

Runnymede Borough CouncilOVERVIEW AND SCRUTINY SELECT COMMITTEE7 February 2018 at 7.30.p.m.

Members of the

Committee present: Councillors M J Maddox (Chairman), D A Cotty (Vice-Chairman), J R Ashmore, Mrs L M Gillham, Miss M N Heath, Mrs C S S Manduca, N H Prescott, Miss J K Sohi and P S Sohi.

Members of the

Committee absent: None

Councillors J R Furey, T Gracey and M T Kusneraitis also attended.

502 FIRE PRECAUTIONS

The Chairman read out the Fire Precautions.

503 NOTIFICATION OF CHANGES TO COMMITTEE MEMBERSHIP

The Group mentioned below had notified the Chief Executive of their wish that the changes listed below be made to the membership of the Committee. The changes were for a fixed period ending on the day after the meeting and thereafter the Councillors removed would be reappointed.

<u>Group</u>	<u>Remove From Membership</u>	<u>Appoint Instead</u>
Conservative	Miss E G Bancroft	Councillor Miss M N Heath
Conservative	Councillor Miss D Khaliq	Councillor N H Prescott
Conservative	Councillor N M King	Councillor Miss J K Sohi

The Chief Executive had given effect to this request in accordance with Section 16(2) of the Local Government and Housing Act 1989.

504 MINUTES

The Minutes of the meeting of the Committee held on 11 January 2018 were confirmed and signed as a correct record.

505 REVIEW OF THE COUNCIL'S PLANNING SERVICE

The Committee considered draft Terms of Reference and a timetable for a proposed scrutiny review of the Council's Planning Service. Some Members of the Council had called for a scrutiny review of the Council's Planning Service and the proposal that this be added to the Committee's Work Programme and that a peer group challenge of the Service should take place had been raised informally by the Chief Executive previously with Overview and Scrutiny Select Committee Members.

The draft plan for the review had been the subject of discussion between the Chief Executive and the Corporate Director of Planning and Environmental Services. The Committee noted that the proposal for a scrutiny review had arisen from an item raised by former Councillor Butterfield, who was also the former Chairman of the Overview and Scrutiny Select Committee, who had put forward an item which had been considered by the Overview and Scrutiny Select Committee at its meeting on 6 April 2017 in the following

terms :- “What can be done to improve the reputation of the Planning Department in the community and with our residents”. A number of Members had formed the view subsequently that the only effective way to respond to the dissatisfaction of some residents in the borough with the Planning Service in respect of the management of planning applications and the Local Plan consultation was to conduct a scrutiny review of Planning and to arrange for a peer group challenge of Planning to be undertaken.

The Chief Executive was in discussion with the Planning Advisory Service with a view to a peer group challenge of the Planning service taking place in May. Their representative, Mr Richard Barker, would be advising the Committee on the areas and issues that the challenge would cover and how it would relate to the scrutiny review. A date for this meeting was yet to be arranged. It was noted that the cost of the peer group challenge would be in the region of £10,000 to £14,000. The peer group challenge would be carried out by local authority Members and Officers who were experienced in Planning and who were not based in Surrey. It would entail some desk based research and a visit to Planning which would be for a period of 3 days of intensive work followed by the production of a report on the findings.

Some Members present at the meeting expressed the view that it was not appropriate for Runnymede to respond to a limited number of residents in the borough who were dissatisfied with Planning by holding a scrutiny review and arranging for a peer group challenge. They considered that resources should not be expended in this way because of opposition to Runnymede’s Local Plan in some areas of the borough and a perception of some local people that Planning was not providing a proper service in relation to the Planning application process. A majority of Members present at the meeting considered that only by the objective method provided by a scrutiny review and peer group challenge could a proper assessment be made of the duties undertaken by Planning and of the effectiveness with which those duties were carried out. The objective information which would result from these exercises would counter misinformation and rumours about the Council’s Planning Service which were being circulated by social media and other communication outlets.

The Committee approved the Terms of Reference and the timetable for the scrutiny review of the Council’s Planning Service as set out in Appendix ‘1’. It was agreed that the scrutiny review and peer group challenge should be time limited as set out in Appendix ‘1’. It was noted that it was considered good practice by the Government for a local authority to arrange for a peer group challenge of one of its services to be undertaken.

