

Addendum

Executive

Dear Councillor,

Executive - Thursday, 21 March 2024, 7.30 pm

I enclose, for consideration at the meeting of the Executive to be held on Thursday, 21 March 2024 at 7.30 pm, the following Draft Minutes from Overview and Scrutiny Committee on 14 March 2023 which were unavailable when the agenda was published.

Mari Roberts-Wood
Managing Director

4. **Review of the Council's Environmental Sustainability Strategy (Pages 3 - 6) – Draft O&S Minute**

The Executive Member for Environment and Sustainability.

8. **Quarter 3 2023/24 performance report (Pages 7 - 12) – Draft O&S Minute**

The Executive Member for Corporate Policy and Resources, and the Deputy Leader and Executive Member for Finance, Governance and Organisation.

10. **Treasury Management Strategy 2024/25 Pages 13 - 16) – Draft O&S Minute**

The Deputy Leader and Executive Member for Finance, Governance and Organisation.

12. **Overview and Scrutiny Proposed Annual Work Programme 2024/25 (Pages 17 - 18) – Draft O&S Minute**

The Leader of the Council.

For enquiries regarding this addendum;

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Overview and Scrutiny Committee – 14 March 2024

Draft minute 80 – Review of the Council’s Environmental Sustainability Strategy

Councillor Moses, Portfolio Holder for Environment and Sustainability, introduced the Review of the Council’s Environmental Sustainability Strategy.

The main changes proposed to the Council’s Strategy included more detail about the scope of the Council’s carbon footprint. There was also a new chapter addressing how the Council adapts to the impacts of climate change.

The report contained information about the main challenges and risks to delivering the Strategy, and the Action Plan had been fully revised to include 91 new actions, and more information about how actions would be funded and reported on.

The review process, and a draft version of the Strategy and the Action Plan, were considered in detail by the Environmental Sustainability Strategy Scrutiny Panel on 12 February 2024; the Portfolio Holder thanked all the members of the Panel for their questions, comments, and suggestions. All specific suggestions made by the Panel had been considered, resulting in a number of changes being made to the Strategy and Action Plan. Annex 3 provided more detail about where changes had been made, and where (in some cases) officers do not consider changes to be necessary.

One of the main Panel comments had been making sure delivery of the Action Plan could be clearly tracked and reported on. As a result, timeframes of all actions in the Action Plan had been reviewed. Start dates were provided for all actions, plus an indication of when actions would continue over several years.

Performance indicators had also been reviewed. Changes had been made in a number of cases to make it clearer what information will be reported. In some cases, further work would be required to identify detailed actions and reporting measures.

An example of this was the Greenspaces Strategy:

- In the ES Action Plan, there was an action to develop a Greenspaces Strategy, so the Performance Indicator would be whether this has been achieved or not.
- The Greenspaces Strategy itself would then contain more detailed actions and indicators.

Another comment from the Panel had been about being able to understand how the Strategy would deliver the Council’s carbon reduction target. Unfortunately, this was not straightforward to do, but some information had been provided in Annex 4. The first chart showed the impact of different measures to reducing the Council’s carbon footprint. For example, the impact of moving to HVO in bin lorries, and to removing gas heating in Council-owned buildings. Where there was uncertainty, this had been shown. Examples of uncertainty included the future of the Harlequin Theatre; and evolving vehicle technology for HGVs.

The second chart showed what progress over the next few years may look like. Less certain actions had not been assumed, but of course, these may be brought forward sooner if uncertainty is resolved.

The Portfolio Holder confirmed the need to balance the Council’s environmental sustainability work with the need to be financially sustainable; the Strategy and Action Plan did this. Overall, the actions in the Action Plan would ensure that the Council continues to make good progress towards its carbon reduction targets. The annual

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reports to this Committee would continue, so members could review and comment on progress. There was also an intention to continue with the Cross-Party Member Sustainability Group, to provide informal input into and feedback on key elements of work.

The Executive Member for Environment and Sustainability invited Members to ask questions and comment on the Review of the Council's Environmental Sustainability Strategy Report provided in the agenda pack.

