



**To:**  
**All members of the**  
**Corporate Policy and Resources**  
**Committee**

*Please reply to:*  
Contact: Karen Wyeth  
Service: Committee Services  
Direct line: 01784 446341  
E-mail: [k.wyeth@spelthorne.gov.uk](mailto:k.wyeth@spelthorne.gov.uk)  
Date: 12 July 2023

## Supplementary Agenda

### **Corporate Policy and Resources Committee - Monday, 17 July 2023**

Dear Councillor

I enclose the following items which were marked 'to follow' on the agenda for the Corporate Policy and Resources Committee meeting to be held on Monday, 17 July 2023:

#### **2. Minutes**

**3 - 24**

To confirm the minutes of the meeting held on 26 June 2023 and the carry-over meeting held 29 June 2023 as a correct record.

Yours sincerely

Karen Wyeth  
Corporate Governance

To the members of the Corporate Policy and Resources Committee

Councillors:

J.R. Sexton (Chair)

J.T.F. Doran

L. E. Nichols

C. Bateson (Vice-Chair)

S.M. Doran

O. Rybinski

M.M. Attewell

M. Gibson

K. Rutherford

M. Beecher

K.M. Grant

H.R.D. Williams

J.R. Boughtflower

K. Howkins

**Spelthorne Borough Council, Council Offices, Knowle Green**

**Staines-upon-Thames TW18 1XB**

[www.spelthorne.gov.uk](http://www.spelthorne.gov.uk) [customer.services@spelthorne.gov.uk](mailto:customer.services@spelthorne.gov.uk) telephone 01784 451499

J. Button

M. Lee

Substitute Members: Councillors: D. Clarke, N. Islam, M. Bing Dong, S.A. Dunn,  
A. Gale, S.N. Beatty and M. Buck

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**Minutes of the Corporate Policy and Resources Committee  
26 June 2023 and the Carry-over Meeting held 29 June 2023**

**Present 26 June 2023:**

Councillor J.R. Sexton (Chair)  
Councillor C. Bateson (Vice-Chair)

Councillors:

M.M. Attewell	S.M. Doran	L. E. Nichols
M. Beecher	M. Gibson	O. Rybinski
J.R. Boughtflower	K.M. Grant	K. Rutherford
J. Button	K. Howkins	H.R.D. Williams
J.T.F. Doran	M. Lee	

**Present 29 June 2023:**

Councillor C. Bateson (Vice-Chair)

Councillors:

M. Beecher	S.M Doran	L.E. Nichols
J.R. Boughtflower	M. Gibson	O. Rybinski
J. Button	K.M. Grant	K. Rutherford
J.T.F. Doran		

**60/23 Apologies and Substitutes**

Meeting held 26 June 2023:

There were none.

Carry Over Meeting held 29 June 2023:

Apologies were received from Cllrs Attewell, Howkins, Lee, Sexton and Williams.

Cllr Islam attended as substitute for Cllr Attewell.

**61/23 Minutes**

The minutes of the meeting held on 17 April 2023 were agreed as a correct record.

### **62/23 Disclosures of Interest**

Councillors Attewell and Sexton declared that they were also Surrey County Councillors.

### **63/23 Questions from Members of the Public**

The Chair reported that, under Standing Order 14, two questions had been received from a member of the public.

#### **Question from K Sanders:**

“Given recent world events, cost inflation and other economic shocks, how can the Council be sure that costs won't keep spiralling or there won't be any other unfortunate events? E.g. what if the Council can't secure Homes England funding or NHS funding for the Cavell Centre? What if flood risk proves to be an insurmountable issue for Thameside House?”

Has the Council already gone past the point of no return on Thameside House and the Oast House developments and is the only hope really to keep borrowing more (and building higher) in the hope that they will eventually come good?”

#### **Response to Question:**

“The Council has no control over external forces which impact on inflation and other economic pressures, but what we can do and do well is consider the financial viability of each of our own schemes at key milestone throughout the scheme design process. Understanding the viability is an evolving process with the more detail we have as the scheme progresses, meaning greater certainty of the financial end position.

