

## **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 Tuesday, 17 December 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, F. Kelly, J. P. King, J. E. Philpott, S. Sinden and S. T. Walsh

Also present: Councillors P. Harp (part meeting), V. Lewanski, N. Moses (part meeting), T. Schofield

#### **14. MINUTES**

**RESOLVED** – the Minutes of the previous meeting on 17 October 2019 were approved as a correct record and signed.

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

Committee Members: Councillor R. Turner and Councillor K. Sachdeva. There were no substitutions.

Other Members: Councillor M. Brunt – Leader.

#### **16. DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **17. INTERNAL AUDIT 2019/20 - Q2 PROGRESS REPORT**

The Chair welcomed Neil Pitman and Natalie Jerams from Southern Internal Audit Partnership (SIAP) to the meeting. The auditors gave Members an overview of progress on the Internal Audit 2019/20 report in quarter 2. SIAP confirmed that the Council's internal audit plan was on track with 35 per cent of planned work completed.

In summary, six audits had been concluded so far this year. Two service areas had received a 'Substantial' assurance opinion (the best rating) – Corporate Plan and Decision Making and Accountability. Four had received an 'Adequate' assurance opinion (a good rating) – Human Resources and Organisational Development, Income collection, Investments, and Refuse, Recycling and Street Cleansing. There were no 'Limited' or 'No Assurance' opinions, ratings which would detail significant weaknesses. None of the live audits had management actions that were overdue.

There were three high priority management actions which were completed at the time of the final report.

Members commented and asked questions about the following areas:

- **‘Adequate’ rating** – Members asked if this was the best phrase to describe a service area performing well. Could a service area be rated ‘good’ or ‘satisfactory’ instead as this would be more reassuring for residents. They felt the quarterly report understated the detailed work that had been carried out which sat beneath the ratings that were given.
- **Areas for improvement** – Members asked if the report could include not just areas for action but also areas for improvements. For example, could there be more detail about the Refuse, Recycling and Street Cleansing audit in the auditors’ quarterly report. This could set out the types of problems that auditors had highlighted such as an ad hoc record of litter picking and where improvements had then been made.

In response to these observations, it was noted that ‘Adequate’ was an industry standard auditing term that was used across local authorities and other organisations. The reports in the eMembers website showed the detailed management actions that had been taken. One reason why Members did not see greater detail in the quarterly report was because auditors had found that services were performing well which was to the Council’s credit. The auditors offered to forward a link to a report where actions had to be taken by an organisation to show the greater detail set out when significant weaknesses were identified.

Overall, Members were impressed with the degree to which the auditors had investigated service areas. Members were reassured that they could ask the auditors for further information when required.

Chief Executive, John Jory, thanked the auditors for attending the meeting and the robust challenge they were bringing in their audits. The second quarter reports highlighted that the Borough Council was a well-run organisation with good governance processes.

**RESOLVED** – that the Internal Audit 2019/20 Quarter 2 Progress Report against delivery of the 2019/20 Internal Audit plan be noted.

## **18. BUDGET SCRUTINY PANEL REPORT: SERVICE AND FINANCIAL PLANNING 2020/21**

Members considered the report from the Budget Scrutiny Review Panel which met on 21 November 2019 to discuss and consider the Service and Financial Planning budget proposals for 2020/21. The report would be considered by the Executive on 30 January 2020 in line with the Council budget and policy procedure rules.

The Panel report was introduced by the Chair of the Budget Scrutiny Review Panel, Councillor N. Harrison. The conclusions of the Panel were set out in the report and summarised in the Executive Summary. He thanked the Executive Member for Finance, Executive and Officers for preparing the initial revenue and capital budget proposals for 2020/21.

The Panel concluded that the Council managed its finances well and had maintained services and delivered priority projects despite the removal of the Government Revenue Support Grant in 2017/18. The revenue underspend of £1.6m for 2018/19 compared to the approved budget this year and the current forecast for 2019/20, being an underspend of almost £800k, underlined this point.

The Panel report said that the proposed Budget for 2020/21 was a cautious one as it did not overstate revenue and set out fully costed expenditure items. It was a detailed and well-developed budget. However, there was more detail to come including any additional Capital Programme budget growth proposals for 2020/21 to 2024/25, the review of Central Budgets and Revenue Reserves and the final Council Tax increase proposals. The final budget proposals to support delivery of the Corporate Plan, Housing Delivery Strategy and Environmental Sustainability Strategies were also still to be finalised. Therefore, the Panel recommended that the Committee should allocate time at its 23 January 2020 meeting for a more substantive review of these elements before it drew its conclusions on the overall Budget proposals.