The Committee was asked to give its views on stakeholder witnesses who should be called to give evidence as part of the scrutiny review. It was agreed that it was important for the Committee to hear from residents who were dissatisfied with aspects of the Planning service and also from those who had not expressed any particular problem with the service that was provided by Planning so that a balanced range of opinions could be taken into account. It was therefore agreed that the meetings to be held with residents associations should include BENRA, Egham and Thorpe residents associations to cover a range of different stakeholder views. The Committee also agreed that the Chief Executive should consider a set process for the meetings with residents associations including the possibility of asking them to complete a questionnaire and of providing an explanation to them of how national Government policy affected Planning decision making.

It was suggested that the scrutiny review should examine particular cases so that lessons could be learned that could inform future practice but the Committee agreed that the scrutiny review should look at Planning process issues rather than examining individual cases.

RESOLVED that –

the Terms of Reference for the review of the Planning Service and the timetable to complete this work be approved as set out at Appendix ‘1’.

506 2018/19 TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY, PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS AND MINIMUM REVENUE PROVISION STATEMENT

The Committee considered a report on the 2018/19 Treasury Management Strategy, Annual Investment Strategy, Prudential and Treasury Management Indicators, authorised limit for external borrowing and Minimum Revenue Provision (MRP) Statement. It was noted that the Corporate Management Committee had considered this report at its meeting on 25 January 2018. The Overview and Scrutiny Select Committee concurred with all of the Corporate Management Committee’s recommendations.

There had been a large number of consultations and legislation changes affecting treasury operations at the end of 2017 - two new CIPFA codes, IFRS9 requirements, the DCLG MRP and Investment Guidance, MIFID and Money Market Fund reforms. Whilst some of these were global financial sector changes, the CIPFA and DCLG consultations were set around a common theme of the inclusion and treatment of non-treasury investments. CIPFA had concluded their review and their new codes had been published over the Christmas period. CIPFA had indicated that they would provide updated guidance shortly. The DCLG requirements had been published in the last few days. CIPFA had recommended that the requirements of both their Codes were implemented as soon as possible. However, some of the detail remained confusing and ambiguous and appeared to be at odds with some of the DCLG requirements. The Treasury Management (TM) Strategy had been drafted by Officers on the basis of the information that was available at that time. There would undoubtedly be further changes to the strategies in the coming months as some of the confusion was addressed.

The TM Strategy placed controls over where and in what the Council could invest and borrow, so the cash flow requirements of the Council’s capital and revenue plans could be met. The Committee noted an analysis of the economy and prospects for interest rates provided in December 2017 by the Council’s treasury advisors, Link Asset Services and the estimates for investment income and debt interest for 2018/19. The Council’s borrowing strategy set out the parameters for where the Council could borrow and in what format. There were no planned changes to the borrowing strategy for 2018/19. There were two proposed changes to the Annual Investment Strategy for 2018/19. The first related to the use of unrated building societies. Previously, in the unlikely event of a building society liquidation, the Council’s deposits would be paid out in preference to retail depositors. Unfortunately this advantage had now been removed by new legislation. On account of this change, Officers had stopped lending to unrated building societies and the Strategy had been amended accordingly. In order to counter the loss of the unrated building societies from the lending list, the second change was to increase the limit for lending to Local Authorities. The current approved limit was £2m. Many of the bigger authorities would not borrow less than £5m and as this was seen as a relatively safe sector, Officers were proposing to increase the limit to £5m for 2018/19.

One of the additional changes imposed by the new CIPFA Code was a requirement to set out which financial institutions had accepted the Council as a professional investor under the new MIFID requirements and those for which Council applications were pending and the Committee was pleased to note that the Council had now been classified as a professional investor by some more financial institutions than those that had been reported to the Corporate Management Committee on 25 January 2018. The Committee noted the new requirements for non-treasury investments which consisted mainly of investments in

property, investments in companies, loans and any arrangement where the Council acted as a financial guarantor. Some of the new requirements were included in the Capital Strategy and some would be included in an updated Property Investment Strategy which would be reported to Members in the near future. It was this non – treasury investments area of the new guidance and regulations where most of the confusion lay and Officers were still assessing how best to report some of the requirements – especially in regard to local indicators. These would be developed over the coming months and would be reported to Members at a later date.

The Prudential and Treasury Management Indicators ensured that the capital investment plans of the Council were affordable, prudent and sustainable. Prudential indicators were designed to highlight changes in the Council's capital financing and investment position over time and were unique to each authority. The Prudential Indicators set out in the report were consistent with the Council's policies, aims and objectives. One main indicator was the Capital Financing Requirement. This showed the Council's need to borrow. The other main indicator was the authorised limit for external borrowing. This was the main control on the maximum level of borrowing the Council could undertake.

