

CORPORATE SERVICES SCRUTINY COMMITTEE

Thursday 28 June 2018

Present:

Councillors Warwick, Hannan, Holland, Musgrave, Thompson, Vizard M, Wood and Wright

Apologies:

Councillor Sheldon

Also present:

Chief Executive & Growth Director, Chief Finance Officer, Corporate Manager Democratic and Civic Support, City Surveyor, Environmental Health and Licensing Manager, Shadow Director (Development), Policy Officer (MP-J) and Democratic Services Officer(SLS)

In Attendance:

Councillor Rachel Sutton	- Portfolio Holder Economy and Culture and Deputy Leader
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MINUTES

The minutes of the meeting held on 22 March 2018 were approved and signed by the Chair as correct.

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DECLARATIONS OF INTERESTS

The Chief Executive & Growth Director declared a disclosable pecuniary interest in respect of the item on the formation of a Development Company (Minute 24) as he advised that he was currently a Director of the companies and withdrew from the room whilst this was discussed.

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SUSTAINABLE FINANCING MODEL FOR EXETER INFRASTRUCTURE

The Chief Executive & Growth Director presented the report which sought Member support for the opportunity to explore solutions to the structural challenges of building in the city through a new sustainable financing model. The report set out the benefits, as well as the risks and mechanics of a collaboration to create a City Development Fund as a means of financing and delivering future developments in the Greater Exeter region and within the city. This model would be unique as it was not in existence anywhere else in the UK.

Exeter's development outcomes, faced issues which included congestion, a lack of available and affordable housing, with planning locked and land values stalled. Although Exeter was not alone, it was felt that the existing development model was under a high level of strain with a divergence between financial gains by developers and housing that would benefit the residents of Exeter. The creation of a financing and delivery model would help to disrupt the current housing market, increase the supply of housing and consider how to solve the fundamental problem. The private

sector currently financed the majority of developments in Exeter, controlling both the timing of the city's developments and what was delivered. A pooled financial source would strengthen assets, allow delivery at a set pace and reduce the financial cost of such projects.

The Head of Strategic Partnerships at Exeter City Futures, Roli Martin, was also at the meeting. He said that there would be an opportunity with the additional financing mechanism to replicate the opportunity afforded to the private sector. He responded to a Member's comment of the varying influence of the stakeholders. The Chief Executive & Growth Director explained that the City Council had entered into joint ventures in the past that had been successful such as the development of Princesshay and there were other examples of working with private developers. However, strategic joint ventures had their challenges.

In response to questions from Members, the Chief Executive & Growth Director explained that the Fund could not only be used for residential housing development but also for wider commercial development and complement the City Council's direct role in delivery in a controlled way. There would also be an opportunity to work with a range of stakeholders with significant strategic sites in the city including the University of Exeter and also the NHS and, if the assets were brought together under a single development programme and funding structure, the aggregate asset pool would create greater financial power and borrowing capacity to deliver larger scale developments at pace.

It was noted that a Member's Briefing would be held to provide further detail.

Corporate Services Scrutiny Committee noted the report and requested Executive to approve the following:-

- (1) officers to commit support, time and energy into exploring the benefits, risks and mechanics of a collaboration in a City Development Fund as a means of financing and delivering future developments in the Greater Exeter region and within the city. Developments would embrace innovative solutions and a fresh approach to the procurement process to successfully compete with the scale and agility of private sector development funds;
- (2) the City Council would encourage other public sector institutions within the city to commit resources to exploring the proposal for a City Development Fund;
- (3) the Fund would operate and be governed under the following four key principles: -
 - the Fund would be publicly owned and controlled by Exeter's public-sector institutions;
 - the Fund would be impact driven and have place-making as its goal. All developments would be measured for success on the basis of long term impact, outcomes and social benefit;
 - be professionally run by an experienced team of fund and asset Directors; and
 - all excess profits from developments would be kept within the Fund and recycled back into Exeter developments.