In response to the questions raised, the following clarifications were provided:

The UK as a contributor to UK and world carbon emissions

The Head of Corporate Policy, Projects and Performance confirmed that figures for the UK were published by the Government and that Government reports were available on the UK's carbon emissions. She agreed to share links to these with Committee Members.

Offsetting carbon emissions

It was explained that when carbon emissions had been reduced to a reasonably low level (the example given is 10%), the remaining percentage could be offset by removal of carbon from the atmosphere, with methods such as investing in carbon offsetting schemes, which would provide carbon credits.

The main changes to the Strategy achieved from the review

The Head of Corporate Policy, Projects and Performance confirmed that the new action plan, a new section on climate resilience, sections relating to scope 3 carbon emissions, and more detail on reducing the Council's organisational carbon emissions were all important changes made but confirmed that everything in the Strategy was important.

Net Zero target for scope 3 carbon emissions

Some members of the panel had suggested setting a Net Zero target for Council scope 3 emissions for 2050. Some Members of the committee felt that this target should be set in the Strategy, to hold the Council to the same standards as those expected of the borough's businesses and residents.

Activities currently out of scope but to be included from 2030

The Head of Corporate Policy, Projects and Performance explained that the reasons why these activities were out of the scope of the Strategy were explained in the Strategy document. For example, some of these activities were currently listed as out of scope due to complexity of contractual arrangements, or lack of direct ability to control. The Head of Corporate Policy, Projects and Performance confirmed that there were actions in the action plan to work towards addressing those uncertainties, which would mean that in the future it may be possible to bring the activities into scope.

Evidence-based approach

There was some discussion on whether specific targets for individual actions should be set at this point, for actions such as improving energy efficiency across Council operational buildings and the delivery of Electric Vehicle (EV) charging points, or whether it was more important to first gather evidence and take a responsible evidence-based approach using detailed business cases to inform work to deliver overall targets.

Private sector engagement

The Head of Corporate Policy, Projects and Performance confirmed that the team was encouraged to engage with the private sector to learn from best practice and to receive any assistance offered to local authorities.

Investments within scope 3 carbon emissions

The Chief Finance Officer confirmed that, as well as considering the security, liquidity and yield of potential investments, the Council rates investments in terms of the Net Zero Asset Managers (NZAM) Initiative and the UN Principles for Responsible Investment and Responsible Banking. However, local authorities were bound by CIPFA guidance in this area, which is still evolving. The Head of Corporate Policy, Projects and Performance confirmed that this was not yet included in the Environmental Sustainability Strategy, due to complexity, data, uncertainty and the fact that it was an emerging area, but there was a commitment to review the Strategy every three years and this issue could be considered for inclusion in a future review.

Capital requirements

The Head of Corporate Policy, Projects and Performance confirmed that there were some less certain actions in the trajectory of carbon emissions by 2030; it was important to develop robust business cases and costings before capital requirements could be established before achieving these actions.

Councillor Harp, Chair of the Environmental Sustainability Strategy Review Panel thanked panel members, the Portfolio Holder and officers for their work. The panel meeting had led to significant changes to the strategy and had been a useful exercise.

RESOLVED that the Overview and Scrutiny Committee:

Noted the findings of the Environmental Sustainability Strategy Scrutiny Panel, the officer responses at Annex 3, and the revised Environmental Sustainability Strategy at Annex 1 and Action Plan at Annex 2 and made observations to the Executive.

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Overview and Scrutiny Committee – 14 March 2024

Draft Minute 78 - Quarter 3 2023/24 Performance Report

The Committee received the Performance Reports for Quarter 3 2023/24 including the Key Performance Indicators (KPIs), the proposed Key Performance Indicators (KPIs) to be reported on in 2024/25, Revenue Budget and Capital Programme forecasts for Quarter 3 2023/24, the Treasury Management Performance and Prudential indicator Updates for Quarter 3 2023/24, and the update on risks relating to Homelessness. The reports were due to be presented to the Executive on 21 March 2024.

