

Executive Agenda



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

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10 July 2018

To the Members of the EXECUTIVE

Councillors:	M. A. Brunt	Leader of the Council
	G. J. Knight	Deputy Leader, Housing and Benefits
	R. H. Ashford	Leisure and Wellbeing
	Mrs. N. J. Bramhall	Property and Acquisitions
	J. E. Durrant	Community Safety
	K. Foreman	Planning Policy
	A. C. J. Horwood	Neighbourhood Services
	E. Humphreys	Business and Economy
	T. Schofield	Finance

For a meeting of the **EXECUTIVE** to be held on **THURSDAY, 19 JULY 2018** at **7.30 pm** in the New Council Chamber - Town Hall, Reigate.

John Jory
Chief Executive

If you need this agenda in an alternative format, please refer to the information on the final page.

Notice is given of the Executive's intention to hold part of its meeting on Thursday, 19 July 2018 in private for consideration of reports containing "exempt" information

1. **MINUTES** (Pages 7 - 16)

To confirm as a correct record the Minutes of the Executive meeting held on 21 June 2018.

2. **APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

3. **DECLARATIONS OF INTEREST**

To receive any declarations of interest.

4. **CONSIDERATION OF THE REPORT FROM THE EXTERNAL AUDITORS ON THE 2017/18 FINANCIAL STATEMENTS (ISA 260)** (Pages 17 - 18)

Executive Member: Portfolio Holder for Finance

To consider the External Auditors report on the 2017/18 financial year.

5. **STATEMENT OF ACCOUNTS FOR THE FINANCIAL YEAR 2017/18** (Pages 19 - 20)

Executive Member: Portfolio Holder for Finance

To consider the Statement of Accounts for the 2017/18 Financial Year.

6. **COMMUNITY INFRASTRUCTURE LEVY SPENDING UPDATE** (Pages 21 - 36)

Executive Member: Portfolio Holder for Finance

To consider the Community Infrastructure Levy Spending Update.

7. **ACQUISITION OF FREEHOLD IN HORLEY** (Pages 37 - 40)

Executive Member: Portfolio Holder for Property and Acquisitions

To consider the acquisition of property land in Horley.

8. **ACQUISITION OF FREEHOLD IN REDHILL**

(Pages 41 - 44)

Executive Member: Portfolio Holder for Property and Acquisitions

To consider the acquisition of a property investment in Redhill.

9. **PROPERTY ACQUISITIONS**

Executive Member: Portfolio Holder for Property and Acquisitions

To consider any property acquisitions proposed.

10. **STATEMENTS**

To receive any statements from the Leader of the Council, Members of the Executive or the Chief Executive.

11. **ANY OTHER URGENT BUSINESS**

To consider any item(s) which, in the opinion of the Chairman, should be considered as a matter of urgency – Local Government Act 1972, Section 100B(4)(b).

(Note: Urgent business must be submitted in writing but may be supplemented by an oral report).

12. **EXEMPT BUSINESS**

RECOMMENDED that members of the Press and public be excluded from the meeting for the following item of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

- (i) it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act; and
- (ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

13. **ACQUISITION OF FREEHOLD IN HORLEY** (Pages 45 - 56)

Executive Member: Portfolio Holder for Property and Acquisitions

To consider exempt information in relation to the acquisition of property land in Horley.

14. **ACQUISITION OF FREEHOLD IN REDHILL** (Pages 57 - 66)

Executive Member: Portfolio Holder for Property and Acquisitions

To consider exempt information in relation to the acquisition of a property investment in Redhill.

15. **PROPERTY ACQUISITIONS**

Executive Member: Portfolio Holder for Property and Acquisitions

To consider exempt information in relation to these proposals.

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Agenda Item 1

Executive
21 June 2018

Minutes

BOROUGH OF REIGATE AND BANSTEAD

EXECUTIVE

Minutes of a meeting of the Executive held at the New Council Chamber - Town Hall, Reigate on 21 June 2018 at 7.30 pm.

Present: Councillors M. A. Brunt (Leader), G. J. Knight (Deputy 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, J. C. S. Essex, R. C. Newstead, Mrs. R. S. Turner and C. T. H. Whinney.

111. MINUTES

RESOLVED that the Minutes of the Special Executive meeting held on 11 May 2018 be approved as a correct record and signed.

112. APOLOGIES FOR ABSENCE

Non-Executive Members: Councillors J.M. Ellacott and N.D. Harrison.

113. DECLARATIONS OF INTEREST

None.

114. FIVE YEAR PLAN PERFORMANCE REPORT 2017/18

Councillor T. Schofield, Executive Member for Finance, introduced the report concerning the Council's performance against the Five Year Plan (2015-2020) priorities for the period 1 April 2017 to 31 March 2018. The Executive noted the positive progress made, outlined in Annex 1 of the report, and Councillor Schofield highlighted a number of achievements, under each of the plan's themes of people, place and organisation, including:

- Supporting residents to enjoy healthy and happy lifestyles by establishing a Community Development team and expanding the existing Wellbeing Prescription Service.
- Ensuring the borough remained a great place to live and work, with significant work been undertaken on the Development Management Plan.
- Adopting a balanced budget without reducing services to residents and businesses. It was noted that this had been achieved without receiving a revenue support grant from central government.

The Executive Member for Finance went on to explain that the council was also delivering activities that were not clearly captured in the Five Year Plan. For example, the delivery of affordable housing for local people as well as work carried out in response to new government policies, such as the Homelessness Reduction Act and the introduction of Universal Credit. It was noted that the corporate plan

was being reviewed to ensure council priorities continued to reflect and address the needs of local people.

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

- The importance of encouraging existing business to thrive and grow and attracting new businesses to the borough.
- The work of local business guilds.
- The non-clinical services provided by the Wellbeing Prescription Service. It was explained that East Surrey Clinical Commissioning Group had extended funding for the scheme and it was one of the largest signposting services in the country.

Councillor Schofield concluded by informing the Executive that some of the success measures identified in the Five Year Plan had been difficult to monitor progress against. It was recognised that success measures would be reviewed as part of the corporate plan refresh.

RESOLVED that the positive progress against the Council's Five Year Plan (2015-2020) priorities, set out in the report of the Head of Corporate Policy, Performance and Legal, be noted.

Reason for decision: To receive the Five Year Plan progress for 2017-18.

Alternative options: None.

115. ANNUAL GOVERNANCE STATEMENT

Councillor T. Schofield, Executive Member for Finance, explained that the Council was required to publish an annual statement on its corporate governance arrangements as part of the Council's annual Statement of Accounts.

It was noted that statutory regulations recommended that the body charged with overall responsibility for governance within the Council (in this case the Executive) should review and endorse the statement prior to its formal signature by the Leader of the Council and the Chief Executive.

A statement for the year ended 31 March 2018 was presented to the Executive as an Annex to the report and was based on the following sources of evidence:

- Annual Internal Auditor Report.
- External Audit and Inspection Reports.
- Issues identified from the Council's Risk Registers.
- Annual assurance statements signed by the Management Team that confirmed that the Council had achieved 'best value' and had complied with all relevant legislation, regulations and codes of practice.

