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Minutes of the Overview and Scrutiny Committee 10 November 2015

Present:

Councillor A.E. Friday (Chairman)

Councillors:

S.J. Burkmar

I.T.E. Harvey

O. Rybinski

S. Capes

A.T. Jones

B.B. Spoor

R. Chandler

J.G. Kavanagh

H.R.D. Williams

K. Flurry

S.C. Mooney

Apologies: Councillors D. Patel and A. Neale

283/15 Minutes

The minutes of the meeting held on 15 September 2015 were agreed as a correct record.

284/15 Disclosures of Interest

There were none.

285/15 Call-in of Cabinet decisions

No Cabinet decisions had been called in for review.

286/15 Assets and Income Generation

The Staines-upon-Thames Regeneration Manager and Joint Head of Asset Management gave a presentation (attached to these minutes), outlining how the Council is using its assets for income generation and the impact on car park provision in the Borough.

They set out the latest position with regards to current and potential projects and explained that the income from these would help enable the Council to:

- balance its books over the medium term, through re-investment;
- build and strengthen the asset base through purchasing property for investment;

- provide benefits to local communities, e.g. environmental, facilities, housing on an invest to save basis;
- set up development company(ies) to deliver various types of housing and possibly other assets.

In the longer term the use of the Council's assets for income generation would bring opportunities to place shape communities, improve service provision for residents and make the Council self-sustaining.

The Portfolio Holder for Economic Development and Fixed Assets, Councillor Nick Gething, advised the Committee that reducing income from central government grants meant that the Council needed to continue to find ways to fund services to residents and not have to worry about cuts to them in the future.

Resolved to note the presentation on assets and income presentation in conjunction with the following presentation on the 2016/17 budget.

287/15 2016-17 Budget and beyond: The challenge of delivering a sustainable financial future

The Portfolio Holder for Finance, Councillor Tim Evans, supported by the Chief Finance Officer, gave a presentation (attached to these minutes) outlining the context of the budget for 2016/17 and the challenges of delivering a sustainable financial future due to both the known demands and pressures on the budget and those that were difficult to forecast.

He reminded the Committee that the Council had a statutory obligation to balance the budget but in doing so its main purpose was to be able to have a Council that is sustainable and can provide the services and housing to residents that they need.

In order to achieve this sustainable future, Councillor Evans summarised the three areas of focus as:

- income generation through maximising investment returns and obtaining value and ongoing income from assets;
- relocating the Council offices to cheaper more flexible accommodation and generating housing rental income on the current site; and
- looking at alternative delivery models for some services.

Members of the Committee queried how the Council planned to make its contribution to the £40m shortfall sought by the Environment Agency from affected neighbouring authorities and local partners to fund the River Thames Scheme. The Deputy Chief Executive, Terry Collier informed the Committee that the Council was very much involved in discussions about the Scheme and had already built a small share, of the total contribution required, into the budget of £49k per annum for this and the next four years to help progress the detailed planning of the Scheme. He agreed to the request that a statement be published to raise awareness of the Council's involvement in the scheme.

Resolved that the Committee:

1. expresses concern that proper provision is made to provide adequate flood prevention measures for the Borough and
2. accepts the vital importance of the Towards a Sustainable Future programme and urges the Cabinet to use the inevitable delay caused by the change in Leadership to ensure that detailed policies are in place to enable implementation of this strategy as swiftly as possible.

288/15 Capital Monitoring Report

The Committee received the Capital Monitoring report covering the period April to August 2015.

The Committee noted that for the period ending August 2015, capital expenditure including commitments was £350k (17.9%) of the original budget and (17.1%) of the revised budget (excluding the Knowle Green and Housing opportunity projects).

Resolved to note the current capital spend position.

289/15 Revenue Monitoring Report

The Committee received the Revenue Monitoring Report providing the net revenue spend figures to the end of August 2015.

The Committee noted the forecast outturn at net expenditure level was £14.290m against the revised budget of £14.536m; which was a projected favourable variance of £246k. The Committee noted that after taking into account the use of carry forwards, the net position is approximately £245k favourable variance.

Resolved to note the current net revenue spend and forecast position.

290/15 Leader's Task Groups

The Committee received an update on progress with the work of the Leader's Sub-Task Group for Assets and Regeneration in relation to Knowle Green from the chairman of the Group, Councillor Harvey.

The Portfolio Holder, Councillor Gething, noted that the Council would need to buy in professional expertise to acquire and develop the sites we were looking to develop in the future, as it had not employed staff with such skills for many years.

Resolved to note the work undertaken to date by the Leader's Task Group.

291/15 Cabinet Forward Plan

The Committee received the Cabinet Forward Plan.

Resolved to note the Forward Plan.

292/15 Work Programme

The Chairman referred to a topic identified by the Committee at its July meeting for inclusion in the work programme which was due to be considered at the January 2016 meeting, on a performance review of the Council's main contracts. He read out a list of the Council's main contracts which it was proposed to be included in the report:

1. Grounds maintenance
2. Vehicle supply – including contract for the hire of street cleansing and refuse collection vehicles
3. Leisure centres management
4. CCTV - Agreement for the provision of monitoring and maintenance services
5. Contract for the provision of general office cleaning at Knowle Green, Car Park Office, Fordbridge and Greeno Day Centres
6. Contract for the management of Staines Market
7. Provision of services for bulking, processing and disposal of co-mingled dry recyclables
8. Replacement of roof at Greeno Centre, Shepperton
9. Contract for the hire of vehicles for the Council's Meals on Wheels service

The Committee agreed the inclusion of all these contracts, with the exception of replacement of roof at Greeno Centre, Shepperton, in the report for the January 2016 meeting.

Resolved to note the Committee's Work Programme for the remainder of the Municipal Year.

Overview and Scrutiny Committee Assets and income generation 10 November 2015

**Cathy Munro – Joint Head of Asset
Management**

**Heather Morgan – Staines-upon-Thames
Regeneration Manager**

Areas to be covered

Best value and Section 123

Bridge Street car park - disposal

Future parking – Staines-upon-Thames

Ashford multi storey car park

Benefits of disposal

Lessons learnt and moving forwards

The technical bit when selling Best value and Section 123

Council cannot dispose of land for a consideration less than can be reasonably obtained

