

Runnymede Borough CouncilOVERVIEW AND SCRUTINY SELECT COMMITTEE18 March 2020 at 7.30.p.m.

Members of the Committee present: Councillors J Furey (Chairman), T Gracey (Vice-Chairman), J Broadhead, E Gill, C Howorth, I Mullens and P Snow.

Members of the Committee absent: Councillors M Brierley and S Mackay

Councillors T Burton, N Prescott and J Sohi also attended.

571 FIRE PRECAUTIONS

The Chairman read out the Fire Precautions.

572 MINUTES

The Minutes of the meeting of the Committee held on 18 November 2019 were confirmed and signed as a correct record.

573 NOTIFICATION OF CHANGES TO COMMITTEE MEMBERSHIP

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

<b>Group</b>	<b>Remove from Membership</b>	<b>Appoint Instead</b>
Conservative	Councillor R Edis	Councillor P Snow
Runnymede Independent Residents'	Councillor A Alderson	Councillor I Mullens
Runnymede Independent Residents'	Councillor L Gillham	Councillor E Gill

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

574 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor M Brierley.

575 DECLARATIONS OF INTEREST

The one substantive item of business on the Committee's agenda was to consider a call-in of decisions made by the Corporate Management Committee (CMC) on 27 February 2020 concerning the proposed acquisition of a property.

The Committee noted that in considering this call-in, Councillor Snow was able to become a Member of the Committee for this meeting as, while he had taken part in the debate on this

matter at the aforementioned meeting on 27 February 2020, he had not voted on the original decisions taken by the CMC that were the subject of the call-in. The Committee also noted that in considering this call-in, Councillors Prescott and J Sohi (who attended the Committee as non Members of the Committee and took part in the debate) had voted on the original decisions taken by the CMC that were the subject of the call-in.

## 576 CALL-IN OF DECISIONS – PROPOSED ACQUISITION OF PROPERTY

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 call-in of decisions made by the Corporate Management Committee (CMC) held on 27 February 2020 concerning the proposed acquisition of a property.

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 had been considered further. A request for a call-in had to be signed by at least two Members of the Overview and Scrutiny Select Committee and delivered to the Chief Executive within the timescale required in the Council's Constitution. A call-in within the required timescale had been received dated 2 March 2020. The request had been made by Councillor T Gracey, the Vice-Chairman of the Committee and it had been supported by Councillor Furey, the Chairman of the Committee. The Committee noted the terms of the call-in.

The call-in was in respect of two decisions of the Corporate Management Committee (the relevant Policy Committee) which at its meeting on 27 February 2020 had resolved that –

- i) The Freehold Purchase of the property specified in the report to CMC on 27 February 2020 be approved; and
- ii) capital spend approval in the sum of up to the amount reported be agreed for the purchase of the property specified in the report including SDLT and disbursements, to be taken from the existing provision for future property investment strategy purchases held within the Capital Programme.

As these decisions had been the subject of a call-in, action in respect of these decisions had ceased from the point at which the call-in was effective. The Committee noted that the owner of the property that was proposed to be purchased was prepared to wait until a final decision was taken by the Corporate Management Committee on 26 March 2020 on whether the purchase should be made and, if so, how it should be funded. As the Committee was advised that the owner was not prepared to wait for any longer time than this, the Committee's recommendation would have to be considered at the CMC meeting on 26 March 2020.

Paragraph 12 of the Overview and Scrutiny Procedure Rules in the Council's Constitution provided that Members could call-in a decision where they had evidence which suggested that the Policy Committee did not take the decision in accordance with the principles set out in Article 12 (Decision Making). Article 12 of the Council's Constitution was noted by the Overview and Scrutiny Select Committee. The Committee also noted the agenda report on the proposed acquisition to Corporate Management Committee on 27 February 2020, a draft minute of the CMC's discussion of the matter at that meeting and the comments on the call-in of the Assistant Chief Executive, who was also the Council's section 151 Officer or Chief Finance Officer.