The statement included reference to the independent opinions of the Council's internal and external auditors, which provided considerable assurance in respect of

the Council's governance arrangements. These also identified some enhancements to the framework of risk management, governance and internal control that would ensure that it remained adequate and effective.

Overall the Council was confident that it had good governance arrangements in place to ensure that resources were directed toward identified priorities which in turn would seek to ensure continued value for money.

The Executive recognised that there was always room for improvement but overall the control and governance framework had been judged to be sound by all who examined it.

RESOLVED that the Annual Governance Statement, set out in Annex 1 of the report, be endorsed.

Reason for decision: To consider the Council's Annual Governance Statement before it was included within the annual Statement of Accounts.

Alternative options: To reject or amend the contents of the statement.

116. PROVISIONAL OUTTURN 2017/18

Councillor T. Schofield, Executive Member for Finance, introduced the report and advised the Executive of the provisional revenue and capital expenditure for 2017/18. The Executive was asked to note the 2017/18 provisional outturn for revenue (£849,600 underspend) and capital (£2.56 million underspend).

It was recognised, due to its nature, that the capital programme was not easy to profile accurately and had historically underspent by around 20% to 40% per year, with the exception of 2016/17 which had a relatively small underspend. Councillor Schofield explained the capital programme had progressed well in 2017/18, with a variance of 11%. It was noted that any unspent budget would remain in capital reserves.

Councillor Schofield informed the Executive that during 2017/18 the Council had been able to manage the revenue pressure on the budget, returning a 5% underspend. This was due to a number of factors including, beneficial recycling prices, increased membership of the Garden Waste scheme and the increased supply of temporary accommodation and preventative activity for those at risk of homelessness, leading to reduced B&B accommodation costs.

Councillor Schofield explained that the proposed use of the revenue underspend, to set up a reserve against the risk of future reductions in income retained from business rates, was set out in paragraph 11 of the report.

The Executive noted an update to the figures, on page 48, Annex 3, Table 7 of the agenda, concerning the Pathway for Care Ltd loan which had been listed with a rate of return of 9%. Councillor Schofield explained that following a change in structure to Pathway for Care, which had been previously reported to the Executive, this rate of return was zero percent in 2017/18 and all records had been updated accordingly.

The Overview and Scrutiny Committee considered the report on 12 June 2018. The Executive Member for Finance thanked the Committee for its questions and comments and noted that these had been captured in the minutes of the meeting.

Councillor Schofield concluded by stating that despite the challenges, at a time when many local authorities were making cuts and selling off assets, that the Council would continue to be ambitious and would continue to deliver excellent services to residents.

RESOLVED that:

- (i) The provisional revenue and capital outturn position for 2017/18 be noted;
- (ii) The use of reserves proposed in paragraphs 10 and 11 of the report be endorsed and the Head of Finance be authorised to make the necessary arrangements;
- (iii) The Head of Finance be authorised to set up a new reserve entitled Government Funding Reduction Reserve; and
- (iv) The Annual Treasury Management Report (Annex 1 of the report to the Executive) be noted.

Reason for decision: To advise Members of the revenue and capital expenditure for 2017/18, to seek authorisation for the proposed changes to reserves and to comply with the Council's reporting requirements in relation to Treasury Management activity.

Alternative options: To amend, or reject, the proposals to adjust reserves as set out in the report.

117. QUARTERLY PERFORMANCE REPORT (Q4 2017/18)

A report was submitted which presented the headline issues in relation to the Council's overall performance for the period up to the end of Quarter 4 (January to March) of 2017/18. The report also contained an update on strategic risks as well as an operational risk which had been rated as 'red'.

Councillor T. Schofield, Executive Member for Finance, highlighted that eleven of the thirteen Key Performance Indicators (KPIs) were on target or within agreed tolerances for the period. The Executive was informed that KPI4 was a contextual indicator and no target had been set.

Cllr Schofield explained that one indicator – KPI 13: 'business income as a percentage of gross budget' – was off target for the period. It was highlighted that this target had been set when the Council operated its own Building Control function, and included this income. Since then, Building Control had operated as a shared service and it was recognised that the methodology for calculating the council's performance would be redefined for 2018/19.

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

- The council's approach to recycling, including recent achievements, residents' participation, and the importance of effective communication.
- The costs associated with waste going to landfill.

The report had been considered by the Overview and Scrutiny Committee on the 12 June 2018. It was explained that the Committee had raised a number of questions, which had been captured in the minutes of the meeting, but had made no formal observations for consideration by the Executive.

RESOLVED that the performance outlined in the report be noted.

Reason for decision: To consider the performance for the fourth quarter of the financial year 2017/18.

Alternative options: None.

118. DEVELOPMENT OF LEE STREET HORLEY SITE

Councillor G.J. Knight, Deputy Leader and Executive Member for Housing and Benefits, introduced the report concerning a proposal for the development of housing on the Lee Street Development Site in Horley.

Councillor Knight informed the Executive that this was a revised scheme. It was explained that capital funding had previously been agreed for the site and that the original aim was to build two semi-detached bungalows for use as temporary family accommodation as part of the council's strategy to reduce spending on bed and breakfast. It was noted that a budget had been obtained for this construction and that planning permission had been granted for the project. However, the lowest priced tender was 35% above the allocated budget.

Councillor Knight informed the Executive that Housing Services had worked hard to reduce expenditure on temporary homeless families through investment in property and homelessness prevention activities. However, moving forward, it was highlighted that resources also needed to be directed towards single people and that this issue had become more apparent as a result of new challenges brought about by the Homelessness Reduction Act.

In view of rising costs, on-going reductions in B&B spend and a need to assist single people, it was recognised that a new proposal was needed. The Executive was informed that the revised scheme, outlined in the report, provided an opportunity to deliver new housing, using modern construction methods, to assist single person households into affordable accommodation, helping the Council meet requirements of the Homelessness Reduction Act 2017.

During the discussion, it was explained that:

- The new scheme provided an opportunity to invest in a modern construction method on a small and constrained site whilst providing an affordable housing option for local people.
- The scheme would provide four contemporary micro homes which would be built off site in a factory and delivered by road.

- In terms of construction, the scheme would be subject to tender.
- Since the introduction of the Homelessness Reduction Act it had become clear that the council would need to assist more single people as a result of increased homelessness responsibilities.
- Fixed term tenancies would be for two years, extendable to three years.
- The Council would retain freehold of the land and would be the Registered Social Landlord.
- Tenants would pay affordable rent and would be offered a savings scheme so they had their own rent deposit on leaving.

RESOLVED that:

- (i) The Head of People and Communities be authorised, in consultation with the Executive Member for Housing and Benefits, to progress and submit a Planning Application for the development of housing at the Lee Street site, in accordance with the budget set out in Part 2 of the report;
- (ii) The Head of People and Communities be authorised, in consultation with the Executive Member for Housing and Benefits, to include the costs of the project within the Capital Programme as detailed in Part 2 of the report;
- (iii) The Head of People and Communities be authorised, in consultation with the Executive Member for Housing and Benefits, to prepare the necessary documentation and to obtain competitive construction tenders; and
- (iv) The Head of People and Communities be authorised, in consultation with the Executive Member for Housing and Benefits, to finalise, agree and sign construction contracts for the development of the Lee Street site.

