

## **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 17 October 2019 at 7.30 pm.

Present: Councillors N. D. Harrison (Chair), S. Parnall (Vice-Chair), R. Absalom, M. S. Blacker, G. Buttironi, J. C. S. Essex, R. J. Feeney, J. Hudson, J. P. King, S. Sinden, R. S. Turner, S. T. Walsh, D. Allcard (Substitute) and S. A. Kulka (Substitute).

Also present: Councillors C. T. H. Whinney, T. Schofield and V. H. Lewanski.

#### **1. MINUTES**

**RESOLVED** – the Minutes of the previous meeting on 12 September 2019 were approved as a correct record.

#### **2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Committee Members: Councillor J. Philpott (substituted for by Councillor S. Kulka), Councillor F. Kelly (substituted for by Councillor D. Allcard)

Other Members: Councillor T. Archer – Portfolio Holder for Investment and Companies

#### **Membership change**

In accordance with the Council's Constitution and Delegation 1.29 of the Officer Scheme of Delegation, Councillor M. Brunt as Conservative Group Leader requested that the Conservative Group representation on the Overview and Scrutiny be changed as follows:

- Councillor C. Neame, Committee Member, will become a Substitute Committee Member.
- Councillor K. Sachdeva, Substitute Committee Member, will become a Committee Member.

The supporting Officer Decision was approved by the Head of Legal and Governance and published on our website. The change was in effect for this meeting of the Committee and was reported to Council on 31 October 2019.

Committee Chair, Councillor N. Harrison, welcomed Councillor K. Sachdeva to the meeting.

**Nominations for the Budget Scrutiny Panel** – it was noted that the two further Conservative nominations for the Budget Scrutiny Panel taking place on 21 November 2019 were: Councillor K. Sachdeva and Councillor D. Allcard.

### 3. DECLARATIONS OF INTEREST

Councillor S. Walsh declared a non-pecuniary interest in Item 7 – Housing Delivery Strategy 2020-25 in respect of his capacity as a partner of a property management company.

### 4. REPORT FROM THE EXTERNAL AUDITORS ON THE 2018/19 FINANCIAL ACCOUNTS (ISA 260 REPORT)

The final report from the External Auditors on the 2018/19 Financial Accounts (ISA 260 Report) was considered by the Committee.

The Portfolio Holder for Finance, Councillor T. Schofield, gave an overview of the final report from External Auditors, Deloitte, and their conclusions. It was a challenging and thorough audit but overall the Council received an unqualified audit opinion. The approved statement of accounts, including Deloitte's audit opinion was published on the statutory publication deadline of 30 September 2019. As this was Deloitte's first year as Reigate and Banstead Borough Council's external auditors, it invariably brought new perspectives on the Council's approach to preparing accounts and the auditors had set out some areas for development on valuation of property assets and drafting the Statement of Accounts. An action plan for the 2019/20 accounts has been drawn up to address these points.

Members had a number of questions and comments in the discussion that followed:

- **Audit completion** – Members noted that the accounts had been published on the statutory deadline day for signing off the accounts which they felt did not leave time to consider the final report fully. It was identified that it took significant time to work through many of the new auditors' questions, for example, regarding information from third party suppliers on asset valuations. Challenges for Deloitte included working to new audit specifications at a time of a shortfall in experienced public sector auditors. It was reported that Reigate and Banstead was in a better position than many other local authorities in Surrey.

Members asked for assurances that there would be more time built into the reporting process for the 2019/20 Statement of Accounts.

- **Balances on Trust Funds** – the Council acts as a trustee for a number of Trust Funds of specific areas of land and other facilities for use by the public such as Reigate Baths Trust which were earning interest. Members asked for a written answer about the background of each fund to understand any restrictions on how the capital could be used for the benefit of residents.
- **Pension deficit** – it was noted that the net pension liability administered by Surrey Pension Scheme had increased from £71.1m at 31 March 2018 to £79.2m at 31 March 2019. This was in line with the slight increase in discount rates, movements in asset values and impact of the McCloud legal judgement.
- **Short Term Borrowing** – there was a short term borrowing requirement of £12m at the end of the financial year. This was in line with the treasury management strategy and was fully repaid in early 2019/20. Members asked for a written answer on the interest rate that was paid on the loan.

