

Overview and Scrutiny Select Committee

Thursday 5 July 2018 at 7.30pm

Council Chamber
Runnymede Civic Centre, Addlestone

Members of the Committee

Councillors M J Maddox (Chairman), P J Taylor (Vice-Chairman), S L Dennett, Mrs L M Gillham, T J F E Gracey, N M King, Mrs Y P Lay, S M Mackay and P S Sohi.

In accordance with Standing Order 29.1, any Member of the Council may attend the meeting of this Committee, but may speak only with the permission of the Chairman of the Committee, if they are not a member of this Committee.

(N.B. PLEASE NOTE, THIS MEETING WILL COMMENCE UPON THE CONCLUSION OF THE CRIME AND DISORDER COMMITTEE MEETING)

AGENDA

Notes:

- 1) Any report on the Agenda involving confidential information (as defined by section 100A(3) of the Local Government Act 1972) must be discussed in private. Any report involving exempt information (as defined by section 100I of the Local Government Act 1972), whether it appears in Part 1 or Part 2 below, may be discussed in private but only if the Overview and Scrutiny Select Committee so resolves.
- 2) The relevant 'background papers' are listed after each report in Part 1. Enquiries about any of the Agenda reports and background papers should be directed in the first instance to **Mr J Gurmin, Democratic Services Section, Law and Government Business Centre, Runnymede Civic Centre, Station Road, Addlestone (Tel: Direct Line: 01932 425624). (Email: john.gurmin@runnymede.gov.uk).**
- 3) Agendas and Minutes are available on a subscription basis. For details, please ring Mr B A Fleckney on 01932 425620. Agendas and Minutes for all the Council's Committees may also be viewed on www.runnymede.gov.uk.

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4) In the unlikely event of an alarm sounding, members of the public should leave the building immediately, either using the staircase leading from the public gallery or following other instructions as appropriate.

5) **Filming, Audio-Recording, Photography, Tweeting and Blogging of Meetings**

Members of the public are permitted to film, audio record, take photographs or make use of social media (tweet/blog) at Council and Committee meetings provided that this does not disturb the business of the meeting. If you wish to film a particular meeting, please liaise with the Council Officer listed on the front of the Agenda prior to the start of the meeting so that the Chairman is aware and those attending the meeting can be made aware of any filming taking place.

Filming should be limited to the formal meeting area and not extend to those in the public seating area.

The Chairman will make the final decision on all matters of dispute in regard to the use of social media audio-recording, photography and filming in the Committee meeting.

LIST OF MATTERS FOR CONSIDERATION

PART I

Matters in respect of which reports have been made available for public inspection

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Matters involving Exempt or Confidential Information in respect of which reports have not been made available for public inspection.

- a) Exempt Information
(No reports to be considered under this heading)

- b) Confidential Information
(No reports to be considered under this heading)

1. **FIRE PRECAUTIONS**

The Chairman will read the Fire Precautions which set out the procedures to be followed in the event of fire or other emergency.

2. **NOTIFICATION OF CHANGES TO COMMITTEE MEMBERSHIP**

3. **MINUTES**

To confirm and sign, as a correct record, the Minutes of the meeting of the Committee held on 5 April 2018 (at Appendix 'A').

4. **APOLOGIES FOR ABSENCE**

5. **DECLARATIONS OF INTEREST**

If Members have an interest in an item, please record the interest on the form circulated with this Agenda and hand it to the Legal Representative or Democratic Services Officer at the start of the meeting. A supply of the form will also be available from the Democratic Services Officer at the meeting.

Members are advised to contact the Council's Legal section prior to the meeting if they wish to seek advice on a potential interest.

Members are reminded that a non pecuniary interest includes their appointment by the Council as the Council's representative to an outside body and that this should be declared as should their membership of an outside body in their private capacity as a Director, trustee, committee member or in another position of influence thereon.

Members who have previously declared interests which are recorded in the Minutes to be considered at this meeting need not repeat the declaration when attending the meeting. Members need take no further action unless the item in which they have an interest becomes the subject of debate, in which event the Member must leave the room if the interest is a disclosable pecuniary interest or if the interest could reasonably be regarded as so significant as to prejudice the Member's judgement of the public interest.

6. **TREASURY MANAGEMENT ANNUAL REPORT 2017/18 (RESOURCES)**

Synopsis of report:

This is the annual report on treasury management activity and performance for the 2017/18 financial year.

Recommendations:

To recommend to Full Council that the Annual Report be noted.

1. **Background Information**

- 1.1 The Council's treasury management activity is underpinned by CIPFA's (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management ("the Code") and the CIPFA Prudential Code for Capital Finance in Local Authorities ("the Prudential Code"). These require local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year.

- 1.2 The Council's treasury management strategy for 2017/18 was approved by this Committee at its meeting on 26 January 2017 and was subsequently approved at Full Council on 2 March 2017. This report sets out the Council's performance against the criteria in these reports for 2017/18.
- 1.3 Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.4 No treasury management activity is without risk; the Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities focuses on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- 1.5 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 1.6 The Corporate Management Committee will consider this report on 28 June 2018.

2. Prudential and Treasury Indicators and Compliance

- 2.1 In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during 2017/18. Officers can confirm that during the year, the Council complied with all its legislative and regulatory requirements and its Treasury Management Statement and Treasury Management Practices.
- 2.2 None of the approved Prudential Indicators were breached and a prudent approach was taken in relation to all investment activity with priority being given to security and liquidity over yield.
- 2.3 A full set of prudential and treasury indicators for 2017/18 are set out in Appendix 'B'.

3 Risk management

- 3.1 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. The Treasury Management Strategy Statement (TMSS) for 2017/18, which includes the Annual Investment Strategy, sets out the Council's investment priorities as being:

Credit risk

Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price.

Liquidity risk

In keeping with the CLG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds and call accounts.

Yield

The Council sought to optimise returns commensurate with its objectives of security and liquidity.

4 Economic background

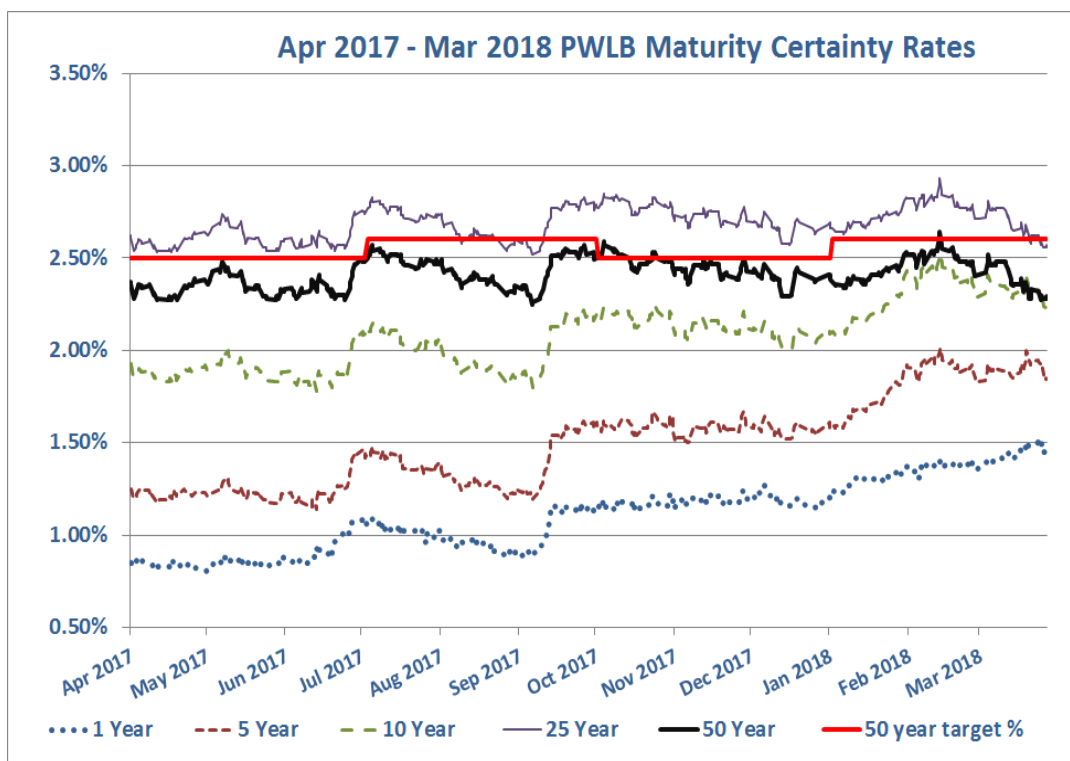
- 4.1 During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year which meant that growth was the slowest for the first half of any year since 2012.
- 4.2 The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up modestly in the second half of 2017.
- 4.3 Market expectations during the autumn rose significantly on the expectation that the MPC would be heading in the direction of imminently raising Bank Rate. The minutes of the MPC meeting of 14 September indicated that the MPC was likely to raise Bank Rate very soon. The 2 November 2017 MPC quarterly Inflation Report meeting duly delivered by raising Bank Rate from 0.25% to 0.50%. The 8 February 2018 MPC meeting minutes then revealed another sharp hardening in MPC warnings on a more imminent and faster pace of increases in Bank Rate than had previously been expected.
- 4.4 Market expectations for increases in Bank Rate, therefore, shifted considerably during the second half of 2017-18 and resulted in investment rates from 3 – 12 months increasing sharply during the spring quarter. PWLB borrowing rates increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 basis points for much of the year), compared to US treasuries. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Federal Reserve raising rates by 0.25% in June, December and March, making three in the year and six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.
- 4.5 The major UK landmark event of the year was the inconclusive result of the General Election on 8 June. However, this had relatively little impact on financial markets.

5 Borrowing Activity in 2017/18

- 5.1 Table 1 sets out the borrowing activity for the year.

Table 1 – Borrowing activity in 2017/18					
	Opening Balance £'000	New borrowing £'000	Borrowings repaid £'000	Borrowings appropriated £'000	Closing balance £'000
HRA					
• PWLB	101,956	0	0	0	101,956
General Fund					
• PWLB	129,336	120,000	0	0	249,336
• Other	6,500	5,000	6,000	0	5,500
	237,792	125,000	6,000	0	356,792

- 5.2 As depicted in the graph and table on the next page, PWLB 25 and 50 year rates have been volatile during the year with little consistent trend. However, shorter rates were on a rising trend during the second half of the year and reached peaks in February / March. During the year, the 50 year PWLB target (certainty) rate for new long term borrowing was 2.50% in quarters 1 and 3 and 2.60% in quarters 2 and 4.