The Chief Finance Officer presented the report which advised Members of the overall financial position of the Housing Revenue Fund (HRA) & General Fund

Revenue Budgets for the 2017/18 financial year. The report sought approval for the General Fund working balance, HRA working balance, supplementary budgets and the creation of new earmarked reserves. The HRA Outturn Statement depicted an increase in the working balance of £1,644,790, which was now set at £10,212,244. This was a significant variance from the proposed reduction to the balance of £2,487,615 at the start of the year. He explained that the General Fund budget had an under spend of £1,222,566 against a revised budget of £14,315,240. A number of supplementary budgets totalling £1,880,480 had been requested as part of the 2018/19 budget. He drew Member's particular attention to the delay in finalising the arrangements for the transfer of the longer term management of Exeter's valley parks to the Devon Wildlife Trust, which required the budget to be carried forward. He also referred to the movement of the earmarked reserves for 2017/18 and provided an update on the Debt Write offs figure, which had increased due in part to the increased number of general household debt and insolvency and bankruptcy cases.

Corporate Services Scrutiny Committee noted the report and requested the Executive note and Council note and approve (where applicable):-

- (1) the net transfer of £2,419,076 from Earmarked Reserves as detailed in paragraph 8.3.6;
- (2) supplementary budgets of £1,880,480 as detailed in paragraph 8.3.8;
- (3) Earmarked Reserves at 31 March 2018;
- (4) the Council Tax account and collection rate;
- (5) the outstanding sundry debt, aged debt analysis and debt write-off figures;
- (6) the creditor payments performance;
- (7) having regard to the overall financial position of the Council, the General Fund working balance of £4,692,404 as at 31 March 2018; and
- (8) the Housing Revenue Account working balance of £10,212,244 and the Council Own Build working balance of £256,943 as at 31 March 2018.

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CAPITAL MONITORING 2018/19

The Chief Finance Officer presented the report which advised Members of the Council's overall financial performance of the Council's capital programme for the 2017/18 financial year, and sought approval for the 2018/19 revised capital programme, including commitments carried forward from 2017/18. He explained that all local authorities were required to estimate the total of capital expenditure that it planned to incur during the financial year and which showed that asset management and capital investment strategies were affordable and sustainable. Capital expenditure was a significant source of risk and uncertainty since cost variations, delays and changing specifications were connected to large and complex capital projects. The revised Capital Programme of £12,986,130 and expenditure in 2017/18 amounted to £10,331,102, and represented 79.6% of the revised Capital Programme. A sum of £2.323 million had been identified and would need to be carried forward to be spent in future years. A further funding request for an additional £40,000 was made as part of a replacement lift programme of works at Mary Arches Street Car Park. Advice from a specialist consultant was that a more robust solution was needed.

The report also set out the expenditure variances and schemes to be deferred to 2018/19 and beyond.

Corporate Services Scrutiny Committee noted the report and requested Executive and Council approve the following:-

- (1) overall financial position for the 2017/18 annual capital programme; and
- (2) amendments and further funding request to the Council's annual capital programme for 2018/19.

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BUDGET MONITORING 2018/19

The Chief Finance Officer presented the final outturn report for 2017/18, and advised Members of the material differences, by management unit, between the approved budget and the outturn for the financial year up to 31 March 2018 in respect of the Corporate Services Scrutiny Committee. The total variance for the year showed a surplus of £962,348, after transfers from reserves, which represented a variation of 12.37% from the revised budget and included supplementary budgets of £573,430 already agreed by Council.

The Chief Finance Officer highlighted two significant variations including an underspend relating to Corporate Property assets where it had not been possible to complete some works this year. Strata had also achieved greater savings than had been anticipated due to not recruiting to vacant posts in order to address the increase in savings required for 2018/19. He responded to a Member's comments about an upgrade of the Council's telephony system which was currently undergoing a scoping exercise, as part of the final element of IT convergence across the three local authorities. He also referred to the challenges of the development of Strata and following the appointment of a new IT Director, he was pleased to report that the results had revealed a high level of staff satisfaction. He would share the staff survey and also invited the Member to contact him if he required any further information.