- **Valuation of property assets** – Members noted that the auditors identified a number of errors in the valuations of property assets which had been amended. These corrected misstatements were included in the audit adjustments in the ISA260 report. Members asked what changes would be made to learn from this next year.

The Head of Finance and Assets explained that Deloitte's work had required amendments to asset records that dated back over several years and which had not been raised during previous audits. A review of all assets at this level of depth is now being undertaken to ensure that their accounting treatment is correct and the supporting processes and procedures are being updated for this coming year end.

- **Gains and Losses** – Members asked for more information on the expected credit loss provision in loans to trading companies (Gains and losses recognised in the Income and Expenditure Account and Movement in Reserves Statement of 2018/19) and on the group accounts for Pathway for Care Ltd. A written response would be provided.

The Chair noted that a new set of auditors added value to the process. It was positive that auditors did not find any significant value for money risks in their report and the Council's use of resources were reported positively. However, as the Deloitte report had identified some medium priority items (amber priorities) on internal control and risk management, it was agreed to ask for a progress report in these areas at the Committee's January meeting.

**RESOLVED** that:

- (i) the final report from the External Auditors on the 2018/19 Financial Accounts (ISA 260 Report) be noted.
- (ii) the published version of the Statement of Accounts 2018/19 be noted.
- (iii) an update progress report on the Statement of Accounts 2019/20 was requested for the Committee's meeting in January.

## **5. HALF YEARLY TREASURY MANAGEMENT REPORT FOR 2019/20**

Members considered the Half Yearly Treasury Management Report for 2019/20. This progress report updated Members on the performance of the Council's treasury management activities including the latest investment and borrowing position and updated prudential indicators and policies.

The Portfolio Holder for Finance, Councillor T. Schofield, said the current forecast of the treasury management performance was on track and would be presented to the Executive on 7 November 2019. Performance was better than assumed in the budget as long term borrowing had not been necessary to date. It was anticipated that borrowing of up to £41.5m would be undertaken during the second half of 2019/20 to fund delivery of the approved Capital Programme. As the Capital Programme expenditure plans became more certain, the supporting borrowing and investment forecasts had been refreshed. The treasury forecasts in the report also reflected the £25m that had been delegated to the Commercial Ventures Executive Sub-Committee (CVESC) for commercial investment.

It was noted that the update on expected movements in interest rates in the report, provided by the Council's advisers, did not anticipate the recent announcement from the Treasury of a 1.0 per cent increase in the Public Works Loan Board (PWLB) loan interest rate.

There were a number of questions in the discussion that followed:

- **Capital Expenditure and Financing** (Table 1 in the report) – Members asked for follow-up information about the £1.704m actual spend on capital expenditure.
- **Public sector borrowing** – Members asked what the impact would be on the Council's investment plans because of the unexpected rise in the PWLB interest rate rise. It was noted that this added 1.0 per cent to all borrowing interest rates irrespective of the loan term. It was reported that the CVESC and finance teams were looking into the impact on capital expenditure plans and revenue expenditure forecasts. It does not have any impact on the Minimum Revenue Provision charge but, as PWLB interest rates are now 3.0 to 3.5 per cent, it will reduce the forecast return on new commercial investments.  
Members asked how the interest rate rise might affect cash flow and how best to mitigate the cost to the Council.
- **Treasury Investments** – it was noted that the total treasury investments were £36m at 30 September 2019. Members asked if some of these funds could be used instead of borrowing money. It was identified that the Council was required under treasury rules and regulations to keep minimum balances. If it falls below a certain limit (£10m) then this restricts the types of investment the authority may make with consequent impacts on investment returns. An updated Treasury Management Strategy for 2020/21 would be presented to Members early next year and a key factor will be to confirm the minimum balance required going forward.
- **Brexit** – the commentary in the report on the impact of Brexit was noted, along with subsequent recent developments. Updates on the outcome of Brexit on the economy and investments would be reflected in future reports.
- **Investment portfolio** – non-Treasury investments – it was confirmed that the £1.1m value reported for the investment in Pathway for Care was still an accurate position.

