

Minutes of a meeting of the **Overview and Scrutiny Committee** held at the **New Council Chamber - Town Hall, Reigate** on **Thursday, 8 December 2022** at **7.30 pm**.

Present: Councillors N. D. Harrison (Chair); M. S. Blacker, M. Elbourne, J. C. S. Essex, G. Hinton, A. King, N. C. Moses, S. Parnall, A. Proudfoot, R. Ritter, M. Tary and S. T. Walsh (Vice-Chair)

Attended remotely: Councillors Avery and Turner

Visiting Members present: Councillors Archer, Lewanski and Schofield



41 Minutes

The minutes of the previous meeting held on 9 November 2022 were approved.

42 Apologies for absence and substitutions

There were no apologies for absence.

Councillors Avery and Turner attended the meeting remotely.

43 Declarations of interest

There were no declarations of interest.

44 Observations on Budget Proposals - Budget Scrutiny Panel Report

Members received the report from the O&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.

Councillor Harrison, Chair of the Budget Scrutiny Panel, summarised the findings from the Panel to the Committee which were set out in the report to the Committee as an addendum to the agenda pack, and in the recommendations set out in the minutes and the report. He drew attention to the fact that the financial settlement from Government was yet to be published and that the Overview and Scrutiny Committee would have an opportunity to view and comment on any consequential changes to the budget at the Overview and Scrutiny Committee meeting on 19 January 2023, prior to the Executive meeting on 26 January 2023. He thanked the Portfolio Holder, the Chief Finance Officer and the Finance team for their report and responses to the advance questions.

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Members made comments and asked questions on the following areas:

Environmental Sustainability Strategy – Members noted that two years into the Environmental Sustainability Strategy, there was funding set aside in a Reserve but no capital scheme in place yet to action upgrades to Council buildings.

Reserves – Members were concerned that Reserves, necessarily a one-off source of funding, would be drawn on in the 2023/24 budget proposals. The Chair informed the Committee that although Reserves would be used, funds had also been added to Reserves in previous years; the Panel had requested a schedule of Reserves for the last three years showing the use of Reserves, additions made to Reserves, and the resulting balance levels, which would be available for the January meeting.

Council Tax – Members noted that the Government had announced it was permitting a 2.99% increase in Council Tax, rather than a 1.99%, without a referendum being held. Members were concerned that Government funding might be reduced in the Provisional Local Government Settlement in December, which then might necessitate an increase in Council Tax charges to offset the reduction. This would be discussed further once the final Settlement had been published.

It was noted that the Portfolio Holder for Finance and Governance and the Chief Finance Officer had provided clarification on the £1.5 million budget for staff pay increases that was not specifically referenced in the budget recommendations.

Resolved – that in response to the Service and Financial Planning 2023/24 report and supporting documents to Executive on 17 November 2022, the following Recommendations from the Budget Scrutiny Panel, and approved by the Overview and Scrutiny Committee on 8 December 2022, be submitted for consideration by the Executive, that:

- (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.
- (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,

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- 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) A 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 (i), (ii) and (iii) 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 funding from earmarked Reserves, as necessary, and that the use of these Reserves was necessarily a one-off source of funding.

The Committee thanked the Portfolio Holder and officers for the substantial work in preparing the Budget 2023/24 report and for the written responses to the 76 advance questions from Members. They commended the report for its comprehensive content and for its presentation which had greatly improved over recent years.

The minutes of the Budget Scrutiny Panel meeting held on 29 November 2022 were approved.

45 Quarter 2 2022/23 Performance Report

The Committee received the Performance Reports for Quarter 2 2022/23 including the Key Performance Indicators (KPIs) and Budget Monitoring forecasts Quarter 2 2022/23, both for revenue and capital.

Quarter 2 2022/23 KPI performance

Councillor Lewanski, Portfolio Holder for Corporate Policy & Resources, gave an overview of the KPI performance as set out in the report and at Annex 1. Of the ten KPIs reported on, nine were on target or within agreed tolerances. One KPI was red rated for Quarter 2, KPI 3 staff turnover, which had a rate of 16% compared to the target set of 12%. In recent years the Council had seen lower than expected levels of turnover, probably due to the pandemic, and levels had now increased.

Advance questions had been received on this item. The advance questions and responses can be viewed here:

[Document Advance Questions and Answers OS 8 December 2022 | Reigate and Banstead Borough Council \(moderngov.co.uk\)](#)

The Committee requested that the Member asking the advance question be identified on the advance question and written response document to enable the Chair to address the Member to establish whether there were any supplementary questions.