There will always be challenges with new development that the Council needs to overcome. We do this by understanding and utilising all initiatives available to assist with ensuring schemes are deliverable from a financial and operational perspective. This is not only about employing external funding, but value engineering schemes, looking at different funding models including partnership working within the public sector, other private partner ventures, disposals, packaging schemes together to deliver different outcomes where costs and benefits offset each other between the schemes.

Each of these approaches offer differ solutions to tackling the economic and financial challenges we face with the schemes. Every scheme is only moved forward to a commencement on site, when Councillors' approval is received. Part of the Councillor approval process includes a full understanding of a range of options, which may include where appropriate partnering

opportunities, disposals and a range of income options for each scheme. Each option presented is supported with a range of financial information to inform understanding and decision making.

We continue to have positive engagement with Homes England, but if funding is not available for our schemes we will consider utilising the alternative options, just outlined to support the objectives of each development. The Council already has a proven track record with Homes England as it acquired for itself Registered Provider status and obtained grant funding to part fund the Whitehouse homeless hostel and Harper House emergency family accommodation. Indeed at the time Homes England did not have a funding category for homeless hostels and we worked with them to help them create a new funding scheme.

Homes England is extremely keen on supporting our affordable and keyworker delivery pipeline as there is very limited such provision being delivered in this part of the South East and Homes England is struggling to distribute its full allocation of funds. So we are very confident that Homes England will fund our affordable and key worker schemes.

With respect to the Health and Wellbeing Centre (also sometimes referred to as the Cavell Centre) we and our NHS partners are continuing to have active discussions with central government focused on ensuring the fund progresses. However if those discussions do not prove fruitful we will explore alternative options for ensuring that these much need improvements in our health infrastructure are delivered for our residents.

With respect to flood risk - all schemes as part of the planning submission require a robust flood risk assessment with mitigation measures in place as part of the approval and building reg inspection/sign off. It is also worth noting that that mitigation methods for new builds usually result in betterment when compared to existing buildings.

As per the answer to the previous question, the Council will not commence construction on either Thameside nor Oast House until it is comfortable that the schemes are viable on a long term fifty year basis.”

**Question from N Rowe:**

“The Capital Outturn Report (agenda item 5) is deeply alarming, a catalogue of apparent financial mismanagement and misfortune: huge overspends, a more than doubling of long-term interest rates, Council projects (eg Thameside House and the Oast House) now “financially unviable” ... and more. Spelthorne has borrowed more than any other local authority (relative to its annual budget) to fund its property portfolio gambles. What confidence can the community have that Spelthorne will avoid the fate of other authorities that have pursued similar borrowing strategies and are now bankrupt, and avoid having to declare it cannot meet its financial obligations?”

**Response to Question:**

“The Council’s approach remains to ensure that its Capital Programme is financially sustainable and does exert pressure on its overall financial sustainability.

As the environment in which we are now progressing delivery of affordable and keyworker housing for our residents and regeneration is much more financially challenging, due to the delays in bringing the developments forward and the changing economic externalities. We are proactively appraising the rise in construction costs (running at roughly 20% per annum) plus impact of rising interest rates (long term interest rates for councils more than doubling since the beginning of 2022) which impact on the financial viability of our schemes. The Council is utilising all initiatives available to assist with ensuring schemes are deliverable from a financial and operational perspective.

You may recall the Council held an Extraordinary Council Meeting (ECM) on 2<sup>nd</sup> February 2023 to highlight to councillors the risks of not progressing schemes and the increased costs. It was agreed the Council would:

- Seek to maximise Homes England capital grant Funding for Affordable and keyworker units at approx. 25% per unit (we are also having discussions with other bodies such as One Public Estate to seek out supplementary grant funding)
- Focus on value-re-engineering schemes to reduce costs
- Accelerate Tothill mixed development including affordable rental
- Switching Benwell P2 and Thameside from affordable to private rental to be retained and managed by the Council rather than its housing management company Knowle Green Estates (KGE)
- Provide a significant capital injection into KGE

Each of these initiatives demonstrates a thought out and proactive approach to tackling the economic and financial challenges we face with the schemes.