The Council's MRP Statement was unchanged, despite initial concerns that the Government would require amendments. This MRP policy was designed to ensure the Council would not need to re-finance its borrowings when they fell due. The Committee noted that, regarding MRP, it was understood that the DCLG would not now require a maximum life of a building to be set at 40 years. The Committee asked how the maximum economic life of a building would be determined and it was noted that this calculation would be based on the individual characteristics of each building.

Most of the Treasury risks were set out in the Treasury Management Practices. However, there was one additional risk with the potential for the Council to be affected by bail-ins, as UK Banks started separating their retail banking services from their investment banking activities. A bail-in effectively rescued a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings. As a result of banks separating their retail and investment operations, an investment made by the Council now could be transferred into a new bank with a different credit rating in the future. Officers would monitor the position and make adjustments to the lending strategy. The changes to the regulations had meant that additional paragraphs had been added to the Council's Treasury Management Practices and the confidential more detailed operational Treasury Management Schedules. The Treasury Management Strategy, Annual Investment Strategy and the indicators supporting them were an integral part of the Council's financial strategy to produce a balanced budget. The Council continued to place the security and liquidity of its investments before yield and the proposed changes to the Annual Investment Strategy followed this principle.

RECOMMEND TO FULL COUNCIL that –

- i) the Council adopts both the CIPFA Treasury Management in the Public Services: Code of Practice and Cross- Sectoral Guidance Notes – 2017 Edition and the Prudential Code for Capital Finance in Local Authorities – 2017 Edition;**
- ii) the proposed 2018/19 Treasury Management Strategy, as set out in the report be approved, encompassing the Annual Investment Strategy at Appendix 'C' to the Agenda;**
- iii) the Prudential and Treasury Management Indicators for 2018/19 as set out at Appendix 'E' to the Agenda be approved;**

- iv) **the revised Treasury Management Practices as set out in Appendix 'G' to the Agenda and Treasury Management Schedules as set out in Exempt Appendix 'A' to the Agenda be approved;**
- v) **the authorised limit for external borrowing by the Council in 2018/19 be set at £637,943,000 (this being the statutory limit determined under Section 3 (1) of the Local Government Act 2003); and**
- vi) **there be no change to the previously adopted MRP policy as set out below:**

The Council will use the asset life method as its main method for calculating MRP.

In normal circumstances, MRP will be set aside from the date of acquisition. However, in relation to capital expenditure on property purchases and/or development, the Council will start setting aside MRP from the date that the asset becomes operational and/or revenue income is generated. Where schemes require interim financing by loan, pending receipt of an alternative source of finance (for example, capital receipts) no MRP charge will be applied.

507. ASHDENE HOUSE REDEVELOPMENT – BUSINESS CASE

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A(4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraph 3 of Schedule 12A to Part 1 of the Act.

At the request of Members, the Committee considered an outline business case for the redevelopment of Ashdene House having regard to the political and community constraints on the Development.

In 2015, the Housing Committee had agreed that Ashdene House be closed as a Homelessness Hostel and had declared the property surplus to requirements for use by the Housing Revenue Account and the property had been appropriated into the General Fund. In June 2015, the Corporate Management Committee had considered options for either refurbishment or redevelopment of Ashdene House for private rental to create revenue income for the Council or the possible sale of the property. The Corporate Management Committee had agreed that the asset be retained to produce an income stream for the Council and that a design be sought for the development that would maximise design quality and promote economic development and place shaping for Englefield Green. A preference had been expressed by the Committee for a new building rather than refurbishment and it was agreed that consultation would take place with local residents on the options for future use.

Local opinion had been sought by Officers via the Englefield Green Village Residents Association on the preferences that the Association had regarding the type of development for Ashdene House. The Association had expressed the opinion that a scheme using traditional building methods and materials without overly modern styling would be preferable. The Association had indicated no particular preference for or opposition to future use for private rental, student accommodation or elderly living and had indicated that they would prefer that the new accommodation was not used for homeless families or social housing.

