

Public

Minutes of the Overview and Scrutiny Committee 28 November 2017

Present:

Councillor C.A. Davis (Chairman)

Councillors:

| | | |
|--------------|------------------|-------------|
| R.O. Barratt | A.E. Friday | J.R. Sexton |
| S. Capes | A.L. Griffiths | B.B. Spoor |
| T.J.M. Evans | N. Islam | |
| K. Flurry | D. Saliagopoulos | |

Apologies: Councillors J.G. Kavanagh, S. C. Mooney, D. Patel and R.A. Smith-Ainsley

586/17 Minutes

The minutes of the meeting held on 19 September 2017 were approved as a correct record.

587/17 Disclosures of Interest

There were none.

588/17 Call-in of Cabinet decisions

No Cabinet decisions were called in.

589/17 Cabinet Forward Plan

The Committee noted the Cabinet Forward Plan.

590/17 Outcome of Recommendation to Cabinet

The Committee considered the Cabinet response to the Committee's recommendation for measures to deal with anti-social behaviour in Staines-upon-Thames on Sundays.

Members requested clarification of the powers the Joint Enforcement Team had devolved to them by the police. Members also voiced an interest in accepting the invitation from the police made at the Committee's September meeting, to accompany them on patrols in Staines town centre.

Resolved to note the Cabinet response to the recommendation from the Overview and Scrutiny Committee.

591/17 Homeless Reduction Act

The Housing Options Manager presented a report on preparations being made in readiness for the implementation of the Homeless Reduction Act on 3 April 2018.

He explained that this was the most significant change in housing legislation since 1977. It places significant additional burdens on all Local Authorities in England and workload is expected to increase by at least 30%.

The Housing Options Manager outlined the key provisions of the Act, and detailed what the Council was doing to meet the new requirements.

The Committee queried the financial implications to the council arising from the new duties and asked that an update on progress be provided at a future meeting identifying these costs.

Resolved to:

1. note the report, and that further essential work continues to be done in preparation for the Homeless Reduction Act; and
2. agree to review progress and the cost impact to the Council at the March 2018 meeting of this Committee.

592/17 Procurement and Small and Medium Sized Businesses

The Committee received a report on actions being taken and options being considered to increase awareness of procurement opportunities with local businesses.

The Group Head for Commissioning and Transformation read out a very positive response from the local chamber of commerce to the initiatives detailed in the report. The respondent congratulated the Council on a procurement strategy which showed commitment to the local business community.

Members of the Committee raised concerns about the loss of office space in Staines-upon-Thames town centre and the slow progress in completing the procurement contracts register.

Resolved to note the report on procurement and small and medium sized businesses.

593/17 Budget Issues 2018/19 to 2019/20

The Committee received a presentation from the Chief Finance Officer outlining the context of the budget for 2018/19 and the Council's medium term financial strategy. He detailed:

- Impacts from the Autumn Budget statement

- Projected Budget gaps for each financial year from 2018 to 2022 and the factors driving those gaps
- The effect of funding reductions
- Impact of Surrey County Council financial position
- 2018-19 Business rates pilot
- Update on additional commercial income and external risks
- Commercial asset acquisitions
- Housing delivery

The Portfolio Holder for Finance, Councillor H.R. Williams responded to members' questions about the Council's risk management strategy in respect of some of its property acquisitions.

The Committee congratulated the Leader, Cabinet and Chief Executive on the positive results achieved from the Council's asset acquisition strategy.

The Committee agreed to include an item at a future meeting on reviewing the Council's approach to risk management with respect to property acquisitions.

Resolved to:

1. note the presentation on the Budget issues for 2018/19 to 2019/20;
2. congratulate the Leader, Cabinet and Chief Executive on the positive results achieved from the Council's asset acquisition strategy and
3. include an item at a future meeting on reviewing the Council's approach to risk management with respect to property acquisitions

594/17 Capital Monitoring Q2

The Committee considered a report on capital expenditure covering the period April to September 2017.

Members asked for an update on progress being made on the Laleham Park upgrade.

Resolved to note the current level of capital spend.

595/17 Revenue Monitoring Q2

The Committee considered a report on revenue expenditure covering the period April to September 2017.