5.3 The table below shows PWLB rates for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year:

	1 Year	5 Year	10 Year	25 Year	50 Year
1/4/17	0.85%	1.25%	1.93%	2.62%	2.37%
31/3/18	1.67%	2.05%	2.43%	2.77%	2.49%
Low	0.80%	1.14%	1.78%	2.52%	2.25%
Date	03/05/2017	15/06/2017	15/06/2017	08/09/2017	08/09/2017
High	1.51%	2.01%	2.53%	2.93%	2.64%
Date	21/03/2018	15/02/2018	15/02/2018	15/02/2018	15/02/2018
Average	1.11%	1.50%	2.08%	2.69%	2.41%

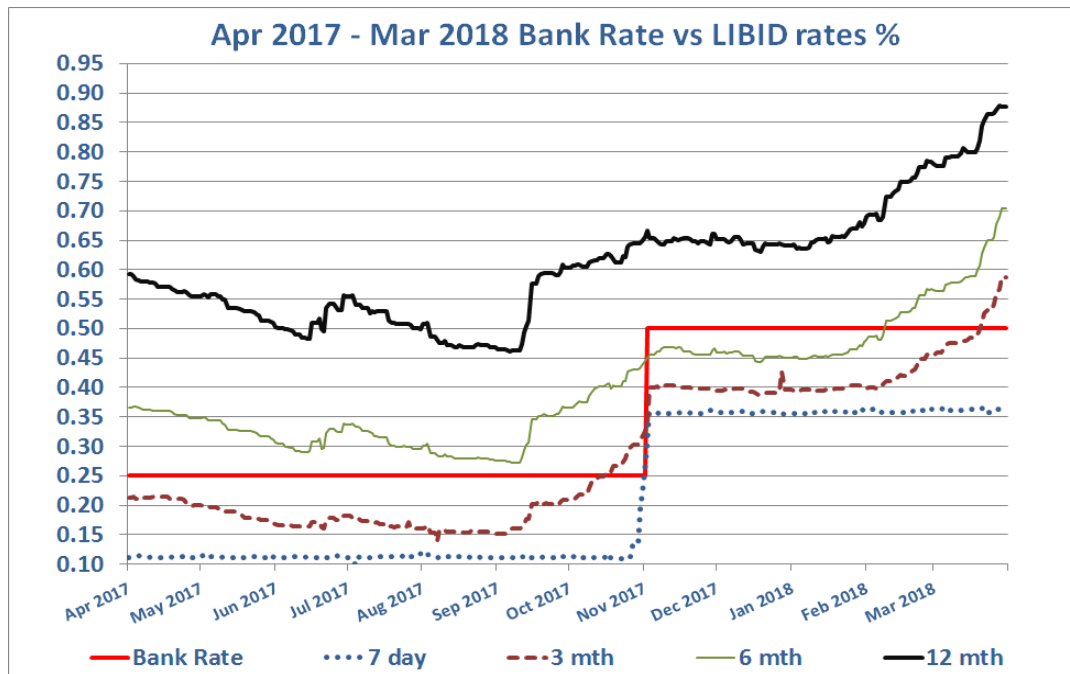
5.4 For comparative purposes the Council undertook the following borrowing during the year:

Lender	Loan Number	Start date	End date	No of years	Fixed / Variable	Interest Rate	Total Borrowing
							£
PWLB	505968	04/04/17	04/04/62	45	Fixed	2.34%	15,000,000
PWLB	505969	04/04/17	04/04/62	45	Fixed	2.34%	15,000,000
PWLB	505972	05/04/17	05/04/63	46	Fixed	2.35%	20,000,000
PWLB	506125	12/06/17	12/06/67	50	Fixed	2.30%	10,000,000
PWLB	506855	23/01/18	23/01/28	10	Fixed	2.19%	10,000,000
PWLB	506887	08/02/18	08/02/68	50	Fixed	2.45%	15,000,000
PWLB	506888	08/02/18	08/02/68	50	Fixed	2.45%	15,000,000
North Yorkshire CC	4176	19/02/18	21/05/18	0.25	Fixed	0.65%	5,000,000
PWLB	506991	05/03/18	05/03/67	49	Fixed	2.40%	10,000,000
PWLB	507145	27/03/18	27/03/66	48	Fixed	2.28%	10,000,000

5.5 The Council operates two “loans pools”, one for the HRA and one for the General Fund to comply with the HRA ring fence requirements. The HRA average interest rate for the year as 3.36% and the General Fund as 2.30%. A schedule of the outstanding loans at the end of the year is set out at Appendix ‘C’.

6 Interest rates in 2017/18

- 6.1 Investment rates for 3 months and longer have been on a rising trend during the second half of the year in the expectation of Bank Rate increasing from its floor of 0.25%, and reached a peak at the end of March. Bank Rate was duly raised from 0.25% to 0.50% on 2 November 2017 and remained at that level for the rest of the year. However, further increases are expected over the next few years. Deposit rates continued into the start of 2017/18 at previous depressed levels due, in part, to a large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on 28 February 2018. The table below shows Bank rates versus LIBID rates % for April 2017 to March 2018.



- 6.2 The original estimate for Council investment income for 2017/18 was based on the Council achieving an **average** interest rate of 0.25%. This took into account a base rate of 0.25% through to quarter 2 of 2019. Interest rates however increased during the year with the expectation of a further rise in the spring of 2018.
- 6.3 Despite a need to keep large sums of money in short notice deposits to fulfil property acquisition requirements, the Council's actual interest rate performance during the year was 0.79%. The Council's overall performance compares favourably with the Council's benchmark rates as follows:

Index	Annualised Return %
Average Bank Base Rate	0.35
7 day LIBID average	0.22
3 month LIBID average	0.29
12 month LIBID average	0.61
Runnymede Borough Council rate	0.79

LIBID - The London Interbank Bid Rate is a bid rate; the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks.

- 6.4 One of the reasons this favourable rate was achieved was due to the Council's investment in pooled funds and the Funding Circle. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. These investments offer enhanced returns over the longer term but are potentially more volatile over the shorter term and so a medium term view of each should be taken. The market value of these investments at 31 March 2018 and their returns in 2017/18 were as follows:

Table 4 – Pooled Fund & Funding Circle returns in 2017/18			
	Original Investment £	Value 31 March 2018 £	Annualised Return %
CCLA Property Fund	2,000,000	2,371,352	4.55
CCLA Diversified Income Fund	2,000,000	1,951,968	4.58
Investment in the Funding Circle	489,020	489,020	6.20

- 6.5 The differences between the Original Sums invested and the Values at 31 March 2018 are held on the Council's Balance Sheet in the Available for Sale Financial Instruments Reserve. In taking a long term view that small variations in market values are tolerable, as well as the funds producing a yield in excess of 4.5%, they have also benefitted from capital appreciation of over 8%.
- 6.6 The Council's Treasury Management Strategy sets out a lower rate of interest for the Housing Revenue Account based on the risk free nature of the account. This lower rate is achieved by deducting the credit risk margin from the actual rate achieved by the Council. The resulting interest rate applicable to the HRA during 2017/18 was 0.524%.

7 Investment Outturn for 2017/18

- 7.1 Investments of £40.393 million were held by the Council at 31 March 2018. Investment turnover in 2017/18 has been principally driven by the availability of counterparties that meet the criteria set out in the Annual Investment Strategy, and the need to keep money invested in short term low paying accounts to meet payments for the Addlestone One project, Egham Leisure Centre re-provision and general property purchases. Table 5 summarises investment activity during the course of the year, split between the sectors of the counterparties with which the funds were invested.

Table 5 - Investment activity in 2017/18					
	Opening Balance	New Investments	Investments Recalled	Closing Balance	
	£000	£000	£000	£000	
Specified Investments					
Banking sector	14,000	25,000	27,000	12,000	
Building societies	8,000	22,550	21,050	9,500	
Local Authorities	12,000	14,000	14,000	12,000	
Central Government	0	9,920	9,920	0	
Money Market Funds	8,980	130,115	136,691	2,404	
Unspecified Investments					
Short Dated Bond Funds / Enhanced Cash Funds	3,870	0	3,870	0	
Pooled Funds & Collective Investment Schemes	2,000	2,000	0	4,000	
Funding Circle	458	31	0	489	
	49,308	203,616	212,531	40,393	

- 7.2 A full list of investments held at 31 March 2018 is set out in Appendix 'D'.

- 7.3 The Council's cash balances comprise revenue and capital resources and cash flow monies (creditors etc). Interest earned on these balances is derived from in-house managed investments. The table below shows gross investment income achieved in 2017/18 alongside the interest paid on borrowings:

Table 6 – Net investment income / Debt interest 2017/18			
	Original Estimate £'000	Revised Estimate £'000	Outturn £'000
Investment income earned	112	221	384
Interest on loans to RBC companies	407	432	289
Gross investment income	519	653	673
Management expenses	(90)	(70)	(78)
Interest paid on deposits and other balances	(1)	(1)	(9)
Debt interest	(9,912)	(9,094)	(8,032)
Net Investment Income / (Debt interest)	(9,484)	(8,512)	(7,446)

This is broken down between services as follows:

General Fund	(6,104)	(5,167)	(4,141)
Housing Revenue Account	(3,380)	(3,345)	(3,305)
Net Investment Income / (Debt interest)	(9,484)	(8,512)	(7,446)

- 7.4 Aside from the parameters set in the Annual Investment Strategy, the main factors that determine the amount of investment income are the level of interest rates, cash flow and the level of reserves and balances. The impact of capital cash flows – receipts from sales and timing of capital projects – also has a significant impact on cash flows.

- 7.5 The variances between the estimate, revised estimate and outturn in the table above mainly stem from delayed property purchases and regeneration schemes. At the start of the year it was assumed that the Addlestone One project would be complete by the year end, Egham regeneration would be under way and the Council would have spent £200m on investment property acquisitions. Delays to these schemes have meant increased cash balances and a reduced borrowing requirement. When the Council has needed to borrow, it has also benefitted from lower borrowing rates than originally forecast.

8. Legal Implications

- 8.1 The powers for a local authority to borrow and invest are governed by the Local Government Act 2003 and associated Regulations. A local authority may borrow or invest for any purpose relevant to its functions, under any enactment, or for the purpose of the prudent management of its financial affairs. The Regulations also specify that authorities should have regard to the CIPFA Treasury Management Code, the Department for Communities and Local Government (DCLG) Investments Guidance and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out their treasury management functions.

9. Council Policy

9.1 This is set out in the Treasury Management Policy Statement, the Annual Investment Strategy, and associated Practices and Schedules.

9.2 The Council's treasury management policy statement states:

“The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.”

9.3 It is the security of investments that has always been the main emphasis of our treasury strategy. In balancing risk against return, Officers continue to place emphasis on the control of risk over yield.

10. **Conclusions**

10.1 The financial year continued the challenging investment environment of previous years, namely low investment returns and continually changing credit ratings. The management of counterparty risk remains our primary treasury management priority. The criteria in the Annual Investment Strategy are continuously reviewed to minimise risk as far as reasonably possible whilst retaining the ability to invest with secure institutions.

10.2 This practice of investing over short-term with high quality institutions recognises the principal investment risk at this time, i.e. counterparty default risk. However, this is not an approach for the longer-term. Hopefully, liquidity and confidence will return to money markets and investor confidence in general. When this happens, it is proposed that our investment portfolio will start to again follow an approach that recognises all types of investment risk in a holistic way as set out in our treasury management strategy.