Members discussed and asked questions on the following areas:

Planning Permission – The written response to question 2 regarding planning permission was referenced. Members commented that the KPI did not show the number of projects which had received planning permission but where work had not yet commenced and asked for this data. It was commented that the commencement of building work was out of the Council's control and did not constitute a KPI, but that this data was reported to Planning Committee. It was confirmed that information on pipeline permissions is collected and published annually in the Housing Monitor produced by the Planning team. A written answer would be provided.

Staff Turnover – Members asked whether exit interviews were performed and whether there were any services where turnover was high. It was confirmed that exit interviews are undertaken by Human Resources. Staff turnover was interrogated regularly. The level of staff turnover was usually 10-12%; this level had decreased

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during COVID but was now increasing, due to several factors including migration; the ability of working remotely for London boroughs which offered higher salaries; an increase in early retirement and employees making different life choices. The level of staff turnover was not expected to decrease before the end of the municipal year. The Council extends a rounded offer for staff and is a stable local authority. Pay negotiations for 2023/24 were well underway. It was confirmed that there were no services with concentrated turnover.

Food Waste – It had been reported that more food waste was thrown away than was collected in the Borough and that approximately 6,000 properties did not have a food waste bin. Members asked whether the level of food waste recycling was due to lack of participation by those homes where a bin is provided and asked for data on this. A written answer would be provided.

Quarter 2 2022/23 Budget Monitoring

Councillor Schofield, Portfolio Holder for Finance and Governance, gave an overview of the Quarter 2 Budget Monitoring set out in the report and at Annexes 2 and 3. At Quarter 2 the projected full year outturn is £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 Q1 of £31.86m is (53%) below the approved Programme for the year. The variance is as a result of £35.54m slippage and a £0.24m net underspend.

The reasons for the significant forecast slippage at this stage is purely because, while substantial budgets have previously been allocated for investment in Housing developments, the related business cases have not yet been developed. These will follow in due course as the Council implements its strategies in these areas.

Advance questions had been received on this item. The advance questions and responses can be viewed here:

[Document Advance Questions and Answers OS 8 December 2022 | Reigate and Banstead Borough Council \(modern.gov.co.uk\)](#)

Members discussed and asked questions on the following areas:

Emergency Accommodation – The written response to advance question 7 confirmed the range of costs for bed and breakfast accommodation; Members requested in addition confirmation of the average cost per night for this type of accommodation. A written follow up answer would be provided.

Environmental Strategy Delivery – The written response to advance question 11 explained that proposals for the Council's buildings and fleet would be funded from the £250k capital budget, where appropriate, or via additional funding bids. Members asked for a breakdown of how the £250k would be spent. Officers confirmed that this would be determined based on the outcomes of business cases, once prepared.

Capital Programme – Members expressed concern over the scale of slippage in the capital programme as there is a risk that costs would increase in the future, lessening the value of capital budgets and asked whether an assessment of the net present value impacts of slippage had been carried out. It was confirmed that the Council was aware of rising costs but that there was a balance to be struck between proceeding with haste and ensuring that business cases are robust.

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Refugee Support Grants – Members requested a breakdown of grants and expenditure for Syrian and Afghan refugees. A written answer would be provided.

Capital Funds for New Affordable Housing – Members noted the continued slippage for this item. The Portfolio Holder for Finance and Governance explained that slippage arises due to approved projects falling behind schedule or due to delays in bringing business cases forward for approval. The slippage reported for Affordable Housing Schemes is due to delays in identifying suitable business cases.

CCTV – Members asked for an explanation of why the information in the Capital Budget Monitoring for CCTV was the same as the information for Community Partnerships. A written answer would be provided.

Staff Vacancies – There was a total of £190k in staff vacancies for Revenues and Benefits, Members noted that this was high and asked if the service provided was affected. It was confirmed that this related to four vacant posts, two of which had now been filled and two would be recruited to in the new year. It was also confirmed that the service performed well and there were no issues with the service provided.

Finance Team - Members asked for an explanation for the cost of financial interim staff. It was confirmed that this cost had been incurred to bring in specialist support, for example to help administer the additional Government grants, for which some funding had been received and for other specialist help in preparing for the end of year close down and progressing audit improvements.

Grants - It was also reported that the authority's UK Shared Prosperity Fund submission had been successful, and that the allocation for 2022/23 would be £165k.

