

Minutes of a meeting of the **Executive** held at the **New Council Chamber - Town Hall, Reigate** on **Thursday, 15 December 2022 at 7.30 pm.**

**Present:** Councillors M. A. Brunt (Leader); T. Schofield (Deputy Leader), T. Archer, R. H. Ashford, R. Biggs and V. H. Lewanski

**Attended remotely:** Councillor K. Sachdeva

**Visiting Members present:** Councillors M. Blacker, P. Chandler, J. Essex, N. Harrison. Councillor J. Booton (remotely)



#### **44 Apologies for absence**

Apologies for absence were received from Councillor Bramhall, Councillor Humphreys and Councillor Neame.

Councillor Sachdeva attended virtually so could not vote at the meeting.

#### **45 Minutes**

**RESOLVED** that the minutes of the meeting of the Executive held on 17 November 2022 be approved.

#### **46 Declarations of interest**

There were no declarations of interest.

#### **47 Commercial Strategy: Progress Update**

The Portfolio Holder for Investment and Companies, Councillor Archer, presented the first annual update on progress to deliver the Council's Commercial strategy, Part 1 of which was agreed in November 2020 and Part 2 in December 2021.

Progress on commercial assets and commercial services this year had been positive with work on commercial assets making a particular contribution. Achievements set out in the report included: securing almost £1.2m from new property lettings, preventing nearly £400k of costs from void properties and good progress on developments at The Rise and Wheatley Court enabling cautious income projections of £250k in 2024/25, increasing to £800k by 2027-28. The Council had also agreed to buy temporary and emergency housing units, approved a programme of re-letting café premises in parks to improve income and develop future opportunities on remaining key properties and potential land assembly.

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A review of fees and charges had been completed to make Council services more commercial. This exercise had identified approximately £1m in savings and additional income. Information on those changes was considered in the annual budget papers.

There were areas where plans had changed following new government funding regulations. For example, the Council was no longer progressing plans for a holding company. Proposals to strengthen the Council's procurement and contract management skill base had also been slower than envisaged due to recruitment challenges.

The report was considered by Overview and Scrutiny Committee at its meeting on 8 December 2022 and additional information including the outcome of individual development projects would be provided. Committee Members also expressed interest in continuing to explore all options for future use of assets and service provision but agreed that in some cases the decision not to progress with a commercial opportunity was the right decision.

Chairman of Overview and Scrutiny Committee, Councillor Harrison, thanked Councillor Archer for highlighting the good progress and achievements that had been made over the year. Additional financial information on projects with both revenue and capital implications had been requested and provided as well as information on revenues and benefits trading activities. In addition, there had been interest in the progress on the housing strategy and plans to move forward future projects using the housing reserve. The formal quarterly asset performance report to the Partner, Shareholder and Trustee Sub-Committee was welcomed.

Visiting Members commented that questions had been raised and information sought on business plan feasibility on housing projects such as Wheatley Court in Redhill. They had also raised questions on social housing future developments as well as information set out in the section on Priority 3: Asset (Re-) Development – Securing new income streams and/or capital receipts from development projects (p28 of the agenda pack).

Councillor Brunt, Leader of the Council, noted that the housing strategy was separate to the commercial strategy, being about delivering more affordable housing across the borough. He confirmed that the Council was now a registered provider of social housing since earlier this year and the Council was providing housing already through that mechanism.

Officers confirmed that as a registered provider of social housing this could attract funding from Homes England. The Council was looking at the land it owned and future opportunities, but increasingly high building costs made building from scratch extremely expensive. Building Wheatley Court had been a positive result for the Council.

Visiting Members also asked about work with Surrey County Council on renewable energy investment opportunities. It was confirmed that officers worked closely with the County's growing climate change team on these issues, including on renewable energy and retrofitting domestic properties.

**RESOLVED** that:

1. The Commercial Strategy Annual Progress Report at Annex 1, along with the observations of the Overview and Scrutiny Committee, is noted and agreed for publication on the Council's website.

**48 Quarter 2 2022/23 performance report**

Members received the Quarter 2 2022/23 performance report which gave an overview of the Council's performance from July to September 2022 including Key Performance Indicator (KPI) reporting, as well as revenue and capital budget monitoring and a progress update on the Financial Sustainability Programme.

The Executive Member for Policy and Resources, Councillor Lewanski, updated the Committee on the Council's Key Performance Indicators – of the 10 KPIs reported on, nine were on target or within the agreed tolerance. One red-rated indicator (KPI 3 – Staff Turnover) showed 16% turnover as against a target of 12%. During COVID-19, turnover had been lower than expected and was now 'catching up' due to the strong labour market.