Members agreed to ask the Commercial Ventures Executive Sub-Committee (CVESC) to note the increase in the PWLB borrowing rate and to consider the impact on the Council's commercial investment strategy. They also asked the CVESC to consider the minimum balances that were required on the investment side.

**RESOLVED** that the Half Yearly Treasury Management Report for 2019/20 and the updated prudential indicators be noted and the observations of the Committee be considered by the Commercial Ventures Executive Sub-Committee at its meeting on 7 November 2019.

## 6. PORTFOLIO HOLDER BRIEFING - ORGANISATION PORTFOLIOS

Members received a briefing from the Organisation Portfolio Holders on the Organisation business area and their portfolios. The three Organisation Portfolios Holders were: Finance, Investment and Companies, and Corporate Direction and Governance. These three portfolios were aligned with the themes set out in the Council's current and emerging Corporate Plans.

### Finance Portfolio

Councillor T. Schofield, Deputy Leader and Portfolio Holder for Finance, gave an overview of the ongoing work in the Finance area which included Service and Financial Planning, Treasury Management, legal services, procurement and land charges. A report to the Committee set out a progress update on the Finance Portfolio's objectives. These objectives included adopting a Capital Investment Strategy, approval of the Medium Term Financial Plan 2020-25, a procurement review, developing an asset management strategy and establishing working groups to guide key areas such as a Budget Advisory Group with Portfolio Holders.

The draft budget proposals for 2020/21 were due to be considered by the Executive on 7 November and reviewed by the Budget Scrutiny Panel on 21 November 2019 before it was reported back to this Committee.

Members commented on the following areas:

**Procurement** – Members noted the review of the procurement and contract management processes. They requested sight of the report and its recommendations when it was completed so improvements could be made to these areas.

**Budget 2020/21 status** – It was confirmed that Legal services which had overspends in previous years was expected to be on the existing budget from 2020/21. The new legal support arrangements were welcomed.

### Investments and Companies Portfolio

The Portfolio Holder for Investments and Companies, Councillor T. Archer, was unable to attend the meeting, so Portfolio Holder for Finance, Councillor T. Schofield gave an overview of the Investment and Companies area of business. This included the Council's assets and management, companies and commercial investments.

A report to the Committee set out progress on objectives which included ongoing oversight on existing companies via the Commercial Ventures Executive Sub-Committee, determining the Horley Business Park investment approach, considering new investment opportunities as they arose and ensuring effective monitoring and reporting of existing investments.

Members commented on the following areas:

- **Performance of companies** – noted that a report on the performance of the companies owned or part-owned by the Council was considered under Agenda Item 8 of the meeting.

- **Updated asset management strategy** – work was being undertaken to review the Council's current assets to maximise returns from its commercial properties and land. The review would also be looking in detail at each asset held. The updated Asset Management Strategy would be considered for approval by the Commercial Ventures Executive Sub-Committee once completed. It was noted that the Committee requested a report, when the review is completed, on the assets held in terms of purchase price, value and overall returns.
- **Building energy ratings** – Members asked if information was held on the building energy ratings for properties we lease to ensure compliance with new regulations.

### **Corporate Direction and Governance Portfolio**

Councillor V. Lewanski, Portfolio Holder for Corporate Direction and Governance, gave an overview of the ongoing work in the Corporate and Governance areas. This included Legal and Governance (including Mayoral support), performance and project reporting, an improved Employment Committee, a review of the Standards Committee, HR and organisational development, the ICT roll out of Windows 10 and Office 365 and updates to the Customer Contact Strategy.

The Portfolio Holder reported that the Employment Committee was now operating in line with its updated terms of reference and had engaged with the recruitment process for both a new Head of Finance and a Director of Organisation.

The training programme for Members had been greatly expanded with a Member Learning and Development Programme which would be developed to sit alongside the Corporate Plan 2020-25.

In the performance and project reporting area, updated Key Performance Indicators (KPIs) mapped to the Corporate Plan 2020-25 were being developed in consultation with Heads of Service and Executive Members. An informal KPI Working Group had been set up to review KPIs which involved Overview and Scrutiny Committee Members.