The Panel report noted the increase in the services revenue budget of £2.12m which included funding to pay for 23 new posts. It was concerned that this overall increase could be unsustainable in the long term, unless additional sustainable revenue income sources are brought on stream. The Council was developing its commercial approach, but this work was progressing slowly, and the increase in new commercial investment income for 2020-21 is not significant. In the light of this the Panel advised caution.

The Panel Chair noted that Recommendation (i) (c) considered the potential negative impact of the savings and growth proposals on service delivery to be minimal and there were certain areas where there were service improvements.

Panel Members told the Committee that the recent general election and other areas of uncertainty such as the levels of government spending, pension costs and impacts of cuts to Surrey Council Council's budgets were also other significant elements of the budget that meant it should be looked at again at the January meeting.

Panel Members highlighted that another area where proposals and spending plans were not yet clear was on environmental sustainability and how the Council was responding to climate change. It was noted that more information was set out in paragraph 27 of the Budget Scrutiny Panel report on capital programme work. An Environmental Sustainability Strategy was currently being prepared which would set out how the Borough will respond to climate change and carbon emissions.

Members had the following observations and comments in the debate that followed:

- **New posts** – Members discussed the growth in the baseline budget for services of £2.12m, including funding for 23 new posts, plus 5 that were previously funded through the Corporate Plan Delivery Fund to achieve the Council's corporate priorities, and asked whether this cost could be maintained in the long term. It was noted that the Council has Reserves at the current time that could fund such expenditure over the short term. However, as the report stated unless more additional commercial and

revenue income sources are brought on stream then this would become unsustainable over time.

- **Retained business rates** – Members noted there was a significant increase in the service budget costs of £2.12m and asked if there could be an increased funding gap in future years if the council also lost income from retained business rates which central government had proposed. The Head of Finance and Assets said there was no further information at this stage as local authorities were waiting for the new government to start to issue their policy announcements from the results of its Fair Funding Review which was not expected imminently.
- **Balances on Trust Funds** – Members discussed the Reigate Baths Trust Fund which was part of the total Balance on Trust Funds in the previously-reported Statement of Accounts for 2018/19 totalling £1.703m. They asked what this money could be used for as the Reigate Baths closed some years previously. The Head of Finance and Assets referred to her written answer to Members following the 17 October 2019 meeting; this confirmed that the Reigate Baths Trust Fund has a balance of £773,000 at 31 March 2019, which is restricted in its use. Annual interest receipts from investing the Trust Fund are used to contribute to the running costs of the council's leisure services. Any proposal to change the purpose of a Trust Fund or spend capital from the balance of the Fund would require approval of the Charity Commissioners.

Members asked officers to confirm the actions necessary to gain approval to spend the capital sum of the Reigate Baths Trust Fund. The other significant Trust Fund balance was the Commons Trust balance of £779,000. If the rules relating to operation of these two Funds were able to be changed then the Council would have approximately £1.5m to spend on leisure services for the benefit of residents. Members asked officers to also confirm whether those funds (if released) could be invested across the Borough, not just in Reigate. Officers to report back with the outcome and options.

Members made the following recommendations from their consideration of the Budget Scrutiny Panel report.

**RESOLVED:**

(i) That in response to the Service and Financial planning 2020/21 report to Executive on 7 November 2019, the following observations be submitted for the consideration of the Executive:

a) That the Overview and Scrutiny Committee thanks the Executive Member for Finance, Executive and Officers for preparing initial revenue and capital budget proposals for 2020/21;

b) That the Overview and Scrutiny Committee considers the following to be achievable, realistic and based on sound financial practices and reasonable assumptions:

(i) Revenue Budget Savings and Additional Income proposals totalling £1.618m net

(ii) Revenue Budget Growth proposals totalling £3.742m

(iii) Capital Programme Growth proposals of £9.910m

c) That the Overview and Scrutiny Committee considers the potential negative impact of the savings and growth proposals on service delivery to be minimal and in fact include some service improvements;

(ii) That the Overview and Scrutiny Committee notes growth in the baseline budget for services of £2.12m, including funding for 23 new posts, plus 5 that were previously funded through the Corporate Plan Delivery Fund (CPDF), to achieve the Council's corporate priorities. Whilst recognising that the growth and each new post can be justified in its own right, and the Council has substantial reserves to fund such expenditure over the short term, the Overview and Scrutiny Committee is concerned that the overall increase in the Revenue budget is unsustainable in the long term, unless additional sustainable revenue income sources are brought on stream.

