

Waverley Borough Council

Minutes Of The Overview And Scrutiny Committee - Resources - 15 January 2024

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

Present

Cllr Peter Martin (Chair)	Cllr Jerome Davidson
Cllr Andrew Laughton (Vice Chair)	Cllr Andy MacLeod
Cllr Lauren Atkins	Cllr Peter Nicholson
Cllr Zoe Barker-Lomax	Cllr Terry Weldon
Cllr Janet Crowe	Cllr Michaela Wicks

Apologies

None

Also Present

Cllr Jane Austin

61 Apologies for absence and substitutes (Agenda item 1)

None were received.

62 Minutes (Agenda item 2)

The minutes of the previous meeting of 14 November 2023 as published on the website were agreed as a correct record.

63 Declarations of interests (Agenda item 3)

There were no declarations received.

64 Questions from members of the public (Agenda item 4)

None were received.

65 Questions from members (Agenda item 5)

None were received.

66 General Fund Budget 2024/25 And Medium-Term Financial Plan (MTFP) Ending 2027/28 (Agenda item 6)

66.1 The Financial Services Manager highlighted the following details from the report:

- The proposed 2.99% Council Tax increase; and
- A Fees and Charges Review that has resulted in a proposed general inflationary increase of an average of roughly 4.5% (excepting the 'break-even areas' of licensing, land charges and building control). Car parking will also see an inflationary increase.

- 66.2 The Chair noted an error in the figure for the proposed car parking charges increase, which is 18%, not the stated 15%. The Financial Services Manager clarified that Annexe 1 contains the correct figure and this would be rectified. Cllr Nicholson noted a reduction in the Baseline Net Service Cost compared to 2022-23, the saving from reducing the number of Waverley councillors, and stated that he felt car parking costs changes were proportionate.
- 66.3 Cllr Weldon queried whether the proposed 2.99% council tax increase could be insufficient and asked if undertaking a referendum to facilitate a larger increase was considered. The Chair queried the use of the 4.5% inflation assumption for 2024/25 given that inflation currently sits below 2%. Officers clarified that they would reexamine the latest CPI figure, though this was unavailable at the time the report was written.
- 66.4 The Chair asked how the MTFP assumption that government funding would decrease through to 2028/29 could be made given that the bar chart at paragraph 10.5 seems to show an increase in government funding from 2021/22. The Financial Services Manager clarified that future estimates are necessarily projections and that the Fair Funding Guarantee means there can be no certainty as to future rates of funding. It was noted that the bar chart does not account for inflationary cost increases.

The Portfolio Holder for Finance, Assets and Property noted that the recent increases in direct Government funding were responses to significant macroeconomic conditions - specifically the pandemic and cost-of-living crisis - and that Finance officers model what is indicated by central government.

- 66.5 The Chair asked if the New Homes Bonus had been expected, how it was spent and what the consequences would have been had it not been allocated. The Financial Services Manager stated that the reserve top-ups made in additional revenue contributions to capital is likely drawn from these grants, and that these and additions to the Property Maintenance Fund would not have been achievable without them. It was stated that the 2024/25 Capital Programme would have undergone necessary review without the receipt of the grant, and clarified that using one-off grant monies to alleviate other increases in service costs would create an issue in the base for future years' budgets.
- 66.6 Non-voting member Cllr Austin stated that she felt the 4.5% CPI inflation rate is too high given the current rate, queried the graph at paragraph 10.5, and stated that she felt certain passages of the report are subjective or misleading.

- 66.7 Cllr Davidson stated that he felt MTFPs regularly only cover the following year with shortfall then forecast for subsequent years - he asked what plans are in place to account for risks that may materialise throughout the year and about the status of earmarked reserves. It was stated that there is a proposal to create an earmarked reserve for planning appeals and judicial reviews as are held for changes to business rates and rateable values, and that working balances are held at £3.2 million, though this is under review.

While some earmarked reserves have reduced, often for planned purposes, proposals to replenish them are submitted when necessary or appropriate. This is however dependent on budget and was possible in 2022/23 due to one-off funding. The Chair noted that it appeared to him that reserves were increasing.

