

BOROUGH OF REIGATE AND BANSTEAD

EXECUTIVE

Minutes of a meeting of the Executive held at the New Council Chamber - Town Hall, Reigate on 19 July 2018 at 7.30 pm.

Present: Councillors M. A. Brunt (Leader), R. H. Ashford, Mrs. N. J. Bramhall, J. E. Durrant, K. Foreman, A. C. J. Horwood, E. Humphreys and T. Schofield.

Also present: Councillors Mrs. R. Absalom, M. S. Blacker, Mrs. J. S. Bray, N. D. Harrison, S. McKenna, R. C. Newstead, M. J. Selby, B. A. Stead, Mrs. R. S. Turner and C. T. H. Whinney.

18. MINUTES

RESOLVED that the Minutes of the Executive meeting held on 21 June 2018 be approved as a correct record and signed.

19. APOLOGIES FOR ABSENCE

Executive Member: Councillor G.J. Knight.

20. DECLARATIONS OF INTEREST

None.

21. CONSIDERATION OF THE REPORT FROM THE EXTERNAL AUDITORS ON THE 2017/18 FINANCIAL STATEMENTS (ISA 260)

Councillor T. Schofield, Executive Member for Finance, presented the ISA 260 report from KPMG following their audit of the Council's 2017/18 accounts.

Councillor Schofield highlighted that the ISA 260 and Management Representation Letter had been published via an addendum to the agenda as soon as possible following completion of the audit.

It was noted that KPMG, the Council's external auditors, had undertaken a thorough audit which had included favourable references to the quality of the accounting statements and supporting working papers. Councillor Schofield expressed his pleasure that, once again, he was reporting that KPMG had issued an unqualified audit opinion on the accounts.

Councillor Schofield went on to explain that the report highlighted a balance of £612,000 of unadjusted audit differences. These transactions related to 2015/16 and comprised of payments to Surrey Pension Fund and the Ministry of Housing, Communities and Local Government totalling £600,000. It was explained that these payments were unmatched to the schedule of payments expected. Councillor Schofield highlighted that officers were working with each organisation to resolve these outstanding items and had prioritised changes in process to prevent a reoccurrence of this situation. The three remaining items, totalling £12,000 would be investigated and resolved thereafter and related to 2015/16 and 2016/17.

In response to questions about unadjusted audit differences, Councillor Schofield highlighted these items had previously been reviewed by audit and had been identified on bank statements at the time of identifying the reconciling item. It was explained that the difficulty in locating specific payments had been due to the lack of availability of online statements for the period and not having immediate access to historical records.

During the discussion a number of issues were considered in relation to: (a) bank reconciliation and (b) the process for valuing land, buildings and investment properties.

Joanne Lees from KPMG presented key findings from their audit report on the Council's 2017/18 accounts, including recommendations raised, and reiterated their unqualified opinion on the accounts.

In conclusion, Councillor Schofield referred to the Management Representation Letter which the Executive had been requested to agree for signature by the Leader. The Executive Member confirmed that this letter formed part of the usual audit process that provided assurances on matters required by auditing standards.

The Executive congratulated all involved for a positive report and thanked Joanne Lees from KPMG for attending the meeting, presenting her report and the conclusions of the audit.

RESOLVED that:

- (i) The report from the external auditors (ISA 260) on the 2017/18 audit be noted; and
- (ii) The Management Representation Letter be agreed and signed by the Leader.

Reasons for decision: The Executive is responsible for corporate governance. How the Council utilises and accounts for resources is intrinsic to good governance.

Alternative option: None.

22. STATEMENT OF ACCOUNTS FOR THE FINANCIAL YEAR 2017/18

Councillor T. Schofield, Executive Member for Finance, reported on the Statement of Accounts for the financial year 2017/18 that had been prepared, audited and presented to the Executive as part of the Annual Financial Report. It was explained that a copy of the Annual Financial Report, incorporating the Statement, had been published in full via an addendum to the agenda.

It was noted that the foreword to the Statement of Accounts for 2017/18 provided a summary of the year's activity and explained how the Council had funded this activity. The Executive Member for Finance emphasised that the balance on the General Fund, and on other reserves, remained healthy. It was noted that this was the result of careful financial management against a backdrop of challenging economic conditions.

Councillor Schofield thanked the Member Panel for reviewing the Statements and Officers for their time and effort in preparing the Accounts.

RESOLVED that the Statement of Accounts for the year ended 31 March 2018 be approved.

Reasons for decision: The Code of Practice of Local Government Accounting recommends that the Statement of Accounts should be endorsed by the body within the Council that is responsible for overall corporate governance. Under the Council's Constitution this function has been delegated to the Executive.

Alternative options: None.

