

Executive Agenda



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

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2 May 2018

To the Members of the EXECUTIVE

Councillors:	V. W. Broad	The Leader of the Council
	L. R. Hack	Deputy Leader, Neighbourhood Services
	N. J. Bramhall	Property and Acquisitions
	K. Foreman	Planning Policy
	A. C. J. Horwood	Community Support
	E. Humphreys	Business and Economy
	G. J. Knight	Community Safety
	R. Renton	Housing and Infrastructure
	R. Mill	Leisure and Wellbeing
	T. Schofield	Finance

For a meeting of the **EXECUTIVE** to be held on **FRIDAY, 11 MAY 2018** at **10.00 am** in the New Council Chamber.

John Jory
Chief Executive

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Notice is given of the Executive's intention to hold part of its meeting on Friday, 11 May 2018 in private for consideration of reports containing "exempt" information

1. **MINUTES**

(Pages 5 - 12)

To confirm as a correct record the Minutes of the meeting held on 26 April 2018.

2. **APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

3. **DECLARATIONS OF INTEREST**

To receive any declarations of interest.

4. **STATEMENTS**

To receive any statements from the Leader of the Council, Members of the Cabinet or the Chief Executive.

5. **ANY OTHER URGENT BUSINESS**

To consider any item(s) which, in the opinion of the Chairman, should be considered as a matter of urgency – Local Government Act 1972, Section 100B(4)(b).

(Note: Urgent business must be submitted in writing but may be supplemented by an oral report).

6. **EXEMPT BUSINESS**

RECOMMENDED that members of the Press and public be excluded from the meeting for the following item of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

- (i) it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act; and
- (ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

7. **PATHWAY UPDATE**

(Pages 13 - 23)

Executive Member: Councillor T. Schofield

To consider an update with exempt information regarding Pathway for Care and the new Digital Monitoring Company.

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BOROUGH OF REIGATE AND BANSTEAD

EXECUTIVE

Minutes of a meeting of the Executive held at the Town Hall, Reigate on 26 April 2018.

Present: Councillors T. Schofield (Chairman for the meeting) Mrs N.J. Bramhall, K. Foreman, A. Horwood, E. Humphreys, G. J. Knight, Mrs R. Mill and Mrs R. Renton.

Also present: Councillors D. Allcard, M. Blacker, M.A. Brunt, R. Coad, J. King, M.J. Selby, B. A. Stead, Ms B.J. Thomson and S.T. Walsh.

Before the start of the meeting it reported that in the absence of the Leader and Deputy Leader that the Executive would need to appoint a Chairman for the meeting. Having been nominated and seconded Councillor T. Schofield was appointed to the position of Chairman for the meeting.

89. MINUTES

RESOLVED that the minutes of the meeting held on 29 March 2018 be approved as a correct record and signed.

90. APOLOGIES FOR ABSENCE

Executive Members: Councillors V.W. Broad (Leader of the Council) and Dr L.R. Hack (Deputy Leader).

Non-Executive Members: Councillors Mrs R. H. Absalom N. D. Harrison and C.T.H. Whinney.

91. DECLARATIONS OF INTEREST

None.

92. DEVELOPMENT OF UNIT 1, PITWOOD PARK, TADWORTH

Councillors Mrs N.J. Bramhall and Mrs R. Renton Executive Members for Property and Acquisitions and Housing and Infrastructure respectively introduced this report as this development was one that they had worked on together and crossed over into their respective portfolio responsibilities.

The Executive noted that the Council had owned the Freehold of the Pitwood Park site for a number of years and in 2016 obtained the long leasehold interest allowing the purchase of this former industrial site. The Executive had the vision to prepare this site for future residential development having dismissed the option to refurbish it for industrial use.

Councillor Mrs Bramhall explained to the Executive that the proposed development would introduce 25 new homes for local people of which one third would be sold at open market value and the remaining 18 homes as 'Starter Homes', a Government initiative which applied a large discount from full market value to the initial sale price.

The Government initiative required the property to be designated for residential use. By way of clarification the Executive Member explained that the Part 2 report on this initiative had been reissued in an Addendum to allow the Executive to be updated on the consistent application of the clawback provisions for all the residential premises sold at market value. The indicative clawback (overage) receipts had been updated to reflect that the Council would only seek a share in the uplift in value of the houses sold as starter homes that benefited from the substantial discount to market value.