- 66.8 The Portfolio Holder for Finance, Assets and Property referenced the difficulty of economic uncertainty due to government parameters on local authority spending and the lack of the Fair Funding Review, noting that while the New Homes Bonus and the absence of a business rate review is beneficial in the short term, longer term financial certainty is still lacking and so contingencies must be maintained in case of referenda and other eventualities.

- 66.9 Cllr Atkins asked how a stated £700k saving is constituted and asked for a breakdown of the one-off costs attributed to the collaboration agreement. The Financial Services Manager clarified that this saving will be realised across 4 years, with £350k already delivered – largely due to the JMT restructure - given that 2023/24 marks the second year. It was noted that an Invest To Save reserve was created to cover the one-off costs of the collaboration thus far, in addition to a small revenue budget. It was noted that the £700k annual savings will be retained in the budget each year from 2025/26.

The Chair noted the proposed £300k annual savings due to be delivered to Guildford and Waverley Borough Councils through the Transformation & Collaboration programme, but agreed that it was difficult to understand the source of this from the papers.

Non-voting member Cllr Austin stated that she felt that the papers gave the impression of a £700k saving each year, that other significant costs had not been accounted for, and asked for clear communication of these costs and savings to members.

The Portfolio Holder for Finance, Assets and Property noted the importance of one-off investment to secure recurring annual benefits. The Chair remarked that planned staffing increases were unclear as to whether they would be shared with Guildford Borough Council. The Portfolio Holder for Finance, Assets and Property clarified that any would be dedicated Waverley unless otherwise stated.

- 66.10 Cllr Barker-Lomax referred to ongoing work regarding staffing and salary increases.
- 66.11 The Chair brought attention to car parking income, reminded members of the importance of precise financial comparisons, and requested detail of the £2.1 million of car park expenditure. The Lead Accountant noted much of this is staffing and capital repairs but would provide a detailed response outside of the meeting. In response to the Chair's suggestions for lowering expenditure, The Portfolio Holder for Finance, Assets and Property noted that local authorities are limited by legislation in how they may employ Automatic Number Plate Recognition.
- 66.12 Cllr MacLeod remarked that central government statements on finance often reference the Covid-19 pandemic, congratulated the officers for producing a balanced budget and voiced caution in projecting to receive government funding without absolute certainty, and in attempting to predict future rates of inflation. Cllr MacLeod asked what risk pertained to the measures that will be pursued to address the budget shortfall of £2.8 million, and what impact will likely be had on Waverley residents.
- The Portfolio Holder for Finance, Assets and Property replied that this is a gross figure that is compensated by measures in the Ongoing Base Budget Reduction panel in annexe 1. The shortfall is due to uncontrollable variations such as inflation, and compounds over the MTFP period.
- 66.13 The Financial Services Manager remarked that the Key General Fund Variations are intended to exposit the budgetary changes within each service and that growth requests are a response to resident requests for greater service provision. The Portfolio Holder for Finance, Assets and Property noted that the effects of inflation on local communities mean that answering residents' increased need for services is increasingly challenging.
- 66.14 Cllr Wicks asked if recovery of overpaid Housing Benefit will be limited by Universal Credit, what sum is outstanding and if this applies to rent arrears, noting that some Housing Benefit claimants are not Universal Credit recipients. The Financial Services Manager clarified that local authorities are no longer in control of the amount of housing benefit claimants receive or how it can be reclaimed since the implementation of Universal Credit, and that this does have an impact on the Housing Revenue Account. The Senior Accountant noted that rent arrears have not yet increased but may be beginning to and would provide a detailed response to members on this and the subject of how much the council is owed in not yet recovered overpayments.

The Committee **RESOLVED** to note the report and requested that the Executive considers the comments made by the members of the Committee.

67 Housing Revenue Account Budget 2024/25 (Agenda item 7)

- 67.1 The Senior Accountant introduced the report, highlighting the additional costs in Annexe 3, showing growth items amounting to £2 million. It was also noted that the borrowing requirement for 2024/25-2029/30 of £23 million to meet the Decent Homes Standard was another key driving factor for the proposed 7.7% increase.