The Quarter 3 2023/24 Performance Report was published on the Council's website as part of the Committee's agenda pack which can be viewed here:

[Agenda for Overview and Scrutiny Committee on Thursday, 14th March, 2024, 7.30 pm | Reigate and Banstead Borough Council \(moderngov.co.uk\)](#)

Key Performance Indicators

Councillor James King, Portfolio Holder for Corporate Policy and Resources, gave an overview of the Council's performance up to the end of Quarter 3 (October to December 2023) as set out in the report.

Additional detail was provided in the accompanying report available for members at annex 1.

Annex 1.1 of the report set out the KPIs to be reported on in 2024/25. The KPIs were considered to continue to reflect the Council's corporate objectives as set out in the current Corporate Plan. In parallel with the preparation of the new Corporate Plan for 2025-2030, an updated set of KPIs would be developed alongside a member task and finish group. This process would take place in 2024/25, with the new indicators reported from 2025/26 onwards.

Following this meeting, the report would be considered by the Executive on 21 March. Any observations made by the Committee on the report's contents would be tabled at this meeting.

Of the ten KPIs reported on, eight were on target or within agreed tolerances. Two KPIs were off target and outside of the agreed tolerance: KPI 1 – Council Tax collection, and KPI 7 – affordable housing completions. Although Affordable housing completions had not met their target within this quarter, it should be noted that 1,164 affordable units had been delivered in the borough since 2012, which means that progress towards achieving the Local Plan 15 year target was on track. Of the 852 dwellings under construction at the end of Q3, 82 were affordable units. In Q3 no further affordable dwellings commenced construction.

The Executive Member for Corporate Policy and Resources, Councillor James King, invited Members to ask questions and comment on the Quarter 3 2023/24 Performance Report provided in the agenda pack.

In response to the questions raised, the following clarifications were provided:

Review of KPIs

It was confirmed that KPIs were used to report performance against the Corporate Plan and proposed KPIs for the new year ahead were reviewed by Overview and

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Scrutiny Committee before being confirmed by the Executive every year. There was an officer recommendation that KPIs were not changed at this moment in time, to allow for continuity across the Corporate Plan period. A full review of KPIs was proposed to align with the new Corporate Plan.

Temporary emergency accommodation

It was confirmed that contextual information on temporary emergency accommodation had been included in the report, as well as a graph showing the changes to temporary emergency accommodation over several years, however, a Member requested that an additional KPI be included for temporary emergency accommodation to track changes. The Managing Director confirmed that specific reporting on temporary emergency accommodation, which was a significant challenge for the Council, now reported as part of the quarterly budget reporting (at Annex 6).

KPI 1 - Council Tax collection

It was confirmed that KP 1 was 1.01% off target, at 83.99%, for Quarter 3. The percentage of Council Tax collected shifted throughout the year and the percentage collected at the end of January 2024 was 93.25%, so was continuing in a positive trajectory.

KPI 7 – Affordable housing completions

As had been explained at previous Overview and Scrutiny meetings, the delivery of affordable housing took place in a non-linear way, and so the affordable housing projects in progress should be taken into account, as well as the cumulative number of completions. It was confirmed that the Council remained on track to meet the Local Plan target of 1,500 affordable house completions over the course of the Local Plan period.

The Portfolio Holder for Corporate Policy, and Resources confirmed that a Member task and finish group would be constituted to develop a new set of KPIs to take effect from 2025/26 in line with the new Corporate Plan. Members of this committee were invited to make contributions to the task and finish group.

Finance

Councillor Lewanski, Deputy Leader and Portfolio Holder for Finance, Governance and Organisation, gave an overview of the Quarter 3 Budget Monitoring set out in the report, which also included an update on the quarter's treasury management activities.

Revenue Budget

At Quarter 3 the projected full year outturn was £21.847m against a management budget of £23.194m, resulting in a forecast underspend for the year of £1.347m (or 5.8%).

Details of the more significant budget variances were set out in the report. Services were forecast to be underspent at year end by £0.050 million and Central Services were forecast to be underspent by £1.247 million, with the main element being an underspend in Treasury Management budgets of £1.297 million due to positive cash flow and favourable interest rates.