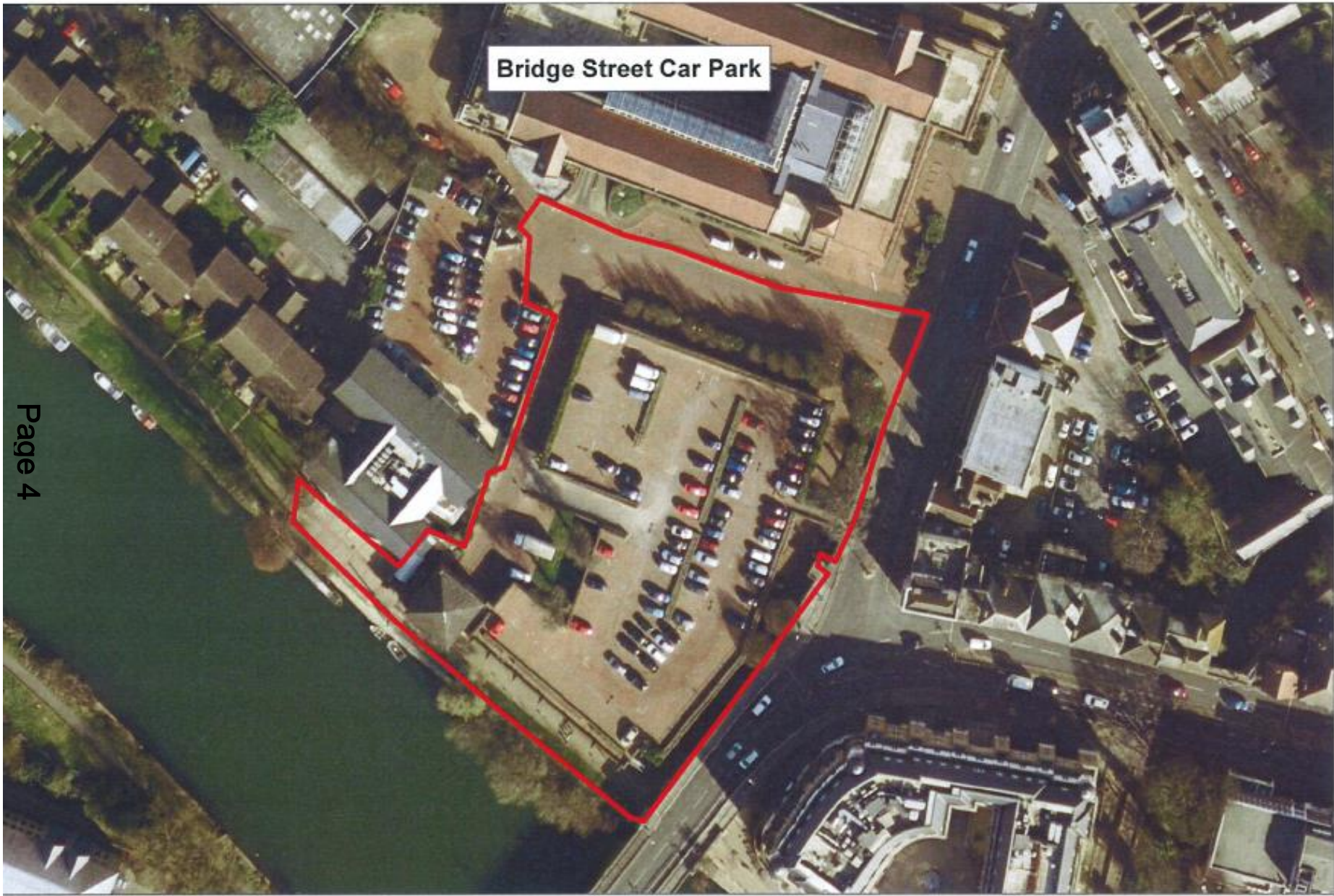
Need to have an independent valuation done of the site and assess bids against this

Needs to have a realistic prospect of being delivered (if sale is subject to planning)

Need to have a very robust financial justification if you do not go with the highest

Bridge Street Car Park

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Scale: 1:1,000

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Bridge Street car park from Runnymede



Why are we selling?

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**Prestige
riverside
site
(developers
are paying
a premium
to buy)**

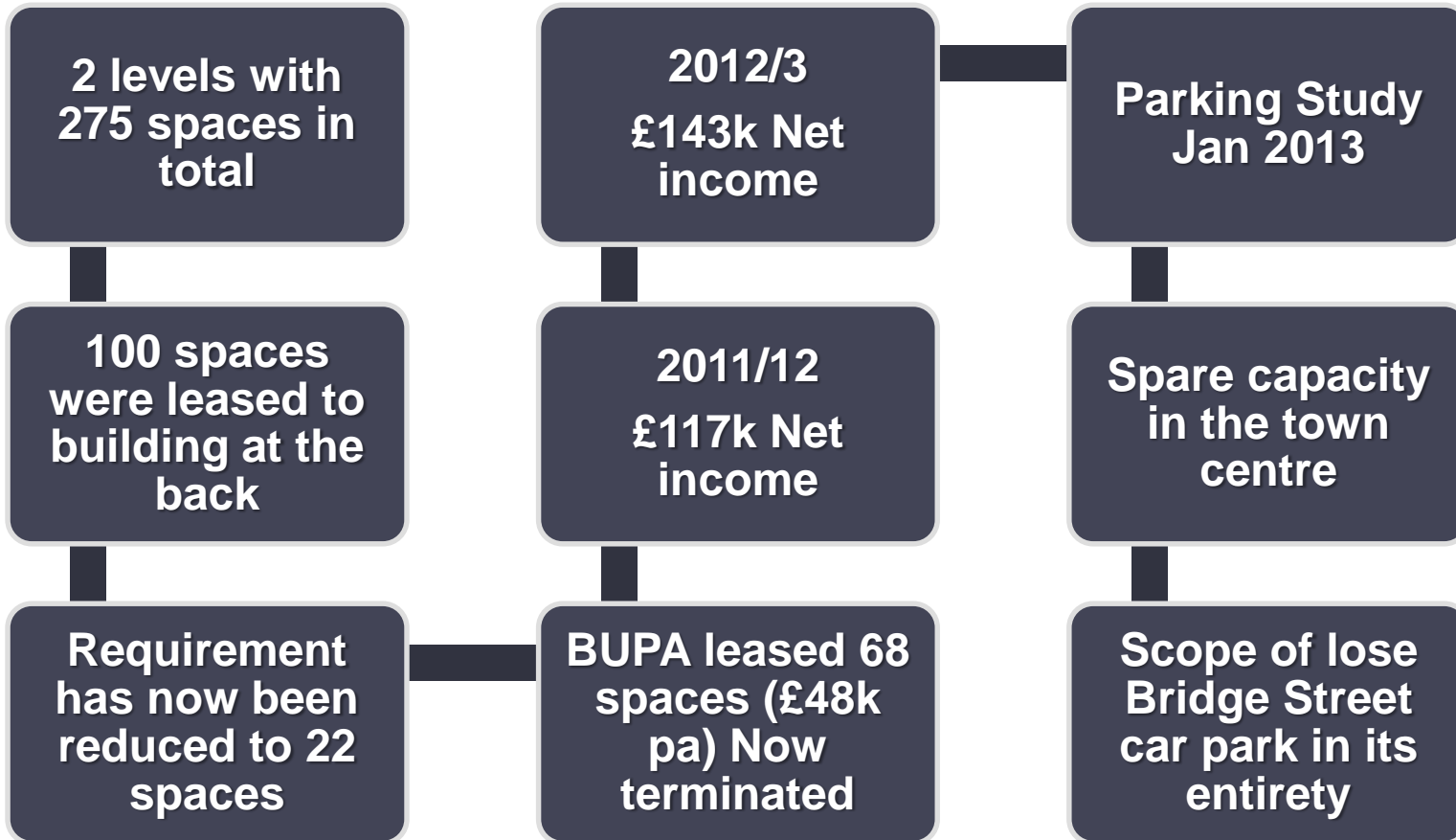
**Enables us
to achieve a
range of
projects as
a result**