(To recommend)

Background Papers

None stated

7. **ANNUAL REPORT OF THE OVERVIEW AND SCRUTINY FUNCTION (LAW AND GOVERNANCE)**

Synopsis of report:

To present the Annual Report of the Overview and Scrutiny function for the Municipal Year 2017/18 at Appendix 'E' for submission to the Council meeting on 19 July 2018.

Recommendation:

The Committee is asked to confirm if it is content for the report at Appendix 'E' to be submitted to full Council in July or if it wishes to make any amendments.

1. **Report**

1.1 Sub-paragraph 6.03 (d) of the Council's Constitution states:-

"(d) **Annual Report.** The Overview and Scrutiny Select Committee must report annually to full Council on its workings and make recommendations for future work programmes and amended working methods if appropriate."

- 1.2 The Committee is asked to confirm if it is content for the report at Appendix 'E' to be submitted to full Council in July, or if it wishes to make any amendments.

(To recommend)

Background papers

None

8. REVIEW OF THE COUNCIL'S PLANNING SERVICE (CHIEF EXECUTIVE)

A report providing a brief update of progress made on the review of the Council's Planning Service since the meeting of the Committee on 5 April 2018, the establishment of an Advisory Panel and the proposed scope for the Planning Advisory Service Peer Challenge Review is being produced and will be available shortly before the meeting.

Background Papers

None

9. EXCLUSION OF PRESS AND PUBLIC

OFFICERS' RECOMMENDATION that –

the press and public be excluded from the meeting during discussion of the following report (s) under Section 100A(4) of the Local Government Act 1972 on the grounds that the report (s) in question would be likely to involve disclosure of exempt information of the description specified in appropriate paragraphs of Schedule 12A of the Act.

(To resolve)

PART II

Matters involving Exempt or Confidential Information in respect of which reports have not been made available for public inspection

a) Exempt Information

(No reports to be considered under this heading)

b) Confidential Information

(No reports to be considered under this heading)

OVERVIEW AND SCRUTINY SELECT COMMITTEE

5 JULY 2018

APPENDICES

<u>APPENDIX</u>	<u>REPORT</u>	<u>PAGE NOS</u>
A	MINUTES OF OVERVIEW AND SCRUTINY SELECT COMMITTEE MEETING HELD ON 5 APRIL 2018	1
B	PRUDENTIAL AND TREASURY INDICATORS FOR 2017/18	7
C	SCHEDULE OF OUTSTANDING LOANS AT 31 MARCH 2018	10
D	INVESTMENTS HELD AT 31 MARCH 2018	11
E	ANNUAL REPORT OF THE OVERVIEW AND SCRUTINY FUNCTION	13

APPENDIX 'A'Runnymede Borough CouncilOVERVIEW AND SCRUTINY SELECT COMMITTEE5 April 2018 at 7.30.p.m.

Members of the Committee present: Councillors M J Maddox (Chairman), D A Cotty (Vice-Chairman), Miss E G Bancroft, Mrs E Gill, Mrs L M Gillham, Mrs C S S Manduca and P S Sohi.

Member of the Committee absent: Councillor N M King

Councillors Mrs G M Kingerley and D W Parr also attended.

615 FIRE PRECAUTIONS

The Chairman read out the Fire Precautions.

616 NOTIFICATION OF CHANGE TO COMMITTEE MEMBERSHIP

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

<u>Group</u>	<u>Remove From Membership</u>	<u>Appoint Instead</u>
Runnymede Independent Residents'	Councillor J R Ashmore	Councillor Mrs E Gill

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

617 MINUTES

The Minutes of the meeting of the Committee held on 7 February 2018 were confirmed and signed as a correct record.

618 DECLARATIONS OF INTERESTS

In connection with the item on the Review of the Council's Planning Service, Councillors D A Cotty, Mrs E Gill and Mrs C S S Manduca asked the Director of Planning and Environmental Services (CDPES) questions and stated that they were Members of the Planning Committee and Councillor Mrs L M Gillham stated that she was a Local Government Association representative on the Planning Advisory Service.

619 REVIEW OF THE COUNCIL'S PLANNING SERVICE

At its last meeting the Committee had agreed Terms of Reference and a timetable for a scrutiny review and a peer group challenge of the Council's Planning Service.

The Overview and Scrutiny Select Committee had agreed at its last meeting that in order 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 it was

appropriate to conduct a scrutiny review of Planning and to arrange for a peer group challenge of Planning to be undertaken.

At its last meeting, the Committee had noted that 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 and that their representative, Mr Stephen Barker, would be advising the Committee on the areas and issues that the challenge would cover. The peer group challenge would be carried out by local authority Members and Officers who were experienced in Planning. 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.

The Chief Executive introduced this item by stating that it had three main purposes. The first purpose was for the Committee to ask questions of the CDPES on the challenges faced by the Council's Planning Service in order to provide context to the scrutiny review. The second aim was for Mr Stephen Barker of the Planning Advisory Service to outline to the Committee what a peer group challenge could offer and the options available to the Council in commissioning the peer group challenge. The third purpose was for the Committee to consider how to take forward the scrutiny review and the peer group challenge.

Questions By The Committee To The CDPES

The Committee asked the CDPES whether, in his view, Runnymede's Planning Service was meeting the needs of residents and whether he considered that the engagement with the public was satisfactory. The CDPES replied that, in his view, the Planning Business Centre did meet residents' needs. Planning consisted of eight different functions but not all of these had a large public facing element. The Statement of Community Involvement document showed how Planning engaged with the public on the Local Plan and on Planning applications which were two main areas of public engagement.

A Member asked the CDPES what areas of the Planning service, in his view, needed to be strengthened. The CDPES informed the Committee that it would be helpful to have extra resources for specialist urban design Supplementary Planning Document work under which local communities would provide guidance for development, to review the Local Plan which it was anticipated would have to be done in future every five years and also to develop ongoing work on the Council's duty to cooperate obligations and neighbourhood plans as part of the Local Plan process. Regarding planning applications, there were pressures on existing staff created by a constantly changing National Planning Policy Framework (NPPF) and significant annual changes in Government policy on the delivery of housing.

A Member asked the CDPES whether residents understood the Planning process and Government requirements and how those requirements kept changing. The CDPES advised the Committee that in order to assist the public in their understanding of Planning issues, the Council's online planning system had Frequently Asked Questions (FAQ) pages. The Council's Planning Officers, who were Chartered Town Planners, assisted the public with more complex questions. The engagement vehicle for the public on the Local Plan and on Planning applications was the Community Planning Panel. Large local residents associations were members of that Panel. Planning training was essential for those Council Members who sat on the Planning Committee. Very regular updates had been provided online on the Local Plan. The Planning Business Centre was looking at setting up a Planning agents forum. One of the main aims of the forum would be to assist Planning agents in submitting valid Planning applications on behalf of applicants. There were therefore a number of ways in which residents were informed of the Planning process but it was not easy to gauge the level of understanding that the public had.

A Member advised the CDPES that residents in the west of the borough considered that their voices were not being heard on some important Planning issues, particularly on transport, infrastructure, and sustainability aspects of Planning applications. That Member considered that dialogue could be improved so that residents' perceptions were better understood and asked for the CDPES's comments on those matters. The CDPES replied by stating that Planning Officers had written to and spoken to many residents about aspects of applications. Planning Committee decisions were based on evidence. In reaching decisions, the Planning Committee had to consider, on the one hand, the need to provide housing, to follow the NPPF and to approve developments provided it was satisfied that they could be delivered in a sustainable way (including without significant adverse impact on the community and with appropriate infrastructure). On the other hand, it had to consider objections made by residents to developments. It had to reach a judgement on whether to approve applications and, if it approved them, what conditions should be attached to them. Requirements regarding roads and transport in respect of Planning applications were explained to the Community Planning Panel. Virginia Water had two representatives on that Panel. Meetings had been held in local areas where the public had been able to ask Planning Officers more detailed questions on specific issues.

The CDPES advised the Committee that while there were transport "hotspots" across the borough, there was only one location where a "critical" transport problem had been identified and that was the A320. A feasibility study had been commissioned regarding the A320 as part of the Local Plan. The CDPES advised the Committee that concerning transport and infrastructure, it was made clear to developers by Runnymede Borough Council (RBC) Planning Officers, that although an application for planning permission was made to RBC, they as developers would need to satisfy Surrey County Council (SCC), the Highway Authority, that they as developers had made adequate arrangements for transport and infrastructure issues in that RBC planning application.

The same Member provided an illustration of residents' concerns about transport by asking why no traffic assessment for Runnymede had been provided for a section 106 agreement for the Longcross North Development even though it was understood that there had been traffic assessments undertaken for areas outside the borough. The CDPES stated that, for this Longcross North development, a detailed assessment of vehicles had been conducted by SCC which had not identified any severe transport implications which warranted a traffic assessment specifically for Runnymede.

The same Member stated that it was the perception of some residents that developers were not providing enough financial contribution to developments through section 106 agreements and that too much of the cost of developments was being met from the Government (i.e. from taxpayers' money) and asked for the CDPES's comments. The CDPES did not accept that contention and advised the Committee that viability assessments (analyses of the amount that it would be reasonable for developers to pay) were undertaken by independent experts in that field which provided an objective measure of the proportion of the cost of developments that developers should pay.

A number of Members of the Committee raised the issue of Planning Enforcement and thought that the Council was not doing enough work on Planning Enforcement, although another Member of the Committee expressed the view that the Council was proactive in following up Planning Enforcement issues and gave these matters a higher priority than in the past. One Member of the Committee expressed the view that there was a public perception that Planning Enforcement breaches were allowed to continue without action being taken – the Chief Executive stated that he could not support that contention and pointed to a couple of instances of successful action, namely a satisfactory outcome achieved in respect of Padd Farm after substantial Officer time and effort over many years and decisive action taken by the Council in respect of Adas Farm. While the Committee noted that other Councils had smaller Planning Enforcement teams than Runnymede, the

Chief Executive stated that the Council would need to consider whether 3 members of staff were sufficient for Runnymede's Planning Enforcement requirements and a report was being prepared for Member consideration proposing more resources for this function. The Chief Executive stated that Planning Enforcement was not the only area where the public wished to see more work done – they were also particularly concerned about street cleaning and flytipping and Members would have to weigh up where Council resources should be expended.

The CDPES reported that on Planning Enforcement, the Council's performance against its Key Performance Indicators was good. Officers worked with residents to identify where enforcement breaches occurred. Where taking action following enforcement breaches, the Council had on occasion to proceed through the Courts which resulted in delays which were caused by the Court process which sometimes could result in the perception from residents that the Council was not taking action. The CDPES advised the Committee that the Enforcement Charter document described the Council's work in the investigation and resolution of breaches of Planning control.

The Committee asked what the next steps would be for Runnymede's Local Plan. The CDPES replied that when the Local Plan was submitted to the Government in July 2018 it would be allocated to an Inspector who would test the soundness of the Plan and would arrange for an Examination in Public to be undertaken which was unlikely to take place before November 2018. The length of the Examination would be approximately a month. Provided that the modifications proposed by the Inspector were not particularly extensive, it was hoped that adoption of the Final Plan might take place during 2019.