The Chief Finance Officer also responded to a Member's comment on his role as a member of the Strata Board and confirmed that this was not co-dependent on his role at the City Council.

Corporate Scrutiny Committee noted the report.

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TREASURY MANAGEMENT 2017/18

The Chief Finance Officer presented the report on the overall performance for the 2017/18 financial year, and the position regarding investments and borrowings at 31 March 2018. The report, which was a statutory requirement, set out the detail of investments made and levels of borrowing by the City Council, which had been undertaken in accordance with the Council's approved Treasury Management Practices. He also discussed the Treasury Management Strategy, which had been approved by Council on 20 February 2018, which set out that the investment strategy to continue to hold only small surplus funds and to seek to utilise its Call Accounts, Money Market Funds, using the Government's Debt Management Office. The Council's borrowing strategy was to manage short term borrowing as long as interest rates remained low. He also referred to Council approval to invest in the Local Authority Property Fund as a long term commitment. The report detailed the Council's investment as at 31 March 2018.

The Chief Finance Officer highlighted a fixed term deposit relating to Guildford Borough Council which had exceeded the level set out in the Treasury Management Strategy made available to a lower tier authority. Colleagues in Internal Audit had been made aware. He responded to a Member's enquiry and confirmed that following a review of the brokering arrangements, the loan would remain as the local authority was considered to be a low risk and was due to be repaid later this

year. He also responded to the Member and advised the inclusion of the Property Fund fluctuation in the Council's Risk Register was not at this moment necessary as there was a statutory override to protect the Council, but if this changed then it should be included.

Corporate Services Scrutiny Committee noted the Treasury Management report for the 2017/18 financial year and recommended approval by Executive and Council.

FORMATION OF A DEVELOPMENT COMPANY

The Chief Executive & Growth Director declared an interest and withdrew from the room whilst this matter was discussed. It was noted that he was named as Director but would soon be replaced to prevent any conflicts of interest ahead of the development company trading should Members approve the request.

The Shadow Director presented the report which sought Member's approval for the establishment of a group of wholly-owned Council companies to be collectively known as Exeter City Group Ltd (ECG). The four companies would be comprised as follows:-

- Exeter City Group Ltd – (the holding company);
- Exeter City Living Ltd – (the development company);
- Exeter City Homes Ltd – (the residential property company); and
- Exeter City Living Property Ltd – (the commercial property company).

The Shadow Director confirmed that Exeter City Homes Ltd and Exeter City Living Property Company Ltd would not be in operation until approval was received from Council to be able to operate based upon sound and viable business cases. The structure would be made up of Exeter City Council Group Ltd (the holding company) with the three subsidiaries operating under the parent company. The Council would own 100% of the shares in Exeter City Group Ltd and 100% in all of the subsidiaries. She explained the reasons for setting up the ECG, which included the acute need for housing where home ownership was out of the reach for many local people and private rents were increasing; and, although the demand for affordable homes had grown, existing approaches to the building of new housing were increasingly not delivering affordable homes of the type and quality required by the city's residents. The City Council sought to deliver more affordable homes themselves through developing new council homes through the HRA but this was not enough to meet the housing need. Finance available to the HRA in terms of borrowing had been capped preventing new council homes being built. More than 150 local authorities had created a wholly owned housing company and the Government supported local authorities in establishing such companies to provide well designed high quality homes in a range of tenures.

The report set out the strategic and Year One business case and included the structure, governance and operational arrangements which had been designed with the assistance of external legal support. A Steering Group had been set up to ensure the Council's interest for retaining the necessary level of control over ECG, and the need to ensure that it had the autonomy to carry out the proposed actions in the Year One business case. The group consisted of the Leader and Deputy Leader of the Council, Portfolio Holder for Economy, Culture and Chair of Planning, Portfolio Holder for Housing and Revenue Account, Portfolio Holder for City Transformation, Energy and Transport, Portfolio Holder for People. The Group also included City Solicitor, Head of HR Services and the Chief Finance Officer. The governance structure also included the appointment of shareholder representation to support the Council and scrutinise and manage its interests as a shareholder. A

key responsibility of the Shareholder Representative's Group would be to review the draft annual business case and recommend approval of the final business case to Members. The report also included the detail of the Management Agreement which provided detail of the contractual relationship between the Council and the Group of Companies, and the process for developing, reviewing and formally adopting the business case each year.