**Parking
study 2012
confirmed
there was
spare
capacity
and it was
not needed**

**Parking
income
£140k pa
compared
to £750k –
£1m (@ 5%)**

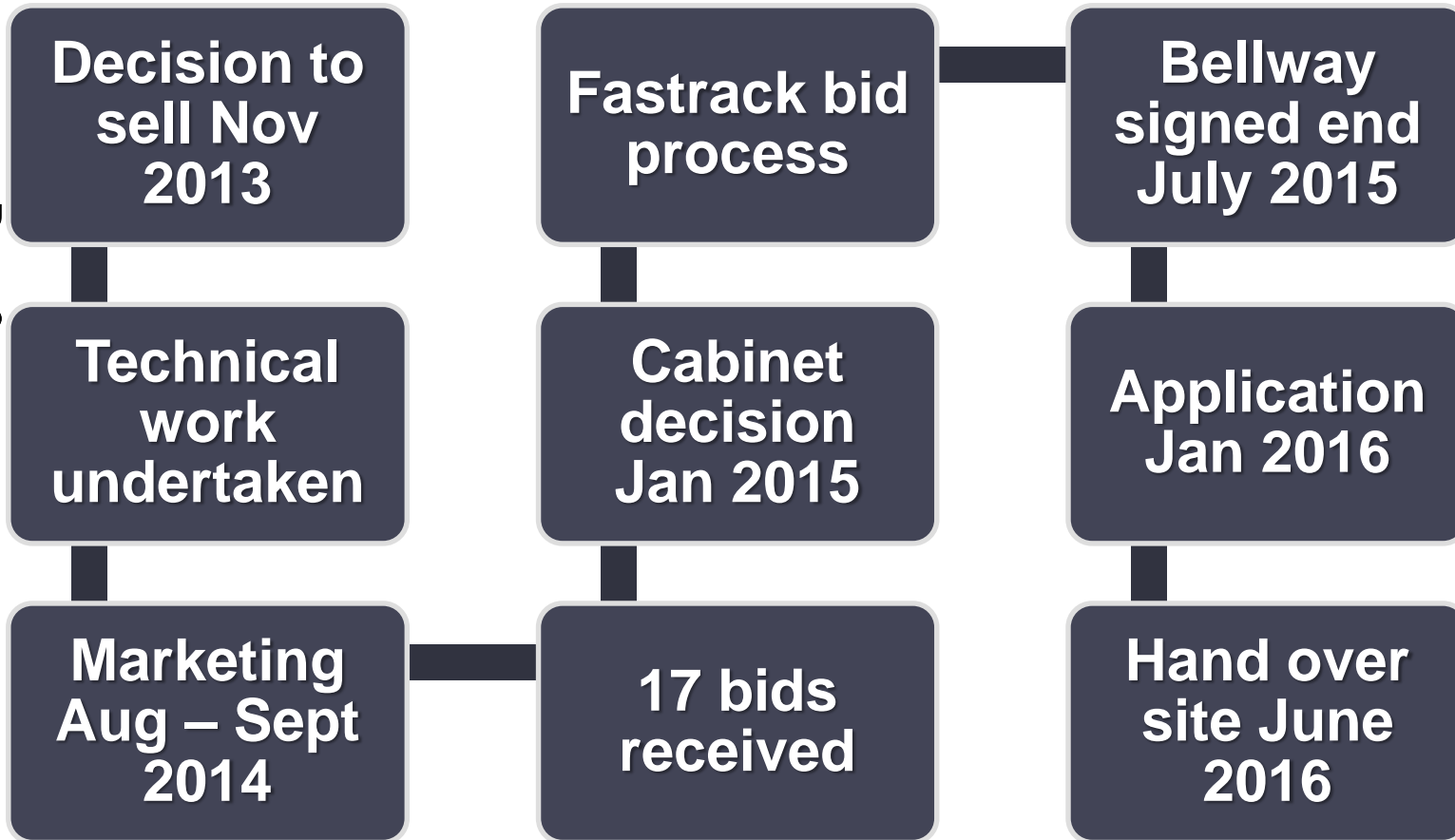
Bridge Street – parking

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Bridge Street car park – key points

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Tothill car park (Elmsleigh surface off to right)



Town centre assets – parking

Main assets are car parks, aside from Elmsleigh Centre (receive 14% of total income of the centre)

Update underway on current and future parking requirements for the town centre

Looking at capacity going forward, ensuring continuity of parking provision during change, possible further development

Future – maximising parking assets

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Parking need

- Recognise easy access to car parks benefits the town
- Capacity will need to increase if the shopping offer is expanded

