

**BOROUGH OF REIGATE AND BANSTEAD**  
**OVERVIEW AND SCRUTINY COMMITTEE**

Minutes of a meeting of the Overview and Scrutiny Committee held at the New Council Chamber - Town Hall, Reigate on 6 June 2019 at 7.30 pm.

Present: Councillors R. Absalom, M. S. Blacker, G. Buttironi, J. C. S. Essex, N. D. Harrison, J. Hudson, F. Kelly, J. P. King, J. E. Philpott, S. Sinden, R. S. Turner, S. T. Walsh, D. Allcard (Substitute) and C. T. H. Whinney (Substitute).

Also present: Councillors V. H. Lewanski and T. Schofield.

**1. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Committee Members: Councillors R. Feeney (substituted for by Councillor C. Whinney), Councillor C. Neame (substituted for by Councillor D. Allcard).

Councillor. S. Parnall (without a substitute)

Others:

Councillor. M. Brunt (Leader)

**2. ELECTION OF CHAIR**

To elect a Chair for this Committee for the Municipal Year 2019-20.

**RESOLVED** that Councillor N. Harrison be elected Chair of the Committee for the Municipal Year 2019-20.

**Chair's Introduction**

The Chair welcomed new Members to the Committee and thanked Members for attending overview and scrutiny training earlier in the week.

He set out four key things that were expected as Overview and Scrutiny Committee Members.

These were:

- to be a constructive critical friend to the Executive – observing the progress it is making and commenting on it;
- to amplify the views and concerns of the public – of our residents;
- to be independent and to present the Committee's own views and opinions to the Executive; and

- overriding all this, aiming to improve public services and the service given to residents.

The Chair identified that many of the reports to Committee finished with “noting” items. If the Committee and its Members have views then they should convert these items into recommendations or observations they want to give to either Officers or to the Executive. If a recommendation would be appropriate, then Members should ask for that accordingly.

### **3. ELECTION OF VICE-CHAIR**

To elect a Vice-Chair for this Committee for the Municipal Year 2019-20

**RESOLVED** that Councillor S. Parnall be elected as Vice-Chair of the Committee for the Municipal Year 2019-20.

### **4. MINUTES**

To confirm as a correct record the Minutes of the previous meeting

The response to a Member question (asked at the April meeting of the Committee) to the Council’s External Auditors Deloitte regarding work on bank balances and trading companies was sent in an email to Committee Members.

**RESOLVED** that the Minutes of the meeting on 10 April 2019 be approved as a correct record.

### **5. DECLARATIONS OF INTEREST**

No declarations of interest were made.

### **6. ANNUAL INTERNAL AUDIT REPORT 2018/19**

The Committee considered the Annual Internal Audit Report and Opinion for the 2018-19 Municipal Year.

The Council’s Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the organisation’s risk management, control and governance processes. This was introduced by the Executive Member for Corporate Direction and Governance, Councillor V. Lewanski. He explained that his new portfolio covered performance planning and would look at how the Council’s performance indicators linked in to its Corporate Plan. Future work included focus on organisational development.

For the 12 months ending 31 March 2019, the Head of Internal Audit’s opinion for Reigate and Banstead Borough Council was that:

*The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.*

A representative from the Internal Auditors (RSM) was present to answer questions.

There were a number of questions and comments on the report, relating to the following topics:

- **Procurement and contracts** – It was noted that the Council only received ‘partial assurance’ for its procurement and contracts work. More detailed information was requested on the extent of the problem that had been identified first in 2017 and what work was being carried out to make changes. RSM identified that the full detail was in reports provided to officers as part of the Internal Audit Service Reviews in 2018/19. Detailed findings were available to Members via the eMembers website (under Performance Information > Internal Audit Reports > Internal Audit Service Reviews). An independent review of the processes around procurement and the application of the rules was currently being scoped and costed. This was close to being completed and would result in a full work plan. Members would be provided with an update on progress to date outside of the meeting. It was confirmed that the audit included all procurement that the Council undertakes.
- **Assurance levels** – It was identified that the assurance levels set out in Appendix B of the report: Summary of Internal Audit Work completed 2018/2019 ranged from: No assurance, Partial assurance, Reasonable assurance and Substantial assurance. These were the four standard levels of opinion that RSM used within all internal audit reports. RSM confirmed that there were no ‘No Assurance’ opinions in 2018/2019 and explained that the opinion grading was designed to give an overall sense of compliance in different services. This fed into the overall annual opinion which was consistent with previous years and with similar organisations.

It was identified that an ‘Advisory’ assurance was one-off advice used when officers had asked Internal Auditors to look at an area of work, measure it against best practice and offer guidance on areas to improve. For example, it had looked at the Council’s Commercial Governance review and provided additional comments to give further reassurance before going to the Executive.

- **Grants Funding** – it was noted that the audit of the Council’s grant funding had a Partial assurance level with 1 ‘high’ and 6 ‘medium’ actions. The audit was timed to coincide with a review of how the Council supports the voluntary, community and faith sectors. The audit’s findings will be

addressed in a report that will be considered by the Executive on 20 June. Members requested more information on this review. Individual audit reports and subsequent findings are presented to the Overview and Scrutiny Committee each quarter.

It was identified that information on the grants funding audit and also procurement and contracts audit would be provided to Members so they could clarify any points arising from the updates.

RSM concluded that their report summarised their work over the whole year, and the overall "adequate and effective" opinion was the same as the previous 2017/18 year.

The Chair placed on record the Committee's thanks to RSM for its work for the Council as its Internal Auditors.

**RESOLVED** that in noting the Annual Internal Audit Report and Opinion 2018/19, it was agreed that a further update be provided to Members of the Committee covering the procurement and grants funding audit matters set out in the Minutes above.

## **7. PROVISIONAL OUTTURN REPORT 2018/19**

The Committee considered the provisional 2018/19 outturn report for Revenue, Capital and Treasury Management, to be reported to the Executive on 20 June 2019.

Councillor T Schofield, Executive Member for Finance, gave an overview of how the Council performed in the 2018/19 financial year (subject to final figures approved by the Council's External Auditors).

The capital programme progressed well in 2018/19 with a lower underspend than recent years of £3.29m or 8% compared to original forecasts.

As reported during the year, significant progress has been delivered across a number of major projects which support the Council's objectives, including Marketfield Way. The Council has also invested in additional commercial properties to support our ambition to achieve sustainable new income sources as well as maintaining our operational assets including play areas and car parks.

### **Revenue Budget Outturn 2018/19**

For the Revenue budget the outcome this year has been a favourable variance of £1.62m or 9%. Income receipts were particularly buoyant:

- recycle prices were higher than expected and membership of the Garden Waste scheme continued to increase (£0.58m favourable).
- Investment in our property portfolio resulted in new income streams (£0.18m favourable).
- Planning fee income was higher than originally forecast (£0.26m favourable).

Borrowing costs were lower compared to the plan as the calls for property investments were lower than the forecasts when the treasury budget was prepared (£0.29m favourable) and there were budget savings due to staff vacancies as new management structures were implemented (£0.26m favourable). The main cost

pressures during the year related to the continued requirement to buy in external legal services (£0.16m adverse) and slightly lower than expected benefit subsidy from Government (£0.12m adverse).

The report also confirmed the outturn position for the Headroom Contingency Budget after taking into account the one-off charge to the accounts that has been necessary to resolve long-standing bank reconciliation balances (£0.476m). This matter had been discussed at previous meetings of the Committee and of the Executive. The details relating to this charge would be reported when the statement of accounts for the year is presented to Executive in July following completion of the audit.