Reason for decision: To deliver a revised housing scheme, using modern construction methods, to assist single person households into affordable accommodation, helping the Council meet requirements of the Homelessness Reduction Act 2017.

Alternative options: To progress the original scheme, to deliver two bungalows for homeless family households, or to dispose of the site.

119. ACQUISITION OF PROPERTY INVESTMENTS IN REDHILL

Councillor Mrs N.J. Bramhall, Executive Member for Property and Regeneration, introduced the report concerning the acquisition of one freehold and two long leasehold interests in three industrial units in Redhill.

The Executive Member for Property and Regeneration highlighted that the Council's Five Year Plan (2015-2020) identified property investment and development as one of its key objectives. It was explained that these acquisitions would provide an additional revenue stream and would also give the Council greater control of a strategic land holding in Redhill town centre, with potential for future development.

Councillor Mrs Bramhall informed the Executive that heads of terms for the purchase had been agreed but, as set out in the report, it was recommended that a delegation be put in place to allow for variations to the agreed terms. It was noted that this would allow for any changes necessary following due diligence investigations, including the valuation and surveys of the properties.

The Executive noted that full details of the Council's bid, the financial implications and the property addresses had been set out in the exempt Part 2 section of the agenda.

RESOLVED that:

The Head of Property, in consultation with the Head of Finance and the Executive Members for Property and Regeneration and Finance, be authorised to:

- a) Acquire, for investment purposes, the Freehold and Long Leasehold properties referred to in the report to the Executive.
- b) Agree any variations to the heads of terms and to the acquisition price further to external valuation advice and due diligence investigations.

Reason for decision: To acquire, subject to the usual due diligence, three property investments 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.

120. DEVELOPMENT MANAGEMENT PLAN AND LOCAL DEVELOPMENT SCHEME

Councillor K. Foreman, Executive Member for Planning Policy, introduced the Development Management Plan (DMP) and the Local Development Scheme (LDS) report.

Having been approved for Regulation 19 Publication and Submission by Council in December 2017, Councillor Foreman explained the DMP had been submitted to the Planning Inspectorate on 18 May 2018. It was noted that the Regulation 19 publicity period had taken place from January 2018 to early May 2018, having been extended to ensure all interested parties had an opportunity to comment. The Executive was informed that in total 1,497 representations had been received during the publication period from 1,075 organisations and individuals.

The Executive Member for Planning Policy advised that the purpose of the examination process was to determine whether the Plan was fit for purpose and if it could be adopted for development management, forward planning and corporate objectives. It was noted that this involved the checking of the DMP by an appointed Inspector, who would test its soundness, and a round of Examination Hearings where oral representations could be made.

The Executive was asked to note that during the examination process there would inevitably be changes (minor modifications) that would need to be made to the submitted document, either as a result of changes in circumstances or evidence, in

response to representations made or as requested by the Inspector. It was noted that the ability to make these changes, as well as agree statements of common ground, without prior Executive authorisation would enable the process to run smoothly and would avoid suspension of the Hearings and delay which would effectively render the process unworkable.

It was noted that matters that went to the heart of the Plan, as suggested by either the Council or the Inspector during the examination process, would not be covered by the delegation set out in the report, but would be “main modifications”. These would be subject to appropriate deliberation by Members and further consultation.

In response to questions, Councillor Foreman made clear that the item before the Executive did not present an opportunity to reopen debate about the content of the DMP. It was explained that Council, in December 2017, had agreed that the Plan could be submitted to the Secretary of State and it was noted this had occurred. During the discussion a number of areas were considered, including:

- Issues in relation to the Redhill Aerodrome site.
- The fact the public examination hearing sessions would be confirmed by the Inspector in due course and that these were expected to take place from September 2018.
- The revised LDS was a technically in order to meet legal requirements.

In response to questions about the LDS, Councillor Foreman explained that this was effectively a programme for the production of plans. The LDS set out a timetable for the key stages of local plan preparation. Councillor Foreman advised it was a requirement to prepare and maintain an LDS and explained, because this had last been revised in April 2017, that it needed to be updated to reflect recent changes to the publication and submission dates.

RESOLVED that:

- (i) The Head of Places and Planning be authorised, in consultation with the Leader of the Council and Executive Member for Planning Policy to:
 - Agree and submit correspondence, supporting documents, statements of common ground, technical evidence and topic papers as necessary to support the Development Management Plan through examination;
 - Provide formal responses to questions from the appointed Planning Inspector throughout the duration of the examination and agree actions necessary to ensure the soundness and legal compliance of the Development Management Plan; and
 - Recommend additional (minor) modifications to the Inspector as required throughout the duration of the examination;

to support the submitted Development Management Plan during the examination process under Regulation 22 of the Town and Country Planning (Local Planning) (England) Regulations 2012.

- (ii) The revised Local Development Scheme (Annex 1 of the report to the Executive) be adopted and take immediate effect.

Reason for decision: To support the Development Management Plan through the examination process and to ensure an up to date Local Development Scheme is maintained by the Council.

Alternative options: Not to approve delegated arrangements, set out in the report to support the Development Management Plan through the examination process, and/or not to approve the revised Local Development Scheme.

121. PROPERTY ACQUISITIONS

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

122. STATEMENTS

None.

123. ANY OTHER URGENT BUSINESS

None.

124. 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.

125. DEVELOPMENT OF LEE STREET HORLEY SITE

Councillor G.J. Knight, Deputy Leader and Executive Member for Housing and Benefits, introduced the exempt information in relation to the development of housing at the Lee Street site in Horley. In response to questions about the scheme's design, including the types of units available and methods of construction, it was agreed a briefing should be prepared for all Members.

RESOLVED that the exempt information, relating to the development of housing at the Lee Street site in Horley, be noted.

126. ACQUISITION OF PROPERTY INVESTMENTS IN REDHILL

Councillor Mrs N.J. Bramhall, Executive Member for Property and Regeneration, introduced the exempt information in relation to the acquisition of property investments in Redhill.

RESOLVED that the exempt information relating to the acquisition of property investments in Redhill be noted.

127. PROPERTY ACQUISITIONS

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

The Meeting closed at 8.16 pm

Agenda Item 4

Executive
19 July 2018

Agenda Item: 4
Report by the External Auditors (ISA 260 Report)



REPORT OF:	HEAD OF FINANCE (CFO)
AUTHOR:	Joss Convey
TELEPHONE:	01737 276341
E-MAIL:	Jocelyn.convey@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	19 JULY 2018
EXECUTIVE MEMBER:	COUNCILLOR T SCHOFIELD

KEY DECISION REQUIRED:	NO
WARD (S) AFFECTED:	ALL

SUBJECT:	REPORT FROM THE EXTERNAL AUDITORS (ISA 260 REPORT)
RECOMMENDATIONS: <ul style="list-style-type: none">(i) That the report from the external auditors (ISA 260) on the 2017/18 audit be noted. (Annex 1 to follow)(ii) That the Management Representation Letter be agreed and signed by the Leader. (Annex 2 to follow)	
REASONS FOR RECOMMENDATIONS: The Executive is responsible for corporate governance. How we utilise and account for resources is intrinsic to good governance.	
EXECUTIVE SUMMARY: The report from the Council's external auditors (KPMG) summarises the conclusions and significant issues arising from the audit of the 2017/18 Annual Financial Report. This report is appended as Annex 1 (to follow pending completion of the audit by our external auditors). The information will be published with an addendum to the agenda. The agreement of the Management Representation Letter is part of the standard audit process. This letter is set out in Annex 2 (to follow pending completion of the audit by our external auditors). The information will be published with an addendum to the agenda.	