(iii) That capital budgets for investment in the Corporate Plan and the Housing Delivery Strategy are yet to be finalised, as well as the Central revenue budget proposals, and for this reason the Overview and Scrutiny Committee has yet to draw a conclusion on the overall budget proposals for 2020/21.

## **19. LEADER'S UPDATE**

The Leader of the Council, Councillor M. Brunt, sent his apologies to the Committee. The Leader's Update would be rescheduled for a future Committee meeting.

## **20. QUARTERLY PERFORMANCE REPORT (Q2 2019/20)**

Members considered the performance in the second quarter of 2019/20 of the Council's Service Indicators, Revenue Budget Monitoring, Capital Budget Monitoring and Risk Management.

The Portfolio Holder for Corporate Direction and Governance, Councillor V. Lewanski gave an overview of progress to date on Key Performance Indicators (KPIs) and Risk Management from July to September 2019.

Of the 14 KPIs that were reported on this quarter, 10 were on target. The council was unable to report on one performance indicator (KPI 1 levels of self-service transactions) due to a systems upgrade; one indicator (KPI 4 on homelessness) was outside the direct control of the Council. Two KPIs did not meet their target – KPI 2 (Total number of residential completions) and KPI 12 (increase in numbers of trade waste accounts).

The target for the first (KPI 2) was 230 and the actual was 122. This continued the trend from the first quarter. It was due to the low total number of completions caused by the phasing of some major developments, in particular finishing building flats, which can take 12 months or longer to be completed. As the work on buildings that started in 2018/19 was high in comparison to previous years, this should lead to higher numbers of completed buildings in the next half of the year. At the end of quarter 2 there were 2,041 units under construction, of which 56 began construction during the quarter.

KPI 12 was below the target of increasing the number of active trade waste accounts by 15 and, in fact, 11 customer accounts were closed due to non-payment of invoices. Overall however, customer numbers remained healthy.

There were no new strategic risks to report in the Risk Management section.

Members made the following observations in the debate that followed:

- **Levels of self-service transactions** – Members discussed the measurable benefit of reviewing and monitoring the levels of self-service transactions completed online. It was noted that two of the three measures could now be reported on. These were: paying a parking fine which was now exceeding the 80% target with 97% reports carried out online and purchasing a new/additional bin with 92% requests carried out using the online service. While the Council's strategy was to move these transactions online, it was recognised that not all residents could do this as some did not have internet access. However, it was fundamental to the Channel Shift Strategy to know how many people were using the council's online services and to move away from requests by telephone. These were high-volume transactions and the public's online use of these services freed up staff resources to help residents with queries that were more suitable for answer by telephone. Members recognised that these were good results in line with the changes to internal processes. Members asked for the percentage of total self-service transactions that were made online. A written response giving further information would be provided to Members.
- **Trade waste** – As the number of trade waste accounts had fallen by 11, Members asked if there was promotional activity that could be done to try and gain more customers and therefore more commercial revenue. It was noted that this was a discretionary service which the Council did not have to provide. It was a competitive market, but the usual communications channels were used to let businesses know about the service. It was noted that more contextual information would be useful to give an overview of how many and types of customers the Council had to understand more fully the performance of this service. Members asked if the information could show what business had been gained and what had been lost and remedial action taken as well as what the Council could do proactively to win contracts. A written response would be provided.
- **Green waste** – Members asked why KPI 13 – the target to increase the number of green waste bins – which was above target for the year – had dropped from 346 to 274 customers in the last quarter with a net loss of 73 in the last three months. It was identified that numbers fluctuated throughout the year depending on the season. Members asked if they could see the percentage and spread of residents taking-up use of green waste bins in the borough. More narrative would be provided for example in green waste as additional contextual information, a matter which had been raised in the Member workshop looking at developing KPIs in 2020/21.
- **Working group on KPIs** – Members who attended the KPI workshop to develop performance indicators for 2020/21 said that they had made detailed comments and suggestions. They had discussed areas that were being raised by Members such as including more background and contextual information. The group had considered questions such as whether KPIs were sensibly achieving the aim of improving the Council's services. Members

wanted to understand the information behind the performance targets and what the Council could do about it. KPIs were important for Councillors to be able to report back to residents what services had improved and how services were keeping on track. It was noted that the revised KPIs for 2020/21 would be discussed at the February meeting of Overview and Scrutiny.