In view of the net £1.6m positive variance it is recommended that some of this resource be used to set up two new earmarked reserves which were:

1. £0.5m to help fund new posts that are being established across the council during 2019/20 to support delivery of corporate priorities.
2. £0.25m to be overseen by the new Commercial Ventures Sub-Committee and used to fund Feasibility Studies for new commercial initiatives to help ensure that business cases are robust.

### **Treasury Management Outturn 2018/19**

The Treasury Management Strategy outturn report confirmed the Council has complied with Treasury policies previously approved by Council for 2018/19 and complied with the CIPFA Code of Practice on Treasury Management for local authorities.

In summary, despite continued financial challenges faced by local government (and at a time when many authorities were making damaging cuts and selling assets), the Council remained confident it would continue to run an ambitious programme while remaining committed to effective use of resources to provide excellent services for residents.

Members discussed the report, and there were a number of questions and comments, relating to the following topics:

### **Capital Programme Outturn 2018/19**

**Lee Street Bungalows** – Members noted that Lee Street Bungalows had a projected underspend by £0.43m and requested further information on progress of this project.

**Disabled Facilities Grant** – the report referenced a £0.59m underspend which was due to both a combination of the number of applications received and the capacity of the previous contractor to complete the work. Members identified that further publicising it to residents could be useful so there was better uptake in line with the level of government funding available.

Members requested further information on the underlying causes of Capital Programme Outturn variances to distinguish between delivery delays and budget variances. This analysis should be provided to the Executive when they consider the report.

## **Revenue Budget Outturn 2018/19**

### **Headroom Contingency Budget Outturn (paragraph 10)**

Members asked for more information about the Headroom Contingency Budget (paragraph 10) and questioned the charges made against this budget for historic bank reconciliation items (£476k).

The Interim Head of Finance explained that, within the approved budget each year since 2012/13, a contingency sum has been built into the budget to ensure that any unplanned costs could be accommodated. In 2018/19, this Headroom Contingency was £1.3m. It is considered good practice to build in contingency to a large and complex budget such as the Council's.

In 2018/19, the Council had been required to draw on Headroom Contingency as a consequence of concluding outstanding work on longstanding bank reconciliation adjustments. Table 3 sets out the charges made (£475k), resulting in a net outturn on this budget of £860k.

Table 4 sets out the changes to the Headroom Contingency Budget 2018/19 to 2019/20 that were approved as part of budget-setting for 2019/20, reducing the contingency by £0.5m.

The unspent balance on Headroom Contingency will be moved into general reserves at year-end, subject to any final closing budget entries following final review by external audit of the annual Statement of Accounts.

It was confirmed that the Council underspend was £1.6m across service budgets and that the final Headroom Contingency budget underspend (when confirmed after audit) would be on top of the £1.6m.

Future budget monitoring reporting would include the Headroom Contingency budget position.

John Jory, Chief Executive, reminded Members of the background and context to creation of the Headroom Contingency budget; following on from a period of significant financial pressures for the Council, whereas its financial standing now is the envy of many others.

Officers would consider observations from the Committee as to how approach financial reporting going forward.

## **Refuse and recycling**

Members noted that the most significant income receipts greater than budgeted related to refuse and recycling. The volumes of paper, food and domestic recycling were all above budget leading to over-recovery of income.

Members noted that the Council's way of collecting recycling made money for the Council. They requested more information and a financial breakdown about domestic food and other recycling costs in the current budget to find out whether increasing volumes were due to roll-out of recycling changes in flats. They also asked for information about assumptions about market prices in the 2019/20 budget.

*Councillor J. Essex declared an interest in this discussion as a Member of a working group at Surrey County Council on community recycling.*

**Leisure and Culture** - Members noted the Harlequin property maintenance budget variance of £18.8k actual spend against a budget of £170.5k. Also Priory Park maintenance was budgeted at £42.4k but £2.8k spent to date. Both were due to delays in the planned work being carried out.

Members noted that the **Corporate Plan 2020-25** would be discussed at a future meeting of the Committee and this would link to the Budget planning process.