The Overview and Scrutiny Select Committee noted that the call-in had been made on three grounds as follows:-

1. From the report provided to the Corporate Management Committee, it is not clear what the source of financing is to acquire and potentially re-develop the site specified in the Part II agenda item as the previous borrowing limit for investment was forecast to be at capacity following a separate planned acquisition. It should be noted that the funds for investment under the borrowing strategy have clear criteria which must be met. These conditions do not appear to be satisfied by the report presented to the Corporate Management Committee.
2. Further to debate at Corporate Management Committee and Full Council relating to the extension of a further £100m to the Council's borrowing limit, it was agreed that this borrowing would be used only where an immediate return could be secured as this financing was intended to make up a shortfall in the Council's revenue for the provision of residents' services. As there is no plan for the proposed site and it is expected to be developed, this will not meet the aims of the Council's borrowing strategy. In the absence of a plan for the site, it is not possible to establish whether this will qualify as an investment in place shaping.
3. The proposal therefore does not appear to meet criteria for either available borrowing options. If this purchase, as it appears, is outside the policy scope set by Councillors, why has Officer time and resource been committed to investigating and bringing this forward? The Overview and Scrutiny Select Committee should understand who authorised this to be pursued, and on what grounds.

The Committee noted that the site which was proposed to be purchased immediately adjoined a site which the Council was developing. At a previous meeting, the CMC had agreed that officers proceed with the construction of the development on the adjoining site. The Committee noted that for various reasons it would be necessary for the tender process to be re-run for that development on the adjoining site.

Officers had agreed an off market purchase in principle with the owners of the site which was proposed to be purchased in the sum reported and with Stamp Duty Land Tax and disbursements, the total cost was noted. The agreement in principle was subject to Member approval. The third ground of the call-in related to why the purchase had been brought before Members for approval. The Committee noted that Commercial Services Officers had expressed an interest in the property, had undertaken negotiations with the owners of the property and had brought forward proposals for Member consideration, as the Council might be able to obtain additional value in acquiring the property as it adjoined a site that the Council was developing and there was possible benefit to be gained with a "marriage value" of the two sites. However, Planning permission had only been obtained for the development on the adjoining site. There was no Planning permission for development on the site which was proposed to be purchased which represented a project risk and a further project risk was that no site testing or analysis had been undertaken.

The Council was at the point currently of demolishing the property on the adjoining site. The demolition or part demolition of the property on the site which was proposed to be purchased would be needed if the Council acquired that site and redeveloped it to be a second phase of the development on the adjoining site. However, it could not do this at the same time as demolishing the property on the adjoining site, as there was no Planning permission for the demolition or part demolition of the property on the site which was proposed to be purchased. Any demolition or part demolition of the property on the site proposed to be purchased would also have to take into account the bird nesting season, the potential for bat roosting and other animal protection measures that arose at certain times of the year. It was noted that the cost of this environmental assessment (which would have to be undertaken before any demolition or part demolition of the property on the site which

was proposed to be purchased could take place) would be in the region of the sums reported.

At its meeting on 27 February 2020, the CMC had agreed that the site which was the subject of the call-in should be purchased. It had made this decision on the basis that purchasing the property for development or place shaping purposes would be supported by the local community, it was envisaged that a profit would be made on any development, access and egress to the development on the adjoining site would be improved and there was a potential “marriage value” or increase in value in combining the two sites.

The Committee noted that if Members decided to purchase the property, the Council would have a number of options available. It could demolish the site and prepare a stand-alone development scheme which would be a second phase of the development on the adjoining site. A second development scheme option would be to seek a development partner at the point of acquisition. As a partner the Council would retain significant control over the use of the site. This route might enable the Council to re-coup its capital investment plus a share of the eventual capital gain. A third option would be to place controls over the use of the site for development by means of a Planning application, obtain the Planning permission and then sell the site and obtain a capital receipt. It was understood by the Committee that if the Council did acquire the site and then, at a later date, decide to sell the site, whatever kind of Planning permission was obtained would not prevent any purchaser from using the site for a purpose which, from the experience of previous consultation, would not be likely to be supported by the local community. Any detailed proposals for any development scheme or for sale of the site would be for the consideration of a future Corporate Management Committee meeting after 26 March 2020, as proposals would have to be drafted by officers.