The first business case for 2018/19 would require an investment of £4.35 million in order to deliver its first year activities, and include the purchase of HRA land and start the on-site construction of 44 new homes along with office, staff and operational costs. It also included the costs for establishing a pipeline of further development sites for consideration in its second year business case. In addition to this funding, Members would be asked to consider earmarking a further sum of £499,999 from the Council reserves to allow the Shareholder Representative to agree additional expenditure outside of the agreed Business Case in accordance with the Shareholder Representative Delegated Powers document which was attached as an appendix to the report. A comprehensive Risk Register had also been prepared within the Business Plan with an evaluation of all of the risks and any measures to mitigate that risk. The respective Group Company Boards would individually and collectively maintain the risk registers to monitor and manage any risks associated with the business activity.

The Corporate Manager Democratic Services and Civic Support responded to a Member's comment on the interest declared by the Chief Executive & Growth Director and clarified that the future sole Director would be able to participate fully in all discussions at Committee.

A Member commented on the vision for the Exeter Living Company to "work with Exeter City Council and others to build more and better homes to address local housing need and contribute positively to Exeter" as set out in the report and commented on the 35% limit of affordable homes to realise a developer's usual 20% profit target. The Shadow Director stated that there was full access to the development application of the sites with the premise that ECG should remain financially viable and raise only minimal profit.

A Member also voiced his general support for the scheme, but was concerned that the overall premise was to offer social housing, rather than for business opportunity and he commented on the decision making process going forward. He wanted to ensure that Year One business case would be credible.

The following responses were given to Members by the Shadow Director:-

- the maximum partnership was in relation to the Council's position as a Registered Provider and to the Business Plan, which included all works conducted exclusively with public sector finance. Some sites on a larger scale may be considered as part of a joint-venture opportunity, but not in Years 1 or 2 and only when in the best interest of the Council.
- staff employed as part of the Exeter City Group (ECG) and would not be working exclusively for the company, but be seconded from the City Council. Their participation would be determined by role and job description. The Managing Director of ECG would have a legal obligation to act in the best interests of the Company. The Managing Director will work closely with the Shareholders Representative and Shareholder Representative Group who will assisting in setting the strategic direction of the Company and overseeing the operational running of the Company. The Business Case

documentation includes a Management Agreement which specifically sets out the relationship and obligations between the Development Company and the Council, this provides clarity in terms of the Council's control over the Development Company's activities and also states what standards the Development Company should conform to such as ensuring that there is no net loss of social rent homes over a business plan period.

- the Year One Business Case will be for the open market but in the future a business case will be developed for houses to be delivered for market rent and retention by the City Council. There was no currently no intention for ECG to develop any commercial build.
- three of the four sites were open for market sale with sites in Anthony Road, Bovemoors Lane, Thornpark Rise, and five shared ownership units in Hamlin Gardens. These sites had planning approval and full consultation had taken place with the existing tenants.
- there would be no social rent build in the first year, but funds would be set aside for future site delivery in excess of hundred new homes to include the 35% level of affordable housing with the remainder for social rent. There was a greater need for social rent, than shared ownership and the Steering Group had set tight constraints for what housing could be brought forward.
- the viability of the development was necessary to develop a creditable business case for open market housing to cross subsidise other sites for future development by ECG.
- local authorities had to be mindful of state aid rules in respect of the company. ECG would be offered a loan facility at a commercial rate. Staff, all on costs and services provided would be charged at the market rate to ensure that the projects remained within state aid rules.

Members suggested the following additional recommendation that a Registered Provider of Social Housing (RP) will be developed to take ownership of any social housing created as a result of Exeter City Living Ltd works, subject to a satisfactory business case demonstrating the RP's viability being developed. The Registered Provider would be established and functional in advance of the availability of the social housing. The two work streams to be linked to ensure appropriate staging would coincide. The Chief Finance Officer advised that the City Council would not be able to set up organisations without assessing the viability or any potential impact on the Council.

