should investigate it and that a 4% increase might not be enough to cover the costs proportionally.

Councillor Mulliner referenced recommendation 8 and recommended that the Cabinet Portfolio holder for Housing and the Section 151 Officer comments must be sought.

Members also discussed the possibility of reducing energy costs and reconsidering the target rate of return on HRA investments.

The Committee resolved to make the following recommendations to the Executive:

- To include Cabinet Portfolio holder for Housing and the Section 151 Officer comments on recommendation 8.
- To reconsider the possible 4 or 5% rent increase.

Members agreed to the recommendations and the motion was carried.

The meeting commenced at 7.00 pm and concluded at 9.00 pm

Chairman