Every scheme is subject to continued financial viability testing and is only moved forward to a commencement on site, when Councillors approval is received. Part of the Councillor approval process includes a full understanding of a range of options, which may include where appropriate partnering opportunities, disposals and a range of income options for each scheme. Each option presented is supported with a range of financial information to inform understanding and decision making.

The objective moving forwards is to minimise the proportion of the Capital Programme which requires funding from borrowing. This may also involve us exploring partnership approaches and we may need to consider an element of individual apartment sales (reducing the need for long term borrowing).



Before any scheme is signed off to commence a 50 year viability assessment is undertaken and schemes which are not viable will not be progressed- to ensure that does not expose the Council to future financing pressures. Whilst the Capital Outturn report highlighted a **projected (rather than actual)** £23m overspend on Thameside relative to the original budget the budget and viability assessment will be reworked to reflect the revised PRS basis of the scheme.

The Council is aware of concerns about height and massing of developments, officers will continue to work collaboratively with councillors to ensure our developments are viable whilst being mindful of community concerns and protecting the Council against financial risk.

Spelthorne's financial approach is very different to that of Woking BC, utilising a different model and approach to protect our financial position.

Spelthorne has borrowed significantly less than Woking BC. Spelthorne's outstanding long term borrowing as at 31/3/23 was £1,069m (a reduction of £9m from the previous year) whereas Woking has already borrowed approximately £1,900m. Spelthorne's financing model is quite different to that of Woking and a number of other councils in that we have always erred on the prudent side in making full Minimum Revenue Provision (MRP) and aligning that MRP with annual debt repayments so that the Council is paying down its loans on a similar basis to a repayment mortgage. The Council's investment assets rental income continues to cover the full annual financing cost and management costs and generate a £10m per annum net revenue budget contribution to support the Council's services for residents. This is despite having coming through the economic impact of the worst global down turn for more than 300 years as a result of the pandemic and now the Cost of Living Crisis. In these challenging economic times there has been some churn of tenants and our total occupancy rate dipped below 90% when a significant tenant vacated but this will move back above 90% in July when a new tenant takes that space. It is precisely for this type of scenario, where we have tenants break or not renew leases, that Spelthorne has been building up its earmarked sinking fund reserves every year for the last seven year, from setting aside part of the rental income stream. The earmarked reserves as at 31 March 2023 now stand at £37.8m and act as a safety cushion which can be applied when there are dips in rental income. Spelthorne increased its cash backed reserves at the end of 2023-24 by 10% to £75m. Independent benchmarking by LG Improve indicates that Spelthorne in fact has the highest ratio of usable cash back reserves to net revenue budget of any district or borough council in England. It is acknowledged that we are budgeting to make use of the sinking funds in 2023-24 and 2024-25 but we are then anticipating to replenish and rebuild those reserves thereafter. In summer/autumn of 2023-24 we are undertaking a five yearly review of the sinking funds model."

#### **64/23 Capital Outturn Report as at 31 March 2023**

The Committee considered a report from the Chief Accountant that outlined the changes to the Capital Programme budget and projected outturn figures, with variance unaffected.

The Committee **resolved** to note the report with the following Councillors abstaining:

Councillors Bateson, Beecher, Gibson, Grant, Nichols, Rutherford, Sexton and Williams.

#### **65/23 2022/23 Revenue Carry Forward Requests**

The Committee considered a report that sought approval for the requests for £109.251 of 2022-23 revenue expenditure to be carried forward to 2023-24.

The Committee were also asked to approve the carry forward recommendations as outlined in 2.2 and 2.4 of the report as follows:

2.2 The request for a carry forward received from Pollution Control Operations, for the purchase and installation of a new air quality monitoring station costing £10,900 is carried forward, despite the fact that this budget is overspent.

2.4 The carry forward work at the Charter Building, which has already been approved by Council, is credited to the Sinking Fund, rather than credited the General Fund, as this expenditure relates to the refurbishment work being carried out for one of our investment properties, which is what the Sinking Fund was established for, this ensures that the funding for this project is ring fenced, and it will be released in 2023/24, meaning that the 2023/24 Budget will remain balanced.

The Committee **resolved** to approve the revenue expenditure of £109.251 from 2022-23 to be carried forward to 2023-24 and the recommendations as outlined above..