The report had been considered by Overview and Scrutiny Committee on 8 December 2022. Overview and Scrutiny Committee Chairman, Councillor Harrison, noted that the Committee had commented on affordable housing completions (KPI 7), requested information on projects that had received planning permission, but work had yet to commence, staff turnover (KPI 3) and food waste (KPI 10 Recycling).

Visiting Members asked questions on the following areas:

**Staff turnover** – Members asked if the rise in staff turnover was across the whole organisation or in a particular department. Officers confirmed that the higher turnover was not concentrated in one department but across the whole organisation. Turnover was continually monitored through exit interviews as staff left for new jobs, life changes following COVID-19 or took retirement. There was a competitive jobs market following the pandemic, making it difficult to recruit skilled staff in some areas.

**Affordable housing** – Members thanked officers for the breakdown in types of affordable housing that had been provided to Members which showed the affordable housing in the Borough that was for social rent which made it easier to track progress which was positive.

Deputy Leader and Portfolio Holder for Finance and Governance, Councillor Schofield, presented the Revenue and Capital Budget position for quarter 2 to 30 September 2022. On the revenue budget the projected full year outturn was £19.113m against a management budget of £20.062m resulting in an underspend for the year of £948k (4.7%). The full year Capital Programme forecast at the end of quarter 2 was £31.86m (53%) below the approved Programme for the year. The variance was a result of £35.54m slippage and a £0.24m net underspend. The reason for the forecast slippage was that while substantial budgets had previously been allocated for investment in housing developments, the related business cases had not yet been developed.

The report had been considered by the Overview and Scrutiny Committee and Chairman, Councillor Harrison, noted that a positive forecast outturn and clearly

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favourable variance was highly satisfactory. Areas highlighted by O&S Members included questions on inflation, energy costs and the favourable variance shown in the return of car parking income. Visiting Members welcomed the separate items set out in the budget monitoring report to show where there was funding that had been allocated for investment such as the housing strategy. They asked about the environmental sustainability reserve and spending in this area. The Leader said this would be looked at in the coming year.

The Leader thanked Councillor Harrison and the Overview and Scrutiny Committee for their useful and constructive feedback to Executive.

**RESOLVED** – that the Executive:

1. Notes the Key Performance Indicator performance for Q2 2022/23 as detailed in the report and Annex 1
2. Notes the Budget monitoring forecasts for Q2 2022/23 as detailed in the report and at Annexes 2 and 3.

### **49 Risk management - Quarter 2 2022/23**

Executive Members received an update report on risk management in Quarter 2 2022/23 (July to September 2022). The Portfolio Holder for Policy and Resources, Councillor Lewanski, reported that there were no new strategic risks set out in Quarter 2 and no strategic risks recommended for closure.

At the end of Quarter 2 there was one red-rated operational risk and additional detail on this was provided in Annex 2 (exempt).

The report had been considered by the Audit Committee on 7 December 2022 and no formal observations made to Executive.

There were no questions from Executive Members or Visiting Members.

**RESOLVED** – that the Executive:

1. Note the Q2 2022/23 update on risk management provided by the report.

### **50 Treasury Management Strategy Mid-Year Report 2022/23**

The Deputy Leader and Executive Member for Finance and Governance, Councillor Schofield, introduced the Treasury Management Strategy Mid-Year Report which provided an update on the performance of the Council's treasury management activities for the first half of this financial year. The report forms part of formal reporting requirements under the CIPFA Code of Practice on Treasury Management.

Councillor Schofield reported that treasury management performance for 2022/23 to date including performance against the Council's Prudential and Treasury Management Indicators was on track and complied with the borrowing and investment position and limits that Members had agreed previously as part of the Strategy for 2022/23.

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One minor non-compliance matter was highlighted in the report (funds held in an investment account for one day more than the timescale specified) and investment procedures had been reviewed as a result to improve controls.

The report had been considered by the Audit Committee at its meeting on 7 December 2022. An Addendum to the agenda had been published which set out the observations from Members in the draft Audit Committee minute on this item.

A Visiting Member from the Audit Committee commented that the Committee had expressed strong reservations about the information presented at Table 5: Investment Portfolio – Non-Treasury Investments (p105) in the report to the Committee. As the Chairman of the Audit Committee, Councillor J. King, could not attend this Executive meeting, a statement from him on behalf of the Committee had been circulated to Executive Members. The Committee's concerns were specifically about the limitations of the information provided in the report on the current and forecast value of the Council's investments in Horley Business Park LLP, Greensand Holdings Limited and Pathway for Care Limited.