It was noted that work was underway to update the priorities of the Great People Programme to encourage employee engagement, customer focus and creativity. The Staff Survey would ask more detail about staff views on working for the Council.

Updates to the Council's strategy on communications and customer contact had delivered significant efficiencies and savings. Work was now in progress to make sure that it remained practical and convenient, particularly for vulnerable and older residents who could not use online or digital ways of accessing services, to contact the Council using methods other than via online forms and email.

Members thanked Councillor V. Lewanski for his work in this Portfolio business area.

Committee Members had a number of questions and comments in the discussion that followed:

- **Apprenticeships** – the Portfolio Holder for Corporate Direction and Governance said that 0.5 per cent of the Council's total pay bill was paid to the Government for the apprenticeship levy. The Council drew down approximately £5.8k a month of this money to pay for training people in different roles from accountants to gardeners. This was something Members wanted to continue to do so as to develop the talent pool and take on apprentices permanently after their training had been completed. Members asked for a breakdown on the number and type of apprenticeships, particularly at Levels 2 and 3, as there was a skills shortage at this entry level in employment. Many young people left education at age 16 without a Level 2 qualification and it was important that the levy helped young people onto this first rung of the career ladder.

It was confirmed that the Council targets a broad range of different roles through its apprenticeship schemes. It had also focused on training local young people who were not in education, employment or training.

Members asked for more information in a written answer about the Council's apprenticeship programme – how much it spent on the levy, how many apprenticeships there were at each training level and their roles.

- **ICT** – Members asked how the roll-out of Windows 10 and Office 365 across the business was being managed to ensure that business change was achieved in addition to new hardware updated.
- **Communications** – Members noted improvements to this service. They asked how the Council measured how effectively it was communicating with residents to make sure that improvements that had been made were monitored.
- **Customer contact** – Members reported concerns from residents that it could take a long time to get through on the phone to different departments via the central customer contact number. Members asked if the initial welcome introductory message could be reviewed as it was a long three-minute message which added to the waiting time for residents. Other Members reported that residents did not have difficulties submitting a question online but getting a response back to their online questions (which were passed to the relevant department) could take time.

Members asked what was in place to measure the Council's responsiveness online to questions from the public. It was identified that the work on developing KPIs could look at this area.

Councillor Lewanski said that ICT was looking at how many forms for residents were being filled out by Council staff as opposed to people filling out forms online themselves as this was a high number. He welcomed the feedback from Members who suggested a survey of their experiences.

- **Informal Working Group** on KPIs – it was confirmed that this group was due to meet in a few weeks. The Chair, Councillor N. Harrison asked Conservative and Green Party Members to give their nominations directly to the Portfolio Holder for Corporate Direction and Governance.

- **Standards Committee** – it was noted that the Head of Legal and Governance was reviewing this area to formalise the work of this Committee and work was continuing. A draft report would be produced early in the new year.

**RESOLVED** that: the Portfolio Holder Briefings on the Organisation Portfolio and the observations of the Committee for consideration by Executive Members be noted.

## 7. HOUSING DELIVERY STRATEGY 2020-2025

Members considered the draft Housing Delivery Strategy 2020-25 and provided feedback on the strategy prior to it being finalised for the Executive on 5 December 2019.

The Director of People Services gave an overview of the Housing Delivery Strategy. The Executive Portfolio Holder for Housing and Benefits Councillor G. Knight was not present at the meeting.

The strategy document was an important step towards delivering the Corporate Plan 2020-25 housing objective to develop and implement a housing delivery strategy. It outlined the Borough's housing priorities, considered affordability issues as well as the planning policy background and construction challenges. An all-Member briefing had taken place on 26 September. The strategy set out six objectives to enable more households working or living in the Borough to have a home that is affordable to them. Underpinning these objectives was a commitment to partnership work with housing associations, public landowners, investors, developers and others. An Action Plan 2020-25 was set out in the document.