Members commended officers on the revised format of the report which made the subject matter easier to understand.

Resolved to note the current level of revenue spend and the improved report format.

596/17 Leader's Task Group for Economic Development

The Committee received a written update on the Leader's Task Group which was circulated at the meeting. As neither the Leader nor the Chairman of the Task Group were able to attend the meeting to respond to questions from the Committee, it agreed to defer consideration of this item to the next meeting.

Resolved to defer consideration of the Leader's update on the Economic Development Task Group until the next meeting of the Committee.

597/17 Appointment of members to Task and Finish Group

The Committee agreed to appoint Councillors Barratt, Friday and Saliagopoulos to serve on the Task and Finish Group which was set up at the September meeting to further review the effectiveness of the multi-agency response to anti-social behaviour, improving community engagement and increasing footfall in Staines-upon-Thames town centre on Sundays.

Resolved to appoint Councillors Barratt, Friday and Saliagopoulos to serve on the Staines town centre Task and Finish Group.

598/17 Work Programme

The Committee considered its work programme for the remainder of the municipal year. It noted that two further items raised at this meeting would be included in the future programme: a review of preparations for the implementation of the Homeless Reduction Act and a review of the Council's risk management strategy as regards its property acquisitions.

Resolved to note the work programme subject to the inclusion of:

1. a review of preparations for the implementation of the Homeless Reduction Act at the March 2018 meeting; and
2. a review of the Council's risk management strategy as regards its property acquisitions at a future meeting.

Overview & Scrutiny: 28/11/17

Medium Term Financial Strategy and 2018-19 Budget

Page 5



Minute Item 593/17

Session to cover

■ Issues

- **Autumn Budget statement**
- **Updated Budget gaps**
- **Funding update**
- **Impact of SCC financial position**
- **2018-19 Business rates pilot**
- **Update on additional commercial income and external risks**
- **Commercial asset acquisitions**
- **Housing delivery**

22nd Autumn Budget Statement

- Growth of national economy slowing down with lower future GDP increases, means austerity regime likely to be extended.
- **Universal credit:** modifications announced – will push back roll out in Spelthorne from August to Nov 2018
- **Planning:** Signalled reviews of aspects of planning regime
- **Business rates:** annual uplift of rate to move from RPI to CPI from April 2018, taxbase will rise more slowly but Government says will compensate local government.
- From 2022 will be three yearly business rates revaluations partly reliant on a new self assessment regime
- **Council tax:** Local authorities to be able to charge 100% premium rather than 50% on long term empty properties – Spelthorne currently has 56

Impact on Projected Budget Gaps:

- 2017-18 Balanced
 - 2018-19 £1,150k
 - 2019-20 increase of £1,900k, cumulative £3,050k
 - 2020-21 £100k decrease, cumulative £2,950k
 - 2021-22 increase of £350k, cumulative £3,300k
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- 2019-20 projected adverse movement in general grant of just under £1m