The Committee asked whether the Council had any discretion over what it included in the Local Plan or whether it was entirely directed by the Government. The CDPES advised that since 2011/12, the Government had been continually amending the Planning process and each year since then the Government had introduced new changes. Runnymede's Local Plan had to be consistent with the NPPF. Additional requirements which had been introduced by the Government included extra technical matters, standardised national methodologies which removed the capacity for local discretion and new expanded definitions of permitted development and permission in principle. These expanded definitions were intended to result in more applications being approved more quickly. The Government's overriding priority was to deliver housing. The local authority had little choice about what developments were to be delivered but it did have discretion over where in the Borough they were located and, in some cases, when they were delivered.

Peer Group Challenge

Mr Stephen Barker of the Planning Advisory Service (PAS) outlined to the Committee what a peer group challenge could offer and the options available to the Council in commissioning the peer group challenge.

Mr Barker informed the Committee that the Planning Advisory Service was part of the Local Government Association. PAS had been in existence since 2004. Its main aim was to assist local authorities in striving to improve their Planning service. It was funded by grant from central Government. Each PAS peer group challenge would have a Planning peer review manager. Each PAS peer group challenge would consist of a team of Planning Officers and elected Members who specialised in Planning at other local authorities. These Officers and Members would have experience of Planning issues over a long period which would inform the review that they would undertake. They would conduct a series of interviews over three days where they would collect evidence. They would produce an immediate verbal response followed by a written report. PAS challenges were in great demand by local authorities – over 100 challenges (which were also known as reviews) had been undertaken and some local authorities had had more than one review.

As the PAS review team were experts in Planning, they were well placed to advise local authorities on how they could keep pace with the regular Government changes being introduced and as there were a number of new changes going currently through Parliament, this year would be a good time to have a PAS review. Each PAS review would consist of at least one Councillor and at least two Officers. As the Councillors and Officers concerned were busy people, PAS reviews would take at least 3 months to organise. Forthcoming local elections meant the availability of Councillors was limited at the moment. It was anticipated that Parliament in July might pass legislation making changes to the law on developer contributions and on the provisions of the NPPF. It would make sense for the PAS review to take place after that legislation had been passed if possible. Delivery of housing had become the key element of Planning policy, accompanied by an up to date Local Plan that set out how that housing development would be delivered. Finalisation of the Local Plan should therefore be a very high priority for every local authority. 5 year reviews of the Local Plans were likely to become compulsory.

The Government wanted to speed up Planning decision making, to require local Planning authorities to have closer working relations with their neighbours and to introduce a stringent housing delivery test with a punitive outcome for those local authorities that did not deliver the required housing and was currently processing legislation to bring these changes into effect.

Planning was a complex matter and engagement with the public was challenging. PAS would put together an interview schedule for the PAS review after discussion with the local authority. On a typical visit, PAS would interview Planning managers, Planning Officers, Members of that local authority, Ward Councillors, and Officers of the local authority working in Planning policy and Development Management. PAS would look at how the local Planning authority interacted with the rest of the local authority. PAS would also interview users of the Planning Service which would include developers and members of the local community. PAS would visit the Planning Committee to see it in operation. While the Officers on the PAS review would give their time freely, the Members in the PAS review would be remunerated for the time that they had given up to be a part of the review.

The Committee noted that it was a matter for Runnymede to decide on composition of the peer group challenge/review panel (i.e. how many Members and Officers it would have) and to decide what issues it would like the peer group challenge/review panel to examine. It was suggested at the meeting that the PAS peer group challenge/review panel might consist of two Members of two different local authorities representing two different political parties, along with two Officers from two different Planning authorities.

Next Steps

The Committee agreed that, in view of the advice given by Mr Barker, it was appropriate for the Planning peer group challenge/review to take place later in the year than May and that the target for commencement of the Planning peer group challenge/review and the scrutiny review would now be during the Autumn.

The Committee agreed that the Chief Executive would set up a group of Members to consider the composition of the Planning Advisory Service peer group challenge/review panel and the approach to be taken by the panel so that PAS could be advised of the Council's requirements for the peer group challenge/review. It was also agreed that the Chief Executive and the Legal Services Manager would compile a proposed list of organisations to be invited to speak, or if they preferred, make written submissions to the Overview and Scrutiny Select Committee regarding the scrutiny review and seek Member approval of that list. The list of organisations to be invited to participate in the scrutiny review would include residents associations and might include Planning agents and developers submitting Planning applications. Members would be asked if they considered

that the list that was drawn up constituted a representative sample that was appropriate for the scrutiny review. The Committee noted that the Chief Executive would report to the Corporate Management Committee to seek approval for the resource implications of the peer group challenge/review when known.

Chairman

(The meeting ended at 8.54. p.m.)

Treasury Indicators 2017/18

Capital Expenditure – This prudential indicator is a summary of the Council's capital expenditure plans, and financing requirements which have been updated in line with the phased borrowing requirements of the new property investment plans. Any shortfall of resources results in a funding borrowing need.

Capital Expenditure	2016/17 Actual £000s	2017/18 Estimate £000s	2017/18 Revised £000s	2017/18 Actual £000s
Housing Services	232	917	917	331
Environment & Sustainability	578	300	1,042	482
Community Development	167	210	515	339
Corporate & Business – Property	99,814	330,929	266,922	162,647
Corporate & Business – Other	82	200	451	396
Non-HRA	100,873	332,556	269,847	164,194
HRA	2,584	10,534	4,195	5,395
Total	103,457	343,090	274,042	169,590
Financed by:				
Capital Receipts	5,261	45,960	36,215	25,641
Capital Grants & Contributions	491	28	278	787
Revenue	2,575	8,196	2,471	4,620
Net financing need for the year	95,130	288,906	235,078	138,542

The Council's borrowing need (the Capital Financing Requirement) - The Council's Capital Financing Requirement (CFR), is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR.

	2016/17 Actual £000s	2017/18 Estimate £000s	2017/18 Revised £000s	2017/18 Actual £000s
CFR at 1 April	150,862	250,838	245,457	245,457
Net financing need for the year	95,130	288,906	235,078	138,542
Less MRP/VRP and other financing movements	(535)	(1,916)	(1,652)	(1,529)
CFR at 31 March	245,457	537,828	478,883	382,470

Current Portfolio Position - The Council's treasury portfolio position is summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2016/17 Actual £000s	2017/18 Estimate £000s	2017/18 Revised £000s	2017/18 Actual £000s
External Debt at 1 April	140,792	240,091	232,792	232,792
Expected change in Debt	92,000	282,354	235,078	124,197

Actual gross debt at 31 March	232,792	522,445	467,870	356,989
Capital Financing Requirement	245,457	537,828	478,883	382,470
Under / (over) borrowing	12,665	15,383	11,013	25,481

The under borrowed position at 31 March 2018 is due to internal borrowing. This is temporary funding of capital expenditure using positive cash flows and internal balances. A small part of this difference (£195,000) represents the value of balances held on behalf of local trusts (e.g. Cabrera Recreation Ground Trust, Runnymede Pleasure Ground Trust etc). This gives the Trusts certainty of income and quick access if needed.

The Operational Boundary – This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt. **The authorised limit for external borrowing.** – A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised

	2016/17 Actual £000s	2017/18 Estimate £000s	2017/18 Revised £000s	2017/18 Actual £000s
Operational Boundary	237,955	539,828	480,884	-
Authorised Limit	237,995	544,519	485,575	-
Actual Borrowings	-	-	-	356,792

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently as follows:

HRA Debt Limit	2016/17 Actual £000s	2017/18 Estimate £000s	2017/18 Revised £000s	2017/18 Actual £000s
HRA debt cap	103,647	103,647	103,647	103,647
HRA CFR	101,956	101,956	101,956	101,956
HRA headroom	1,691	1,691	1,691	1,691

Interest Rate exposure - The upper limits on variable interest rate exposure indicator is set to control the Council's net exposure (taking borrowings and investments together) to interest rate risk. Its intention is to ensure that the Council is not exposed to interest rate rises which could adversely impact the revenue budget.

	2016/17 Actual £000s	2017/18 Estimate £000s	2017/18 Revised £000s	2017/18 Actual £000s
Upper limits on fixed interest rates based on net debt	237,792	534,519	475,575	316,399
Upper limits on variable interest rates based on net debt	0	0	0	0

Investment Treasury Indicator and Limit - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

	2016/17 Actual £000s	2017/18 Estimate £000s	2017/18 Revised £000s	2017/18 Actual £000s
Upper limits on Principal sums invested for over 364 days	0	5,000	5,000	0

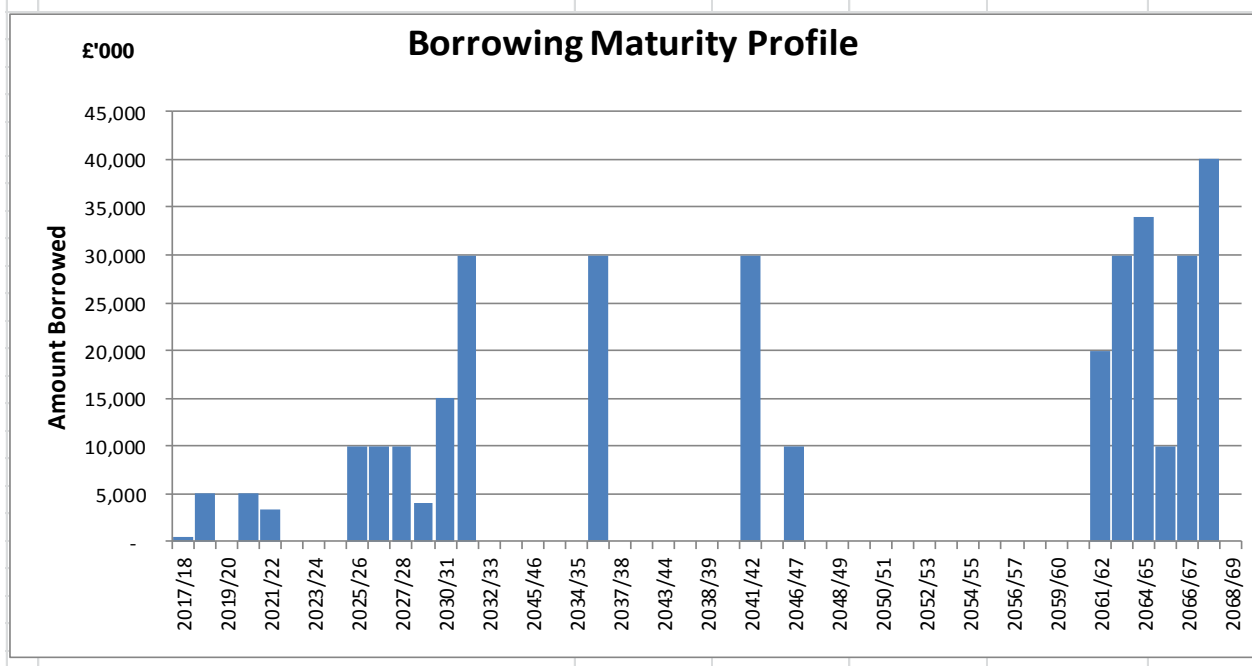
There were no investments made for a period of greater than 364 days at the 31 March 2018.