Executive has authority to approve the above recommendations.
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STATUTORY POWERS

1. The Council is required to produce an annual Statement of Accounts by the *Local Government and Housing Act 1989* and the *Accounts and Audit Regulations 2015*.
2. The *International Standard on Auditing 260* ("ISA 260 - Communication of audit matters to those charged with governance") provides standards and guidance on the communication of audit matters between the auditor and those charged with governance.

3. Under the Council's Constitution this function has been delegated to the Executive.

ISSUES

4. The External Auditors are required to issue the Council with an ISA 260 report following the completion of the work they have done in auditing the Council's 2017/18 Statement of Accounts.
5. The report is attached as Annex 1 (to follow). In particular, Member's attention is drawn to the auditors key messages set out at the beginning of their report.
6. For 2017-18, under the Accounts and Audit Regulations 2015, the date by which principal local authorities must publish their accounts along with the auditor's opinion moves forward by two months to 31 July 2018.
7. Officers have worked closely with KPMG (our external auditors) to meet this date. Our external auditors are expected to provide the final report (ISA 260) pending completion of the audit. The information will be published with an addendum to the agenda.

LEGAL IMPLICATIONS

8. There are no legal implications.

FINANCIAL IMPLICATIONS

9. There are no direct financial implications.

EQUALITIES IMPLICATIONS

10. There are no equalities implications.

COMMUNICATIONS IMPLICATIONS

11. There are no communications implications.

CONSULTATION

12. The Executive Member for Finance was consulted during the preparation of this report.

POLICY FRAMEWORK

13. There are no policy issues to raise as part of this report.

Background Papers: [Executive 19 July 2018 Statement of Accounts 2017/18](#)

Agenda Item 5

Executive
19 July 2018

Agenda Item: 5
Statement of Accounts 2017/18



REPORT OF:	HEAD OF FINANCE (CFO)
AUTHOR:	Joss Convey
TELEPHONE:	01737 276341
E-MAIL:	Jocelyn.convey@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	19 JULY 2018
EXECUTIVE MEMBER:	COUNCILLOR T SCHOFIELD

KEY DECISION REQUIRED:	NO
WARD(S) AFFECTED:	All

SUBJECT:	STATEMENT OF ACCOUNTS 2017/18
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RECOMMENDATION:

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

REASONS FOR RECOMMENDATION:

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.

EXECUTIVE SUMMARY

The Statement of Accounts for the financial year 2017/18 has been prepared and audited, subject to final review by our external auditors.

A copy of the Annual Financial Report, incorporating the Statement of Accounts, is attached as **Annex 1** (to follow pending completion of the audit by our external auditors) to this report. The information will be published with an addendum to the agenda.

The report of the external auditors on the Statement (the *ISA 260 Report*) is elsewhere on this agenda.

Executive has authority to determine the above recommendation.

STATUTORY POWERS

1. The Council is required to produce the Statement of Accounts by the *Local Government and Housing Act 1989* and the *Accounts and Audit Regulations 2015*.
2. In accordance with the *Local Authorities (Functions and Responsibilities) (England) Regulations 2000*, the approval of the Statement of Accounts is an Executive function.

ISSUES

3. The key financial statements within the Annual Financial Report are:
 - the Movement in Reserves Statement – this is a summary of all the changes to the Council's financial reserves during 2017/18.
 - the Comprehensive Income & Expenditure Statement – this statement shows the cost of providing services during the year.
 - the Balance Sheet – this identifies the assets and liabilities of the Council and shows its net worth at the end of the financial year.
 - the Cash Flow Statement – this summarises all of the cash flows into and out of the Council during 2017/18.
4. The *Code of Practice on Local Authority Accounting in the United Kingdom 2017* requires that the financial statements follow – as closely as possible – the same regulations that apply to all organisations that are required to produce accounts. These regulations are known as *International Financial Reporting Standards* (IFRS).

LEGAL IMPLICATIONS

5. There are no legal implications.

FINANCIAL IMPLICATIONS

6. There are no direct financial implications.

EQUALITIES IMPLICATIONS

7. There are no equalities implications.

CONSULTATION

8. The Executive Member for Finance established, and chaired, a Member advisory panel during the preparation of the Annual Financial Report.

POLICY FRAMEWORK

9. There are no policy issues to raise as part of this report.

Background Papers: [Executive, 19 July 2018, ISA 260 External Auditors Report](#)

Agenda Item 6

Executive
19 July 2018

Agenda Item: 6
Community Infrastructure Levy Spending Update



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

REPORT OF:	HEAD OF PLACES AND PLANNING
AUTHOR:	Tanya Mankoo-Flatt
TELEPHONE:	01737 276402
E-MAIL:	Tanya.mankoo-flatt@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	19 JULY 2018
EXECUTIVE MEMBER:	COUNCILLOR T SCHOFIELD

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	ALL

SUBJECT:	COMMUNITY INFRASTRUCTURE LEVY SPENDING UPDATE
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RECOMMENDATIONS:

- (i) That the Executive endorse the approach to the allocation and spending of the Community Infrastructure Levy Local Fund set out in paragraphs 13-23 of this report, and authorise the Head of Places and Planning (in consultation with the relevant Portfolio Holder) to implement relevant arrangements and to review and revise these as appropriate.
- (ii) That the Executive note the Strategic Infrastructure Programme (SIP) progress update and agree to amend the SIP to clarify that project amounts will be index linked (in accordance with paragraph 24 to 32 of this report).

REASONS FOR RECOMMENDATIONS:

- (i) Agreement of a broader area-based arrangement for allocation and spending of the CIL Local Fund will provide a framework which better reflects the impact of CIL-liable developments on local communities and the shared use of infrastructure across wards than the current ward-based arrangement.
- (ii) To keep the CIL contribution proportionally the same when the project is undertaken as when the bid for CIL funding was made, ensuring that the relative value of the CIL contribution is not reduced over time depending when in the 5-year programme it is funded, in order to assist with delivery of the project.

EXECUTIVE SUMMARY:

The CIL is a payment from developers, the rate of which is set locally, to contribute towards the funding of infrastructure, and to support the development of the area. CIL Regulations require at least 15% of CIL collected in the borough to be spent in the area where the development has taken place. In Reigate & Banstead Borough, this portion of CIL is referred to as the 'CIL Local Fund'. 5% of the CIL funds are retained for administration costs, with the remainder (80%) of the CIL funds, the "CIL Strategic Fund" being allocated by the Borough Council, through its 5-year Strategic Infrastructure Programme (SIP).

