

Runnymede Borough Council

OVERVIEW AND SCRUTINY SELECT COMMITTEE

28 November 2019 at 7.30.p.m.

Members of the Committee present: Councillors J Furey (Chairman), T Gracey (Vice-Chairman), A Alderson, J Broadhead, R Edis, C Howorth and M Kusneraitis.

Members of the Committee absent: Councillors M Brierley and L Gillham.

Councillor P Snow also attended.

369 FIRE PRECAUTIONS

The Chairman read out the Fire Precautions.

370 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.

Group	Remove from Membership	Appoint Instead
Runnymede Residents And Community	Councillor S Mackay	Councillor M Kusneraitis

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

371 MINUTES

The Minutes of the meeting of the Committee held on 4 July 2019 were confirmed and signed as a correct record.

372 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors M Brierley and L Gillham.

373 TREASURY MANAGEMENT MID YEAR REPORT 2019/20

The Committee noted a report on the Council's treasury activity for the first six months of the 2019/20 financial year. It was noted that the economic update in the report had been written before the December General Election had been called. The Treasury and Public Works Loan Board (PWLB) had announced on 9 October 2019 that there would be an increase in the interest rates offered on new PWLB loans by 100 basis points or 1%. A possible motive for this increase was a wish by the Government to deter local authorities from investing in property. This increase had surprised local authorities and the market generally. It was anticipated that financial institutions would be devising products as an alternative source of borrowing in order to respond to the increase in PWLB loan rates.

The Council held £69.2M of investments as at 30 September 2019 and the investment activity during the first six months of the year was noted. During the financial year to date, the Council had operated within the treasury and prudential indicators set out in the

Council's Treasury Management Strategy and in compliance with the Council's Treasury Management practices. The Committee noted the position at 30 September 2019 against each of the indicators. It was noted that short term investment with other local authorities had increased. This was to an extent due to the lack of other alternatives as banks and building societies increasingly did not wish to offer investments for a short period or for the small sums needed by the Council. Local authority rates were also usually more advantageous than those offered by banks or building societies. Local authorities were safe organisations to place investments with as although only a few local authorities had a credit rating no local authorities had been liquidated or wound up.

The excellent annualised return provided by the Council's CCLA Property Fund was noted. It was agreed that further information on the CCLA Property Fund would be circulated to all Overview and Scrutiny Select Committee Members. It was noted that the Council had entered into an advance loan deal refinancing an existing loan with Phoenix Life Limited at a percentage rate of 2.88%. It was noted that this loan would part fund the Egham Gateway Development and the rate offered was more advantageous than that currently offered by the PWLB.

The Committee agreed that it would be helpful to them in their overview and scrutiny role to have management reporting so that they could track treasury activity from quarter to quarter. It was agreed that a meeting would be arranged between Council Finance Officers and the Vice-Chairman of the Committee to discuss what should be included as management information in future Treasury reports in order to allow Members of the Overview and Scrutiny Select Committee to track treasury performance over time.

374 PROJECT VIABILITY APPRAISALS IN A LOCAL GOVERNMENT SETTING

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

The Committee considered a detailed report on project viability appraisals in a local government setting. This item had been included on the agenda at the requirement of the Chairman of the Committee, under the provisions of Standing Order 27.4c. The Chairman informed the Committee that he had asked for the report to be submitted to the Committee as a number of Members had questioned how the Council calculated the viability of projects and the purpose of the item was for Members to gain a greater understanding of the Council's project viability appraisal methodology by looking at three very different projects. The Committee would also be advised of the views of a Member who had some experience of managing development projects outside a local government setting.

The report used three examples of regeneration and redevelopment projects to explain how project viability was calculated. The Committee noted that a commercial approach had been used by the Council in assessing project viability, but that there were also political and community priorities applied to redevelopment and regeneration projects and there was a requirement for the Council to follow financial and procurement rules. These rules included the Official Journal of the European Union (OJEU) procurement rules as contained in UK legislation, the Cabinet Office procurement rules and the Council's own procurement and contract rules. It was noted that political and community priorities and financial and procurement rules could reduce levels of income generated by projects.