*Councillor S. Walsh declared a non-pecuniary interest in respect of his capacity as a partner of a property management company.*

Committee Members had a number of questions and comments in the discussion that followed:

- **Affordable housing** – Members noted the Council had a good track record of meeting the Government's affordable housing target each year but the target for delivering affordable housing on Council land was still small. Members asked if affordable housing schemes could be expanded on current development projects such as Cromwell Road in Redhill town centre. Members asked if the objective to deliver housing to meet local needs through planning policy (objective 6) could set out more detail about how the plans for building affordable housing were linked with transport strategies and support for local businesses through employment opportunities.

Members asked whether the aim to provide more affordable homes could be set out in the housing vision so it was clear for residents that the housing strategy was not only about building more homes. Clear statements setting out the legal definitions of affordable housing, affordable rented and shared ownership and shared equity also would be helpful for residents who did not feel schemes were currently affordable for them. It was noted that if more affordable housing was not built then young people would move outside the

borough to Croydon and Crawley where there was more social rented housing.

It was noted that the Council had increased the affordable housing requirement on greenfield sites to 35 per cent in the Core Strategy. The Corporate Plan committed Reigate and Banstead Borough Council to deliver a minimum of 30 per cent affordable housing on all Council development schemes. Members asked if the 35 per cent target could apply for the Council's own schemes. They also commented whether the 35 per cent figure could be achieved on greenfield sites due to the high cost of land.

Members pointed out that building on the green belt led to additional costs to put in infrastructure such as roads and other services. It was more cost effective to use existing land and buildings such as converting space above shops into residential flats.

- **Council Assets** – Members asked about the strategy to use Council land and assets to deliver additional housing and how much of it could be used for this purpose. It was noted that officers were currently working on an assessment of its lands and assets. It owned a modest number of sites across the Borough and was identifying if there were innovative ways to unlock the potential of land the Council did own.

In response to these questions, officers identified that the Action Plan 2020-25 set out an outline timetable on the six objectives. Work underway included appraising Council land and looking at developable sites. The Council was also working on bids with partner organisations such as Raven Housing Trust which brought in not just resources but also access to new skill sets of experienced professionals in this area. An affordable housing development manager had been recruited with a specific brief to work on the affordable housing strategy.

Achieving 30 per cent of affordable housing on the Council's own land was a minimum target and the aspiration set by the Executive was to achieve a higher figure. Executive Members had discussed this housing strategy at a recent awayday and proposed budget plans would be set out in the Service and Financial Planning report to the Executive on 7 November 2019.

In addition, Members raised the following issues:

- **Environmental sustainability** – increased insulation meant new and upgraded houses would be more affordable as heating bills reduced. It was confirmed that the Housing Delivery Strategy would include reference to environmental sustainability and the current work to develop this strategy.
- **Permitted development rights** – Members had concerns about proposals for offices to be converted to housing where developers did not need to provide affordable housing units or to upgrade building stock. It was noted that officers were working hard to address these issues. Members had lobbied local MPs to bring about a change in planning legislation.
- **Private rented sector** – Members noted the increase in the average rental property in the Borough which had risen by 29 per cent between 2011 and 2017 and asked if a standard for private rents could be set. It was confirmed that unfortunately the Council did not have control over private sector rents

but it was looking at delivering some private sector rented tenures on a site by site basis.

Members agreed to feedback the Committee's observations set out in the Minutes to the Executive meeting on 5 December 2019. In addition, the Committee recommended that the six objectives set out in the Action Plan 2020-25 be prioritised with key dates for delivery, including the people and resources that would be required to achieve these aims.

**RESOLVED** that: the Housing Delivery Strategy 2020-25 be noted and the observations of the Committee taken into consideration for the Executive on 5 December 2019.

## 8. COMPANIES PERFORMANCE UPDATE, 17 OCTOBER 2019

Members considered a report on the performance of the companies owned or part-owned by the Council. To support good governance of the Council's companies the Overview and Scrutiny Committee received six-monthly updates. These companies currently consisted of Greensand Holdings Ltd, Horley Business Park Development LLP, Pathway for Care Ltd and RBBC Ltd. All these companies were currently considered to be performing in line with the Council's objectives.

Greensands Holdings currently held one property which provided a rental income sufficient for the company to meet its repayment and loan obligations to the Council and to generate an income.