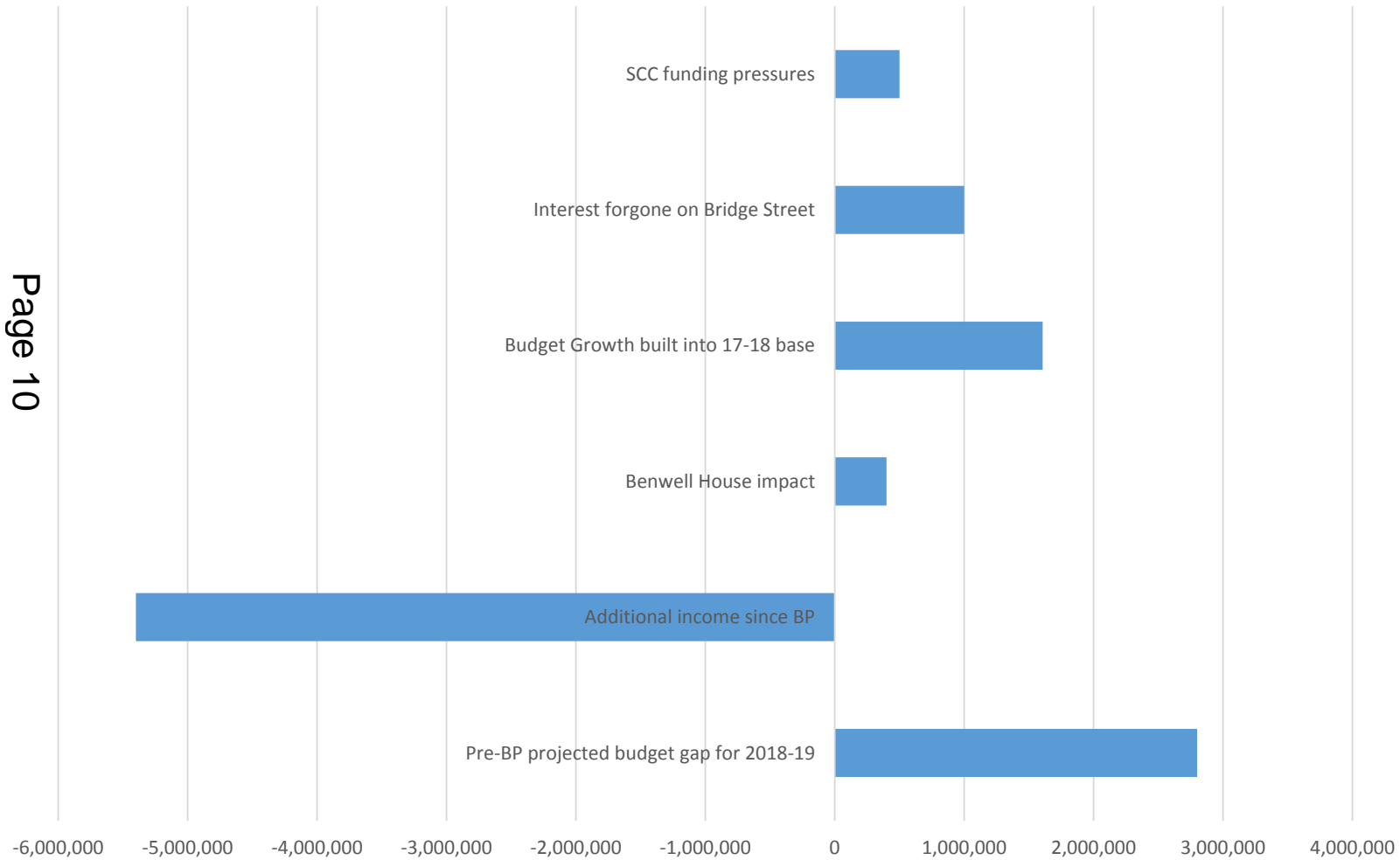
Factors behind 2018-19 Gap

Budget pressures on 2018-19 and adverse movements since BP acquisition

| | £ | £ |
|--|---------|------------|
| Projected budget gap for 2018-19 prior to BP | | 2,800,000 |
| Additional investment income since BP | | -5,400,000 |
| Benwell short term cashflow effect | | 400,000 |
| | | -2,200,000 |
| No capital receipts for Bridge Street and Ashford - interest impact | | 1,000,000 |
| SCC cuts and pressures | | 500,000 |
| Reduction in grant (18-19 grant reduction already anticipated prior to BP) | | |
| Growth built in 2017-18 budget base- not anticipated prior to BP | | |
| Recruitment & Retention | 200,000 | |
| Local Pay | 100,000 | |
| HB Overpayments reduction in credit | 300,000 | |
| Housing resource pressures | 294,000 | |
| Streetscene pressures | 294,000 | |
| Business rates revaluation impact | 180,000 | |
| Legal resources | 100,000 | |
| Employee insurance | 45,000 | |
| Cleaning contract | 93,000 | |
| Misc | 194,000 | |
| | | 1,800,000 |
| Net effect of above- revised budget gap 2018-19 | | 1,100,000 |