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The report highlighted significant revenue budget variances at Annex 2. Members were asked to note that this Annex had been expanded to provide a more comprehensive narrative for this meeting on the reasons for variances.

Annex 2 also included the latest forecasts for funding and spending to support Ukrainian refugees. Members were asked to note that the Council currently held a significant balance of forward-funding received from the County Council in anticipation of ongoing demand for support over the coming 18 months following the recent announcement of extension of the existing funding schemes.

The Deputy Leader and Portfolio Holder for Finance, Governance and Organisation, drew attention to the pressures now facing all councils in terms of homelessness costs. A new Annex 6 had been included in the report with homelessness caseload information and the forecast impacts on the budget should numbers increase.

Capital Programme

The Deputy Leader and Portfolio Holder for Finance, Governance and Organisation noted a drafting error in the report: the page header at pages 56 to 65 was incorrectly labelled 'ANNEX 2' - it should have been labelled 'ANNEX 3'.

The Capital Programme forecast of £18.470m was 49% below the approved Capital Programme for the year of £36.033m. The variance was predominantly as a result of £17.5m of capital slippage.

Annex 3 of the report provided details of the slippage for each scheme. This Annex had also been expanded to include additional narrative to explain the reasons for each scheme.

Members were asked to note that Annex 3 included forecasts for this year's expenditure on The Rise development at Marketfield Way; this followed approval of the final capital programme allocation to complete the development by Council in February 2024.

Annex 3 also highlighted the contribution of Strategic CIL Funding to delivery of the capital programme. The allocations that were approved by Executive during the year were included in the 'Released in Year' column against the individual capital schemes. A summary of all Strategic CIL-funded schemes during 2023/24 would also be included in the Quarter 4 budget outturn report to O&S and Executive in June 2024.

Treasury Management

The report included an update on treasury management performance. Annex 5.1 confirmed that treasury activities were in line with the Strategy approved by Council in June 2023.

The Deputy Leader and Portfolio Holder for Finance, Governance and Organisation, highlighted the fact that the return on Council investments and treasury activities continued to outperform similar authorities and this was a key factor contributing to the favourable revenue budget outturn forecasts.

Several advance questions on the Revenue Budget, Capital Expenditure and Treasury Management updates had been submitted prior to the meeting. The advance questions and their responses can be viewed here:

[Document Advance Questions and Answers OS 14 March 2024 | Reigate and Banstead Borough Council \(moderngov.co.uk\)](#)

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The Deputy Leader and Executive Member for Finance and Governance, Councillor Lewanski invited Members to ask questions and comment on the Quarter 3 2023/24 Performance Report provided in the agenda pack.

In response to the questions raised, the following clarifications were provided:

Energy costs

A Member asked for information on the energy cost savings at the Harlequin Theatre since its closure, and whether this saving had been included in the forecast for energy savings. A written response would be provided.

Marketfield Way redevelopment

It was confirmed that the overall additional cost for completion of Marketfield Way had been £6million, but that the receipt of grant funding had reduced the additional budget requirement to £4.298million.

Revenue Budget Monitoring Summary – Property and facilities

The Chief Finance Officer confirmed that the Property & Facilities budgets comprise a number of elements in terms of the operating costs for Council assets and associated income streams. The Chief Finance Officer agreed to provide an analysis by property category, along with a copy of the associated Quarter 3 Property Performance report that would be presented to the Partnership, Shareholder, and Trustee Executive Sub Committee on 21 March 2024, which included related supporting information.

Horley Business Park LLP

The Chief Finance Officer confirmed that all required steps with regard to progressing the LLP liquidation had now been completed and that the administrators had been appointed. The legal process to end the partnership was therefore now underway and progress would be reported to the Committee in the next Companies Performance Update in the new municipal year.