#### **66/23 Q4 Outturn Revenue Monitoring Report as at 31 March 2023**

The Committee considered a report that sought to outline the £22.8m overspend on Capital Expenditure against its Capital Programme provision for 2022-23 as at 31 March 2023.

Committee **resolved** to note the report.

#### **67/23 Local Plan Pause - External Review**

The Committee considered a report on the Council's Local Plan following the decision made at Council on 06 June 2023 to approve the following motion:

“Spelthorne Borough Council formally requests the Planning Inspector to pause the Examination Hearings into the Local Plan for a period of three (3) months to allow time for the new council to understand and review the policies and implications of the Local Plan and after the three month pause the Council will decide what actions may be necessary before the Local Plan examination may proceed.”

During the debate it was proposed by Councillor Williams and seconded by Councillor Beecher that Standing Order 38.1 should be suspended so that the meeting could go beyond the 3 hour mark.

Committee **resolved** to suspend Standing Order 38.1.

Committee **resolved** to:

1. **Not agree** to using the vision dated December 2021 as a baseline benchmark against which the Regulation 19 Submission version of the Local Plan and not to make a recommendation to Council to adopt the vision for this purpose;
2. **Not agree** the draft provisional specification of works drawn up by the proposed 'critical friend' for the review;
3. **Agree** to issue a direct award contract to Catriona Riddell Associates (CRA) to undertake a review of the Local Plan;
4. **Agree** to give delegated authority to the Chief Executive and the Group Head of Corporate Governance to enter a contract with CRA;
5. This recommendation was not voted on due to the vote against recommendation 1;
6. **Agree** that the costs for the review would come from the Corporate Budget;
7. **Agree** to set a date of 14 September 2023 for an Extraordinary Council Meeting (ECM) in line with the motion agreed at the ECM on 06 June 2023;
8. **Agree** to note the risk considerations; and
9. This recommendation was not voted on due to the vote against recommendation 1;

**The meeting was closed at 22.30 and the Committee agreed to reconvene on Thursday 29 June 2023 to discuss the remaining agenda items.**

#### **68/23 Financial Reporting Working Group**

**Items 9 to 16 were considered at the carry-over meeting held 29 June 2023.**

The Committee considered a report that sought approval for the creation of a Member Working Group focused on Financial Reporting.

The following Councillors agreed to be on the working group:

Councillor Boughtflower  
Councillor Islam  
Councillor Nichols  
Councillor Williams

The Committee agreed that membership of the working group should also be offered to councillors outside of the committee. Committee Services are to send out an email to all councillors to ascertain the names of any other councillor that would like to sit on this group.

Committee **resolved** to approve the creation of a Member Working Group focused on Financial Reporting.

#### **69/23 Forward Plan**

The Committee **resolved** to note the Forward Plan for business of this Committee.

#### **70/23 Urgent Actions**

The Committee were advised that no urgent actions had been taken.

#### **71/23 Exclusion of Public & Press (Exempt Business)**

It was proposed by Councillor Boughtflower and Seconded by Councillor Beecher and **resolved** that the public and press be excluded during consideration of the following items, in accordance with paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended) because it was likely to disclose information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority

in being able to undertake even-handed negotiations and finalising acceptable contract terms:

Item 13 – Building Control Service

Item 14 – Electric Vehicle Rapid Charging Hub

Item 15 – Local Authority Housing Fund (LAHF) Round 2

Item 16 – Local Authority Housing Fund (LAHF) Property Acquisitions

**72/23 Building Control Service**

Committee **resolved** to agree the recommendations in the exempt report.

**73/23 Electric Vehicle Rapid Charging Hub**

Committee **resolved** to agree the recommendations outlined in the exempt report.

**74/23 Local Authority Housing Fund Round 2**

Committee **resolved** to agree the recommendations outlined in the exempt report.

**75/23 Urgent Item - Local Authority Housing Fund (LAHF) Property Acquisitions**

Committee **resolved** to agree the acquisition of seven residential properties as part of the Department of Levelling Up of Housing and Communities partnership arrangement for Afghan and Ukraine refugee families.

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