Factors impacting on 18-19 Gap

Impacts on 2018-19 Budget



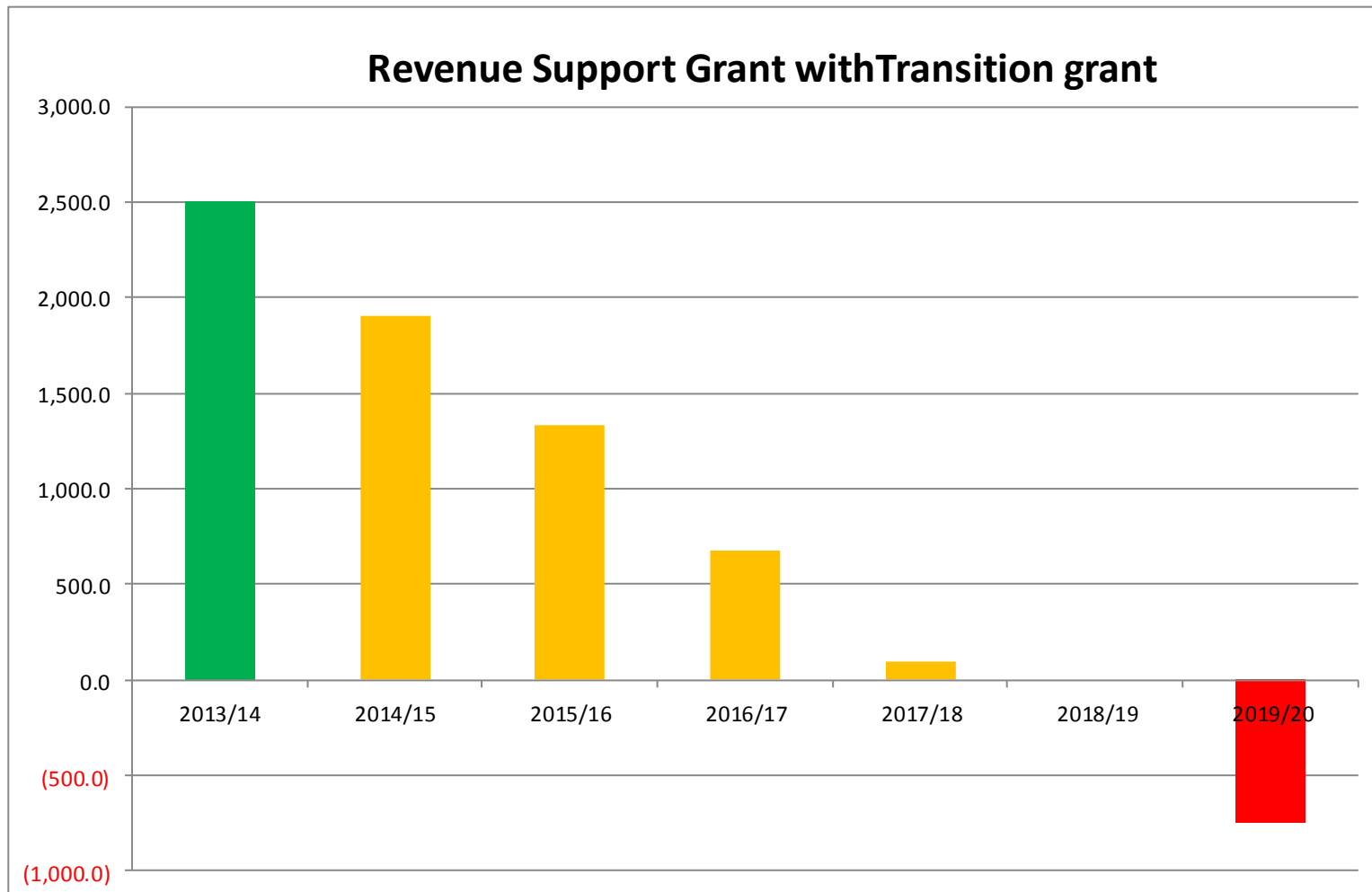
Current Deficit assumptions and factors driving gap

- Band D Annual council tax increase of £5 per annum
- Base rate increased by 0.25% Interest rates may increase further although expected to be a slow rate of increase
- Stock condition of assets – backlog maintenance of £3.6m to be programmed in over future years (2018-19 further £250k increase in revenue budget)
- Staff annual pay award –move back to local agreement linked to national pay (as a minimum) – assumed 2% for 2018-19 and 1.75% thereafter- **with national pay cap being eased that this may increase**
- Benefits overpayment income of £0.5m per annum phased out by 2019-20 with Universal Credits- following Budget roll out pushed back a few months