The increase in service charges to the Senior Living Scheme facilities was also discussed, acknowledging that costs are higher than monies recovered. An error was noted at the table in paragraph 10.1 that displays under/over recovery of costs, though the figure of £388,000 found in the commentary is correct.

- 67.2 It was clarified that 4.6% is the assumed inflation rate for rent increases as with the General Fund, but acknowledged the need to revisit this figure given the latest CPI figure due to be released on 17 January. The Senior Accountant confirmed that the 30% of HRA tenants that are in receipt of full or partial Universal Credit and that potential tenant hardship due to the 53-week rent year is concerning. She confirmed that the Housing Support team are working toward publicising the discretionary housing payments, Household Support Fund and HRA Hardship Fund to tenants.

The Committee noted the increase of the Hardship Fund from £30k to £200k in 2024/25, intended to help support tenants in receipt of Universal Credit and mitigate the impact of the 53-week rent year. It was agreed that the Hardship Fund should be closely monitored.

- 67.3 The Senior Accountant confirmed that Waverley Borough Council conducts buy-backs on properties purchased by private owners under the Right-to-Buy scheme and that the council has first refusal here. She also confirmed that some open market purchases are currently underway to help provide housing for the homeless and refugees. These use the Local Authority Housing Fund, with central government providing 40% of the necessary funding.

- 67.4 Several members queried the rationale behind the rent increase rising from a capped 4% in 2023/24 to a proposed 7.7% for 2024/25, as well as the £2.1m in growth bids. It was noted that the decision to increase rent was influenced by this year's growth bids and the need to balance financial demands caused by the debt profile and additional borrowing, while last year's decision to cap the increase at 4% was primarily influenced by the cost-of-living crisis.

- 67.5 The Committee sought more clarity around the £2.1m in growth bids, particularly the proposal for 15 new positions under the HRA, asked how many staff presently work on the HRA and where the target collaboration savings are in this area. It was confirmed that there are around 100 staff members working on HRA and that some of the resources would be for longer-term projects. It was noted that the two Service Improvement Officers and one Complaints Officer posts were intended to address shortfalls in

service delivery as evidenced in some of the key performance indicators that have come before this committee.

- 67.6 It was clarified that a higher spend around compliance is intended to secure continued compliance with the standards of the Regulator for Social Housing and damp and mould legislation, and that an increased number of pipeline housing delivery schemes will need to be resourced. Officers clarified that some of these schemes would be capitalised if spent on capital acquisitions, and that there are some increases in the General Fund to apportion the growth in areas such as IT.
- 67.7 The Chair queried the given costs of gas heating as compared to that of Air Source Heat Pump costs in the HRA Capital Programme. The Senior Accountant explained the urgent need to replace the gas boilers in a large percentage of Waverley's social housing stock in order to comply with health and safety legislation. It was noted that the retrofit schemes are not yet sufficiently progressed to ascertain the savings value from retrofitting with air source heat pumps, and that the pilot retrofit schemes will also address alternative heating solutions and results are yet to be determined, but will inform future decisions. Non-voting member Cllr Jane Austin noted that the cost of retrofits could have been spent on installing new boilers or energy efficient heating.
- 67.8 Regarding debt reprofiling, members queried the high levels of repayment from 2023-2036 and why there is a steep drop in year 2038/39. Officers replied that there are high level of payments over the next 11 years and that they are proposing a slight deferral to make them more affordable.
- 67.9 Cllr Merryweather addressed the Committee and agreed to circulate a list of benchmarking websites and resources supplied by the LGA and central government.

The Committee **RESOLVED** to note the report and requested that the Executive considers the comments made by the members of the Committee.