At its meeting on 27 February 2020, the CMC had noted a development appraisal from an independent company who were specialists in assessing viability of developments. This appraisal consisted of four different options for the development of the property which was proposed to be purchased. The analysis provided by the company showed that any of these four options would secure a profit. It was emphasised to the Committee by officers that the development appraisal provided by the company was only an estimate of what the final profit on any scheme might be and that there was at this stage no agreed scheme, no fully designed scheme, or fully designed scheme costs and these details could not be expected to be available at this stage.

The development appraisal provided by the company contained indicative figures and set out a series of options for possible schemes and provided Members with information on which to decide whether to purchase the property. The advice given by the company was that if the Council did develop the property it would make a profit whichever type of scheme it eventually chose and the company were specialists in assessing such matters. If Members decided to make the purchase then a more detailed appraisal of development options with costings would be prepared by officers for consideration by Members. Officers had concluded, on the basis of the development appraisal provided by the company, that there was a low risk of making a loss if the site which was proposed to be purchased was developed.

A Member of the Committee was concerned that there had been an increase in the build costs for the development on the adjoining property that were reported to the CMC at a previous CMC meeting which were fully designed scheme costs, when compared to earlier estimates. It was agreed that Members of the Committee would be advised of the reasons for this increase. Another Member of the Committee was concerned that there was a large difference between the estimated build costs of the development for the property to be purchased provided by the company and the build costs of the development on the adjoining property when they considered that the costs should be broadly similar. It was agreed that Members of the Committee would be advised of the reasons for this difference.

It was noted that the CMC had considered whether to purchase the property in question at its meeting on 27 February 2020 after having deferred a decision on the matter at its meeting on 23 January 2020. It was noted that the January CMC had decided to defer the consideration of the purchase as, because of the large number of items on that Committee's agenda, it was too late in the evening when the Committee began its consideration of the matter to be able to consider the issues properly. It was noted that the Assets and Regeneration Member Working Group had recommended that the property be purchased on the basis that it represented a development opportunity in its own right and also provided potential "marriage value" or "bolt on" value with the development on the adjoining site.

The Committee noted that the Council currently faced a number of issues in property asset development, not least of which was the internal capacity to deliver schemes. In deciding whether to purchase the property, it was suggested by a Member of the Committee that the CMC should consider whether officer time should be allocated to delivering a relatively small scale project or might be better allocated to delivering larger schemes.

With reference to the second ground of the call-in set out above, the Committee agreed to recommend to CMC that the purchase of the property could be agreed, subject to clarity on funding, on the basis of place shaping in the same way as the development on the adjoining site was an example of place shaping. Officers had advised that there was a low risk of making a loss if the site which was proposed to be purchased was developed and there was no detailed plan for the site which was proposed to be purchased or an agreed scheme at this stage, as if CMC decided to make the purchase then a more detailed appraisal of development options with costings would be prepared for a future CMC meeting to consider.

The Committee recommended that, with reference to the first ground of the call-in set out above, the purchase should only be made if the funding route for the purchase was clarified and that the CMC should consider alternative funding options for the purchase. At its meeting on 27 February 2020, the CMC had agreed that the purchase be taken from the existing provision for future property investment strategy purchases held within the Capital Programme. The Council had decided on 11 February 2020 to invest £100m in investment property in the 2020/21 budget to fund the Egham regeneration project and other investments. A sum remained in the investment property provision for 2019/20. The Committee recommended that if the CMC decided to purchase the property, it could decide to fund it from the investment property provision for 2019/20 but that the CMC should also consider three other options for the funding of the purchase, given that the purchase was being made for place shaping rather than investment purposes. Those three other options were either a supplementary capital estimate or capital receipts or cash flow planning.

**RECOMMEND TO CORPORATE MANAGEMENT COMMITTEE ON 26 MARCH 2020  
that:-**

**the Freehold Purchase of the property specified in the report to the Corporate Management Committee on 27 February 2020 be approved in the sum of up to the amount reported including SDLT and disbursements, on the basis of place shaping and subject to:-**

**(i) clarity on the funding of the purchase; and**

**(ii) consideration of alternative funding options for the purchase as follows consisting of either:-**

**a) a supplementary capital estimate; or**

**b) capital receipts; or**

**c) cash flow planning; or**

**d) from the existing provision for 2019/20 set aside for future property investment purchases held within the Capital Programme.**

(The meeting ended at 9.15.p.m.)

Chairman