Budget Pressures including housing and recycling

- SCC pressures (recycling, street lights, verges, recycling) in total adding approx. half million to budget gap
- Continuing demand for B&B temporary housing accommodation
- Homelessness Reduction Act implemented in April 2018 adding additional responsibilities with significant resourcing implications
- Roll out of Universal Credit continuing which will mean by 2019-20 loss of the £0.5m overpayments net credit we have been achieving-delay in process benefits SBC
- Expectations around funding of Thames Flood Relief Scheme

Grant Reductions: Revenue Support Grant (RSG)

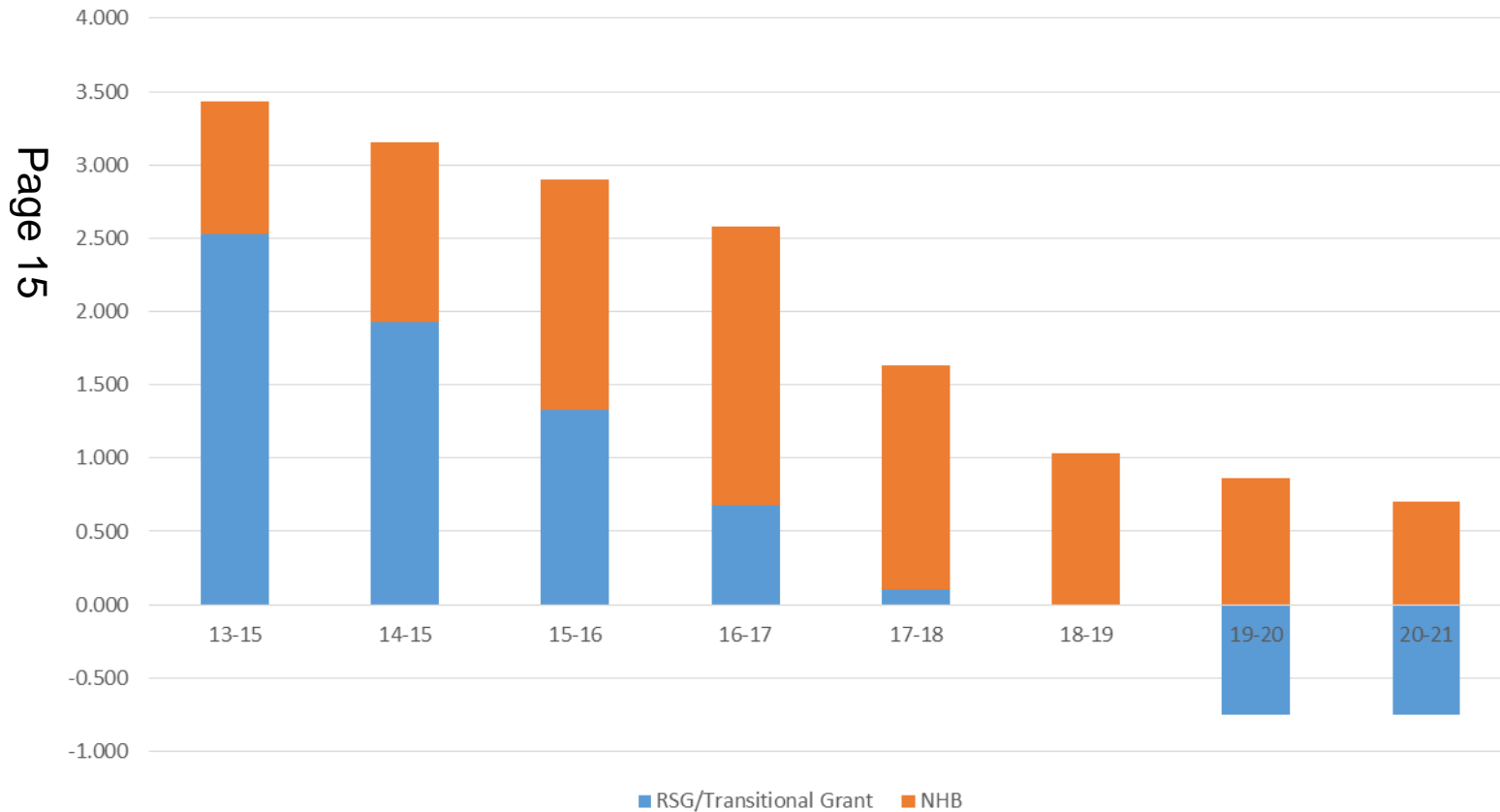


New Homes Bonus Grant (NHB)