The Community Infrastructure Levy (CIL) will build up over the years to be a significant source of funding for strategic infrastructure and other smaller projects to support development in the borough.

CIL Local Fund: In January 2016 the Executive endorsed arrangements for spending of both the Strategic and Local elements of the CIL receipts and delegated authority to the Head of Places and Planning to establish detailed arrangements and criteria to support the spending process. The Executive also agreed changes to the scheme of delegation to allow officers to authorise the release of CIL funds up to £100,000.

At that stage, it was envisaged that ward boundaries would be used as the basis of the distribution of the Local Fund, with projects identified by ward members with input from local communities. However, as this process has begun to be implemented, it has become clear that ward boundaries do not necessarily provide the best geography for identifying infrastructure and other projects to support new development. It is considered that groups of wards would provide a better basis for project identification and prioritisation as the impacts of new development often extend beyond the ward in which the development is located. A new approach is therefore proposed to be implemented from May 2019.

CIL Strategic Fund: In July 2017, the Executive agreed a Strategic Infrastructure Programme and delegated authority to the relevant Head of Service in consultation with the relevant Portfolio Holder, to release funding for schemes in accordance with the SIP.

A 5-year Strategic Infrastructure Programme (SIP) was agreed by the Executive in July 2017, with an update to be reported to the Executive annually, and authority delegated to the relevant Head of Service in consultation with the relevant Portfolio Holder, to release funding for schemes in accordance with the SIP.

This report presents the first annual update on the Strategic Infrastructure Programme, and seeks agreement to index link the strategic CIL grants to keep the grant in line with construction inflation.

Executive has authority to approve the above recommendations

STATUTORY POWERS

1. The Council has discretionary powers under the Planning Act 2008 and the Community Infrastructure Levy (CIL) Regulations 2010 (as amended) to introduce a levy on certain new-build development for the purposes of funding infrastructure. The Council introduced the CIL for the borough in April 2016, from which date, CIL-liable developments have been required to contribute to the CIL fund.
2. The Borough Council, as a CIL Charging Authority, must decide how it spends the majority of CIL receipts that it collects, within the parameters set by national legislation. In 2017, the Council agreed its 5-year Strategic Infrastructure Programme to do this. The 15% of CIL Local Fund receipts that the Council collects from developments within Horley Town Council and Salfords and Sidlow Parish Council areas are passed to those local councils for spending on their priorities to support development within those wards. For areas in which there is no local Town or Parish Council, CIL Regulation 59F specifies what the Charging Authority may spend the CIL Local Fund receipts on. This is to fund:

- the provision, improvement, replacement, operation or maintenance of infrastructure,
- or anything else that is concerned with addressing the demands that development places on an area.

BACKGROUND

3. The Community Infrastructure Levy (CIL) provides developer funding for infrastructure and other projects to address the demands placed by development on the area. As such, this is more flexible than S106 planning obligation funding, which is generally for a specified project related to the development site itself. CIL funds can be accumulated and spent on infrastructure priorities determined by the Borough Council. Once collected, CIL receipts are divided into three portions:
 - 80% of CIL receipts are retained by the Borough Council to spend on its infrastructure priorities. In Reigate & Banstead we have called this part of CIL the 'Strategic Fund'.
 - 15% of CIL generated from development in areas with a local council (i.e. Parish or Town Council) is passed onto the local council for that area. For areas where there is no local council, 15% of CIL receipts arising from those areas must be spent by the "Charging Authority" (i.e. the Borough Council) in the local area. Decisions on spending must be made in consultation with the local community. In Reigate & Banstead we have called this part of CIL the 'Local Fund'.
 - 5% total CIL receipts are retained for administration costs, which includes a CIL officer and necessary software.
4. Having introduced the CIL into the borough a little over two years ago, CIL receipts have started to build up. In the first two years of operation, from 1 April 2016 to 31 March 2018, a total of £1,152,980 had been received, and an additional £101,995 had been secured (i.e. development has commenced and a demand notice has been issued). Of the receipts collected, £922,582 is for the Strategic Fund, £172,749 for the Local Fund, and £57,649 for administering the CIL.
5. In January 2016 and July 2017, governance arrangements were put in place for the Local and Strategic CIL funding streams. In July 2017 the Executive agreed its Strategic Infrastructure Programme, which sets out priorities for the spending of the Strategic Fund to 2022.
6. The day-to-day administration of the CIL is working effectively, as reported regularly to the Portfolio Holder for Finance. The cost of this CIL administration is being part-funded by the 5% of CIL available for this purpose and will be fully paid for by CIL once sufficient funds have been accrued. At the end of the first two years of operating with the CIL, it is timely to review the operation of the CIL Local Fund spending prioritising governance.

KEY INFORMATION

CIL Local Fund

7. The requirements regarding spending of the Local Fund are set out in the national [CIL Regulations and Guidance](#). For areas that have a town or parish council, the Borough Council will pass the relevant proportion of the CIL to them. If there is no

local council, the Borough Council is required to use, or pass to other infrastructure providers to use, 15 per cent of CIL receipts to support the development of the “relevant” area (being areas outside of any local Town or Parish Council). Supporting development of the relevant area must be by funding “the provision, improvement, replacement, operation or maintenance of infrastructure, or anything else that is concerned with addressing the demands that development places on an area”. The wider scope for spending of the Local Fund receipts compared to the Strategic CIL Fund receipts (which must be spent on “infrastructure”), enables CIL Local Fund receipts to be spent on things other than infrastructure, for example, affordable housing where it would support the development of the area by addressing the demands that development places on the area.

8. The spending of the Local Fund for areas with a local Town and Parish Council (for Reigate & Banstead being the southern third of the borough) is determined by Horley Town Council and Salfords and Sidlow Parish Council in accordance with the CIL Regulations. This area is therefore excluded from the Borough Council’s CIL Local Fund spending arrangements. Salfords and Sidlow Parish (S&S) extends into the Earlswood and Whitebushes ward (E&W). Consequently, the 15 percent Local Fund of CIL receipts from planning applications in this southern part of E&W ward will be passed on to S&S Parish Council to spend.
9. The Local Fund CIL receipts arising in these two local council areas are transferred to the Town and Parish Council twice a year (April and October). Each Local Council is required to report receipts and any spending annually on their websites. Two years from the start of operating CIL in the borough, £23,579 from the CIL Local Fund had been passed on to Salfords and Sidlow Parish Council, and £2,804 to Horley Town Council (most of the development currently being constructed in Horley being approved pre-CIL).
10. In January 2016, a few months before the CIL was introduced in the borough, officers estimated that the CIL Local Fund could bring in between £1,000 and £10,000 per ward per annum, depending on the amount and size of development starting construction in each ward. This appears to have been borne out by the second year of CIL operation (2017). Although in the second year of operating the CIL some wards have yet to collect any CIL Local Fund receipts, other wards have already received substantially more than £20,000.
11. Local Fund CIL spending arrangements for the CIL Local Fund were endorsed by the Executive in January 2016. This included the prioritisation of projects for Local Fund spending to be undertaken on a ward basis by ward councillors in consultation with the local community. Community involvement in identifying projects reflects national CIL guidance, which suggests that spending should be on identified community priorities. The first community improvements CIL survey was held in January 2017 with the aim of understanding local community improvement priorities.
12. Officers commenced initial conversations with ward members to start to prioritise ward improvement schemes. This prioritisation work has not yet been concluded, primarily because of the small amounts of CIL currently available to some wards. To date one project has been confirmed for CIL Local Fund support, the refurbishment of Lower Kingswood Church Hall kitchen. The hall is used by local community groups, and the improvements to be funded include making it wheelchair accessible.
13. Given that the impacts of developments are almost always felt across than one ward, and most developments share infrastructure across wards, it is considered more

appropriate to implement a prioritisation and spending approach for the Local Fund which better takes account of these cross-ward impacts. Ward groupings into Local CIL Fund Spending Areas for the areas outside of Horley and Salfords and Sidlow is considered the most appropriate approach for CIL Local Fund spending. An arrangement of four Area Advisory Panels is therefore considered most appropriate, although other options of two and three Area Advisory Panels were also considered as set out in the Options section in this report.