Councillor Mrs Renton emphasised that the site had been identified as a priority to address the local housing affordability challenges, in addition to contributing to the revitalisation of the local area.

The homes proposed for this site would be a combination of flats and houses with eligibility to purchase these homes based on standard government criteria and a local connection qualification.

All the homes would be sold on a 75/25 shared-equity basis, with the Council retaining a 25% share in each property. Thus local people only needed to obtain a mortgage on 75% of the value of the property ensuring greater affordability options.

RECOMMENDED that the Head of Finance be authorised, in consultation with the Head of Property and Executive Members for Property and Acquisitions and Planning Policy, subject to key stage sign off as set out in the report presented to the Executive to include the costs of the project within the Capital Programme as detailed in the Exempt information Part 2 of the Executive's agenda.

RESOLVED that:

(i) the Head of Property be authorised, in consultation with the

- a) Head of Finance
- b) Executive Member for Property and Acquisitions; and
- c) Executive Member for Finance

to make the necessary consultancy appointments to progress and submit a Planning Application for the development of Unit 1, Pitwood Park, in accordance with the budget set out in the Exempt information contained in Part 2 of the Executive's agenda;

(ii) the Head of Property be authorised in consultation with the Executive Member for Property and Acquisitions to appoint the necessary Consultants for the redevelopment of Unit 1, Pitwood Park to prepare the necessary documentation and to obtain competitive construction tenders, subject to key stage sign off set out in the Executive's report;

(iii) the Head of Property be authorised in consultation with the Executive Members for Property and Acquisitions and Finance to finalise, agree

and sign construction contracts subject to key stage sign off set out in the Executive's report; and

- (iv) the Head of Property be authorised, in consultation with the Executive Member for Property and Acquisitions, to agree the plot sales and subsequently enter into and complete individual sales for each of the residential dwellings, on the basis outlined within the Executive's report.

Reasons for decision: The Council's purpose of redeveloping this site was in part to help the Council to meet its 5 Year Plan aspirations to be financially self-sufficient but the primary objective being to provide homes that help address the local housing affordability challenge. The recommended option would deliver shared equity homes to local residents via starter homes and a further shared equity purchase option would provide a return on capital deployed.

Alternative options: To refurbish the existing property or dispose of it in its current condition.

93. DEVELOPMENT OF 16-46 CROMWELL ROAD, REDHILL

Councillor T. Schofield, Chairman for the meeting, in inviting the Portfolio Holders to introduce the report referred to this being another good example where they worked well together to implement their cross portfolio initiatives.

As with the Pitwood Park report above Councillors Mrs N.J. Bramhall and Mrs R. Renton Executive Members for Property and Acquisitions and Housing and Infrastructure respectively introduced this report as a joint development between their respective portfolio responsibilities.

Councillor Mrs Bramhall advised the Executive that the Cromwell Road site had been identified in the Redhill Town Centre Area Action Plan 2012 as a priority for regeneration. The proposal to develop this site had been approved by the Executive in April 2017 in principle and was designed to deliver 32 new residential units and modern ground floor retail units.

The flats would be sold on the open market on long leases and the retail units would be retained as commercial assets for letting out to as a revenue income. Overall the project was promoted for bringing forward the Council's new housing and regeneration aspirations for Redhill.

Councillor Mrs Renton referred to the nature of the proposal being one to assist local people, where possible to purchase their own homes by delivering more affordable homes within the Borough. The Executive Member emphasised that the proposal would sell 16 flats, 50% of the new residential accommodation on the development, on a shared equity basis. The council would retain a 25% equity share at the point of first sale through a second charge.

RESOLVED that:

- (i) the Head of Property be authorised in consultation with the
 - (a) Head of Finance
 - (b) Executive Member for Property and Acquisition; and
 - (c) Executive Member for Finance

- to proceed with a re-development of 16 – 46 Cromwell Road, Redhill that achieves a profit less than would be considered commercially viable to enable a financial contribution for off-site affordable housing (as detailed in the Exempt part of the Executive’s agenda) to be made;
- (ii) the Head of Property, in consultation with the Executive Member for Property and Acquisitions, be authorised to market and sell long leasehold interests of the residential flats at 16-46 Cromwell Road, Redhill, of which 50% would be sold on a shared equity basis with the Council retaining a 25% equity share; and
 - (iii) these proposals be noted as replacing those agreed by the Executive in April 2017.