Officers had undertaken a procurement process and had appointed project consultants for the Ashdene House project in September 2015. The consultants had produced requirements for the redevelopment using a Design and Build Contract. The procurement of the Design and Build contractor had run from November 2015 to February 2016. Only one tender had been received for the refurbishment and extension of the existing building which would result in an unattractive building and did not address all the elements of the tender and this was subsequently deemed non compliant. Consequently Officers had revised the requirements in order to undertake a design competition for architectural services to obtain a higher quality facility to promote place shaping whilst maximising viability and revenue return. A two stage restricted design competition had been undertaken which had commenced with an advertisement in the Official Journal Of The European Union in May 2016.

At its meeting on 15 December 2016, the Corporate Management Committee had noted the details of the competition and considered various options including a preferred scheme for student accommodation for rent that would provide the highest estimated return. The provision of student accommodation at Ashdene House would help alleviate pressure on the surrounding neighbourhood for Houses in Multiple Occupancy. The preferred scheme had been designed to enable a conversion of the development to a Private Rented Sector (PRS) oriented configuration with minimal structural works if that option were to be pursued at some stage in the future. Having noted a synopsis of the preferred scheme which contained drawings and the reasons for pursuing it, the Corporate Management Committee had agreed that Ashdene House be redeveloped into student accommodation as described in that option. The planning application would be progressed and further consultation would take place with local residents as part of the planning application process. Officers would report back to the Corporate Management Committee for the approval of a construction budget once tenders had been sought.

In order for the scheme to progress the Corporate Management Committee had agreed that funds be set aside in 2016/17 and 2017/18 to appoint the architects and consultants to take the scheme through to the planning process and produce information for the procurement of a design and build contractor. The Corporate Management Committee had noted a construction cost estimate and recommended a capital estimate for the redevelopment of Ashdene House by spring 2019 and this capital estimate had been agreed subsequently by full Council. The option of using the Council's development partner for the Runnymede Regeneration Programme to develop the scheme had been agreed subsequently and in accordance with the Development Agreement and best value requirements, a construction contractor had been instructed. The project design and related surveys, works and consultations had been developed to RIBA Stage 3, with a further 2 residential units being added to the original 27 units in the design. This current proposed option balanced the commercial drivers to make the site viable with the guidance provided by Members and the community. Following a public consultation event in October 2017 the planning application had been submitted in November and determination was now expected in early March 2018.

Ward Members had been involved in discussions with some local residents and stakeholders and were concerned about the opposition of some local people to the proposed redevelopment of Ashdene. As a result, a Public Meeting had been arranged on Monday 15 January 2018 when the reasoning for the proposed development together with constraints on the Council were explained, together with the changes made to the design of the building as a result of the comments made during the public consultation event held in October 2017. The presentation had been well received by the 35 people in attendance. The alternative option available to the Council of selling the site was also explained, but the public had been advised that if sold the only real control on the use of the site would be restricted to planning control (if planning permission was required for the chosen use) and

any overage that could be usefully applied to the sale. Residents at the meeting understood the risks of a sale and as a result expressed no appetite for a disposal.

The next steps to develop the site would continue to follow the Site Development Plan process. Therefore, the next stage after the Planning Committee determination of the planning application for the new development would be the production of the Interim Site Development Plan (SDP). The Interim SDP would contain the budgeted project cost. Until the Interim SDP had been produced, the current outline project cost was only an indicative budgeted figure and so the Overview and Scrutiny Select Committee was advised that it would be premature for decisions to be taken based on this outline project cost information.

The project plan required that the Interim SDP be reported to the Corporate Management Committee in April 2018 (with a Special Meeting to be called if necessary) to seek Members' approval for the next steps. If the development was to progress as planned, then the works packages of the construction contract would be procured resulting in the creation of the final construction cost which formed part of the final SDP which would be reported to Members and, if agreed, the construction would commence, with a programmed completion date of June 2019 (in time for letting to the 2019/20 student intake). At this stage in the development process Officers considered that the current scheme was viable, but that there would be greater certainty following the planning determination expected in March and further design development / cost control. It was proposed to present the revised scheme to the Corporate Management Committee in April to determine how the development should progress.

It was noted that email correspondence between Members and Officers on the costs of the project had not been included on the agenda for the Overview and Scrutiny Select Committee as it was a matter for Members to decide if they wished to forward that correspondence on a confidential basis to other Members and Officers.

The long and complex history of the development together with the changes in direction required had added abortive costs to the project. The Committee noted a high level Viability Assessment for the project. It was recognised by Officers that the current level of professional fees and works packages was high but the Project Director believed that significant cost reductions were possible using the quantity surveyor and project team process. The cost of the Fixtures, Fittings and Equipment had yet to be the subject of a design workshop to finalise the details.