- Paid on basis of additional residential dwellings added to the tax base (in two tier areas a 80:20 split between districts and counties)
- Government reviewed and reduced national size of the pot by a third (£800m) from 2017-18 with funds transferred to help fund adult social care
- Government also increased linkage to planning performance and reduced number of years each grant allocation paid from 6 years to 4 years
- Project to increase taxbase by reducing number of empty homes which will boost a little NHB numbers

Combined RSG and NHB funding

Combined RSG and NHB Grant funding



Page 15

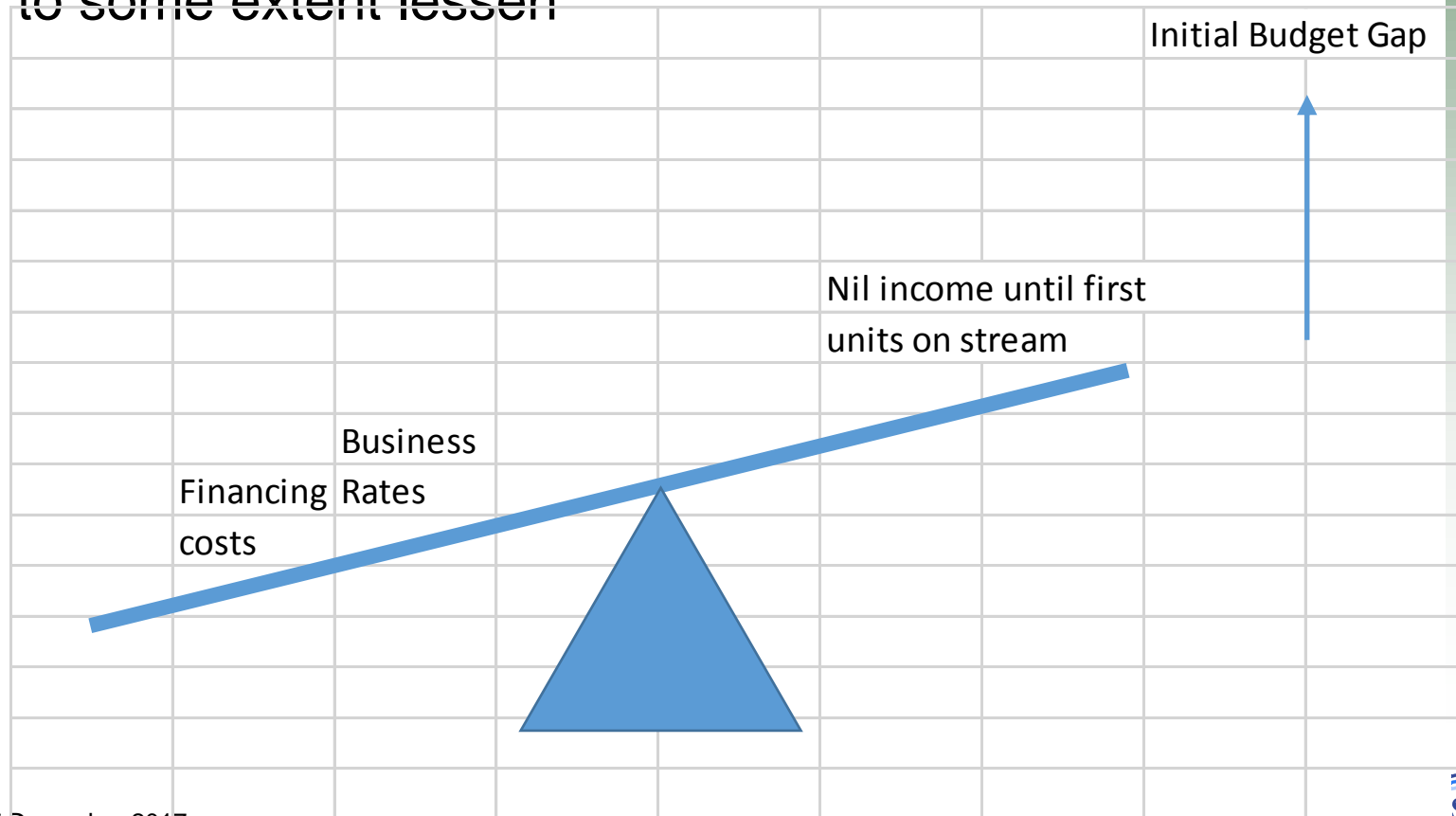
Reserves

- Usable reserves as at 31/3/17 - £11.9m
- Capital receipts used up
 - 18 months ago anticipating £25m (Bridge Street and Ashford MSCP) within following two years. Will now be longer before generate income stream on these sites
 - Constraint on Capital Programme - other than additional capital receipts generated in year (such as RTB share) we will have to either fund Capital Programme from revenue or borrowing- **additional pressures on Revenue budget adding to Budget Gap**
 - For some sites joint venture partner may be appropriate

Impact of generating medium term additional housing supply and rental income

- Investing to create additional supply will in short term add to revenue budget pressure – option of JVs would to some extent lessen

Page 17



Housing

- Pressure on emergency accommodation numbers (latest figure 84 families)
- Harper House has secured some supply
- Homelessness Reduction Act significant resource implications impacting on 2018-19 Budget
- Actions
 - Use of S106 funds to fund site acquisitions
 - Increasing supply of mix of tenures- Benwell House, Churchill, Bugle etc
 - Use of *Knowle Green Estates* to develop and retain affordable/social rental units

Operational Efficiency

- Group Heads and managers being asked to review opportunities for efficiency and income generation
- Fees and Charges to be revised to focus on what market can bear whilst balancing impact on local business community
- Renewed focus on agile working and IT efficiencies – reducing our operational footprint to realise savings
- Seeking to achieve procurement savings – now have dedicated Procurement Officer in post
- Letting surplus space on short term basis