Corporate Services Scrutiny Committee noted the report and requested Executive recommend Council approval for the following:-

- (1) the establishment of Exeter City Group Ltd and Exeter City Living Ltd;
- (2) that whilst Exeter City Homes Ltd and Exeter City Living Property Ltd have already been registered at Companies House, no approval was being sought for the Companies' activities as their financial impact on the Council had not yet been assessed;
- (3) the Year One Business Case at Appendix A to be implemented by Exeter City Living Ltd for the period August 2018 to the end of March 2019;

Members suggested the following additional recommendation -

- (4) a Registered Provider of Social Housing (RP) will be developed to take ownership of any social housing created as a result of Exeter City Living Ltd works, subject to a satisfactory business case demonstrating the RP's viability being approved by the Council. The Registered Provider would be established and functional in advance of the availability of the social housing. The two work streams to be linked to ensure appropriate staging would coincide;
- (5) a loan of £4.35 million pounds to Exeter City Living Ltd in order to implement and complete the year one Business Case set out in Appendix A;
- (6) the Management Agreement set out in Appendix B;
- (7) delegated authority to the Director (David Bartram) to agree any necessary amendments to the Management Agreement in consultation with the Leader of the Council, the Chief Finance Officer and the appropriate three Portfolio Holders (currently the Portfolio Holder for Place and Commercialisation; the Portfolio Holder for Economy and Culture and in addition the Portfolio Holder Housing Revenue Account) and three Members of Scrutiny as appropriate;
- (8) the Articles of Association for Exeter City Group Ltd and its subsidiary companies as set out in Appendix C;
- (9) delegated authority to the City Solicitor & Head of Human Resources in consultation with the City Surveyor to sell at open market value any council owned land identified in the Year One Business Case; and
- (10) delegated authority to the appropriate Director (currently David Bartram) to act in the role of Shareholder Representative and to undertake the activities and decisions as identified in the Shareholder Representative Delegated Powers Document (Appendix D), including the ability to financially commit up to £499,999 funding for use by Exeter City Living Ltd for matters not in the Year One Business Case (August 2018 – end March 2019).

25 **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - EXCLUSION OF PRESS AND PUBLIC**

RESOLVED that, under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the consideration of the following item, Appendix E on the grounds that it included the likely disclosure of exempt information as defined in paragraph 3, of Part 1 of Schedule 12A of the Act.

26 **EXETER CITY GROUP LTD BUSINESS CASE - APPENDIX E**

The Shadow Director presented detail of Appendix E which included the financial element of the Business Case and other information of a commercial sensitive nature in relation to the formation and operation of Exeter City Living Ltd.

27 **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - EXCLUSION OF PRESS AND PUBLIC**

RESOLVED that, under Section 100A (4) of the Local Government Act 1972, the press and public be not excluded during consideration of the following items on this agenda.

EQUALITY AND DIVERSITY POLICY

The Policy Officer (MP-J) presented the report which sought approval for an updated Equality and Diversity Policy which provided a clear framework for the council to meet its legislative duties. Executive approved the current Equality and Diversity Policy in November 2016 and following a review to ensure the document was up to date, an amendment had been made with the additions of sections 7.16 to 7.21, which related to accessible services and information.

A number of actions had also been agreed including:-

- training to ensure that Equality Impact Assessments were carried out correctly,
- revision of the Committee reporting template to ensure that a separate section is included on equality and diversity,
- development of a mechanism to identify the need for Equality Impact Assessments in tandem with the General Data Protection Compliance (GDPR) requirement for a Privacy Impact Assessment,
- a breakdown of protected characteristics in the Joint Strategic Needs Assessment, and
- a refresh of the Council's equality objectives as part of the development of the Corporate Plan.

Corporate Services Scrutiny Committee noted the updated Equality and Diversity Policy report and requested approval by the Executive.