RESOLVED that the committee:

1. Noted Key Performance Indicator (KPI) performance for Q2 2022/23 as detailed in the report and at Annex 1 and made observations to the Executive.
2. Noted the Budget Monitoring forecasts for Q2 2022/23 as detailed in the report and at Annexes 2 and 3 and made observations to the Executive.

46 Commercial Strategy Progress Update

Councillor Archer, Portfolio Holder for Investment and Companies, introduced the first annual update on the Council's Commercial Strategy, part one of which was agreed in November 2020 and part two in December 2021. Since the Commercial Strategy was approved, the Council has also implemented the Financial Sustainability Programme, covering a number of complementary activities. Updates on that Programme are provided quarterly to this Committee and to the Executive.

Commercial activities are guided by the three key principles set out in the Strategy. These are that the Council will be ethical and meet statutory responsibilities; that commercial decisions will be robust, consistent and supported by due diligence; and that income will be used to support financial sustainability and services for residents. The Council's commercial activity can be broken down into two main areas, commercial assets and commercial services. Information on company activity is available in the parallel Companies Performance Report, which was also on the agenda for this meeting.

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Progress this year has been positive, with some work on commercial assets making a particular contribution. Noteworthy achievements include securing almost £1.2million 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 has also agreed to buy temporary emergency housing units to improve the housing offer and reduce costs, approved a programme of re-letting cafe premises in parks to improve income and is developing a pipeline of future opportunities around remaining key properties and potential land assembly. When it comes to making Council services more commercial, this year the focus has been on the review of fees and charges which has identified approximately £1million in savings and additional income. More information on those charges is available in the annual budget papers.

There have been areas where progress has not been as originally envisaged or where plans have had to change, following changes to regulations on Government funding. The Council is no longer progressing plans for a holding company and plans to strengthen the Council's procurement and contract management skills base have also been slower than first hoped due to recruitment challenges. The plan is to continue to work towards delivering identified actions in the coming year, ensuring that commercial activity continues to be a component in wider financial sustainability work.

Members discussed and asked questions on the following areas:

Commercial Assets – Page 56 of the report states that three projects (Camelia Close/Pitwood Park, Lee Street Horley and Wheatley Court/Cromwell Road) have been successfully concluded, Members asked for the details of the capital budget outturn for the projects. A written exempt response would be provided.

Members further asked for a “lessons learnt” report following completion of the projects at Cromwell Road and Pitwood Park. A written response would be provided.

Commercial Services – Members noted that the option of establishing a housing company had been found not to be financially viable and asked for the reasons behind this decision. It was confirmed that this was due to increased Government constraints around funding for commercial activities. The possibility of setting up a company had been explored, but the regulations surrounding lending meant that it would not be financially viable.

Members commended the decision not to move forward on the grounds of financial viability as this demonstrated good governance around decision-making.

Members asked whether possible options for joint working with Raven Housing Trust would be considered by the Partner Shareholder Trustee Sub-Committee (formerly Commercial Ventures Executive Sub-Committee). It was confirmed that any such options would be subject to the appropriate governance, including approval by the Sub-Committee.

Asset (Re-)Development – Members commented that the potential revenue income from The Rise and Cromwell Road were included in the report but were not broken down by property. Members requested a breakdown by property of funding, construction costs and net rental income to ascertain the return on investment for each asset. A written response would be provided.

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Members further requested clarity on the Council's ability to build and let accommodation. The Portfolio Holder for Investment and Companies explained the 32 units at Cromwell Road were available for social rent to Council tenants on a secured long term tenancy. The possibility of developing a housing company would have provided an option to build units for rent on commercial terms to generate a return for the Council; however, this was the option that was found to be financially unviable. The Council was now considering options for working with social housing providers, such as Raven Housing Trust.

It was suggested by Members that the progress on the Housing Strategy should be reviewed following the successful projects at Pitwood Park, Cromwell Road and The Rise and that this should be added to the Forward Work Plan for the Overview & Scrutiny Committee.

It was also suggested that this could be reviewed alongside Surrey County Council's forthcoming Housing Strategy to maximise value for residents.

Asset reporting – The Committee welcomed the introduction of a formal quarterly asset management report to the Partner Shareholder Trustee Sub-Committee on the Asset Management Plan. It was commented that it would also be useful for up to date project dashboards to be reported.