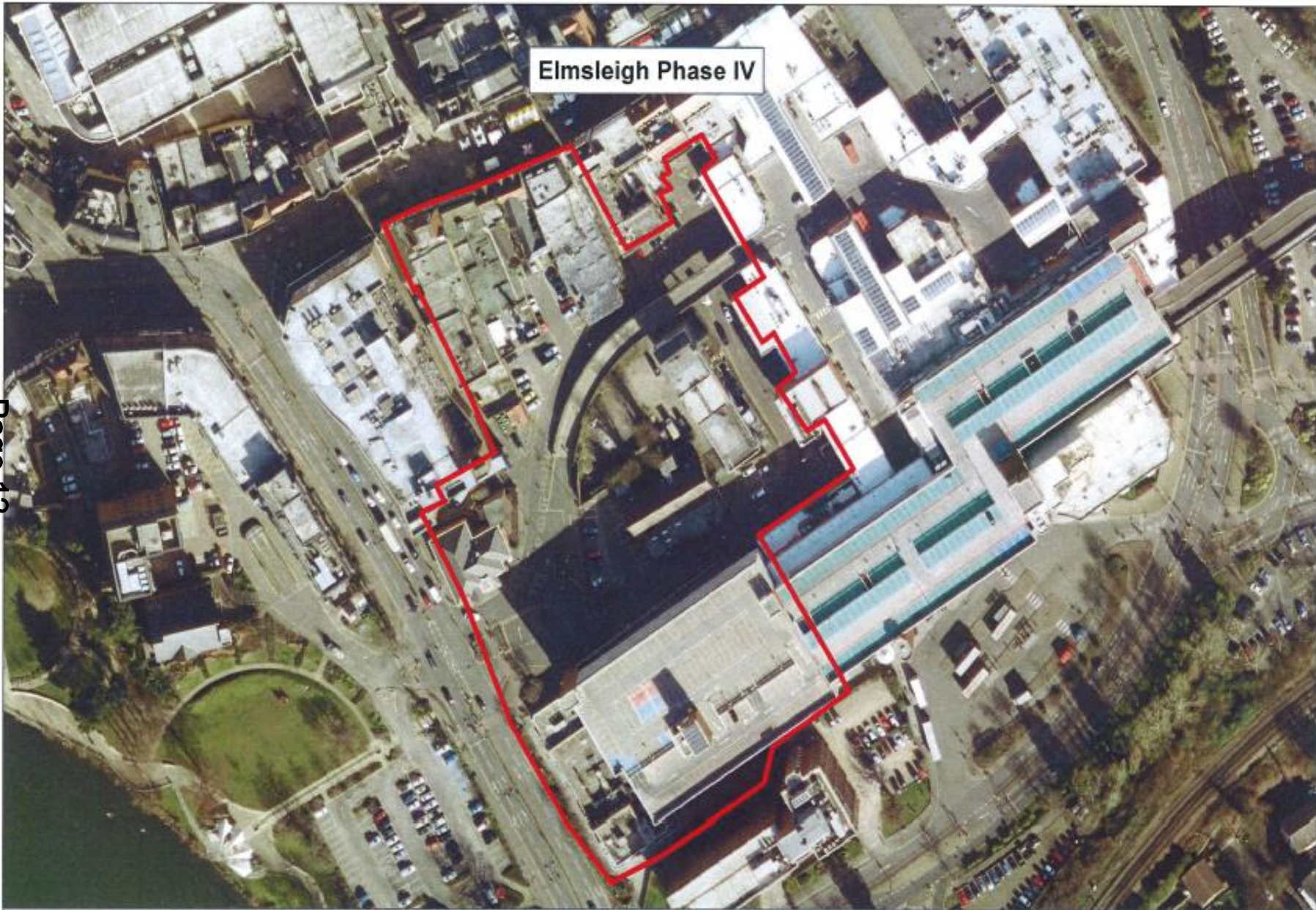
Where it should go

- Looking at whether there should be further consolidation
- Looking at scope for wider redevelopment of Tothill and adjoining area

Making best use

- Need to consider additional decked parking on Elmleigh surface (with residential to facilitate wider Tothill scheme)

Elmsleigh Phase IV



Scale: 1:1,500

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Tothill – Phase IV and Riverside

Game changing asset and place shaping opportunity

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Need to be very clear on what we expect from any redevelopment scheme (retail led)

Opportunity to deliver significant 'housing offer' above retail which will give us an income stream

Scope to look at development partners to bring in expertise and capital

Ability to bring in Riverside car park as part of a comprehensive solution

Riverside Car Park & Memorial Gardens



Scale: 1:1,000

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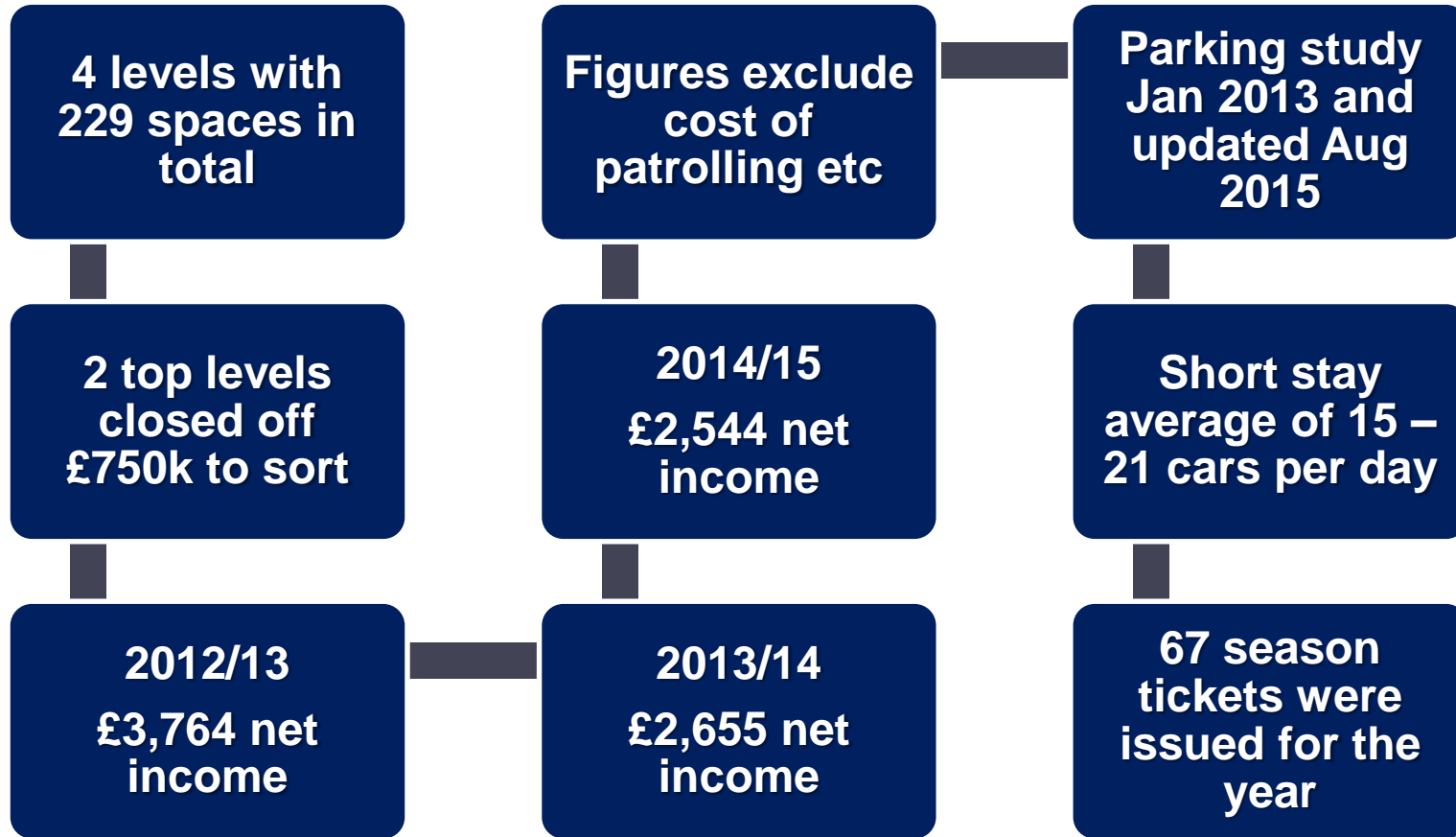


Ashford multi storey car park



Ashford MSCP – parking

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Ashford Multi Storey Car Park