23. COMMUNITY INFRASTRUCTURE LEVY SPENDING UPDATE

Councillor T. Schofield, Executive Member for Finance, introduced the report and explained that the Community Infrastructure Levy (CIL), a payment from developers, was used to contribute towards funding of infrastructure and to support the development of an area.

It was noted that the Council had been operating CIL for over two years and had collected over £1.15 million from developments across the borough. It was explained that this would increase over time with a greater proportion of developments being liable to pay CIL.

The Executive Member for Finance explained that CIL regulations required at least 15% of CIL collected in the borough to be spent in the area where development had taken place. It was highlighted that this portion of the CIL was referred to as the "CIL Local Fund". It was noted 5% of CIL funds were retained to cover administration costs, with the remainder (80%) of the CIL funds, the "CIL Strategic Fund" being allocated by the Council, through its 5-year Strategic Infrastructure Programme (SIP).

The Executive was informed that spending of the Local Fund, for areas with a local Town and Parish Council, was determined by Horley Town Council and Salfords and Sidlow Parish Council in accordance with CIL Regulations. It was noted that, outside of these local council areas, the identification of projects to be supported by the Local CIL Fund had to date been undertaken on a ward basis by ward councillors in consultation with the local community.

As set out in the report, Councillor Schofield explained why the governance arrangements for the Local CIL would benefit from streamlining to better reflect the impacts that developments had across wards. It was also highlighted that infrastructure could benefit residents in more than one ward.

Councillor Schofield went on to explain, following much consideration, that the proposals set out in the report recommended changing the governance for Local Fund spending from ward-based arrangements to a system of four Local Fund Area Advisory Panels. It was highlighted that this would allow more significant projects to be delivered, whilst retaining visibility of CIL spending within communities. It was also recognised that developments located close to a ward boundary could impact as much on a neighbouring ward as on the ward where the development was located, particularly for larger developments. In these instances, using administrative boundaries was not within the spirit of the regulations.

In response to questions, it was explained each Panel would be open to all ward councillors within the area and would be chaired by the Executive Member for Finance. It was noted that each of the four Advisory Panels would meet quarterly to confirm their priorities for the spending of Local CIL receipts from developments in that area. Councillor Schofield highlighted that Councillors would be kept informed, by a transparent standardised officer assessment, of projects suggested by councillors and communities. It was noted that the Area Advisory Panels would make recommendations on projects to support the Local Fund Project, with final authorisation to release funds resting with the Head of Places and Planning in accordance with the officer scheme of delegation.

During the discussion a range of issues were considered, including:

- Requirements set out in national regulations and guidance about how CIL should be applied, including spending of the Local Fund.
- The relationship between CIL and planning obligations.
- An update on projects supported to date, including the refurbishment of the kitchen at Lower Kingswood Church Hall.
- Lessons learnt from discussions about the proposed Eastgate scheme in Nork.
- The importance of having robust criteria to assess the relative merits of different projects and to decide which projects should be supported.
- The need for activities supported by Local CIL to demonstrate how they would support/benefit local communities and support development.
- The fact that all CIL spending, both Strategic and Local needed to be reported publically through the Council's Annual Monitoring Report.

In response to questions about delays in supporting local projects, it was explained that following initial work to collate project suggestions, a review had been undertaken. This was to ensure the process for assessing project and prioritising local CIL spending was robust and transparent. It was also noted, subject to agreement of the proposals set out in the report, that discussions with ward members would recommence as an interim arrangement until the Area Advisory Panels were established.

The Executive Member for Finance explained that, for logistical reasons, the new arrangements would be implemented in May 2019 to coincide with the introduction of new ward boundaries for the borough. It was noted that final ward groupings would be determined once the Boundary Commission had announced the outcome of its review.

In conclusion, it was suggested that the Executive Member for Finance should work with all Members to develop the process for how CIL funding would be prioritised and allocated. In response, the Leader of the Council moved an additional recommendation to ensure all Members could contribute to this process, which was agreed and it was therefore;

RESOLVED that:

1. The approach to the allocation and spending of the Community Infrastructure Levy Local Fund, set out in paragraphs 13-23 of the report, be endorsed and the Head of Places and Planning be authorised (in consultation with the relevant Portfolio Holder) to implement relevant arrangements and to review and revise these as appropriate.
2. The Executive Member for Finance be asked to work with all Members to contribute to the process for how Community Infrastructure Levy funding is prioritised and allocated, in accordance with 1. above.
3. The Strategic Infrastructure Programme (SIP) update be noted and the SIP amended to clarify that project amounts would be index linked (in accordance with paragraphs 24-32 of the report).

Reasons for decision: To provide a framework to better reflect the impact of CIL-liable developments on local communities and the shared use of infrastructure across wards. To keep the CIL contribution proportionally the same when a project is undertaken as when the bid for CIL funding was made, ensuring the relative value of the CIL contribution is not reduced over time.