Horley Business Park Development was a joint venture set up to bring forward planning and subsequent development of land in the Horley area. The business park site was allocated for employment purposes in the Reigate and Banstead Development Management Plan (2018-2027) which was adopted by full Council on 26 September 2019.

Pathway for Care which provided supported living facilities and support for their residents at a number of sites in the borough was projected to generate a net profit in 2020. The Council was a minority shareholder in the company with the majority shareholding sold to Paul Green, a founder and former director of Fairhome Group PLC (the previous majority shareholder) in September 2019.

RBBC Ltd (Pathway Digital) was a potential digital technology business but as no external investment was secured the company was inactive and in the process of being closed.

Members noted the report and asked questions on the following points:

- **Horley Business Park Development** – Gatwick Airport and its published Masterplan proposed to use a small part of the Council's land for storing construction works. If the airport was expanded, and use of the reserve runway received consent from the Secretary of State, would a neutral position be agreed? It was confirmed that the Council had not yet adopted a position regarding Gatwick's proposals or formally responded as a local authority to a possible future application for a Development Consent Order.
- **Governance arrangements** – was there an update on the review of governance issues including those of non-executive directors? It was

confirmed that work on new governance arrangements for the Council's companies was ongoing including resourcing these companies and commercial activities. A report from the Monitoring Officer would be considered by the Commercial Ventures Executive Sub-Committee early in the new year which would address the issue of non-executive directors.

- **Greensand Holdings** – it was noted that David Beck had been appointed by the Commercial Ventures Executive Sub-Committee as an interim Council Property Advisor to a vacant director post in the company in May 2019. This was a temporary post which was an external resource to ensure that the appropriate number of directors were on the Board. The Commercial Ventures Executive Sub-Committee had approved the appointment and had oversight of his work.

**RESOLVED** that:

(i) the Companies Performance Update as set out in the report (17 October 2019) and the Exempt information be noted.

(ii) the observations of the Committee be noted by the Commercial Ventures Executive Sub-Committee at its meeting on 7 November 2019.

## **9. FUTURE WORK PROGRAMME - OCTOBER 2019**

Members reviewed the Future Work Programme for the Overview and Scrutiny Committee for 2019/20 and considered the Action Tracker from the previous meeting.

It was noted that the report from the Budget Scrutiny Panel: Service and Financial Planning 2020/21 would be considered at 11 December 2019 Overview and Scrutiny Committee meeting.

The Chair noted that the Staywell contract to run three community centres was due to end on 31 March 2020. A cross-party consultative group was being established looking into the work to transfer the services back to the Council. The Committee requested a report on the transfer before the 1 April due date.

**Projects update** – as requested at the September Overview and Scrutiny meeting and set out on the Action Tracker, Members had received a written response on current timescales of major development projects – Marketfield Way, Cromwell Road, Lee Street and Pitwood Park.

Members requested further detailed information be provided in order to understand in more detail the current performance of these projects. It was suggested that reporting of the RAG status of these projects would be helpful with regards to time and budget for instance.

It would also be useful for Members to receive detailed information such as spend to date, design status, number of tenders received and any other relevant information.

It was noted that Committee Members currently received detailed performance updates via quarterly reports which included the capital programme within the established governance framework. All projects and programmes were reviewed in

detail on a monthly basis with the relevant Portfolio Holder Executive Member and any significant changes reported to them.

The requirement for programme and project reporting was identified as a new request from the Committee.

It was agreed that Councillor N. Harrison would progress this request with the relevant officers.

**RESOLVED** that: updates to the Future Work Programme for 2019/20 and the observations on the Action Tracker be noted.

#### **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.

#### **12. EXEMPT BUSINESS**

**RESOLVED:** that members of the Press and public be excluded from the meeting for the consideration of Item 12 of the agenda (Medium Term Financial Plan Update (Exempt)) 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.

#### **13. COMPANIES PERFORMANCE UPDATE, 17 OCTOBER 2019 (EXEMPT)**

Members noted the information in relation to the Medium Term Financial Plan Update in the Exempt part of the meeting.

The Meeting closed at 9.40 pm