Deputy Leader and Portfolio Holder for Finance and Governance, Councillor Schofield, noted that the purpose of the Treasury Management report was not an appraisal of the Council's companies. It was a brief snapshot of funds invested at a point of time and showed the cumulative value of loans and interest accrued to date. Information on the Council's companies was provided in regular performance reports, which were reviewed by Overview and Scrutiny Committee, as well as in the annual Statement of Accounts to the Audit Committee.

Councillor Schofield and Portfolio Holder for Investment and Companies, Councillor Archer, invited Audit Committee Chairman, Councillor J. King, to attend future meetings of the Executive's Partnership, Shareholder and Trustee Sub-Committee (formerly named the Commercial Ventures Executive Sub-Committee). This gave more detail about ongoing work in this area and the Chairman could thereby be aware of commercial confidential discussions and raise questions on behalf of the Audit Committee.

Visiting Members raised concerns that the information in Table 5 on third party loans was set out in a way that was inaccessible to a member of the public or to a lay person without a finance background. Without further background information attached to the table, it did not provide the information they were seeking on company assets and income. They asked for further clarity on the information provided and assurance that there were plans in place to mitigate any future risks.

Councillor Brunt, Leader of the Council, responded that the detail and background information on companies' performance was contained in the twice-yearly Companies Performance Update report to the Overview & Scrutiny and Partnership, Shareholder and Trustee Committees which is available to all Members. The Treasury Management Strategy Mid-Year report was not designed to be a detailed report on investments as this information was provided in other reports to Committee which covered many of these points. Any investment carries a degree of risk which is examined through detailed business cases and considered by the Executive's Commercial Ventures Executive Sub-Committee (CVESC) – now the Partnership, Shareholder and Trustee Sub-Committee.

Chief Finance Officer, Pat Main, confirmed that this report was not intended to be an investment appraisal or detailed performance report. It was a factual statement of

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sums advanced and of interest accrued. As noted by Members, a comprehensive companies update report is submitted to Overview and Scrutiny Committee and their observations are provided to the Executive's Partnership, Shareholder and Trustee Sub-Committee. The accounting value of company investments is reported in the Statement of Accounts which is reported to the Audit Committee each year.

Portfolio Holder for Investment and Companies, Councillor Archer, in response to the concerns raised, clarified that Greensand Holdings Ltd has an income stream – the rental income on the Crown House offices – and that interest on the loan for the land in Horley was capitalised. This was a legitimate and acceptable accounting treatment for development land. He emphasised the oversight of the companies' performance is set out in regular reports to the Partnerships, Shareholder and Trustee Sub-Committee (formerly CVESC) that all Members could attend.

Managing Director, Mari Roberts-Wood, added that treasury management reporting was laid out in statutory guidance to all local authorities, with set criteria, which all local authorities and Section 151 Officers are required to follow when producing their reports to Committee.

It was noted that the discussions at Audit Committee had referred to the challenges in interpreting technical treasury management information. The Leader supported the proposed additional training from the Council's treasury advisers to assist Members on the Committee with their important work.

Following this discussion, Visiting Members asked a further question about ethical and sustainable investments, such as using banks that have significant investments in fossil fuels, and if this is taken into account. Chief Finance Officer, Pat Main, confirmed that regard to environmental, sustainability and governance (ESG) factors was an increasingly relevant factor for consideration when investing, however this must always be secondary to ensuring security, liquidity and income from the Council's investments. Further information will be provided in the Treasury Management Strategy 2023/24.

**RESOLVED** – that the Executive:

1. Note the Treasury Management Performance for the year to date and the updated prudential indicators, note the observations from the Audit Committee, and **RECOMMEND** the Treasury Management Mid-Year Report to Council.

### **51 Statements**

There were no statements.

### **52 Exempt business**

There was no exempt business discussed.

**53 Any other urgent business**

The Observations on Budget Scrutiny – Budget Scrutiny Panel Report from was published as an Addendum following the Overview and Scrutiny Committee meeting the previous week on 8 December 2022 and was discussed at agenda item 10a (Minute 53a).

**53a Observations on Budget Scrutiny - Budget Scrutiny Panel Report**

Executive Members received the report from the Overview and Scrutiny Committee's Budget Scrutiny Panel which met on 29 November 2022 to consider the provisional Budget proposals for 2023/24 and to make recommendations to the Executive in line with the Council's budget and policy procedure rules. This had been discussed at the Overview and Scrutiny Committee on 8 December 2022. The Committee's observations and recommendations were set out below.

