

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE OVERVIEW & SCRUTINY COMMITTEE - VALUE FOR MONEY &
CUSTOMER SERVICE - 11 MARCH 2019

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

Present

Cllr David Beaman (Chairman)	Cllr Nabeel Nasir
Cllr Stephen Mulliner (Vice Chairman)	Cllr David Round
Cllr Brian Adams	Cllr Richard Seaborne
Cllr Nicholas Holder	Cllr Bob Upton

Cllr Tony Gordon-Smith (Substitute)

Apologies

Cllr Mike Band

Also Present

Councillor John Gray

76. APOLOGIES FOR ABSENCE AND SUBSTITUTES (Agenda item 1.)

Apologies for absence were received from Cllr Mike Band. Cllr Tony Gordon-Smith attended as a substitute.

77. DECLARATIONS OF INTERESTS (Agenda item 2.)

There were no declarations of interests in connection with items on the agenda.

78. SETTING UP A COMMERCIAL COMPANY (Agenda item 3.)

Graeme Clark, Strategic Director, introduced this item to the Committee. He explained that the need to set up a company had come from a desire to open up additional opportunities for generating income, for example through the provision of housing for market rent or sale or to enable the purchase of commercial property outside of the borough using borrowed funds.

The Medium Term Financial Plan set out an income target to be achieved through commercial property, however Graeme advised that the Council was struggling to find good investment opportunities within the borough so it was timely to now set out the proposals for the company which would have the ability to invest outside the borough.

Dan Bainbridge, Borough Solicitor, went on to remind the Committee that a delegation was in place from Council for the Investment Advisory Board (IAB) to determine the final details for the company, subject to consideration by the Value for Money and Customer Service O&S Committee. The IAB had discussed this matter in detail, and its recommendations were set out in the report for the Committee to consider.

He added that once the details had been agreed, further specialist legal and financial advice would be taken in regard to aspects such as Corporation Tax and VAT.

The Committee thanked officers for the thorough report and associated legal advice and sought clarification on several points.

Members noted that a property company would provide the Council with more flexibility to develop both affordable and market housing. It was queried how the affordable housing element would work in relation to the HRA. Officers clarified that using a company to deliver market housing could help to cross-subsidise a less viable affordable scheme. Additionally, any affordable units owned by the company would also be exempt from Right to Buy provisions. In specific reference to the HRA it was explained that the ownership of affordable housing through the company would be at corporate level and not directly by the HRA. Officers agreed to amend paragraph 11 of the report to clarify the role of the company in relation to the ownership of affordable housing.

The Committee heard that some Councils hadn't felt it necessary to establish a company in order to borrow for investment outside the borough. Some queries were therefore made in relation to the legal advice that Waverley had received. Officers confirmed that Waverley had received very clear legal advice that a company would be required in order to borrow for investment outside the borough; this was the same as the approach being taken by the majority of Surrey boroughs. Officers added that the Localism Act 2011 allowed Councils to operate in this way, and there had been no challenges to this position so far.

Members also sought further details of the costs associated with operating a company, particularly in relation to overheads e.g. officer time. Officers confirmed that these types of on-costs would be charged to the company but a schedule of rates had not yet been determined. The Committee suggested that officers contact other Surrey authorities with property companies to get their views on overheads.

Cllr Holder asked for further details of what joint ventures might entail. Officers advised that a joint venture would not necessarily have to be an acquisition, but could also be about development of existing properties.

The Committee went on to consider the proposed composition of the Board in more detail. Members noted that a Board comprising four Directors was proposed, with the Council as shareholder nominating two Councillors and two officers. It was suggested, however, that an independent fifth member be included, who would also be able to provide professional expertise. Officers advised that consideration had been given to the inclusion of a Non-Executive Director however this would come with a financial cost. The Committee however felt that it was important to have external expertise, and commented that this post would not be a full time Director, and could be remunerated on a meeting-by-meeting basis.

Members also emphasised the importance of the Board having an independent voice, separate from that of the IAB. The Board would be able to exercise a second view on any potential acquisitions, following recommendation from the IAB, and may even wish to hire its own professionals to provide advice. Dan Bainbridge responded that officers and Members were familiar with exercising different roles

with different 'hats' and there would be no conflict of interest. Further details were set out in the legal advice.

Cllr John Gray was in attendance at the meeting and spoke on this item. He agreed with the Committee's comments and recommendations in relation to the Board of Directors. Additionally, whilst he was generally supportive of the Property Investment Strategy, he felt that it was premature to be looking to set up a company without having considered detailed financial workings.

In view of the comments set out above in relation to the membership of the Board of Directors, the Committee recommended that the composition of the Board be increased to five, with the inclusion of an independent Chairman. Consequently, in order to ensure a suitable balance at Board meetings, the Committee recommended that quorum be increased to four to ensure that at least one Councillor and one officer would be present at all meetings.

The Committee noted that it would be submitting its comments to the next meeting of the IAB on 26 March 2019, however also requested that its comments and observations be submitted to the next available meeting of the Executive, which would be in June 2019.

The meeting commenced at 6.00 pm and concluded at 6.52 pm

Chairman