14. The proposed change in Local Fund spending arrangements would have several advantages over the current ward-based spending arrangement. Developments located close to a ward boundary can impact as much on a neighbouring ward as on the ward where the development is located, particularly larger developments. Moving to a system of four areas for CIL Local Fund spending would help to deliver more significant local improvement projects that have greater public visibility than several smaller projects.
15. Whilst the current ward-based governance arrangement does not preclude pooling of CIL Local Funds across wards and across years, it does not actively assist this, as it encourages ward councillors to focus on CIL receipts arising from their specific ward. Moving to a system of four Area Advisory Panels would also introduce a more streamlined approach than the current system. There will inevitably still be some development at the edges of the ward groupings identified, but this will be the case whatever geography is chosen.
16. The groupings of wards into “Advisory Panel Areas” will be finalised following the electoral review of the borough by the Local Government Boundary Commission. Until May 2019, when these new ward boundaries will take effect, it is proposed to continue to operate the Local Fund on an individual ward basis.
17. The southern area of the borough is covered by SSPC and HTC who have responsibility for CIL Local Fund spending in their areas. This arrangement will continue.
18. Membership of each CIL Local Fund Area Advisory Panel would consist of the ward councillors from each ward within the panel area, and each Area Advisory Panel would be chaired by the Portfolio Holder for Finance. The Area Advisory Panels would make recommendations on proposed projects, with the final authorisation to release funds resting with the Head of Places and Planning in accordance with the current officer scheme of delegation.
19. Ward councillors will be able to suggest projects that they wish to support in their areato the Area Advisory Panel. These projects should be identified by ward members proactively and in consultation with their local communities. Officers will co-ordinate ward lists of infrastructure priorities and improvement projects based on public consultation, ward councillors priorities and the Council’s Infrastructure Delivery Plan.
20. Officers are currently drawing up a project assessment matrix which will provide a transparent framework on which to assess potential projects for CIL Local Fund spending which comply with CIL regulations and guidance. Criteria will take account of CIL regulations and national guidance, will include:
 - whether the project would support the development of the area; including whether it listed in the Development Management Plan’s Infrastructure Schedule;

- evidence that the project is a community priority;
 - whether the project would contribute to the stated Council priorities in the Council's Corporate Plan or support delivery of the Council's Infrastructure Delivery Plan;
 - The cost of the project and the amount of CIL requested, along with evidence of any required match funding.
21. Under the proposed new arrangements to be implemented from May 2019, projects may be funded at any point in a year (subject to the availability of funding), or local CIL receipts may be pooled over several years towards funding a larger project to support development in the area. It is anticipated that most CIL Local Fund projects will be capital projects. The Council may also support applications that include an element of detailed design work as part of a capital project, particularly where feasibility work shows a project is likely to be deliverable. However it is unlikely to be able to support applications for early feasibility, survey or design studies where the outcome and / or deliverability of a project would remain uncertain, as it may then not have "supported development", as is required by the CIL Regulations.
22. The CIL Area Advisory Panels would meet regularly to review and agree their area list of infrastructure priorities for the coming year, with officers providing reports outlining CIL receipts, maps of CIL-contributing developments, officer recommendations based on transparent criteria-based assessments, and progress reports on projects being supported by the CIL Local Fund.
23. Approval of CIL Local Fund spending is delegated to the Head of Places and Planning. To ensure that decisions can be taken without unnecessary delay to enable projects to be funded and delivered more quickly, it is important that this delegation is retained. The CIL Local Fund Area Advisory Panels will have an important advisory role in recommending to the Head of Service which projects should be supported from the CIL Local Fund.

CIL Strategic Infrastructure Programme (SIP) Annual Review

24. In July 2017, the Executive agreed arrangements for spending of the CIL strategic element. This included agreement of a range of projects to receive CIL strategic funding (the "Strategic Infrastructure Programme") for the next five years (2017-2022). The report included a schedule which identified for each project, the indicative maximum CIL available and the year when that CIL is likely to be available. As CIL funds can accrue, if a prioritised project is not ready for delivery in the year when funds are expected to first be available, it would still be able to receive funding in subsequent years when it is ready. The agreement in principle to fund these projects in the first five years of collecting the CIL (from 2017) is subject to several conditions set out in the 2017 Executive report. These include that where CIL has been identified as needed for match funding, the agreed CIL funds will only be made available if the other / match project funding has been confirmed and committed.
25. The SIP 5-year Infrastructure Programme does not formally commit the Council to fund the projects on the list. Rather it has prioritised projects that the Council wishes to support with the CIL strategic funds during the period 2017-2022.

26. The July 2017 Executive meeting also agreed that the SIP should be reviewed annually to enable updated information on CIL receipts and SIP project progress to be taken into account in subsequent SIP spending decisions. This is important because for example, a SIP project may have been funded from other sources, or is not going to proceed, and so may no longer require CIL funding. Annual review, and updating, where relevant of the SIP also allows any additional projects which may benefit from CIL funding to be considered for incorporation into the SIP. An update on the projects in the first 5-year Strategic Infrastructure Programme is provided at **Annex 1: 2018 Annual Update to the CIL Strategic Infrastructure Programme 2017-2022**.
27. Where it becomes clear through discussion with infrastructure providers that any project in the SIP 2017-22 either no longer needs CIL funding, or will need the funding after this 5-year period, these may be removed from the Programme or moved into the next 5-year, by way of the annual SIP updates. This is considered to be a more suitable approach to SIP updates than to amend the list of projects at each year's SIP update. The SIP will be open for a new round of bidding by summer 2021, which will allow a year to get a new agreed 5-year SIP in place.
28. The Executive meeting of July 2017 delegated authority to transfer CIL receipts to infrastructure providers for SIP projects to the relevant Head of Service in consultation with the Portfolio Holder, in order to assist in the timely delivery of SIP projects.
29. In considering the projects that were agreed for inclusion in the first 5 year SIP spending programme, it has become clearer that the stated cost of a project at the bidding stage may increase between the time of submission and acceptance to the list, and undertaking the project and allocating CIL, due to inflation, including increases in building costs. This will be even more likely and significant when the scheme is delivered later in the 5-year priority period. It is therefore recommended that provision for this contingency is included in the Strategic Infrastructure Programme and that the SIP be amended to confirm that the estimated cost of each of the projects on the current SIP will be increased in line with the change in construction cost indicator (from BICS). This will ensure that the CIL contribution is proportionally the same for each project when it is undertaken as when the bid for CIL funding was made. Similarly, in future years, the form inviting estimates of project costs will make it clear that project cost estimates can include VAT where the provider is unable to recover the full VAT to be paid on the project.
30. To assist with delivery of prioritised projects that have seen an increase in project costs (over and above that allowed for by index linking), there may be potential to use some of the 10% of the CIL Strategic Fund that the Executive (July 2017) agreed be set aside each year for "unknown projects". Planning Obligation S106 funds collected for a specific type of infrastructure, but not linked to any particular infrastructure scheme, could potentially be used if available.
31. A Funding Agreement template has been drawn up, with input from legal input, to ensure that the Strategic CIL Funding is used as intended, as set out in the CIL SIP bid (as amended if necessary by the Funding Agreement), and returned to the Borough Council if not. Each infrastructure provider will be required to enter into such an agreement with the Council before funds are released. Due to the generally smaller scale of infrastructure projects that the CIL Local Fund will fund, a Funding Agreement is not considered necessary for CIL Local Fund projects. Instead, the applicant is required to confirm in writing that they will spend the money for the