The proposed redevelopment through a new building would incur greater cost than refurbishment. The cost of the project had increased considerably. Whilst two further units of accommodation had been added the cost remained marginally high when benchmarked against five other sites with similar projects elsewhere in England. Over the last three financial years the Council had incurred costs including fees, procurements, empty property rates, security and disconnecting utility supplies. The likely cost to be directly incurred by the Council by 31 March 2018 was noted. The estimated costs to be incurred by the Council's development partner were also noted. The Committee noted the total expected cost incurred to date on the project and the estimated net cost of the development as estimated by Officers. The Committee sought more detail on how these total expected cost and estimated net cost figures had been calculated as they appeared to be high on the basis of the information available. The Committee was advised that the increase in costs could be attributed mainly to construction cost inflation and Officers reiterated that only indicative budget figures were available at this stage. The Committee was of the view that the gross and net yields provided by the project as costed currently resulted in very little margin particularly in the event of any cost overrun.

The Committee considered that it was necessary to look at other alternatives for the development. This would include the option of an alternative scheme for appropriate residential accommodation, or possibly selling the site with a planning consent for the existing use, or potentially undertaking a joint venture with a developer where that developer would share some of the risk of the development. The current scheme should

also be assessed with accurate costs given following value management. The Committee therefore agreed that the Corporate Management Committee should review the plans for the site in accordance with the resolution set out below.

The Committee was advised that it would be beneficial for the Planning application scheduled for March to proceed as the current proposed development option had not been ruled out and if the application was not determined in March, the timescale for letting to the 2019/20 student intake would not be met.

RESOLVED that –

the Committee expresses its concerns about the viability of the current scheme for Ashdene House and calls upon the Corporate Management Committee to review the plans for the site with a view to an Officers' report setting out :-

- i) the possibility of an alternative scheme for appropriate residential accommodation;**
- ii) the possibility of the disposal of the site with a planning consent for the existing use;**
- iii) the current scheme with accurate costs given following value management; and**
- iv) the possibility of a joint venture for the development of the site which might involve sharing of the risk associated with the development of the site.**

Chairman

(The meeting ended at 9.34. p.m.)

TERMS OF REFERENCE: PLANNING SERVICE REVIEW

Purpose/Reason for the Review:

Some Residents Associations have expressed dissatisfaction with Runnymede Borough Council in the management of a planning application and the Local Plan consultation. In order to explore whether these concerns should lead to any changes to the Planning Service, Decision Making, or Statement of Community Involvement a linked series of rapid Service Reviews can be undertaken:

Steps :

1. The Overview and Scrutiny Select Committee will hear representations from Residents Associations to understand their concerns. This will occur at the earliest opportunity. These meetings will take place between February and April. Members will need to decide which other stakeholders they wish to call.
2. In advance of an Inquiry, to assist in the development of the Council's approach, the Overview and Scrutiny Select Committee will review:

The Statement of Community Involvement

The Statement of Community Involvement (SCI), adopted in December 2014, is a document that sets out how Runnymede Borough Council will engage with the community; including residents, businesses, community groups and other stakeholders on Local Plan matters and on planning applications. This document has been relied upon in all consultation relating to the draft Local Plan.

Other policies that could be reviewed

The Planning Business Centre Plan

This Plan is reviewed annually and was adopted in early 2017. It summarises the work of the Planning Business Centre ('the Planning Department'), as well as any specific projects or objectives for that year. This Plan sets the Key Performance Indicators for the Planning Services.

The Development Management Charter

This Charter, adopted in October 2013, describes the Council's work in delivering pre-application advice, validating applications and public access to information about planning applications, determining applications and planning appeals.

The Enforcement Charter

This Charter, adopted in January 2016, describes the Council's work in the investigation and resolution of breaches of planning control.

Current Performance Indicators and Benchmarking Information

Views on the Planning Service expressed by stakeholders.

Continued.....

3. The Planning Advisory Service (PAS) review will take place at the end of May 2018. Members will be advised by PAS as to the content of the peer group challenge and the relationship between the scrutiny review and this element of work.
4. It could be anticipated that PAS could report back around July 2018 – that would align with the Overview and Scrutiny Select Committee July 2018 meeting.
5. The Overview and Scrutiny Select Committee meeting scheduled for July 2018 formulates its comments and any recommendations in a report to be presented to the Planning Committee and the Corporate Management Committee.