Capital Programme reporting and Capital Projects dashboard

The Chief Finance Officer confirmed that there were currently two sources of information presented to Members; the Quarterly Financial Performance report, on this agenda today, which focused on financial forecasts compared to Capital Programme budgets; and the monthly dashboard reports that Members also have access to. Officers had been considering questions received from Members about how the two align, and intended to review how these different snapshots should be reconciled to ensure consistency.

Treasury Prudential Indicators

The Chief Finance Officer confirmed that the service and commercial investments, referenced in the treasury management update, were a subset of overall capital investment plans; also that not all capital investment is made for the purpose of achieving a financial return, for example investment in existing operational buildings, vehicles, and plant. The prudential borrowing limits set important parameters that apply when business cases for new investment and borrowing, to ensure a prudent and affordable level of debt overall. A written response would be provided with further information about the categories of capital investments.

Annex 6 – Housing Focus on Homelessness 2023/24

A Member noted that although there had been a 4% increase in positive outcomes, from 247 in 2022/23 to 258 in 2023/24, there had also been increases of 8.7% in households owed a statutory homeless duty, and 31.5% in households under threat of homelessness and suggested that there might be scope for more work in this area.

RESOLVED that Overview and Scrutiny Committee:

- (i) Noted the Key Performance Indicators for Q3 2023/24 as detailed in the report and Annex 1 and made observations to the Executive;
- (ii) Noted the proposed Key Performance Indicators to be reported on in 2024/25 as detailed in Annex 1.1.
- (iii) Noted the Revenue Budget and Capital Programme forecasts for Q3 2023/24 as detailed in the report and Annexes 2, 3 and 4 and made observations to the Executive;
- (iv) Noted the Q3 Treasury Management Performance and Prudential indicator Updates for 2023/24 at Annex 5 and made observations to the Executive; and
- (v) Noted the update on risks relating to Homelessness at Annex 6.

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Overview and Scrutiny Committee – 14 March 2024

Draft Minute 79 – Treasury Management Strategy 2024/25

Councillor Lewanski, Deputy Leader and Portfolio Holder for Finance, Governance, and Organisation, gave an overview of the Treasury Management Strategy for 2024/25.

The purpose of the Strategy was to guide all Treasury Management activity for the coming financial year. Due to the technical nature of the subject and the requirements of the treasury regulations, it was inevitably complicated and lengthy.

In summary, the Strategy comprised three sections:

- (i) Treasury Management Strategy Statement (TMSS) – which set out details of the Council's 'traditional' treasury management activities, covering topics such as sources of borrowing, and investment counterparties and limits.

In response to an advance question raised by the Chair of O&S, the Deputy Leader and Portfolio Holder for Finance, Governance, and Organisation confirmed that the Capital Financing Requirement (CFR) that is reported in the Quarter 3 monitoring report that Members considered earlier on this agenda, was originally prepared this time last year when the 2023/24 Treasury Strategy was drafted.

Those CFR forecasts had recently been updated when preparing this latest Treasury Management Strategy to reflect:

- Firstly - the final capital programme outturn position for 2022/23 and 2023/24; and
- Secondly - updated forecasts for capital expenditure and financing over the medium term.

Therefore two separate snapshots were being presented, based on two separate points in time:

- The 2023/23 balances and forecasts in the quarterly performance report that are being used to monitor the current year's treasury position; and
- The updated 2024/25 forecasts in this Strategy report that will be used to monitor next year's treasury activity.

Another key factor to note was the £40 million capital receipt last summer from sale of the accommodation units at The Rise, which has had a beneficial impact on the underlying investment balances and borrowing requirement.

- (ii) Investment Strategy – which covered the Council's investments, including 'traditional' treasury management investments. It also included a summary of any other investments made for service or commercial reasons.

This confirmed that provision had already been made, funded through a call on the Commercial Risks Reserve in previous years, for expected credit losses relating to company loans and shareholdings.

As previously advised, at the point where those losses crystallise, the final accounting entries will be made and the outcome reported in that year's statutory accounts.

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- (iii) Capital Strategy – which outlined the Council’s capital expenditure plans and core borrowing (internal or external) and investing activities.