68 Capital Strategy 2024/25 - Incorporating Treasury Management And Asset Investment Strategy 2024/25 (Agenda item 8)

- 68.1 The Senior Account addressed the Committee and introduced the Capital Strategy, Treasury Management Strategy, Asset Investment Strategy, and an infographic on the Capital Strategy. Notable changes to the strategies included:
- A section concerning interest to be charged on internal borrowing incorporated into the Treasury Management Strategy 2024-25 due to increased internal borrowing as a result of mixed use schemes and housing development schemes, and;
 - The introduction of a new annexe to the Asset Investment Strategy 2024-29 outlining principles of appraisals and viability assessments.

- 68.2 Cllr Davidson noted an error in the 'Prioritisation of capital projects' table on page 5 of the Capital Strategy 2024-29, suggesting a reversal of the risk scoring such that a risk of greater than a £500k negative impact is displayed as score 1. Officers acknowledged this and confirmed that the correction would be made.
- 68.3 Cllr Atkins asked if standing asset investment appraisals will be revisited for current investments given the changes made to referred to in the principles of financial appraisals and viability assessments in annexe 2. The Senior Accountant clarified that this report does not propose reducing these period: maximum 50-year assessments are used for the General Fund and determined by the Minimum Reserve Provision (MRP) policy, while 60 year assessment periods have only been employed under the Housing Revenue Account as it is governed by different regulations.
- 68.4 The Chair asked if it were possible to achieve greater returns from investments over shorter payback periods, voiced concern over value for money and asked if the costs of pursuing non-monetary investment approaches could be more clearly communicated. The Senior Accountant clarified the differences between assessment periods and pay back periods, and ensured that full Value for Money reports, written by external consultants and which provide the costs of alternative options, will be provided to members in future. Officers agreed to return to members with a response regarding monetary and non-monetary options analyses at a future meeting.
- 68.5 Non-voting member Cllr Austin noted information regarding the cost of alternative options was provided for the Cranleigh Leisure Centre, though only upon request. She also stated that she would like to see these provided as a matter of course in future.
- 68.6 Cllr Atkins raised a question regarding the use of asset register land values in land transfers between the HRA and General Fund. The Senior Accountant clarified that there is no planned change to including existing use value for HRA land within the viability assessment – this has been the procedure for some time. A 'Do nothing' option will be included in future reports to identify the existing value and revenue.
- 68.7 Cllr Atkins also queried the valuation methodology and the Council's adherence to Royal Institute for Chartered Surveyors (RICS) standards and practices. The Portfolio Holder for Finance, Assets & Property clarified that RICS best practices and chartered surveyors are used in valuations, however the Council primarily uses the funding analyses and other comparables more suited to the strategic priorities of Local Authorities.
- 68.8 The benefits of conducting further discussions on land valuation methodology was proposed. The Chair proposed an informal follow-up meeting with the Senior Accountant, the Portfolio Holder for Finance, Assets and Property, and the Interim Executive Head of Finance to go through the contents of the briefing note with regard to the method of asset valuation,

assessment periods and the social value of assets. Cllr Atkins and non-voting member Cllr Austin volunteered to join the follow-up meeting.

- 68.9 Members noted the complexity of the report's structure, specifically the segmented page numbering and inclusion of sub-annexes. The Committee suggested that the structure is simplified for future documents.

The Committee **RESOLVED** to note the report and requested that the Executive considers the comments made by the members of the Committee.

69 Housing Delivery - Churt (Agenda item 9)

- 69.1 The Housing Delivery Manager introduced the report, noting that planning approval for four sustainable, affordable homes was obtained in September 2021. The report seeks approval for the demolition of the existing building, a former community centre that also included some staff accommodation, to keep the consent in force before submitting a full business case. Additionally, approval was sought for a £120k budget allocation to commission consultants and a demolition contractor for conditions discharge.
- 69.2 The Housing Delivery Manager noted that the demolition would remove current council tax, business rates, and utility liabilities for the vacant building, and clarified that that long-term plans involve combining the Parkers Fields site with the neighbouring Crossway Close site to provide greater value for money given the larger scale of delivering two developments together. This is subject to approval of business cases for both sites.
- 69.3 Members inquired about the scheme's implementation and whether the density had been considered. It was clarified that planning officers had been clear on the density and massing of the site during the consent process, and noted that the local ward member supported the scheme during the Executive presentation.