- Preferred Bidder is Lidl UK Ltd
- 18 residential units, food store plus 72 spaces for shoppers and public
- Outcome – larger foodstore offering a ‘different’ level of shopping will increase footfall and encourage empty shops to be taken up
- £x million to be received/valuation £800k demonstrates Councils obtained best value for the site
- Cabinet anticipate the Brooklands site will have a high density of housing so have taken 0% affordable on the car park site
- In discussions with Inland Homes (Brooklands) regarding re-providing extra parking on their site for public use

Needs that the borough has to meet

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**Balance the books
(Fiscal prudence)**

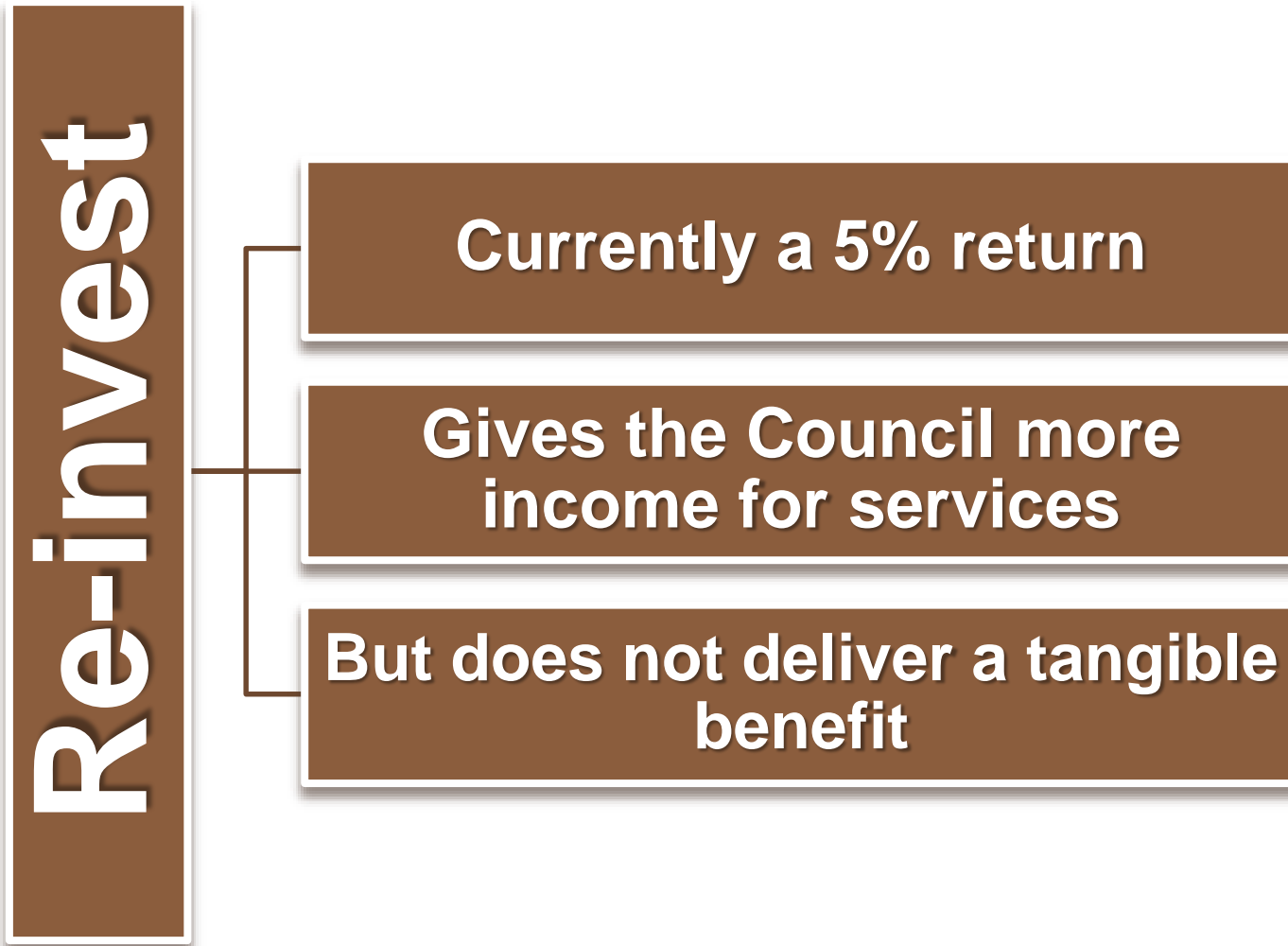
**Build and
strengthen asset
base (Acquisition for
investment)**

**Receipt can
facilitate**

**Community benefits
– environmental,
facilities, invest to
save**

**Development
compan(ies) to
deliver housing
(various types)**

Balance the books (Treasury Management)



Build and strengthen asset base (acquisition for investment only)

Buy as investment

Could be bought out of borough

Buy for income stream only (can include commercial units/uses)

If in borough use to support economic growth (business and housing for people)

Community (benefits) (1)

Community benefits

Community projects

Play and leisure facilities

Upgrading open spaces

Community (benefits) (2)

Community benefits

Ward based projects

Building facilities locally

Dealing with problem sites
to deliver new uses

Community (invest to save) residential (example)