Reasons for decision:

Since initial proposals had been presented to the Executive in April 2017, the indicative profit from the scheme had reduced. As the Council’s purpose of redeveloping this site was only in part to help the Council to meet its 5 Year Plan aspirations to be financially self sufficient with the primary objective being to support the redevelopment of the site as a priority for providing homes that help address the local housing affordability challenge which was the reason for offering a reduced developer profit to enable a financial contribution to off-site affordable housing. Additionally, the proposal would provide housing for local people on a more affordable basis using the shared equity scheme.

Alternative options: To take a purely commercial approach to the development and seek to achieve a greater profit by selling all residential units on a full market value basis.

94. PROPERTY ACQUISITION OF FREEHOLD IN REDHILL

Councillor Mrs N.J. Bramhall, Executive Member for Property and Acquisitions presented to the Executive a report that proposed the acquisition of the freehold interest of a retail and office building in central Redhill, which was subject to an occupational lease. It was noted that the report had not been available at the time of the agenda despatch and had been distributed by way of an Addendum (both Part 1 and Part 2 reports).

The Executive noted that the building was well located in a prominent building close to the town centre. It had the advantages of an existing tenant of excellent covenant strength in situ providing a secure income stream. The investment also provided the Council with greater opportunities in relation to its location to Redhill town centre.

It was projected that the acquisition would give the Council a significant revenue stream for at least 5 years and potentially up to 10 years and an acceptable return on capital invested. Towards the end of the lease the future opportunities would be reviewed. Details of the investment and full address were set out in the Exempt Part 2 part of the Executive’s agenda.

The Executive noted that the proposed acquisition would be subject to the usual rigorous due diligence requirements and subject to those findings it was expected that this acquisition would meet the Council’s Corporate Plan objectives, the Asset Management Plan and the medium term financial strategy, by using capital resources to introduce revenue. The Portfolio Holder

confirmed that Heads of Terms had been agreed with the vendor.

RESOLVED that:

- (i) the Head of Property be authorised, in consultation with the Head of Finance; and Executive Members for Property and Acquisitions and Finance to acquire the Freehold referred to in the Executive's report, for investment purposes, being subject to satisfactory due diligence reports being received and the details set out in the confidential report at Part II of the Executive's agenda; and
- (ii) to note that there may be a requirement to set aside a sinking fund for budget setting purposes in accordance with the details set out in the exempt Part 2 section of the Executive's agenda.

Reason for decision:

To acquire the freehold interest in this property to support the Council's 5 Year Plan objectives to become financially self-sufficient.

Alternative options: To investigate alternative property acquisitions in lieu of the one proposed or to do nothing.

95. PROPERTY ACQUISITION OF FREEHOLD IN REIGATE

The Executive Member for Property and Acquisitions, Councillor Mrs N.J. Bramhall presented a further property investment and development opportunity to the Executive in relation to an industrial building in Reigate. The Executive noted that this was an investment opportunity where terms had been agreed by negotiation with the vendor following an auction in which the property failed to meet its reserve price.

The proposed acquisition was a 1950's industrial unit that included the estate road serving the industrial estate. The Executive noted that the due diligence enquiries continued and subject to satisfactory results being confirmed a completion of the purchase was envisaged for early May 2018. The financial details of the acquisition, including the projected income streams had been included in the Part 2 report in the Exempt part of the Executive's agenda.

It was projected that the investment would provide a substantial income stream and a return on the Council's investment. Additionally as the estate in which this building was located was identified in the Council's draft Development Management Plan for mixed use development it could, in due course, come forward for consideration towards this future strategic vision.

The Executive noted that ordinarily it would be open for Members to Call-In for scrutiny matters determined by the Executive. However, in order for the Council to meet the vendor's deadline with this acquisition it was considered that any delay to the decisions could result in the Council missing the vendor's timetable and possibly losing the acquisition which was considered not to be in the best interests of the authority. The Executive noted therefore that the Mayor had approved, under the above urgency grounds, that the Call-In procedure (as provided for under the Overview and Scrutiny Procedure Rule 5.15) be disapplied.