Clerk's note: up to date dashboards are published monthly in the ModGov web library via the extranet (not available in the public web library). They can be found under Planning and Project Reporting / 2022. A link to the dahboards is provided below:

[Document 2022 | Reigate and Banstead Borough Council \(modern.gov.co.uk\)](https://modern.gov.co.uk/moderngov/moderngov/Document/2022/Reigate-and-Banstead-Borough-Council)

Revenues and Benefits – Members asked for an update on Revenues and Benefits trading activities. A written answer would be provided setting out the income received, costs incurred and contribution to fixed costs and overheads. The total cost of the services provided had been analysed to ensure there was no cross-subsidisation and to ensure that opportunities were maximised through appropriate pricing.

Maximising use of Assets – Members asked whether future plans for employing renewable energy and plans to improve energy efficiency in Council buildings were proceeding. It was confirmed that the Council owns various assets and these needed to be used in the best way. Some assets could be improved to become more energy-efficient, and in the light of rising energy costs, some projects which had not made economic sense in previous years might be more viable now. In addition, the Council was ensuring that the rolling maintenance programmes were working in line with the Environmental Sustainability Programme and using energy more wisely, such as retrofitting insulation, installation of LED lighting, installation of new environmentally friendly boilers and exploring potential for the installation of solar panels.

Members suggested that larger plots of land could be used for wind turbines or other low carbon energy generation.

RESOLVED that the Committee:

Noted the Commercial Strategy Annual Progress Report at Annex 1 and made observations to the Executive.

47 Companies Performance Update - Winter 2022 Part Exempt

The Committee received a six-monthly update on the performance of companies owned or part-owned by the Council from the Portfolio Holder for Investment and Companies, Councillor Archer. Further information was set out in the Companies Performance update Report - Winter 2022.

The three operational companies owned or part-owned by the Council currently consisted of:

- Greensands Holdings Ltd (a property development and investment company wholly owned by the Council which owns an office building and a plot of development land). Members noted that the current directors of the company were Derek Beck and Councillor Michalowski.
- Horley Business Park Development LLP (which is a joint venture to bring forward planning and development of employment land in the Horley area with Millhill Properties (Horley) Ltd and Berwick Hill Properties Ltd). The Council is a partner in this proposed development. This was not currently performing in line with objectives, due to limitations placed on the operation of the joint venture. A resolution has been reached and the agreed approach will be progressed in order to move forward in a way which aligns with the Council's objectives.
- Pathway for Care Ltd, a supported living provider, where the Council is a minority shareholder. The majority shareholding was held by Transforming Healthcare Group Ltd. Additional information was being sought from the majority shareholders on current performance.

This item was scrutinised more fully during the exempt part of the meeting due to the confidential nature of the parts of the discussion held.

RESOLVED that the Committee:

Noted the Companies Performance Update, Winter 2022, as set out in the report to the Committee and made observations for the consideration by the Commercial Ventures Executive Sub-Committee.

48 Exempt Business

49 Exempt: Companies Performance Update - Winter 2022

This item was scrutinised more fully during the exempt part of the meeting due to the confidential nature of the parts of the discussion held.

50 Overview & Scrutiny Work Programme Schedule 2022/23

Members considered the Forward Work Programme 2022/23 for the Committee. The Chair informed the Committee that the Review of the Work of the Greenspaces Team, which was scheduled to take place in January 2023 would need to be postponed as there was currently no Countryside Manager in post. The Chair proposed that this item be rescheduled to June 2023, which was **agreed** by the Committee.

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The Leisure and Culture Strategy was yet to be finalised and was likely to be presented to the Committee in March 2023.

The Asset Management Plan appeared in the Forward Work Plan as a pending item. This had been discussed previously and the Chair asked Members to inform him following the meeting whether this was an item that should be included for further discussion in the work plan.

Members asked whether the Playing Field Strategy would be presented to the Committee. It was confirmed that the Playing Field Strategy was an item for the Planning Committee and would not be presented to this committee or the Executive. The Managing Director would ask officers for an update on this strategy.

Members noted that there was an asset management spreadsheet on the website and requested that assets be illustrated on a map to accompany the Asset Management Plan. The Managing Director agreed to ask officers if it would be possible to provide a map of Council assets.

RESOLVED that the Committee:

Noted the Forward Work Plan and the action tracker and **agreed** the proposed changes to the Forward Work Plan.

51 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 Procedure Rules.

52 Any other urgent business

There was no urgent business.

The meeting finished at 9.46 pm