Maturity structure of fixed interest rate borrowing (Upper Limit)

	2016/17 Actual %	2017/18 Estimate %	2017/18 Revised %	2017/18 Actual %
Under 12 months	3	25	25	2
12 months to 2 years	0	25	25	0
2 years to 5 years	3	25	25	2
5 years to 10 years	8	50	50	8
10 years to 20 years	34	100	100	22
20 years to 30 years	17	100	100	11
30 years to 40 years	0	100	100	0
40 years to 50 years	35	100	100	55

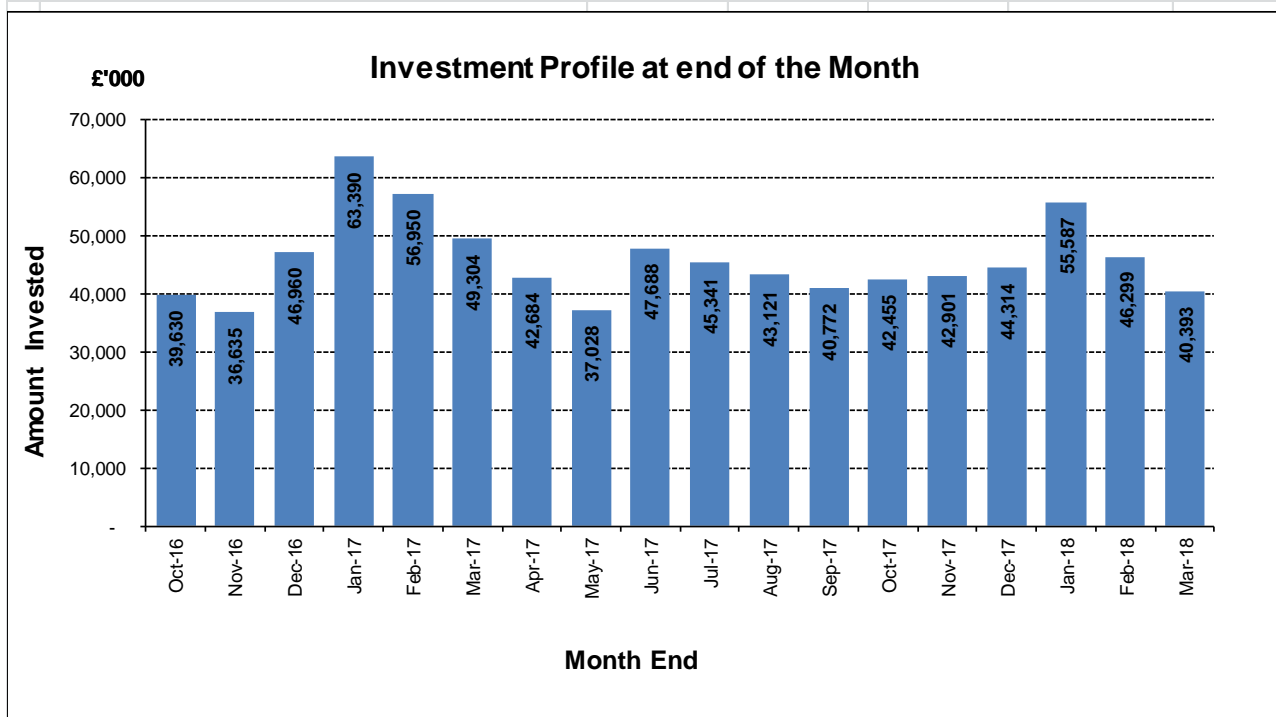
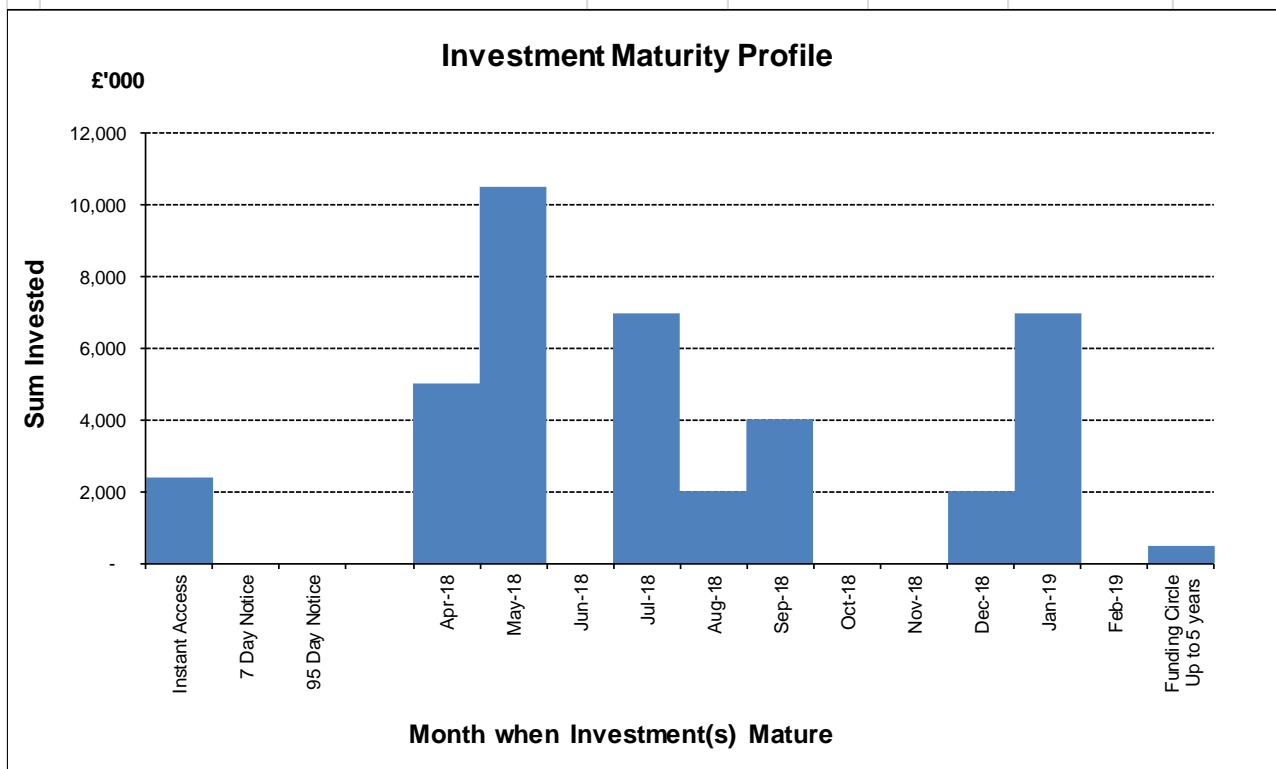
Borrowings as at 31 March 2018

	Principal Sum £'000	Original Term (Years)	Annual Interest £	MATURITY	%
Housing Revenue Account					
PWLB - 500502 (part)	1,956	10	46,944	28 Mar 2022	2.40%
PWLB - 500495	10,000	15	301,000	28 Mar 2027	3.01%
PWLB - 500498	10,000	20	332,000	29 Mar 2032	3.32%
PWLB - 500500	10,000	20	332,000	29 Mar 2032	3.32%
PWLB - 500501	10,000	20	332,000	29 Mar 2032	3.32%
PWLB - 500493	10,000	25	344,000	27 Mar 2037	3.44%
PWLB - 500496	10,000	25	344,000	27 Mar 2037	3.44%
PWLB - 500503	10,000	25	344,000	27 Mar 2037	3.44%
PWLB - 500494	10,000	30	350,000	28 Mar 2042	3.50%
PWLB - 500497	10,000	30	350,000	28 Mar 2042	3.50%
PWLB - 500499	10,000	30	350,000	28 Mar 2042	3.50%
	101,956		3,425,944	Average Rate:	3.36%
General Fund					
North Yorkshire County Council	5,000	3 mth	8,102	21 May 2018	0.65%
Hampshire CC (M3 LEP)	500	3	-	30 Sep 2018	0.00%
PWLB - 504311	5,000	5	98,500	17 Aug 2020	1.97%
PWLB - 500502 (part) - Appropriated from HRA	1,336	10	32,064	28 Mar 2022	2.40%
PWLB - 504312	10,000	10	256,000	17 Aug 2025	2.56%
PWLB - 506855	10,000	10	219,000	23 Jan 2028	2.19%
PWLB - 505012	4,000	12	86,400	08 Jun 2028	2.16%
PWLB - 504520	15,000	15	414,000	04 Dec 2030	2.76%
PWLB - 505233	10,000	30	244,000	12 Jul 2046	2.44%
PWLB - 505335	20,000	45	376,000	01 Sep 2061	1.88%
PWLB - 505968	15,000	45	351,000	04 Apr 2062	2.34%
PWLB - 505969	15,000	45	351,000	04 Apr 2062	2.34%
PWLB - 505972	20,000	46	470,000	05 Apr 2063	2.35%
PWLB - 505433	10,000	47	207,000	29 Sep 2063	2.07%
PWLB - 505334	14,000	48	289,800	29 Sep 2064	2.07%
PWLB - 507145	10,000	48	228,000	27 Mar 2066	2.28%
PWLB - 505668	20,000	48	514,000	20 Jan 2065	2.57%
PWLB - 505611	20,000	50	524,000	16 Dec 2066	2.62%
PWLB - 506991	10,000	50	240,000	05 Mar 2067	2.40%
PWLB - 506125	10,000	50	230,000	12 Jun 2067	2.30%
PWLB - 506887	15,000	15	367,500	08 Feb 2068	2.45%
PWLB - 506888	15,000	15	367,500	08 Feb 2068	2.45%
	254,836		5,873,866	Average Rate:	2.30%
Total Borrowings	356,792		9,299,810	Annual Interest	