Councillor Harrison, Chair of the Budget Scrutiny Panel, introduced the report. It was a full report in terms of a balanced revenue budget which was an improvement from the previous year

- There were still uncertainties about government grants so Overview and Scrutiny Committee will consider this item again at its January meeting
- The main recommendations in the Budget report were agreed from (i) to (vii). The Panel noted the £1.5m budget for staff salary growth.
- Recommendations (viii) to (x) set out that the budget proposals were achievement, realistic and based on sound financial practices.
- Recommendation (xi) to (xiii) noted proposed savings would not be expected to have a significant impact on services, inflation cost pressures had been addressed and earmarked Reserves would be used, as necessary, with analysis requested on how they are used over previous years.

There had been 60 plus questions from Panel Members which all received full responses with supplementary questions asked at the Panel. He thanked the Portfolio Holder, Councillor Schofield and officers for these responses and for helpful changes in the way the information in the report was presented.

Councillor Brunt, Leader of the Council, thanked the Budget Scrutiny Panel and Overview and Scrutiny Committee members for their work on scrutinising the Budget for the coming year. Good feedback had been received through the scrutiny process and useful points had been raised which could be taken forward for the final Budget & Capital Programme 2023/24 report to Executive on 26 January 2023 and to Council on 9 February 2023.

**RESOLVED** that the Executive note the following observations from the Overview and Scrutiny Committee following recommendations from the Budget Scrutiny Panel in response to the Service and Financial Planning 2023/24 report:

- i. The national and local policy context and significant financial uncertainties at this stage in the budget-setting process were noted, along with the associated uncertainties and risks.

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- ii. The service proposals set out in the report which seek to respond to this context and deliver corporate policies be endorsed.
- iii. The draft service business plans for 2023/24 to 2025/26 be approved, and that Heads of Service be authorised to finalise their plans for their service areas in consultation with the relevant Portfolio Holders.
- iv. The following be approved for consultation under the Council's budget and policy framework: a) Medium Term Financial Plan Forecasts and proposed actions to address the forecast Revenue Budget gap; b) Service Revenue Budget growth proposals totalling £0.442 million, savings of (£0.828) million and additional income of (£1.186) million; c) Central Revenue Budget Savings proposals totalling (£0.897) million. The Panel noted that the £1.500 million budget for pay increases was not specifically referenced in this Recommendation but acknowledged that it was included in the supporting tables and narrative in the body of the report. d) Revenue Issues, Risks and Opportunities totalling £2.407 million, to be funded from earmarked Reserves as necessary; e) Revenue Reserve Balances at 1 April 2022 of £45.596 million; f) Forecast balanced Revenue budget for 2023/24, subject to final confirmation of the outstanding items; and g) Capital Programme Growth proposals totalling £7.683 million. With the provision of a clearer explanation for the £1.5million for staff salary growth under c) Central Revenue Budget Savings proposals.
- v. The Fees & Charges Policy was noted.
- vi. The Reserves Policy was noted.
- vii. The Local Council Tax Support Scheme be reviewed during 2023/24 and the outcome be reported as part of Service & Financial Planning for 2024/25.
- viii. Assumptions and individual budgets were to be reconsidered following the December Government financial settlement announcement; consequently the Panel did not draw a final conclusion on the overall Budget proposals for 2023/24.
- ix. The final Service and Financial Planning 2023/24 report to Executive on 26 January will also be an agenda item for discussion at Overview and Scrutiny Committee on 19 January 2023.
- x. The Panel considered the explanations in the Budget report for year on year changes in the budget and found the Budget proposals to be achievable, realistic and based on sound financial practices and reasonable assumptions, subject to the outstanding matters set out in (1), (2) and (3) above.
- xi. The Panel noted that the proposed savings were not expected to have a significant impact on service scope or quality.
- xii. The Panel noted that inflation cost pressures had been addressed in the Budget on a case by case basis. The Panel expressed concern about recent inflationary pressures which put short-term inflation well above the Bank of England target and suggested this would put unbudgeted upward pressure on the cost of goods and services and on personnel costs.
- xiii. The Panel noted that the Budget for 2022/23 included the use of £2.407 million funding from earmarked Reserves, as necessary, and that the use of these Reserves was necessarily a one-off source of funding.

The meeting finished at 8.33 pm