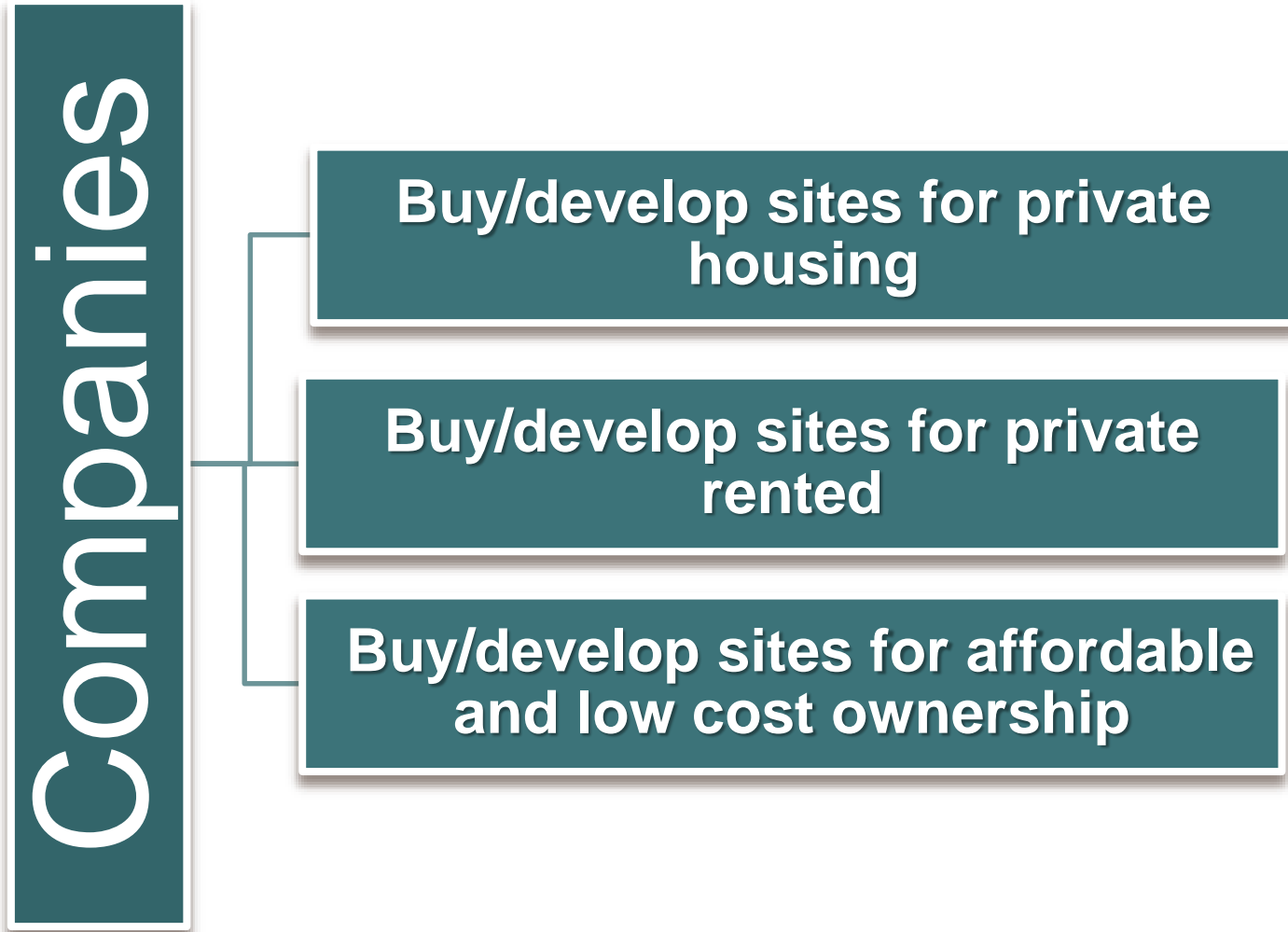
Invest to save

B&B net cost £6,700 pa per family

20 extra units at Crooked Billet
(saving £134k pa)

8 year payback on investment or
7.5% return pa (for £1m invested)

Development Compan(ies)



Outcomes – longer term



Lessons learnt – project delivery

Be very clear about outcomes before we embark on a process

Ensure efficient decision making processes are in place

Focus on purpose throughout – e.g. for money to then re-invest

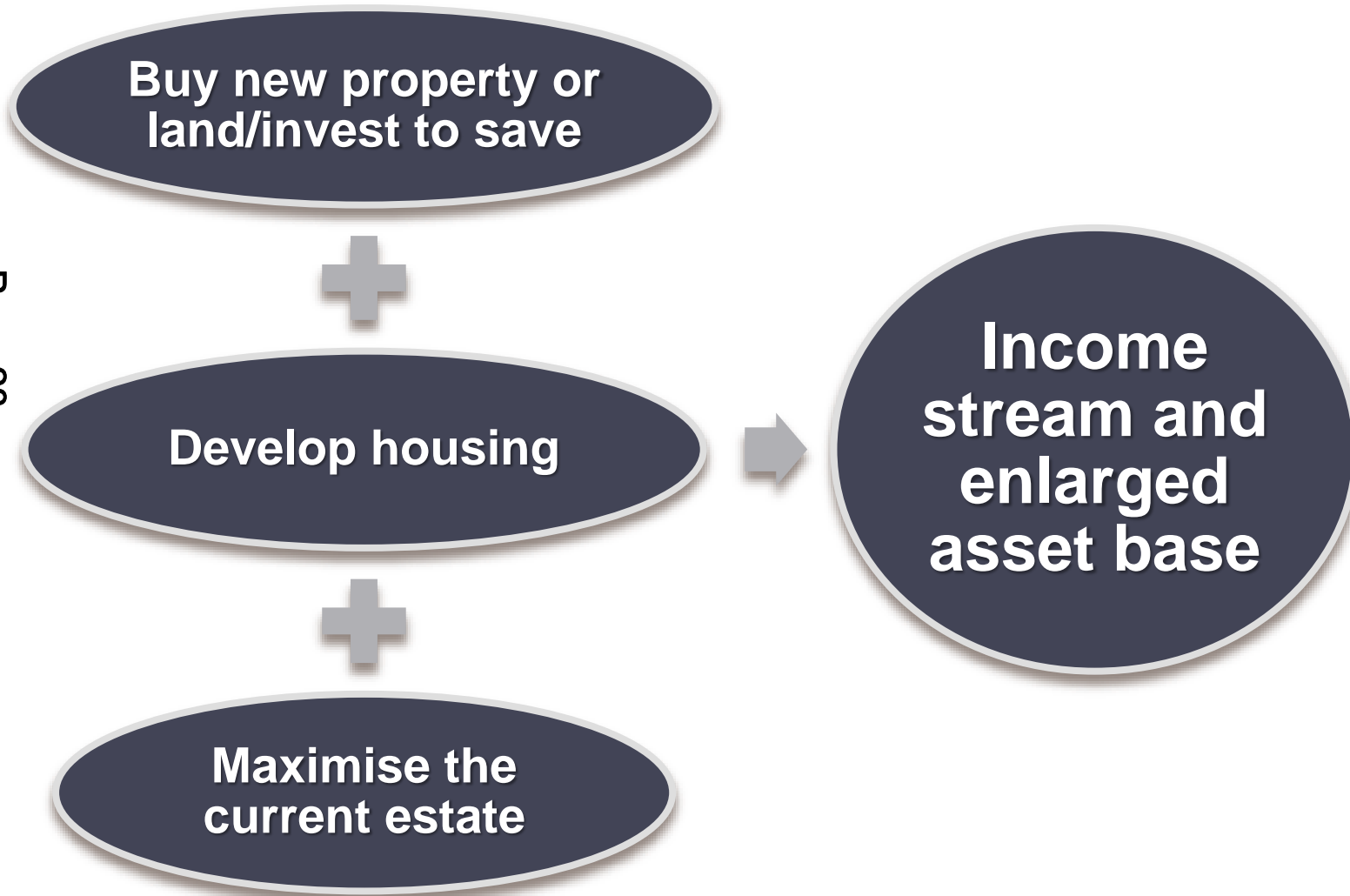
Lessons learnt – project delivery

Communicate any changes quickly as the project progresses

Need for clear and quick decision making

Ensure information is available to make an informed decision

Moving forwards



Questions and discussion



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Overview and Scrutiny 10th November 2016-17 Budget and Beyond: The Challenge of Delivering a Sustainable Financial Future