Alternative options: The existing ward-based arrangement could be retained or different area based arrangement could be implemented. The SIP and local fund project bid sums do not have to be index-linked but this would risk insufficient funding for the delivery of the project.

24. ACQUISITION OF FREEHOLD IN HORLEY

Councillor Mrs N.J. Bramhall, Executive Member for Property and Acquisitions, introduced the report concerning the acquisition of land in Horley.

The Executive noted that full details of the Council's bid, the financial implications and address of the land had been provided in the exempt Part 2 section of the agenda, including additional information published via an addendum.

The Executive Member for Property and Acquisitions highlighted that the Council's Five Year Plan (2015-2020) identified property investment and development as one of its key objectives. As set out in the report, it was noted that this acquisition would provide the Council with a small revenue stream and would also provide greater control of a strategic land holding in Horley, which had the potential for future development.

Councillor Mrs Bramhall explained heads of terms for the purchase were in the process of being agreed and highlighted that the report recommended that a delegation be put in place to allow variations to the agreed terms. It was noted that this was to allow for any necessary changes following the usual rigorous due diligence requirements.

In response to questions, Councillor Mrs Bramhall explained that ongoing discussions, with the vendor on terms, included two payments. It was highlighted that the first payment would be made unconditionally on signing the contract. The second payment, called overage, would become payable once Outline Planning Permission was obtained. As set out in the exempt Part 2 addendum, in order to provide the Council with sufficient flexibility to continue negotiations Councillor Mrs

Bramhall moved an additional recommendation to allow variations to the overage subject to contract. This was agreed and it was therefore;

RESOLVED that:

1. Subject to a satisfactory due diligence report being received, the Head of Property, in consultation with the Head of Finance and Executive Members for Property and Acquisitions and Finance be authorised to: (a) acquire the freehold referred to in the report and the addendum for investment purposes; and (b) agree any variations to heads of terms to the acquisition price further to external valuation advice and due diligence investigations.
2. The Head of Property be authorised to agree variations to the overage, subject to contract and due diligence, in consultation with the Leader of the Council, Deputy Leader of the Council, Executive Member for Finance and Executive Member for Property and Acquisitions.

Reasons for decision: To acquire, subject to the usual due diligence, property land in Horley to support the Council's 5 Year Plan objective to become financially self-sufficient.

Alternative option: Investigate alternative property acquisitions or do nothing.

25. ACQUISITION OF FREEHOLD IN REDHILL

Councillor Mrs N.J. Bramhall, Executive Member for Property and Acquisitions, introduced the report concerning the acquisition of a property investment in Redhill. The Executive noted that full details of the Council's bid, the financial implications and address of the property had been set out in the exempt Part 2 section of the agenda.

The Executive Member for Property and Acquisitions highlighted that the Council's Five Year Plan (2015-2020) identified property investment and development as one of its key objectives. As set out in the report, it was noted this acquisition provided a long term strategic investment opportunity.

Councillor Mrs Bramhall explained that heads of terms for the purchase were in the process of being agreed and highlighted that the report recommended that a delegation be put in place to allow variations to the agreed terms. It was noted that this was to allow for any necessary changes following the usual rigorous due diligence requirements.

RESOLVED that subject to a satisfactory due diligence report being received, the Head of Property, in consultation with the Head of Finance and Executive Members for Property and Acquisitions and Finance, be authorised to: (a) acquire the Freehold referred to in the report for investment purposes; and (b) agree any variations to the heads of terms and to the acquisition price further to external valuation advice and due diligence investigations.

Reasons for decision: To acquire, subject to the usual due diligence, a freehold interest in Redhill to support the Council's 5 Year Plan objective to become financially self-sufficient.

Alternative options: Investigate alternative property acquisitions or do nothing.

26. PROPERTY ACQUISITIONS

There was no business to be considered under this agenda item.

27. STATEMENTS

None.

28. ANY OTHER URGENT BUSINESS

None.

29. EXEMPT BUSINESS

RESOLVED that members of the press and public be excluded from the meeting for the following items of business under Section 100A(4) of the Local Government Act 1972 on the grounds that: (i) it involved 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 outweighed the public interest in disclosing the information.

30. ACQUISITION OF FREEHOLD IN HORLEY

RESOLVED that the exempt information, set out in the report and the addendum, in relation to the acquisition of property land in Horley be noted.

31. ACQUISITION OF FREEHOLD IN REDHILL

RESOLVED that the exempt information in relation to the acquisition of a freehold interest in Redhill be noted.

32. PROPERTY ACQUISITIONS

There was no exempt business to be considered under this agenda item.

The Meeting closed at 8.48 pm