- **Strategic risk – financial sustainability** – Members asked about this strategic risk and the statement that the Council's ability to generate income from investments may be restricted by changes in regulations and codes of practice. It was noted that this reference referred to emerging guidance nationally about borrowing money for capital investment and what was prudent to borrow. The Council was mindful about ensuring it was compliant with emerging guidance and making sure decisions were taken in this context.

Members next considered the performance in the second quarter of 2019/20 of the Council's Revenue and Capital Budget Monitoring.

The Portfolio Holder for Finance, Councillor T. Schofield, gave an overview of the Budget in Quarter 2. It was noted that a new format for the summary report gave more detail than before and highlighted significant variances with explanatory text included in the report pack.

The forecast outturn for services at the end of Q2 was £132k (or 1 per cent) lower than the management budget with the overall budget forecast, including central items, being £1.084m (or 6.3%) lower than the management budget for the year. This was an improvement compared to an overall forecast underspend of £774.4k (or 4.6%) lower than budget reported in Quarter 1. This change related to a better understanding of the likely use of contingencies at this point in the year. Significant overspends were reported in three areas: Finance (due to additional work relating to major projects and using interim staff to cover vacancies and improve finance processes), Benefits and Local Taxation (due to loss of DWP grant and additional consultancy and printing costs) and the Harlequin (due to a delay in the opening of the cinema and higher staff costs).

Budget underspends were due to vacancies in the management team and in Legal services. Property and facilities were better than budget due to new rental income from an acquisition in Salfords and income from Refuse and Recycling is higher than budgeted. Central items were £952k better than forecast mainly due to unallocated contingency budgets.

The Capital Programme Monitoring report for Quarter 2 showed that forecast expenditure was £43.7m which was £4.8m (or 9.9%) below the approved programme for the year. This was due to projected slippage on projects such as Marketfield Way development and Preston Park regeneration.

Members thanked officers for the new-look reports and had a number of questions and comments in the discussion that followed:

- **Harlequin Cinema** – Members said they had raised the issue of delays in opening the refurbished cinema at the Harlequin in previous meetings. Members asked whether additional costs associated with the delays might

be recovered from the contractor. A written answer would be provided to Members.

- **Regeneration of Marketfield Way, Redhill** – it was clarified that the Council would take possession of the site just before Christmas and the enabling works (which included demolition work) were due to commence in January 2020.
- **Pensions contingency** – it was noted that in the Central items of the Revenue budget, there was a pensions contingency budget of £200k which was unallocated. It was identified that the employer pension contributions were set every three years. The Council was currently reviewing the outcome of the 2019 pension fund revaluation and part of that consideration would be whether there is a requirement to retain this contingency for future years. This would be set out in the 2020/21 budget update report that is scheduled to be presented to the Committee at its 23 January 2020 meeting.
- **Headroom contingency** – Members noted that £835k was unallocated to this budget as part of the Central items and that there has not been a requirement to call on it so far this year. They asked if it could be confirmed how this compared to recent years. It was identified that as part of the Revenue Budget Outturn 2018/19 report, as discussed at previous meetings, the contingency had been used for one-off bank reconciliation costs in 2018/19.
- **Air Quality Monitoring Equipment** – it was noted that this service (to pay for staff and equipment to monitor air quality around Gatwick Airport) attracted both revenue and capital funding. Members asked for more information about funding for this service. It was identified that the Council was negotiating with Gatwick Airport to secure additional budget, however, the air quality would continue to be monitored as usual and the budget reflected this service.
- **Payment to external auditors** – Members asked about the overspend in the finance area and if this included an additional fee from the Council's external auditors for reviewing the accounts for 2018/19. It was identified that no additional charge had been received from the auditors to date and officers would report back to Members if there was a proposal to levy an extra charge. The costs referred to in the report covered the additional work required by the finance team to address issues raised by the new auditors. Members asked for a written breakdown of items in the Finance area which resulted in the forecast £437k overspend.
- **Legal services** – it was noted that legal services were forecast to be under budget for the first time in about five years. Members asked if this was because there was less legal activity and fewer projects. It was noted that this underspend was partly due to staff vacancies. Also, the new Head of Legal and Governance had commissioned legal advice only when necessary which had brought rigour to the legal services budget.