Chair of the Committee, Councillor N. Harrison, observed that the report showed a good set of numbers for 2018/19. As it is now well into the first quarter of 2019/20, he identified that when these numbers go to the Executive, officers reflect on these generally positive budget variances and consider whether these figures have any impact for the current financial year 2019/20 and for capital and revenue reserves.

In the July meeting, the Committee requested a report on the overall Medium-Term Financial Plan going forward to increase understanding of the overall financial picture. This would include a discussion under Part 2 Exempt business.

The Committee noted the Treasury Management position for the year. The Chair, Councillor N. Harrison, requested a future training session for Members on Treasury Management Strategy as it applies to local government.

**RESOLVED** – that the provisional 2018/19 outturn report for Revenue, Capital and Treasury Management (including use of reserves), and the observations of the Committee, as set out in the Minutes, be noted.

## 8. **QUARTERLY PERFORMANCE REPORT (Q4 2018/19)**

The Committee considered the Quarterly Performance Report for quarter 4 of the year 2018/19.

The report was introduced by the Executive Member for Corporate Direction and Governance, Councillor V. Lewanski. He outlined the Council's performance from January to March 2019.

**Section 1 looked at Key Performance Indicators (KPIs).** Of the 15 KPIs reported in this quarter, 9 were on target or within agreed tolerance. Five KPIs were

contextual homelessness targets introduced to reflect changes required by the Homelessness Reduction Act (2017). As the impact of the legislation is uncertain, no target was set in 2018/19.

KPI 3 – relating to the government’s target to build a set number of affordable homes completed – was reported as off target at the end of quarter four. The target was 100 and the actual number built was 68. It was identified that achieving this target was largely outside the control of the Council as it was significantly dependent on private developers in a few large sites.

**Section 2 on risk management** identified no new strategic risks in quarter 4.

**Section 3 covered Internal Audits completed in quarter 4** on: GDPR Governance, Governance Arrangements for Property Investment Company, Commercial Governance Framework and Grants Funding.

The Committee considered and discussed the report. There were a number of questions and comments, relating to the following topics:

### **Section 1 - Key Performance Indicators (KPIs)**

- **□□□□ Affordable housing** – A number of Members questioned the reasons for the affordable housing target (KPI3) as the Council had limited control over this target which is set in policy. Members felt that this was an arbitrary target as the Council does not have legal powers to force a developer to build affordable housing so in practice there could be zero affordable homes built in one year. It was noted that the Council is committed to increasing the number of affordable homes going forward.

The target of 100 is set in the Council’s Core Strategy which is agreed by the independent Planning Inspectorate. Members expressed a desire to assess this target’s applicability.

It was noted that this topic was discussed at a recent Corporate Plan workshop on the Council’s housing strategy. Members recognised that it could not only rely on private sector developers to build affordable housing. If it wanted to deliver the level of affordable housing it wanted, then working with partners such as Raven Housing Trust would be a way forward.

Members observed that if developers say they cannot afford to build a higher number of affordable homes through their cost and expenses appraisals, the Council should intervene. It should be more critical about developers’ written plans or have an overage (a future payment made to the seller of the land, by the buyer of the land) written into plans. If developers made more money on the sales, then the Council should receive a proportion of this to use to build affordable housing.

The Council regards its aims of delivering affordable homes in this context through shared equity and help to buy schemes, including discounted homes – sold at typically 20 per cent below market value if they are sold – as well as affordable rent-type homes. It was noted that Members on the Planning Committee were working with officers to review this area of work. For

example, looking at how developers comply with government regulations, for example on the land values used in viability appraisals.

Members asked if affordable housing targets included houses built by private developer-led schemes as well as those houses built by Raven Housing Trust, for example a Redhill development which included nearly 50 affordable homes, and the Council's Lee Street development.

Members requested, for future years, that indicators could be broken down so they could see how much affordable housing could be secured in each of these above areas of housing development. This would not just look at private development but signpost the Council's forthcoming Housing Strategy and also its collaboration with Raven Housing Trust.