Terry Collier, Chief Finance Officer and Cllr Tim
Evans

Session to cover

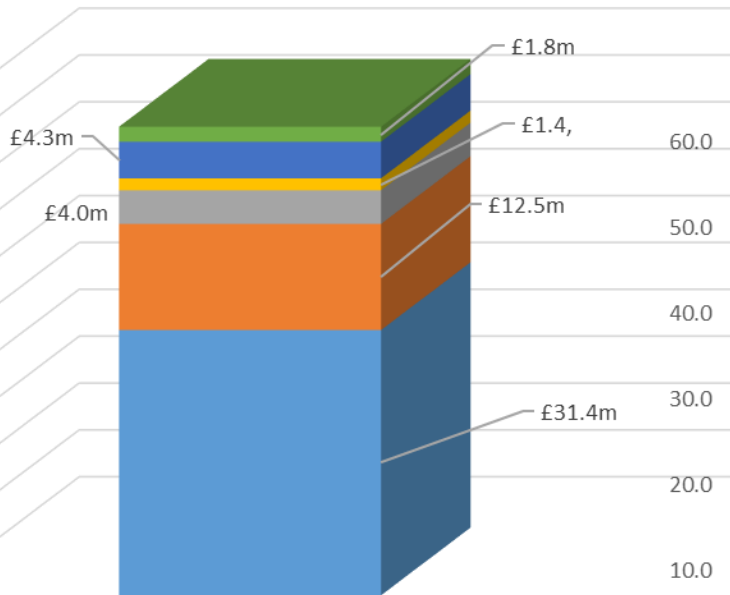
- **Reminder of current budget**
- **Summary timetable for Budget process**
- **Impacts of 8 July Budget announcements**
- **Pressures, including housing**
- **Refresh and review of funding challenges (including Business Rates)**
- **Updated Budget gap projections**
- **Update on asset income generation opportunities**
- **Latest medium term budget assumptions/projections/TaSF**
 - **Council Tax**

Summary Budget Timetable

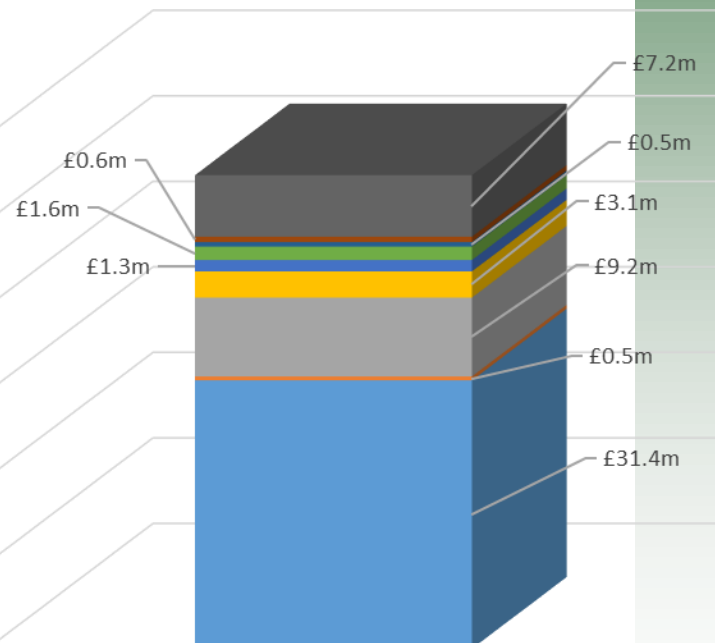
- 25th November Spending Review announcements
- Early December Cabinet meet with MAT to review progress on budget and give steer on options
- Mid to late December confirmation of grant funding for 2016-17 received
- Dec 9th Outline Budget Report considered by Cabinet
- January Cabinet firm up Fees and Charges, Revenue Budget and Capital Programme
- January Cabinet agree Treasury Management Strategy for 2016-17
- February 25th Council sets Council Tax and Budget

2015-16 Budget- How spent and how funded

Type of expenditure £55.4m



Sources of funding: £55.4m



- Benefit Payments
- Employees
- Premises
- Transport
- Supplies and Services
- External Contracts

- Housing Benefit grant
- Rents & Other Income
- Revenue Support Grant
- Reserves
- Council Tax
- Additional Specific Government Grants
- Business Rates
- New Homes Bonus Grant
- Interest

8 July Budget – National impacts

- Government to find £18bn cuts to public spending by 19/20 compared to £41bn in March Budget
- Expected local govt funding reductions phased over 3 rather than 2 years ie 16-17 to 18-19
- Working age benefits (incl tax credits and local housing allowance) frozen for 4 years= £4bn saving
- Benefits cap reduced to £20k (£23k in London)
- Social tenants with household incomes of more than £30k will have to “Pay to Stay” ie market rent
- £800m funding for Discretionary Housing Payments over 5 years
- Public sector pay constrained to 1% increase per annum for 4 years from 16-17 (private sector pay now rising at 3%- risk of talent drain for sector)
- National Living Wage set at £7.20 in April 15 rising to £9 by 2020 – pressures on sectors such as care homes