purpose it has been provided, and recognise that the Council will reclaim it (or any unspent portion of it) if it is not spent for this purpose. The letter will specify that the Council will require proof of invoice from the contractor once it has been spent. Under Regulation 59E, the Council would serve notice on the local council requiring pay back if the CIL local funding is not spent within 5 years or is not spent appropriately.

Conclusion

32. The proposed approach to prioritising projects for Local CIL spending, with four Area Advisory Panels, will provide a more effective means of identifying projects that will make the best use of Local CIL collected by the Council and ensure that it is spent on projects that will address the demands of development on each area and provide new or improved infrastructure that communities will benefit from.
33. Officers will continue to work with infrastructure providers to keep updated of the progress of the SIP prioritised projects, and implement funding arrangements, including passing funding over at the appropriate time for projects included in the SIP.
34. CIL income and expenditure is reported annually, as required by national legislation, in the [Council's Annual Monitoring Report](#) (AMR). The latest report was published in December 2017.

OPTIONS

35. Recommendation 1: That the Executive endorse the approach to the allocation and spending of the Community Infrastructure Levy Local Fund set out in paragraphs 13-23 of this report, and authorise the Head of Places and Planning (in consultation with the relevant Portfolio Holder) to implement relevant arrangements and to review and revise these as appropriate.
 - a. Option 1: that an arrangement of four Area Advisory Panels to prioritise spending projects for each area is implemented. This option is recommended as striking the optimal balance between accumulating sufficient CIL receipts to address development impacts, and retaining visibility and accountability of local-CIL spending projects to the local communities.
 - b. Option 2: that an arrangement of two Area Advisory Panels, to prioritise spending projects is implemented. This option is not recommended due to the large areas and number of ward councillors that would be involved in recommending projects for funding in each Advisory Panel, with potentially less visibility of projects to local communities.
 - c. Option 3: that an arrangement of three Advisory Panels to prioritise spending projects is implemented. This option is not recommended due to the proposed Boundary Review ward changes, and the large areas and number of ward councillors that would be involved in recommending projects for funding in each Advisory Panel, with potentially less visibility of projects to local communities.
 - d. Option 4: that the spending process for the CIL Local Fund be retained as the existing ward-based CIL Local Fund spending arrangement established by the Executive on 7 January 2016. This option is not recommended for the long term, as it does not take account of the wider impact of development across ward boundaries, and does not reflect that much infrastructure is shared across

wards. However it is recommended that the current approach will be retained until after May 2019, when ward boundaries will formally change.

36. Recommendation 2: That the Executive note the Strategic Infrastructure Programme (SIP) progress update and agree to amend the SIP to clarify that project amounts will be index linked (in accordance with paragraphs 24-32 of this report).
- a. Option 1: Agree to the CIL Strategic Infrastructure Programme project bids sums being index linked annually from the time they are submitted to when the funding agreement is signed, using the BICS All-in tender price index, for reasons set out in paragraph 29. This option is recommended.
 - b. Option 2: Do not index-link the SIP and local fund project bids sums; with the risk of insufficient funding for the delivery of the project. This option is not recommended, as it has the effect of reducing the proportion of an agreed project's cost being funded by CIL, particularly for projects delivered later in the 5-year programme.

LEGAL IMPLICATIONS

37. National regulations and guidance, along with the Council's Infrastructure / Regulation 123 list define out what the Strategic CIL Fund can be spent on. National regulations and guidance define what the local CIL Fund can be spent on.
38. The Council's Legal Services Team has provided input to the Funding Agreement template which infrastructure providers are required to sign up to before receiving CIL receipts from the Strategic CIL Fund. Recipients of the CIL Local Fund will not be required to enter into Funding Agreements, but the Borough Council has the power under regulation 59E to reclaim CIL payments from local councils if they have not been used within 5 years of receipt or have not been used appropriately.
39. As required by legislation, the Council reports annually in its Annual Monitoring Report on the amount of CIL received and spent.

FINANCIAL IMPLICATIONS

40. Measures are in place to ensure that CIL is collected, held and spent in accordance with the Council's agreed financial procedures. Delegation of responsibility for decisions to release funding to infrastructure providers provide for the timely release of monies, and requiring providers of strategic infrastructure projects to signing up to a Funding Agreement protects the Council's CIL receipts against risk.
41. National regulations allow for administration of the CIL to be funded from CIL receipts, up to a maximum of 5%. The recommendations within this report are therefore cost neutral to the Council.

EQUALITIES IMPLICATIONS

42. No direct equalities implications arising from this report have been identified.

COMMUNICATION IMPLICATIONS

43. The relevant webpages will be updated, to advise of the new arrangements, how organisations and individuals can propose a new local improvement project for funding via their ward local councillor, and dates for the next CIL Local Fund consultation.

http://www.reigate-banstead.gov.uk/info/20369/community_infrastructure_levy/795/community_infrastructure_levy_local_fund

RISK MANAGEMENT CONSIDERATIONS

44. No strategic risks have been identified.

OTHER IMPLICATIONS

45. No other implications have been identified.

CONSULTATION

46. The Portfolio Holder for Finance and Executive Members have been consulted on the development of the proposals outlined in this report.
47. The Council's Legal and Finance Teams have been consulted and provided input to this report.

As outlined at paragraph 11, a "community improvements" engagement exercise was held in early 2017 with the aim of understanding local community improvement priorities, to inform prioritisation of projects funding from the CIL Local Fund.

POLICY FRAMEWORK

48. Both the Corporate Plan and the Core Strategy 2014 were considered as part of the SIP project assessment process. Both these documents form part of the Council's Policy Framework.
49. The projects included for prioritisation within the SIP will complement and support the delivery of corporate priorities, the Reigate & Banstead spatial strategy (the Core Strategy and Development Management Plan), and the growth and development of the Borough. Both the CIL Local Fund and the CIL Strategic Infrastructure Programme will help to deliver the infrastructure needed to support planned growth in the borough.