Investments as at 31 March 2018					
	<u>£'000</u>		<u>ORIGINAL</u>		
			<u>TERM</u>	<u>MATURITY</u>	<u>%</u>
<u>Banks</u>					
<u>Access Accounts</u>					
<u>Term Deposits</u>					
Bank of Scotland	4,000		6 mth	14 May 2018	0.650
<u>Certificates of Deposit</u>					
Sumitomo Mitsui Bank	2,000		6 mth	16 Jul 2018	0.550
Sumitomo Mitsui Bank	1,000		6 mth	08 May 2018	0.540
Sumitomo Mitsui Bank	1,000		6 mth	17 Jul 2018	0.550
USB AG	1,000		1 yr	11 Sep 2018	0.480
Royal Bank of Scotland	2,000		11 mth	25 May 2018	0.660
Close Brothers	1,000		6 mth	19 Sep 2018	0.600
Total Banks	12,000	30%			
<u>Building Societies</u>					
Coventry BS	2,000		1 yr	03 Dec 2018	0.670
Leeds BS	2,500		356 dys	21 Jan 2019	0.730
Nottingham BS	1,500		6 mth	01 May 2018	0.530
Principality BS	1,000		6 mth	03 Apr 2018	0.510
Yorkshire BS	2,500		364 dys	14 Jan 2019	0.610
Total Building Society	9,500	24%	(50% Limit)		
<u>Local Authorities</u>					
Salford City Council	2,000		6 mth	08 May 2018	0.420
Fife Council	2,000		6 mth	11 Jul 2018	0.550
North Lanarkshire Council	2,000		8 mth	24 Sep 2018	0.650
Leeds City Council	2,000		6 mth	26 Jul 2018	0.530
Walsall Metropolitan Borough District	2,000		1 yr	30 Jan 2019	0.700
Ashford Borough Council	2,000		6 mth	02 Aug 2018	0.550
Total Local Authorities	12,000	30%			
<u>Money Market Funds</u>					
Aviva Investors Sterling Liquidity Fund - Class 2	210		***** On Call *****		Variable
Deutsche Global Liquidity Managed GBP - Class B	2,094		***** On Call *****		Variable
Goldman Sachs Sterling Liquid Reserves Institutional	100		***** On Call *****		Variable
Total Money Market Funds	2,404	6%			
<u>Pooled Funds & Collective Investment Schemes</u>					
CCLA Property Fund	2,000		**** 1 mth settlement ****		Variable
CCLA Diversified Income Fund	2,000		**** 1 mth settlement ****		Variable
Total Pooled Funds	4,000	10%			
<u>Funding Circle</u>					
Lending to small and medium sized companies	489		**** up to 5 years ****		Variable
Total Other Investments	489	1%	(w ith the ability to sell loans)		
Total Investments	40,393				

Investments as at 31 March 2018



APPENDIX 'E'

DRAFT ANNUAL REPORT – OVERVIEW AND SCRUTINY FUNCTION – 2017/18

1. **INTRODUCTION**

- 1.1 The Overview and Scrutiny function in Runnymede is undertaken by the Overview and Scrutiny Select Committee. The Committee's Terms of Reference are set out in Article 6 of the Council's Constitution, which is attached at Appendix '1'.
- 1.2 This report summarises the areas of the Overview and Scrutiny Select Committee's activities for the Municipal Year 2017/18.

2. **TREASURY MANAGEMENT**

- 2.1 The Overview and Scrutiny Select Committee is the Council body responsible for scrutinising the Council's treasury management and has considered various reports on treasury management throughout the year. The Corporate Management Committee makes recommendations to the Council on this subject.
- 2.2 At its July 2017 meeting, the Committee considered the annual report on treasury management and performance for the 2016/17 financial year. The Committee noted a full set of prudential and treasury indicators for 2016/17 and the economic background to treasury management. During the year the Council had complied with legislative and regulatory requirements and its Treasury Management Statement and Treasury Management Practices. The Council placed security and liquidity of investments ahead of yield. As always, the management of counterparty risk remained the priority and the Annual Investment Strategy was continuously reviewed to minimise risk as far as reasonably possible.
- 2.3 The Council operated two "loans pools", one for the Housing Revenue Account and one for the General Fund. All of the General Fund loans related to either the purchase of investment properties or funding for ongoing development schemes. The Committee noted the borrowing activity for 2016/17. The opening balance was £140.792m and the closing balance was £237.792m, an increase of £97m over the year. Some of the new borrowing had been taken out in advance of need, to lock into advantageous rates. The Council had been able to lock into a particularly favourable rate for a loan of 1.88% taken out on 1 September 2016 which was only available for a limited period and had saved the Council approximately £64,000 in interest costs against the rate available when the money was required. The Committee noted a schedule of outstanding loans at the end of the year. Most of the loans were with the Government's Public Works Loan Board (PWLB) and all of the Council's loans were at a fixed rate which the Committee noted could not be changed.
- 2.4 When borrowing, Officers monitored interest rates available including looking at the PWLB website twice a day and received regular updates from the Council's treasury advisers, Capita. In order for the Council to borrow money from the PWLB, it was necessary to satisfy the PWLB that the Council was borrowing money within the Council's remit. It was noted that, given the current low interest rates, the Council would be penalised if it returned the loaned money early. Long term and short term rates varied – sometimes 50 year rates were lower than 25 year rates and sometimes they were higher.
- 2.5 The bank base rate had been cut from 0.5% to 0.25% on 4 August 2016 and had remained at that level for the rest of the year. While this had reduced the investment income received by the Council, it had had the beneficial effect of reducing the Council's borrowing costs. The Committee noted a summary of investment activity during the year, split between the sectors of the counterparties with which the funds were invested. The Council's actual investment rate performance during the year was 0.72% which

compared favourably with the Council's benchmark rates and the original estimate of 0.6%. This was mainly due to locking in to some long term rates before the base rate dropped. However, the Council had benefitted from average rates of 4.8% for the investment in the CCLA Property Fund and 6.8% for the investment in the Funding Circle although only relatively small amounts of money were invested in these Funds. A full list of investments held by the Council at 31 March 2017 was noted.

- 2.6 In connection with the economic background to treasury management, it was noted that the election of President Trump in the USA had led to market uncertainty. The Committee was pleased to note that better than expected investment income results had been achieved in 2016/17 despite challenging market conditions.
- 2.7 At its February 2018 meeting, 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 which were agreed by Full Council on 18 February 2018.
- 2.8 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.
- 2.9 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, the limit would be increased to £5m for 2018/19.
- 2.10 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 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.

- 2.11 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.
- 2.12 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.
- 2.13 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 changes to the Annual Investment Strategy followed this principle.

3 IMPACT OF REDUCTION IN SERVICES: SURREY COUNTY COUNCIL

- 3.1 At its October 2017 meeting, the Committee considered a report setting out the impact of cost reductions in services supplied and/or funded by Surrey County Council on Runnymede Borough Council budgets.
- 3.2 The report set out the latest position on cost reductions being proposed by Surrey County Council (SCC). At the beginning of the 2017/18 financial year, Runnymede Borough Council (RBC) was informed that a comprehensive savings plan was to be

implemented by SCC. Savings for SCC necessary in the current financial year amounted to over £100m. Rising social care costs for children, adults and people with learning disabilities were at the heart of the cost reductions necessary. In essence however, all services were hit by cuts and some of the reductions affected Surrey District Councils including RBC. The current prediction was that SCC might not meet all of its savings targets for this year and was experiencing particular cost pressures in social care. Therefore there might be further implications for Surrey District Councils that were unknown at this stage.

- 3.3 Surrey County Council was a waste disposal authority (WDA) and the Surrey Districts were waste collection authorities (WCAs). For almost 20 years, the County Council had incentivised District Councils in Surrey to re-cycle through re-cycling credits, which in turn had reduced or contained landfill costs. SCC needed to make savings of £8m in this area from 2018/19 onwards. A new methodology for calculation of recycling credits was proposed and part of the formula was still being worked on by Surrey Waste Partnership but needed to be agreed by the end of the calendar year. It would be prudent for Runnymede not to budget for any additional income from the discretionary element of the formula.
- 3.4 SCC had indicated that it would only pay for four urban cuts and two rural cuts a year on highway verges, resulting in a 36% reduction in the funding it wished to provide for this work. Like most Surrey Districts, RBC considered this unacceptable and Full Council in July 2017 approved a supplementary revenue estimate to enable the frequency of highway verge cuts to be maintained and increased in the borough and for Runnymede to continue an agency agreement on behalf of the County to deliver their requirements.
- 3.5 SCC has stated a requirement to seek efficiency savings across the whole of Surrey in the delivery of on-street parking enforcement. RBC enforced on street parking on behalf of SCC. RBC sought to fully recover the costs of delivering this enforcement function through the issuing of on street parking tickets with the income delivered apportioned between SCC and RBC. The Surrey districts had been required by SCC to identify on street parking savings/income opportunities. SCC expected that districts would form "clusters" or groups in order to reduce costs (in the case of Runnymede the grouping would be with Spelthorne and Elmbridge) or alternatively SCC would invite competition from the private sector for a county wide contract. At this time, all three districts (Runnymede, Spelthorne and Elmbridge) confirmed that neither savings nor income generating opportunities were likely to be available due to the current efficiency of service delivery. The three districts, however, continue to work collaboratively to identify further opportunities. It was noted that SCC had looked at the introduction of on-street Pay and Display parking as a potential enforcement efficiency and income opportunity but this was likely to be considered in relation to town and local centres in Surrey rather than residential areas.
- 3.6 Street lighting was a SCC function. It would cost RBC approximately £26,000 to turn back on street lights in the borough that SCC had switched off from midnight to 5.00.a.m. Some concern had been expressed by residents that crime would increase in the early morning period when the lights were switched off. The matter would be kept under review.
- 3.7 For the past 3-4 years, Surrey Districts had formed teams with SCC Officers to offer generic support to families. Some of these families had relatively mild forms of dysfunctionality (e.g. a child not attending school regularly) whilst others had more complex needs. The method of working was designed to achieve swift outcomes over a period of 10-12 weeks. More complex needs were often referred on to SCC Social Services to give longer term support.
- 3.8 The reduction in grants from SCC for this function over the last three years was concerning for a number of reasons. This service was difficult to withdraw from families

who needed support. Secondly, this level of intervention had been successful in terms of preventing families seeking more expensive and complex forms of support. Thirdly, early intervention could save money in terms of time pressures (e.g in the management and control of child truancy). SCC also proposed to make reductions in support for learning disability groups and gypsy/traveller support which would mean less resources available in Surrey to assist with the education and welfare of gypsies and travellers.