RESOLVED that:

- (i) the Head of Property be authorised, in consultation with the Head of Finance and the Executive Members for Property and Acquisitions and Finance, to approve the purchase and funding for the acquisition of the Freehold interest of the property referred to in the Executive's report which was subject to a number of occupational interests, and subject to satisfactory due diligence reports being received; and
- (ii) to note that there may be a requirement for maintenance work to be accounted for at the end of the lease in the event that the Council was successful in this purchase.

Reason for decision: To acquire the property and to support the Council's 5 Year Plan objectives to become financially self sufficient.

Alternative Options: To Investigate alternative property acquisitions or do nothing.

96. STATEMENTS

None.

97. ANY OTHER URGENT BUSINESS

None.

98. EXEMPT BUSINESS

RESOLVED that members of the Press and public be excluded from the meeting for the following items of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

- (i) it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act; and
- (ii) the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

99. DEVELOPMENT OF UNIT 1, PITWOOD PARK, TADWORTH

The Executive noted that an updated version of the Part two report had been provided in an Addendum despatched after the publication of the agenda to reflect clarification on the financial implications for this proposal.

RESOLVED that the exempt information relating to the report on the development of Unit 1, Pitwood Park, Tadworth be noted.

100. DEVELOPMENT OF 16-46 CROMWELL ROAD, REDHILL

RESOLVED that the exempt information relating to the report on the development of 14-46 Cromwell Road, Redhill be noted.

101. UPDATE: PATHWAY FOR CARE AND NEW DIGITAL MONITORING COMPANY

Councillor Mrs R. Mill, provided the Executive with an update following the decisions made by the Executive on 29 March 2018 relating to the future structure and ownership of Pathway for Care.

The report to the Executive included a summary of the transaction updates for both Pathway for Care and the Digital Monitoring Company and issues related to outstanding liabilities identified in the balance sheet reported to the

Executive in March.

It was noted that on 5th April 2018, the council completed all of the necessary transactions to sell 70% of the shares in Pathway for Care (the care home business operating in Horley) to Fairhome Care, 10% to Simon Laker and 10% to Ian Hutchinson. The council received £1.1m of redeemable preference shares in Pathway for Care in exchange for the £1.1m of debt currently owed to the Council.

Currently, the Council owned 100% of the digital monitoring company, but it was noted that agreed terms had been reached with the investor interested in this company who had agreed to take on the assets and most of the liabilities of the digital monitoring company. The legal team and tax advisors were creating the necessary documentation to support this transaction and it was expected to conclude within days of the Executive meeting.

The Executive noted that the conclusion of these two deals presented a positive step for growing the business, expanding the quality service offered to local residents, and generating future revenue income and capital returns for the Council.

Members asked questions in relation to the liabilities outstanding from Pathway for Care and arrangements for the appointment of Directors on companies.

RESOLVED that the update on Pathway for Care and the new Digital Monitoring Company as set out in Annex 2 to the exempt information to the report be noted.

Reason for decision: To provide an update for information on the work that had taken place since the last Executive meeting (29 March 2018) concerning investment and share transfers in Pathway for Care and the creation of a new Digital Monitoring Company.

Alternative options: None.

102. PROPERTY ACQUISITION OF FREEHOLD IN REDHILL

Councillor Mrs N.J. Bramhall, Executive Member for Property and Acquisitions provided a more detailed break down and analysis, by way of further clarification about the proposed acquisition in Redhill. As part of that update the Executive Member confirmed that the Capital Allowances referred to in the report would be retained by the vendor.

RESOLVED that the exempt information relating to the report on the acquisition of a freehold property in Redhill be noted.

103. PROPERTY ACQUISITION OF FREEHOLD IN REIGATE

Councillor Mrs N.J. Bramhall, Executive Member for Property and Acquisitions provided a more detailed break down and analysis, by way of further clarification about the proposed acquisition in Reigate. As part of that update the Executive Member referred to some of the variables associated with the due diligence investigations taking place and possible alternatives that might be pursued in the event that that due diligence was not fully achieved.

RESOLVED that the exempt information relating to the report on the acquisition of a freehold property in Reigate be noted.

The meeting closed at 8.31 pm.