REVISED EXETER CITY COUNCIL HEALTH & SAFETY POLICY

The Environmental Health and Licensing Manager presented a revision of the Council's Health and Safety at Work Policy. The document reflected the changes to the Council's structure, also to take account of changes to legislation and best practice for all of the Council's activities and performance in health and safety in the work place. The revision of the document emphasised more clearly the Council's corporate aim to be an exemplar of health and safety at work to ensure that staff and also Members were placed in a better position. The Policy was also presented in a new format and offered a clearer guidance for all employees.

Corporate Services Scrutiny Committee noted the report and requested Executive and Council to note, and approve the revised Health & Safety Policy.

HEALTH AND SAFETY REPORT 2017

The Environmental Health and Licensing Manager presented a report which detailed the Council's activities and performance in health and safety in the work place during 2017. He stated that the Council's ambition was to maintain and advance its positive health and safety culture by creating an environment with fairness and clear lines of responsibility at its core.

The Environmental Health and Licensing Manager responded to Member's comments on the previous spend on health and safety and the protection afforded to staff who faced attacks when carrying out their daily duties. The new culture of health and safety under the strategic leadership of the Director (JY) incorporated a reformed Corporate Health and Safety Committee with all members of the Senior Management Board and Representatives Committee including representatives from all departments and union safety representatives and provided a forum for staff to

raise any concerns as part of a responsible and efficient culture. He also responded to a Member's comments on the Council's approach to portable appliance testing (PAT) and the potential for 'robot' grass cutting on steep gradients, and provided an update on the progress made with checking all electrical equipment in the Civic Centre and satellite offices. A contractor had been appointed to carry out PAT testing and they had made rapid progress having finished their inspections at the Civic Centre and moved to other external location areas with a range of action undertaken to ensure compliance. Certainly mechanical grass cutting would be desirable for steep gradients.

The City Surveyor also responded to a Member's comment on the stance taken by the Police at recent incidents at Eastern Fields in Pinhoe, and stated that police did not routinely attend such instances as a general rule.

Corporate Services Scrutiny Committee supported the report and requested Executive to recommend Council approval of the revised Health and Safety report for adoption.

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RENEWABLES AND ENERGY PROGRAMME UPDATE

The City Surveyor presented the report which provided an update on the Renewables and Energy Efficiency Programme, including income generation, energy and carbon savings, as well as feasibility work for new projects to commence in 2018/19. He highlighted a number of projects the Energy team had been working on including the progression of a European Regional Development Fund (ERDF) grant to support smart grid systems and the benefits of battery storage, on sites on Clapperbrook Lane and the Livestock Centre. New LED lights had also been installed at Princesshay 3 Car Park.

Data for the Council's Annual Greenhouse Gas Emissions for 2017 was now available and reflected further reductions in energy consumption and total carbon emissions which were detailed in an appendix to the report. Total CO2 emissions had illustrated a 25% reduction in emissions from buildings and 34% in emissions from transport since 2012. Energy consumption at the Civic Centre had also reduced by 36% and was a clear endorsement of the benefits of a combination of Solar PV, energy saving LED lights, hand dryers and a more efficient gas boiler. The Energy Strategy target of a 50% energy reduction in energy consumption and carbon emissions by 2022 was still achievable if invested in. He also drew attention to the new savings and income streams made in energy by the City Council of £1.5 million since 2012.

Corporate Services Scrutiny Committee noted the report and the energy saving progress made to date, income and savings generated up to April 2018, and projects planned for the Renewables and Energy Efficiency Programme.

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MEMBERS ALLOWANCES PAID 2017/18

The Corporate Manager Democratic and Civic Support presented the report on the allowances paid to Elected Members in 2017/18, as the Council had a statutory obligation to publish all allowances paid, and expenses claimed by Members each financial year. In response to an observation from a Member, he would clarify the detail for the Travel and Subsistence claims made.

Corporate Services Scrutiny Committee noted the report and the allowances paid and expenses claimed by Members in 2017/18.

(The meeting commenced at 5.30 pm and closed at 7.40 pm)

Chair