The Committee **RESOLVED** to support the recommendations set out in the report.

70 Transformation And Collaboration Programme Update (Agenda item 10)

- 70.1 The Business Transformation Manager presented the report alongside the Joint Strategic Director for Transformation and Governance and gave the attached presentation.
- 70.2 Members queried the potential complexities and costs around integrating IT systems and altering staff terms and conditions. There were further queries about the integration of services and the knock-on impact on service areas in both Councils. The Joint Strategic Director for Transformation and Governance informed members that the business cases would provide further clarity but there were no figures regarding IT integration and staff terms and conditions are available at present, though agreed that financial prudence is paramount.

- 70.3 Cllr Davidson questioned if the greatest savings would be made through staff reductions, urged significant staff involvement from the outset, and raised concerns about staff morale. The Committee also asked if there is a projection on potential loss of staff as a direct impact of the Programme. The Joint Strategic Director for Transformation and Governance noted the recent staff engagement at staff briefings he delivered at both Guildford and Waverley Borough Councils.
- 70.4 Cllr Wicks queried whether there would be any compulsory or voluntary staff redundancies due to the Transformation & Collaboration Programme, specifically amongst long serving staff and whether there is provision in the budget for the associated payments. Joint Strategic Director for Transformation and Governance stated that he could not answer any questions about staffing at this stage, though options are being considered and the discussion will be sensitively handled.
- 70.4 Cllr MacLeod noted that Guildford and Waverley are collaborating and not merging, and so some usage of different systems may be desirable. Joint Strategic Director for Transformation and Governance felt that there may be some such cases, in his view.
- 70.5 Non-voting member Cllr Austin emphasized the importance of a detailed financial justification and suggested that a breakdown of direct and indirect costs and benefits be submitted to the Committee, including loss of staff listed as an indirect cost. She also stated that she felt it should not be a priority of Waverley to help Guildford Borough Council out of financial distress.
- 70.6 Cllr Davidson reiterated that the collaboration was at a project initiation stage at present, and so it is reasonable that these numbers have not been finalised.
- 70.7 The Chair also requested greater clarity on historical and projected financial numbers, requesting that the Committee is supplied with a full breakdown of costs and savings, both net and gross over the elapsed 2 years of the programme to present. He commented on the charges mentioned in Appendix 4 to the report and requested a breakdown of all projected costs, charges and savings associated with the Transformation & Collaboration Programme that details how the costs will be shared between the two authorities and the period over which the payments will be made.

The Joint Strategic Director for Transformation and Governance noted that savings already realised will be analysed to help understand their source, as well as the source of further costs.

The Committee **RESOLVED** to broadly endorse the report but sought further clarity on the financial aspects. The Committee sought a full breakdown of historic and projected costs and savings, including detail on how costs will be shared across between Guildford and Waverley Borough Councils.

71 Committee Work Programme (Agenda item 11)

70.1 The Committee noted the Work Programme. Cllr Weldon stated that he was glad to see the Fairground Development Project included on the work programme, and noted that it may require substantial discussion.

72 Exclusion Of Press And Public (Agenda item 12)

The Committee **RESOLVED** to approve the following recommendation of the motion of the Chairman:

That, pursuant to Procedure Rule 20 and in accordance with Section 100A(4) of the Local Government Act 1972, the Committee agrees:

(1) that the public be excluded from the meeting during consideration of the following matter on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item, there would be disclosure to them of exempt information (as defined by Section 100I of the Act) of the description specified in Paragraph 3 of the revised Part 1 of Schedule 12A to the Local Government Act 1972; and

(2) that the public interest in maintaining the exemption outweighs the public interest in disclosing the information

The Committee voted unanimously in favour.

73 Property Investment Quarterly Report (Agenda item 13)

The Committee scrutinised the Property Investment Quarterly Report.

The meeting commenced at 6.30 pm and concluded at 9.16 pm

Chairman