Members noted these observations which they would ask the Executive to consider when discussing the Revenue and Capital Budget Monitoring at its next meeting in January.

**RESOLVED:** that the Quarterly Performance Report (Q2 2019/20) be noted and any observations of the Committee taken into consideration by the Executive at its meeting on 30 January 2020.



## 21. CALENDAR OF MEETINGS 2020/21

Members considered the proposed Calendar of Meetings for the 2020/21 Municipal Year.

The Calendar of Meetings 2020/21 draws upon the pattern of previous years and is designed to ensure all business is accomplished as efficiently as possible. The proposed Schedule of Meetings was due to go to the Executive meeting on 30 January 2020 for approval by full Council at its meeting on 13 February 2020.

It was noted that:

- The Employment Committee meets quarterly and on a separate evening to reflect the Committee's revised Terms of Reference.
- The Commercial Ventures Executive Sub-Committee (CVESC) has agreed to meet formally every two months for an hour before each Executive meeting. The informal CVESC will meet every other month (between the formal meetings).
- The deadline for the publication of the Council's annual Statement of Accounts and the opinion of External Auditors is 31 July 2020. The Executive meeting has therefore been set for Tuesday 28 July 2020 to allow enough time to finalise the Statement of Accounts. In 2021, the Executive meeting will be moved to Tuesday 27 July 2021.
- Leader's group requested an additional Executive meeting in mid-August 2020.
- As in previous years, meetings of the Licensing & Regulatory Committee and its subcommittees and the Standards Committee had not been scheduled except for the initial meetings to make appointments to the Chair. The first meeting of the Licensing & Regulatory Committee will be combined with a training session.
- As the initial Standards Committee is expected to be brief, this has been scheduled on the same evening as the Overview and Scrutiny Committee on 11 June 2020.
- The proposed schedule includes indicative dates for meetings at the start of the 2021-22 Municipal Year to assist with planning for future business. These dates will be confirmed as part of the Calendar of Meetings for 2021-22.

Members made no comments on the public meetings listed but asked if informal meetings such sub-committees and planning forums could be added to the Calendar. As the Calendar of Meetings 2021/22 listed external public meetings, officers agreed to supply a separate Calendar for internal meetings.

It was confirmed that the additional Executive meeting date in August was scheduled as a contingency date, in case it was needed.

**RESOLVED:** that the Calendar of Meetings 2020/21 be noted and its observations provided to the Executive for its meeting on 30 January 2020.

## 22. FUTURE WORK PROGRAMME - DECEMBER 2019

Members considered the Committee's Future Work Programme for meetings in 2020 and the Action Tracker from the previous meeting on 17 October 2019.

It was noted that the next Committee meeting on 23 January 2020 would scrutinise the work of the East Surrey Community Safety Partnership in 2019/20. The Borough Inspector had been invited to attend. Surrey County Councillors from Reigate and Banstead had been invited to the meeting. The Committee would also hear from the Executive's People Portfolio Holders. At the 20 February 2020 meeting a progress update on 2019/20 Statement of Accounts was scheduled as well as the Executive's Place Portfolio Holder briefings and discussion on Draft Key Performance Indicators 2020/21. In March, agenda items included the Internal Audit Plan 2020/21 and the Treasury Management Strategy 2020/21.

Members asked for a future item to update the Committee on plans for looking after common land. The Executive's Place Portfolio Holders would be asked to update Councillors on this as part of the Place Portfolio Holders briefing at the Committee's 20 February 2020 meeting. It was confirmed that an update on Community Centres would be part of the People Portfolio Holder briefings at the next meeting in January.

**RESOLVED:** that the Future Work Programme for 2019/20 be noted.

### **23. 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.

### **24. ANY OTHER URGENT BUSINESS**

There were no items of urgent business.

The Meeting closed at 9.05 pm