8 July continued

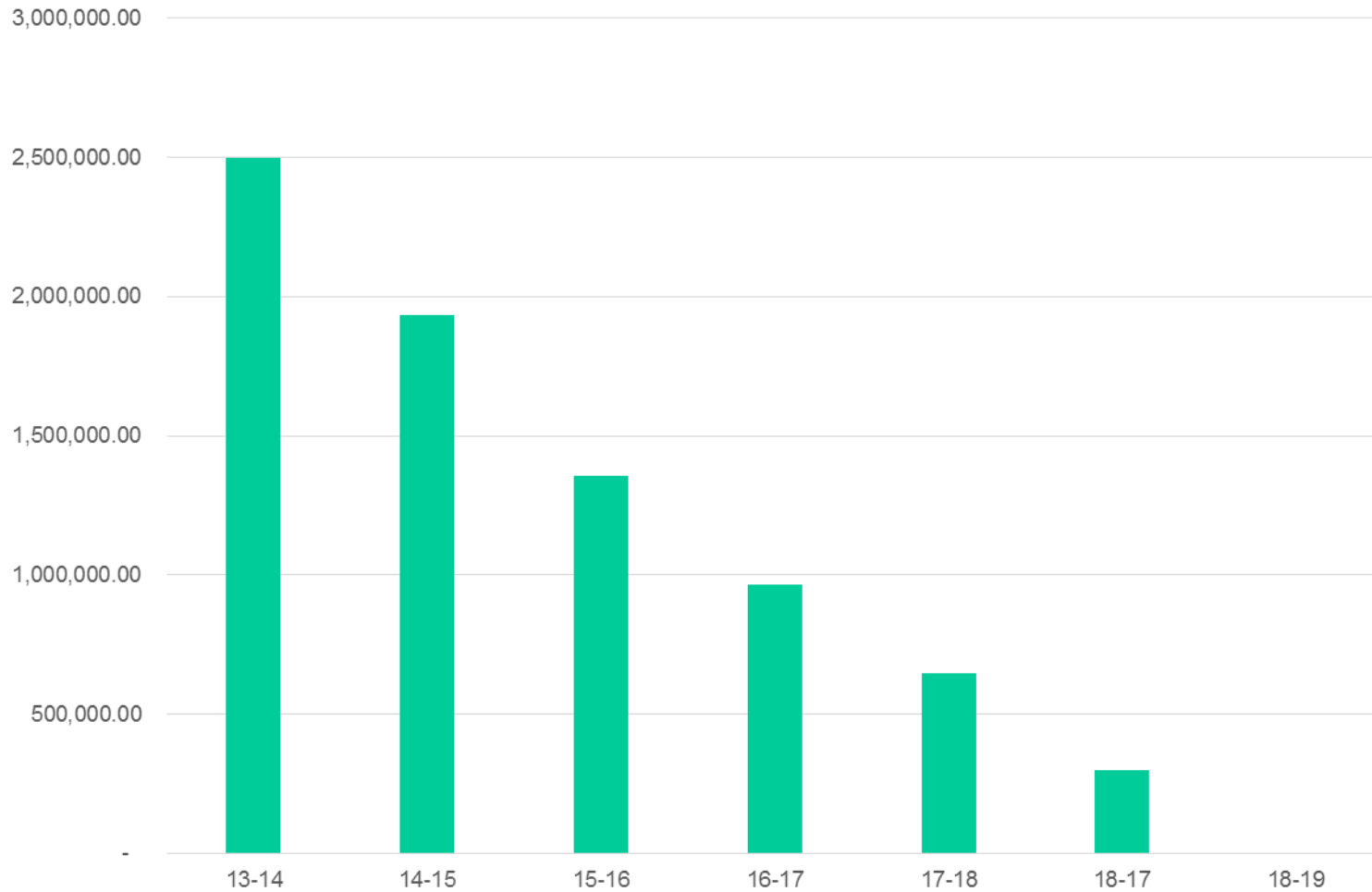
- Business rates admin interim report published
- 3 million apprenticeships to be created by 2020 funded by levy on businesses
- No mention of council tax freeze arrangements- regime being dropped?
- First county devolution deal being progressed with Cornwall.
- Ministry of Defence spend to rise by 0.5% in real terms to 20-21
- Planning – relaxation of rules to make easier to develop on brownfield sites
- Latest indications a 30% cut for DCLG over 4 years

Continuing Local Pressures

- 2015-16 Budget £75k additional built in– currently projected to overspend B&B budget by further £230k – now approx. 92 families- **reinforces need to progress housing delivery**
- Triennial local govt pensions revaluation take effect from 16-17 anticipated to rise by £180k per annum
- 2016-17 see impact of ending of “contracting out” on NI additional £170k per annum
- Roll out of Universal Credit will continue which will mean by 2019-20 loss of the £0.5m overpayments net credit we have been achieving

Local position with respect to Revenue Support Grant

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Business Rates

- Spelthorne retains approximately 7% of £42m business rates collected
- Spelthorne passes 50% over to Treasury; 10% over to SCC and then pay a £14m tariff as a high taxbase council
- Spelthorne joined “Surrey Business rates pool” in 2015-16 which will enable SBC to retain more of any business rates growth
- Treasury review of Business Rates administration in 2016
- With Devolution announcements made by Chancellor in October business rates will become even more important
- In 2015-16 and 2016-17 Spelthorne is part of a 4/5 council Surrey Business Rates Pool which benefits us by avoiding the need to pay a 50% levy on additional business rates growth- worth approx. £600k per annum

Current Deficit assumptions and factors driving gap

- Staff annual pay award 1% from 2016-17 onwards (consideration to be taken account of ending of contracting out on employees?)
- No increase for councillors' allowances (impact marginal)
- Annual council tax increase of 1.94% per annum
- Interest rates not rising before early 2017
- Stock condition of assets – backlog maintenance of £3.6m to be programmed in over next 4 years
- Benefits overpayment income of £0.5m per annum phased out by 2017-18 with Universal Credits
- Employer pension costs increasing by
 - 2016-17 £360k (includes impact of Chancellor's proposed changes to opt out rules) and further annual increases of £180k per annum thereafter until next revaluation

Budget Gap projections

- 2015-16 Balanced
- 2016-17 Further £800k (cumulative £800k)
- 2017-18 Further £1,000k (cumulative £1,800k)
- 2018-19 Further £1,500k (cumulative £3,300k)
- 2019-20 Further £600k (cumulative £3,900k)

Investments

- Interest rates available from counterparties to councils are low
- To mitigate impact of the above put in place diversified investment strategy
 - Equity backed funds
 - Corporate bond funds
 - Property backed funds
- Can only deposit for relatively short periods reducing returns
- On our core £8.5m pooled funds Council earned average return of 5% for 14-15 plus capital gain of £1.3m
- 14-15 investment income £200k better than budget target
- Return of 5% provides benchmark for evaluating income generation proposals
- 2016-17 Treasury Management Strategy will go to January Cabinet and February Council

Bridge Street

- Currently anticipate £20m capital receipt May 2016
- If re-invest £20m to earn return of 5% per annum equates to £1m per annum (would not be full year for 16-17)

Asset income opportunities

- Ashford MSCP – £5m capital receipt with preferred partner
- Stanwell Short Lane – bids received in range £150k to £200k per annum
- Airport parking – need to re-appraise approach in light of Heathrow runway decision
- Opportunity to purchase the White House next to the depot currently off the table.
- Option to acquire Friends Walk

Knowle Green relocation

- Currently exploring two options
- One near Sunbury Cross
- One in Staines-upon-Thames

Assets continued

- Staines-upon-Thames developments
 - Parking Study
 - Retail study
 - Business Improvement District BID
- Riverside – option to undertake design competition for food outlet pavilions – raising profile of Staines-upon-Thames
- Officer/councillor Task group to focus on moving forward housing delivery drawing on models elsewhere
 - Eastleigh
 - Red doors (London Borough of Newham)
 - SCC
 - Arlingclose (SBC Treasury Management advisers)

Towards a Sustainable Financial Future

- Income Generation
 - Maximising investment returns
 - Obtain value and ongoing income from assets
- Relocating Council offices to cheaper more flexible accommodation and generating housing rental income on current site
- Alternative delivery models for services
 - Eg Public Service Mutuals, partnerships and Local Authority Trading Companies
 - Emergency Planning mutual set up and winning contracts
 - Legal and Environmental Health business cases being developed

Next Steps

- MAT evaluate growth bids and savings proposals - Nov
- Evaluate Spending Review and grant settlement announcements - Dec
- Draft Budget proposals put to Cabinet - Jan

Questions

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- **Terry Collier Deputy Chief Executive**
- **01784 446296; t.collier@spelthorne.gov.uk**

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