The Strategy also Included the Prudential Indicators that the Council are required to report under CIPFA’s Code of Practice

Both the Government and CIPFA continued to make changes to the regulatory frameworks and guidance that govern how councils borrow and invest. These changes were primarily in response to concerns about the small number of authorities that have borrowed significant amounts over recent years to invest in commercial assets.

While these changes would not have a significant impact on this Council’s treasury management plans, it does mean that some of the options that might have been considered going forward are no longer permitted.

One ongoing area of potential uncertainty related to the outcome of the latest consultation on changes to how the Minimum Revenue Provision (MRP) is calculated and accounted for. The impacts, if the consulted changes are implemented, will need to be reflected through updates to the MRP Policy, attached as an appendix to the Strategy. There was still no information yet about the timescale for making the proposed changes, or indeed whether they would go ahead as set out in the consultation.

Members of the Overview & Scrutiny Committee, along with the Chair of Overview & Scrutiny Committee, and the Deputy Leader and Portfolio Holder for Finance, Governance, and Organisation, had had the opportunity to discuss the underlying drivers for the Strategy with the Finance team and the Council’s Treasury advisors (Arlingclose) on 5th March 2024. This had been a useful update and provided assurance that the Council’s approach to treasury management is appropriate and compliant with good practice.

In response to the questions raised, the following clarifications were provided:

In year balances

A Member noted that this report stated that in year balances were expected to fluctuate to up to £32.4million, whereas the Treasury Management Prudential Indicators stated that in year balances were expected to fluctuate to up to £65.9million. A written response would be provided with further information to provide a reconciliation.

General Fund Capital Financing Requirement (CFR) and General Fund Services

A Member noted that the figures for General Fund CFR on page 74 and General Fund Services on page 84 showed the same figures. A written response would be provided to explain how they reconcile.

Net income from service and commercial investments compared to net revenue stream

The Chief Finance Officer confirmed that these figures were based on a narrow definition for treasury management purposes. A written response would be provided to explain their source and how they reconcile to budget monitoring reporting.

Proportion of Finance costs to net revenue stream

The Chief Finance Officer confirmed that the 2023/24 forecast of £843,000 and the 2024/25 budget of £1.782million related to the overall capital programme, not just Marketfield Way.

Long term borrowing

The Chief Finance Officer confirmed that the Council had no current external long-term borrowing requirement, with the exception of short-term borrowing that may occasionally be needed for cash flow purposes. She also confirmed that a downside of using balances to fund expenditure was that those funds would not be available for investment to generate a return.

RESOLVED that Overview and Scrutiny Committee:

Provided feedback on the following which are to be finalised and submitted for approval by the Executive on 21 March 2024 and Council on 28 March 2024:

- i) Treasury Management Strategy 2024/25;
- ii) Investment Strategy 2024/25; and
- iii) Capital Strategy 2024/25.

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Overview and Scrutiny Committee – 14 March 2024

Draft Minute 84 – Overview and Scrutiny Proposed Annual Work Programme

The Committee considered the proposed Overview and Scrutiny Annual Work Programme for 2024/25.

With respect to the additional topic for scrutiny of reviewing waste water arrangements, proposed by the Environmental Sustainability Strategy Review Panel, the Chair proposed working with the Managing Director to agree the best method to carry out this scrutiny work. A suggestion was to carry out a visit to the plant.

A Member suggested also scrutinising the water supply company.

A Member also suggested a scrutiny of East Surrey Hospital. In response, the Chair suggested that an all-Member briefing on this topic might be more beneficial. The Member felt that a publicly recorded all-Member briefing would be preferable.

As agreed in agenda item 4 Quarter 3 2023/24 Performance Report, a Member task and finish group would be constituted to develop a new set of KPIs to take effect from 2025/26 in line with the new Corporate Plan. This would be added to the Overview and Scrutiny Proposed Annual Work Programme 2024/25.

RESOLVED that Overview and Scrutiny Committee:

- i) Approved the proposed Overview and Scrutiny Annual Work Programme 2024/25
- ii) Noted the Action Tracker with the additional completed items.

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