- 3.9 The Committee noted a number of potential reductions in SCC support affecting the Housing service. In addition to the rent and usual service charges, Independent Retirement Living (IRL) residents had a further charge on their rent account from the Supporting People budget which covered the higher level of management and support provided in the schemes. The Government devolved the Supporting People grant to Surrey County Council and since 2003 SCC had funded this charge for all tenants in receipt of Housing Benefit but the funding was not ring-fenced and they now intended to use it for Adult Social Care. In the budget year 2016/17 Surrey County Council paid £95,524 in Housing Related Support payments for residents of IRL. SCC might not be prepared to do this in future for those residents that were not deemed to be sufficiently in need of this support after a means testing exercise had been undertaken.
- 3.10 Housing Related Support was also expected to be withdrawn from people with learning, physical and sensory disabilities. Although Runnymede did not directly receive payments, 13 disabled residents within the borough were provided with housing solutions through this funding and if the current schemes were withdrawn by SCC the Housing Business Centre might have a duty to find alternative suitable accommodation for this vulnerable group or source additional funding.
- 3.11 SCC currently funded a number of support services for people in socially excluded groups who would not currently manage in general needs accommodation. This incorporated supported housing schemes for people with mental health problems and who were homeless due to alcohol/addiction issues. There were 58 Supported Housing placements in the borough that Runnymede Borough Council nominated to and currently there was a proposed 10% cut in payments to Transform, Riverside and Welmede. It was not clear if the providers would be able to sustain services.
- 3.12 The Floating Support Service was a service for tenants within any sector who were struggling to sustain their tenancy. Runnymede made referrals to the provider and the tenant was allocated a support worker for a period of time to assist in resolving their issues. Used by both Tenancy Management and Housing Options, this was a useful Tenancy Sustainable tool. However, in-house specialists were now used. The current proposal was to reduce funding for this service by 50% and review its provision. The estimated apportioned financial loss to the Borough would be around £25,000.
- 3.13 All residents of Runnymede had access to a telecare alarm system if they required it, many of whom would be homeowners and self-fund the service. IRL tenants benefitted from the alarm as part of their package and Runnymede Council tenants living in General Needs properties who had the alarm would be subsidised by the HRA if they were in receipt of Housing Benefit. Supporting People currently paid £33,785 per year to the HRA for these alarm charges and this was then part of the £99,000 that was paid to Safer Runnymede for monitoring the alarm service. However, it was understood that SCC was considering reallocating the Supporting People grant so this payment to the HRA might cease.
- 3.14 It was noted that it would be prudent for Runnymede to budget for meeting the cost of these potential reductions in support affecting the Housing service. It was suggested that SCC could raise income by selling its Kingston offices in Greater London and relocating within the Surrey area. However, it was noted that any possible relocation would be a complex issue without an easy solution, e.g. covenants on the SCC premises in Kingston would make relocation problematic.

4 CALL-IN OF DECISION – WAITROSE CAR PARK – EGHAM

4.1 At its October 2017 meeting, the Overview and Scrutiny Select Committee considered a call-in of decisions of the Corporate Management Committee held on 21 September 2017 relating to the Waitrose car park, Egham.

4.2 Call-in of a decision was a procedure available to the Overview and Scrutiny Select Committee which prevented implementation of a decision or decisions of a Policy Committee until it/they had been considered further. A call-in request had been made by Councillor Mrs Manduca and it had been supported by another Member of the Overview and Scrutiny Select Committee, Councillor P S Sohi.

4.3 The call-in was in respect of three decisions of the Corporate Management Committee (the relevant Policy Committee) which at its meeting on 21 September 2017 had resolved that –

- i) the progress made with resolving the long-standing debt referred to in the report be noted and a supplementary revenue estimate in the sum reported be approved to cover the specialist legal costs referred to in resolution iii) below and to settle the debt together with the further accumulated debt for 2017/18 as required, but with the first call on any car parking income surplus after all costs have been paid, to help fund the repayment of the debt;
- ii) the decision of Officers to sponsor a winding up order against the company referred to in the report be supported in order to seek repayment of the Council's loss through the payment of the debt referred to in resolution i) above; and
- iii) in view of the need to settle the debt and incur specialist legal costs in respect of sponsoring of the winding up proceedings against the company referred to in the report without delay, resolutions i) and ii) above be approved by the Corporate Management Committee under paragraph 1.3 of Committee Responsibilities in the Council's Constitution.

4.4 In accordance with the Overview and Scrutiny Procedure rules, the Members that had requested the call-in were called upon to explain their reasons for the request. Councillor Mrs Manduca made points at the meeting in support of the request and the Overview and Scrutiny Select Committee noted the responses of Officers to each of those points.

4.5 The Overview and Scrutiny Select Committee recommended that the three decisions at paragraph 4.3 above be reconsidered by the Corporate Management Committee. At its meeting on 12 October 2017, the Corporate Management Committee decided to confirm the three decisions set out at paragraph 4.3 above.

5 APPLICATION OF THE OPENNESS OF LOCAL GOVERNMENT BODIES REGULATIONS 2014 TO THE LOCAL PLAN MAKING PROCESS AND SUBMISSION

5.1 At a meeting in January 2018, the Committee noted a report on the application of the Openness of Local Government Bodies Regulations 2014 to the Local Plan Making Process and Submission.

5.2 The Committee noted that full Council at its meeting on 9 January 2018 had agreed that the draft Local Plan be endorsed as sound and that public consultation take place on the draft Local Plan. This public consultation was known as the Regulation 19 consultation. Full Council had also agreed at that meeting that following conclusion of the public consultation, the Corporate Director of Planning and Environmental Services, further to discussion with the Chief Executive, Chairman of the Planning Committee, Leader of the Council and Leader of the Runnymede Independent Residents' Group, be

authorised to make any non-substantive changes / updates to the draft Local Plan and submit the draft Local Plan to the Secretary of State on or before 31 March 2018.

- 5.3 The Committee noted the requirements of the 2014 Regulations in relation to delegated decisions taken by Officers. It was noted that the consultation period which was the subject of the full Council decision on 9 January 2018 as set out above (the Regulation 19 consultation) would end on 22 February 2018. When the consultation period ended the Corporate Director of Planning and Environmental Services (CDPES) would discuss with the Officers and Members referred to in that full Council decision whether any changes /updates required to the draft Local Plan were substantive or non-substantive. Having undertaken that discussion, provided that he remained satisfied that any changes/updates required were non-substantive, he would exercise the delegated authority given to him and would take a decision to submit the draft Local Plan to the Secretary of State for the Department for Communities and Local Government. The Committee noted that if the CDPES decided to exercise the delegated authority given to him in respect of the draft Local Plan, the decision taken by him would be recorded in writing and be displayed on the Council website Local Plan consultation page and on the Council website Local Plan newsflash page which had links to the RBC Planning Twitter feed. The publication of the decision in that manner would be in compliance with the 2014 Regulations.

6 REVIEW OF THE COUNCIL'S PLANNING SERVICE

- 6.1 At its February 2018 meeting, 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.
- 6.2 The draft plan for the review had been the subject of discussion between the Chief Executive and the CDPES. 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.
- 6.3 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.
- 6.4 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.

- 6.5 The Committee approved the Terms of Reference for the scrutiny review of the Council's Planning Service. 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.
- 6.6 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.
- 6.7 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.
- 6.8 At its meeting in April 2018, the Committee asked questions of the CDPES on the challenges faced by the Council's Planning Service in order to provide context to the scrutiny review. Mr Stephen Barker of the Planning Advisory Service outlined to the Committee what a peer group challenge could offer and the options available to the Council in commissioning the peer group challenge. The Committee also considered how to take forward the scrutiny review and the peer group challenge.

Questions To The CDPES

- 6.9 The Committee asked the CDPES whether, in his view, Runnymede's Planning Service was meeting the needs of residents and whether he considered that the engagement with the public was satisfactory. The CDPES replied that, in his view, the Planning Business Centre did meet residents' needs. Planning consisted of eight different functions but not all of these had a large public facing element. The Statement of Community Involvement document showed how Planning engaged with the public on the Local Plan and on Planning applications which were two main areas of public engagement.
- 6.10 A Member asked the CDPES what areas of the Planning service, in his view, needed to be strengthened. The CDPES informed the Committee that it would be helpful to have extra resources for specialist urban design Supplementary Planning Document work under which local communities would provide guidance for development, to review the Local Plan which it was anticipated would have to be done in future every five years and also to develop ongoing work on the Council's duty to cooperate obligations and neighbourhood plans as part of the Local Plan process. Regarding planning applications, there were pressures on existing staff created by a constantly changing National Planning Policy Framework (NPPF) and significant annual changes in Government policy on the delivery of housing.
- 6.11 A Member asked the CDPES whether residents understood the Planning process and Government requirements and how those requirements kept changing. The CDPES

advised the Committee that in order to assist the public in their understanding of Planning issues, the Council's online planning system had Frequently Asked Questions (FAQ) pages. The Council's Planning Officers, who were Chartered Town Planners, assisted the public with more complex questions. The engagement vehicle for the public on the Local Plan and on Planning applications was the Community Planning Panel. Large local residents associations were members of that Panel. Planning training was essential for those Council Members who sat on the Planning Committee. Very regular updates had been provided online on the Local Plan. The Planning Business Centre was looking at setting up a Planning agents forum. One of the main aims of the forum would be to assist Planning agents in submitting valid Planning applications on behalf of applicants. There were therefore a number of ways in which residents were informed of the Planning process but it was not easy to gauge the level of understanding that the public had.

- 6.12 A Member advised the CDPES that residents in the west of the borough considered that their voices were not being heard on some important Planning issues, particularly on transport, infrastructure, and sustainability aspects of Planning applications. That Member considered that dialogue could be improved so that residents' perceptions were better understood and asked for the CDPES's comments on those matters. The CDPES replied by stating that Planning Officers had written to and spoken to many residents about aspects of applications. Planning Committee decisions were based on evidence. In reaching decisions, the Planning Committee had to consider, on the one hand, the need to provide housing, to follow the NPPF and to approve developments provided it was satisfied that they could be delivered in a sustainable way (including without significant adverse impact on the community and with appropriate infrastructure). On the other hand, it had to consider objections made by residents to developments. It had to reach a judgement on whether to approve applications and, if it approved them, what conditions should be attached to them. Requirements regarding roads and transport in respect of Planning applications were explained to the Community Planning Panel. Virginia Water had two representatives on that Panel. Meetings had been held in local areas where the public had been able to ask Planning Officers more detailed questions on specific issues.
- 6.13 The CDPES advised the Committee that while there were transport "hotspots" across the borough, there was only one location where a "critical" transport problem had been identified and that was the A320. A feasibility study had been commissioned regarding the A320 as part of the Local Plan. The CDPES advised the Committee that concerning transport and infrastructure, it was made clear to developers by Runnymede Borough Council (RBC) Planning Officers, that although an application for planning permission was made to RBC, they as developers would need to satisfy Surrey County Council (SCC), the Highway Authority, that they as developers had made adequate arrangements for transport and infrastructure issues in that RBC planning application.
- 6.14 The same Member provided an illustration of residents' concerns about transport by asking why no traffic assessment for Runnymede had been provided for a section 106 agreement for the Longcross North Development even though it was understood that there had been traffic assessments undertaken for areas outside the borough. The CDPES stated that, for this Longcross North development, a detailed assessment of vehicles had been conducted by SCC which had not identified any severe transport implications which warranted a traffic assessment specifically for Runnymede.
- 6.15 The same Member stated that it was the perception of some residents that developers were not providing enough financial contribution to developments through section 106 agreements and that too much of the cost of developments was being met from the Government (i.e. from taxpayers' money) and asked for the CDPES's comments. The CDPES did not accept that contention and advised the Committee that viability assessments (analyses of the amount that it would be reasonable for developers to pay)

were undertaken by independent experts in that field which provided an objective measure of the proportion of the cost of developments that developers should pay.