The Committee received and noted a presentation by an independent specialist in development appraisal from the private sector who attended the Committee as an external adviser on viability appraisals. The external adviser informed the Committee that he had advised both public and private sector clients on development viability. He referred to the difference between residual valuation (which was not an appraisal) and development appraisal. He illustrated different forms of development appraisal. He emphasised that no

two sites were the same and complete comparability between sites was not possible. There were many different ways of undertaking viability models and he illustrated some of these methods. He showed how total contract value was calculated. Factors to be taken into account in a local government setting were Local Plan and affordable housing requirements. Although affordable housing may be required in a project it would reduce project viability. He illustrated different ways of calculating development costs which might change over time once the project was under way. Another factor affecting project viability was client requirements and in a local government setting this would include place shaping and political priorities.

The Committee thanked the external adviser for his presentation and agreed that a more detailed version of his presentation should be circulated to the Assets and Regeneration Member Working Group and that he be invited to speak to that Working Group.

A number of Members queried the Council's project appraisal methodology in relation to figures provided for particular schemes and build costs. A Member also queried how cash flow figures had been calculated and queried why some items had not been taken into account in cash flow forecasts. That Member also considered that cash flow forecasts for projects should be provided more regularly for Members so that they could track whether projects were progressing on budget. However, not all Members of the Committee considered that it was necessary for Members to receive this level of detail.

In the view of a number of Members, the Council's figures for build costs were high and it was noted that a contributory factor to this was that the Council was required to follow the Official Journal of the European Union (OJEU) procurement route which meant that it did not have the same flexibility in procuring contractors as a private developer.

A Member questioned whether most Councillors would have the technical expertise necessary to challenge project viability appraisals and whether it was possible to have benchmarks against which schemes could be assessed. The Committee agreed that evaluation of projects was a matter that required in depth discussion in a Member Working Group setting and agreed that the Assets and Regeneration Member Working Group should review the current methodology for evaluating projects and consider whether regular cash flow forecasts tracking viability of projects over time should be made available to Members.

A Member queried the role of the company appointed by the Council in respect of Runnymede Regeneration and the payment arrangements for that company. It was agreed that a meeting be held between that Member and Finance and Commercial Services Officers to discuss and clarify these matters.

The Committee agreed that the Assets and Regeneration Member Working Group should review urgently an alternative option for one of the projects referred to in the report and consider whether to make a recommendation to the Corporate Management Committee that this alternative option be pursued.

The Committee agreed that executive summaries should be provided for lengthy reports to the Committee in the future.

375 NOTICE FROM THE HOUSING REGULATOR - REVIEW

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

The Committee received an oral report from the Chief Executive advising them of the response by the Council following a Regulatory Notice issued by the Regulator of Social Housing in October 2019 which concluded that the Council had breached the Home

standard which required the registered provider (the Council) to meet all applicable statutory requirements that provided for the health and safety of Council tenants in their homes.

The Committee noted action being taken with regard to letting of contracts, recruitment of staff to drive the necessary changes in the Council's Housing business centre and the implementation of a quality management system. The stock condition survey, electrical testing arrangements and fire risk assessments were all being updated. Significant investment in information technology would be made to provide robust systems. Progress in implementing these changes would be monitored by the Housing Member Working Group and by the Housing Committee. It was agreed that a Member would be contacted to establish the information he required from Officers regarding the action being taken in respect of the Regulatory Notice.

A report would be submitted to the February 2020 meeting of the Overview and Scrutiny Select Committee on how the issues that led to the issue of the Regulatory Notice were not identified and addressed and how new working methods would prevent these issues from occurring in the future. A report would be submitted to the March 2020 meeting of the Standards and Audit Committee on the audit actions in respect of the Council's compliance with the Home standard.

(The meeting ended at 10.23.p.m.)

Chairman