It was requested that next year (2020/21) there should be an annual process for Members to scrutinise the Service Delivery indicators to advise if these were set at the right levels each year, in addition to reviewing whether the Council was meeting those targets.

## **Section 2 – Risk Management**

### **Strategic risk registers**

It was noted that this report looked at quarter 4 of 2018/19. A new set of strategic risks for 2019/20 had been reviewed by Members at the 14 March 2019 (Agenda Item 69) meeting of the Committee. Further information on quarter 4 strategic risks would be available shortly on the eMembers portal which set out controls and a list of mitigating actions every quarter.

Members discussed the following areas:

- **Partner decisions (Strategic risk 7)** – Members asked for more information about mitigating the strategic risk on Partner decisions which was rated as Red. One example given was funding that came from Surrey County Council. The Council received approximately £1m a year from the County Council in its revenue budget to provide services such as family support, recycling and grass cutting. As the County Council was facing a funding crisis an example of mitigating this risk was the dialogue that senior officers had with County Council senior officers to ensure that reasonable funding decisions are made that would not impact negatively on the Borough Council.

Members observed that some partner decisions reflected immediate risks that could impact the current financial year, and were thus rated Red. Other risks like long-term financial sustainability were unlikely to impact this year and for that reason marked as yellow. Although not immediate, the issue was very pertinent to the Council, and therefore careful financial and service planning was needed.

Members noted that Raven Housing Trust Board's strategic risk register was a good practice model for officers to note.

## Operational risks

- **Community Centres** – It was noted that this operational risk (number 13) was marked Red. This stated that the Council may be required to introduce an alternative delivery model for the Community Centres service, potentially at short notice and at a considerable cost. It may have to be prepared to bring Community Centres back under Council control again.

The Chair said he had discussed this operational risk with the Executive Portfolio Holder, Councillor R. Ashford, who was planning to run a cross-party Member Task Group under his portfolio to start shortly. Committee Members would be able to have input into future planning and delivery of these services.

## Section 3 – Internal Audit reports

- It was noted that this included three specialist reviews (set out above) which were advisory and an amber red rating on grants funding which was discussed earlier in the meeting (Agenda Item 4, Annual Internal Audit Report).

There were no further comments.

## RESOLVED that:

- i. the quarterly performance reports for the fourth quarter of 2018/19 be noted.
- ii. the Committee requested that it has the opportunity to review the Key Performance Indicators for service delivery for 2020/21 before they are adopted, and that affordable housing targets are reported by type.

## 9. FUTURE WORK PROGRAMME

Members considered the Overview and Scrutiny Committee Work Programme which would be a standing item on future agendas to help with forward business.

It was noted that a report on service and financial planning would come to the next Committee meeting (11 July 2019) as an item on the latest Medium Term Financial Plan (2020/21 to 2024/25) and Budget Forecast for 2020/21.

The Leader, Councillor M. Brunt, would come to the Committee to give an update twice a year.

It was identified that in the updated organisational structure, three Executive Members had responsibility one of three areas of Council business: Organisation, People and Place. Therefore, each group of portfolio holders would be invited annually to meetings to present updates on each of their strands of business.

Other future Agenda items would include the developing housing strategy and any commercial revenue and benefits work.

It was requested that the planned updated plan on carbon management (discussed at Full Council on 7 February 2019 – Item 75 – Climate Change) come to the Overview and Scrutiny Committee for discussion before going to full Council.

Members thanked Councillor N. Harrison for standing as new Chair of the Committee.

**10. EXECUTIVE**

It was reported that there were no items arising from the Executive that might be subject to the 'call-in' procedure in accordance with the provisions of the Overview and Scrutiny Committee Procedure Rules.

**11. ANY OTHER URGENT BUSINESS**

There were no items of urgent business.

The Meeting closed at 9.00 pm