- 6.16 A number of Members of the Committee raised the issue of Planning Enforcement and thought that the Council was not doing enough work on Planning Enforcement, although another Member of the Committee expressed the view that the Council was proactive in following up Planning Enforcement issues and gave these matters a higher priority than in the past. One Member of the Committee expressed the view that there was a public perception that Planning Enforcement breaches were allowed to continue without action being taken – the Chief Executive stated that he could not support that contention and pointed to a couple of instances of successful action, namely a satisfactory outcome achieved in respect of Padd Farm after substantial Officer time and effort over many years and decisive action taken by the Council in respect of Adas Farm. While the Committee noted that other Councils had smaller Planning Enforcement teams than Runnymede, the Chief Executive stated that the Council would need to consider whether 3 members of staff were sufficient for Runnymede's Planning Enforcement requirements and a report was being prepared for Member consideration proposing more resources for this function. The Chief Executive stated that Planning Enforcement was not the only area where the public wished to see more work done – they were also particularly concerned about street cleaning and flytipping and Members would have to weigh up where Council resources should be expended.
- 6.17 The CDPES reported that on Planning Enforcement, the Council's performance against its Key Performance Indicators was good. Officers worked with residents to identify where enforcement breaches occurred. Where taking action following enforcement breaches, the Council had on occasion to proceed through the Courts which resulted in delays which were caused by the Court process which sometimes could result in the perception from residents that the Council was not taking action. The CDPES advised the Committee that the Enforcement Charter document described the Council's work in the investigation and resolution of breaches of Planning control.
- 6.18 The Committee asked what the next steps would be for Runnymede's Local Plan. The CDPES replied that when the Local Plan was submitted to the Government in July 2018 it would be allocated to an Inspector who would test the soundness of the Plan and would arrange for an Examination in Public to be undertaken which was unlikely to take place before November 2018. The length of the Examination would be approximately a month. Provided that the modifications proposed by the Inspector were not particularly extensive, it was hoped that adoption of the Final Plan might take place during 2019.
- 6.19 The Committee asked whether the Council had any discretion over what it included in the Local Plan or whether it was entirely directed by the Government. The CDPES advised that since 2011/12, the Government had been continually amending the Planning process and each year since then the Government had introduced new changes. Runnymede's Local Plan had to be consistent with the NPPF. Additional requirements which had been introduced by the Government included extra technical matters, standardised national methodologies which removed the capacity for local discretion and new expanded definitions of permitted development and permission in principle. These expanded definitions were intended to result in more applications being approved more quickly. The Government's overriding priority was to deliver housing. The local authority had little choice about what developments were to be delivered but it did have discretion over where in the Borough they were located and, in some cases, when they were delivered.

Peer Group Challenge

- 6.20 Mr Stephen Barker of the Planning Advisory Service (PAS) outlined to the Committee what a peer group challenge could offer and the options available to the Council in commissioning the peer group challenge.

- 6.21 Mr Barker informed the Committee that the Planning Advisory Service was part of the Local Government Association. PAS had been in existence since 2004. Its main aim was to assist local authorities in striving to improve their Planning service. It was funded by grant from central Government. Each PAS peer group challenge would have a Planning peer review manager. Each PAS peer group challenge would consist of a team of Planning Officers and elected Members who specialised in Planning at other local authorities. These Officers and Members would have experience of Planning issues over a long period which would inform the review that they would undertake. They would conduct a series of interviews over three days where they would collect evidence. They would produce an immediate verbal response followed by a written report. PAS challenges were in great demand by local authorities – over 100 challenges (which were also known as reviews) had been undertaken and some local authorities had had more than one review.
- 6.22 As the PAS review team were experts in Planning, they were well placed to advise local authorities on how they could keep pace with the regular Government changes being introduced and as there were a number of new changes going currently through Parliament, this year would be a good time to have a PAS review. Each PAS review would consist of at least one Councillor and at least two Officers. As the Councillors and Officers concerned were busy people, PAS reviews would take at least 3 months to organise. Forthcoming local elections meant the availability of Councillors was limited at the moment. It was anticipated that Parliament in July might pass legislation making changes to the law on developer contributions and on the provisions of the NPPF. It would make sense for the PAS review to take place after that legislation had been passed if possible. Delivery of housing had become the key element of Planning policy, accompanied by an up to date Local Plan that set out how that housing development would be delivered. Finalisation of the Local Plan should therefore be a very high priority for every local authority. 5 year reviews of the Local Plans were likely to become compulsory.
- 6.23 The Government wanted to speed up Planning decision making, to require local Planning authorities to have closer working relations with their neighbours and to introduce a stringent housing delivery test with a punitive outcome for those local authorities that did not deliver the required housing and was currently processing legislation to bring these changes into effect.
- 6.24 Planning was a complex matter and engagement with the public was challenging. PAS would put together an interview schedule for the PAS review after discussion with the local authority. On a typical visit, PAS would interview Planning managers, Planning Officers, Members of that local authority, Ward Councillors, and Officers of the local authority working in Planning policy and Development Management. PAS would look at how the local Planning authority interacted with the rest of the local authority. PAS would also interview users of the Planning Service which would include developers and members of the local community. PAS would visit the Planning Committee to see it in operation. While the Officers on the PAS review would give their time freely, the Members in the PAS review would be remunerated for the time that they had given up to be a part of the review.
- 6.25 The Committee noted that it was a matter for Runnymede to decide on composition of the peer group challenge/review panel (i.e. how many Members and Officers it would have) and to decide what issues it would like the peer group challenge/review panel to examine. It was suggested at the meeting that the PAS peer group challenge/review panel might consist of two Members of two different local authorities representing two different political parties, along with two Officers from two different Planning authorities.

Next Steps

- 6.26 The Committee agreed that, in view of the advice given by Mr Barker, it was appropriate for the Planning peer group challenge/review to take place later in the year than May (which was the proposed date put forward at the April 2018 meeting of the Committee) and that the target for commencement of the Planning peer group challenge/review and the scrutiny review would now be during the Autumn.
- 6.27 The Committee agreed that a group of Members be set up to consider the composition of the Planning Advisory Service peer group challenge/review panel and the approach to be taken by the panel so that PAS could be advised of the Council's requirements for the peer group challenge/review. It was also agreed that a proposed list would be compiled of organisations to be invited to speak, or if they preferred, make written submissions to the Overview and Scrutiny Select Committee regarding the scrutiny review and Member approval of that list would be sought. The list of organisations to be invited to participate in the scrutiny review would include residents associations and might include Planning agents and developers submitting Planning applications. The Committee noted that the Chief Executive would report to the Corporate Management Committee to seek approval for the resource implications of the peer group challenge/review when known.

7 ASHDENE HOUSE REDEVELOPMENT – BUSINESS CASE

- 7.1 At its February 2018 meeting, the Committee considered an outline business case for the redevelopment of Ashdene House having regard to the political and community constraints on the Development.
- 7.2 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.
- 7.3 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.
- 7.4 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.
- 7.5 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.

- 7.6 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 resulting in a 29 unit student block. 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.
- 7.7 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.
- 7.8 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.
- 7.9 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.

- 7.10 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.
- 7.11 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 which resulted in a 29 unit student block 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.
- 7.12 The Committee expressed its concerns about the viability of the current scheme for Ashdene House and recommended to the Corporate Management Committee that the plans for the site be reviewed with a view to an Officers' report setting out the possibility of an alternative scheme for appropriate residential accommodation, the possibility of the disposal of the site with a planning consent for the current proposed development of the site, the current scheme with accurate costs given following value management and 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.
- 7.13 At its meeting on 22 February 2018, the Corporate Management Committee considered the Overview and Scrutiny Select Committee's recommendations and agreed that three options be developed which were a residential accommodation scheme, disposal of the site with a Planning consent for the current scheme, or continuing with the current scheme with accurate costs given following value management. The Corporate Management Committee considered those three options at its meeting on 24 May 2018 and decided that the residential option be further developed and an application for Planning permission be supported, including undertaking a further public consultation event, the current Planning application to build a new student accommodation block be formally withdrawn and subject to securing Planning permission for the residential scheme, Officers proceed with the demolition of the old building and construction of the new development on the site.

ARTICLE 6– OVERVIEW AND SCRUTINY SELECT COMMITTEE/CRIME AND DISORDER COMMITTEE

6.01 Terms of Reference

The Council will appoint an overview and scrutiny Committee to discharge the functions conferred by regulations under Section 32 of the Local Government Act 2000. In Runnymede, the overview and scrutiny committee is titled the Overview and Scrutiny Select Committee.

The Overview and Scrutiny Select Committee will have nine Members, or as the Council may decide.

6.02 General Role

Within this Constitution, the Overview and Scrutiny Select Committee may:

- (i) review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- (ii) make reports and/or recommendations to the Full Council and/or any Committee in connection with the discharge of any functions;
- (iii) consider any matters affecting the area or its inhabitants; and
- (iv) exercise the right to call-in, for reconsideration, decisions made but not yet implemented by any Committee.

6.03 Specific Functions

(a) **Policy development and review.** The Overview and Scrutiny Select Committee may:

- (i) assist the Council in the development of its budget and policy framework by in-depth analysis of policy issues;
- (ii) conduct research, community and other consultation in the analysis of policy issues and possible options;
- (iii) consider and implement mechanisms to encourage and enhance community participation in the development of policy options;
- (iv) question Members of policy Committees and Chief Officers about their views (in the case of Officers, professional views) on issues and proposals affecting the area; and
- (v) liaise with other external organisations operating in the area, whether national, regional or local, to ensure that the interests of local people are enhanced by collaborative working.

(b) **Scrutiny.** The Overview and Scrutiny Select Committee may:

- (i) review and scrutinise decisions made by, and performance of, policy Committees and Council Officers, both in relation to individual decisions and over time;
- (ii) review and scrutinise the performance of the Council in relation to its policy objectives, performance targets and/or particular service areas;
- (iii) question Members of policy Committees and Chief Officers about their decisions and performance, whether generally in comparison with service plans and targets over a period of time, or in relation to particular decisions, initiatives or projects;
- (iv) make recommendations to the appropriate policy Committee and/or Council arising from the outcome of the scrutiny process;

(v) review and scrutinise the performance of other public bodies in the area and invite reports from them by requesting them to address the overview and scrutiny Committee and local people about their activities and performance; and

(vi) question and gather evidence from any person (with their consent).

(c) **Finance.** The Overview and Scrutiny Select Committee may be allocated funding for its role by the Council, and will exercise overall responsibility for the finances made available to it.

(d) **Annual Report.** The Overview and Scrutiny Select Committee must report annually to full Council on its workings and make recommendations for future work programmes and amended working methods if appropriate.

6.04 The Overview and Scrutiny Select Committee may form sub-committees from amongst its membership, or advisory panels from any suitable persons whether its Members or not.

6.05 **Proceedings of Overview and Scrutiny Select Committee**

The Overview and Scrutiny Select Committee will conduct its proceedings in accordance with the Overview and Scrutiny Procedure Rules set out in Part 4 of this Constitution.

6.06 **The Crime and Disorder Committee**

The Overview and Scrutiny Select Committee will also sit as the Council's Crime and Disorder Committee under section 19 of the Police and Justice Act 2006. It will meet in this capacity as required, but by law must do so at least once in every twelve months. When it does so, it must not exercise any functions other than its functions under the 2006 Act. Its terms of reference are set out in Part 3 of this Constitution and its proceedings will be conducted in accordance with the Crime and Disorder Committee Procedure Rules set out in Part 4.