Surrey Business Rates Pilot

- Surrey councils bidding to become a 100% business rates retention pilot for 18-19
- Pilots may extend into a second year
- Does not mean 100% of rates retained (£350m still transferred out of Surrey) but will enable additional £28m to be retained across Surrey
- Bid submitted, expected to hear outcome in next week or so
- Bids need to meet criteria including setting out how supports financial sustainability and economic growth
- Estimated outcome for Spelthorne £800k non-ring fenced and approx. £1m available to fund economic growth projects – eg Small business incubator

Additional Income Generated (approx. £100m per £1m revenue)

- Council since summer 2016 purchased:
 - BP International Campus
 - Elmbrook House, Sunbury
 - 3 Roundwood Avenue, Stockley Park
 - WBC4 , Heathrow

- Total purchase cost approx. £500m and delivers net (after interest, repayments, supervision and sinking fund for refurbishment) ongoing additional revenue stream of £5.4m per annum to support provision of services

Closing the Budget Gap

- Salami slicing not sustainable
- Target to generate a further £4m per annum commercial property stream- increase borrowing limits to £900m
- Risks
 - Rates rising, BoE rate has risen & potential for PWLB rates to rise
 - Increased focus on councils purchasing
 - CIPFA Prudential and Treasury Management Codes being revised
 - New statutory guidance under consultation to be confirmed in early 2018
- Therefore focusing on getting a number of targets across the line as quickly as possible but need to be robust in terms of risk and tenant strength etc

Longer Term income streams

- If ability to acquire commercial assets is restricted we need to consider alternative ways of generating sustainable income streams
- Housing rental on sites such as Knowle Green, contributes towards corporate Housing Priority
 - Options being worked up
- Benwell House
- Leisure Centre
- Generating income from our other sites such as Bridge Street

Continuing to progress *Towards a Sustainable Future*

- Income Generation
 - Maximising investment returns
 - Financial investments
 - Commercial properties
 - Obtain value and ongoing income from assets
 - Grow the council tax and business rates taxbase
- Reducing office accommodation footprint and costs and generating housing rental income on current site