Background Papers:

1. Executive Meeting 13th July 2017 (Item 5: Community Infrastructure Levy: Strategic Infrastructure Programme; & Minute No. 18)
<http://democracy.reigate-banstead.gov.uk/aksreigate/users/public/admin/kab12.pl?cmte=CAB&meet=199&arc=71>
2. Executive Meeting 7th January 2016 (Item 5: Community infrastructure Levy Approval and Implementation; & Minute No.79)
<http://democracy.reigate-banstead.gov.uk/aksreigate/users/public/admin/kab12.pl?cmte=CAB&meet=180&arc=71>

3. Community Infrastructure Levy Regulations
<https://www.legislation.gov.uk/ukdsi/2010/9780111492390/contents>
4. Community Infrastructure Levy Guidance
<https://www.gov.uk/guidance/community-infrastructure-levy>

Annex 1: 2018 Annual Update to the CIL Strategic Infrastructure Programme 2017-2022

Community Infrastructure Levy Strategic Infrastructure Programme 2017- 2022				
Project	Scheme Promoter	Indicative CIL mount (up to) *	Indicative date that CIL will be available #	Update/comments
* subject to further detail about project design and costs				
# subject to further detail about project delivery programme and the availability of CIL				
A240 shared footway and cycleway, Preston	Surrey CC	£72,000 (indexed: £80,811)	2017/18	<p>The scheme has been revised by SCC to include improvements to the signalised junction at the A240 Reigate Road/Great Tattenhams/Tattenham Way.</p> <p>This project was put forward for Growth Deal Funding from Coast to Capital (C2C) LEP under Surrey County Council's Epsom-Banstead Sustainable Transport Package (STP).</p> <p>The bid was unsuccessful at the business case stage. However, following feedback from the C2C LEP, SCC plans to address areas of the Business Case to ensure the project remains aligned with the current LEP strategic priorities and objectives.</p> <p>Should additional Growth Deal funding become available, the LEP has recommended a re-submitted bid is made for funding.</p> <p>Meanwhile, Borough Council officers and SCC officers will continue to work together to explore alternative sources of match funding in order to progress this project.</p>
Tattenham Health Centre surgery expansion	Tattenham Health Centre	£51,700	2017/18	<p>Planning permission (18/00195/F) granted on 22th March 2018.</p> <p>The Funding Agreement has been signed, and the first tranche of the CIL funding was transferred in early May.</p>

Earlswood Common footpath restoration	Reigate & Banstead BC	£49,900 (indexed: £56,007)	2017/18	The timeframe for delivery of the Earlswood Common footpath restoration has changed given the wider works in progress at the Common. CIL funding is now expected be needed for the footpaths in 2018-19.
Expansion of secondary school provision in edhill/Horley	Surrey CC	£500,000 (indexed: £561,189)	2018/19	Warwick School, Redhill improvements are underway and SCC has confirmed that CIL will not be required for this project. St. Bede's, Redhill's expansion project commenced on site on 3 April 2018 and is due to complete in April 2019. Oakwood, Horley expansion project is in the design phase, with a view to delivery of the works by September 2019. Discussions with SCC will continue in order to understand how the prioritised CIL might be spent.
Redhill Library refurbishment	Surrey CC	£308,000 (indexed £345,692)	2018/19	A refurbishment scheme has been devised and will shortly be submitted to SCC's Corporate Asset Panel for approval, before it progresses to the next stage in its implementation.
Preston Regeneration – health and wellbeing/public realm	Reigate & Banstead BC	£322,600 (indexed: £362,079)	2019/20	The Council continues to work with Surrey County Council to progress this project as part of the wider Preston Regeneration. Early feasibility and design work is complete.
Preston Regeneration – public transport	Surrey CC	£340,000 (indexed: £381,608)	2019/20	The Council continues to work with Surrey County Council to progress this project as part of the wider Preston Regeneration. Early feasibility and design work is complete.
Burstow Stream and Redhill flood alleviation schemes	Environment Agency	£500,000 (indexed: £561,189)	2019/20	<u>Redhill Flood Alleviation Scheme (FAS):</u> Detailed flood risk modelling of Redhill, incorporating both surface water and Main River flooding, has been undertaken. The EA is currently in the process of refining the Redhill modelling to determine the location and number of properties at risk and short listing options to reduce this risk.

				<p>Project may commence delivery in 2021, although project timing is currently under review. The EA is currently revising future project phases.</p> <p>Other funding has been secured from Flood Defence Grant in Aid (£750K) and Local Levy funding (£665K).</p> <p>The EA was originally expecting to finalise the design, complete a Full Business Case and receive planning permission by 2020; before starting construction in 2021.</p> <p>The EA will continue to appraise all potential flood risk management options with input from key stakeholders</p> <p>By winter 2019, the EA expects to have identified the most suitable option and be in a position to share this.</p> <p><u>Burstow Stream FAS:</u> The first phase of the Burstow Stream FAS was delayed in 2017/18 as part of a wider Environment Agency prioritisation exercise.</p> <p>Project is commencing this year with modelling work.</p> <p>The likely timeframe for delivery has therefore shifted, with construction of a FAS now expected to be outside of the current 6 year programme, i.e. not before 2022 (was previously estimated to be in 2019/20).</p>
A23/Three Arch Road/Maple Road junction improvements	Surrey CC	£370,000 (indexed: £415,280)	2020/21	RBBC and SCC officers are reviewing scheme options; on current timescales the detailed design phase is expected to commence during 2018/19 with construction to follow, subject to match funding availability.
Greater Redhill Sustainable Transport Package Phase 2	Surrey CC	£370,000 (indexed: £415,280)	2020/21	C2C LEP has not yet announced funding for the next round of Sustainable Transport project bids. Redhill STP Phase 2 has been prioritised within SCC to be progressed following completion of the STP Phase 1, with SCC revenue funding allocated for pre-business

				case feasibility work.	
	Blue Light Hub, Banstead, incorporating a new Ambulance Make Ready Centre (MRC) and Fire Station	South East Coast Ambulance Service NHS Foundation Trust (SECamb / Surrey Fire & Rescue)	£500,000 (indexed: £561,189)	2021/22	<p>Redevelopment of the whole site is likely be phased, with the SECamb Make Ready Centre being delivered first.</p> <p>SECamb's consultants have advised that feasibility work for the Make Ready Centre is complete, and a preliminary review of its estate in North Surrey together with agent's advice appears to support the viability of the project, based on capital receipts from the sale of this estate which is likely become surplus to requirement following development of a new modern MRC facility at Banstead, together with CIL funding.</p> <p>SCC Property Service has advised that they are soon to commission architects to undertake feasibility and design work for a new fire station at the Banstead Horseshoe, and is discussing the future of the current Surrey Police building at Wray Park with Surrey Police.</p>
36	Reigate & Redhill Quality Bus Partnership (QBP)	Surrey CC	£246,000 (indexed £276,105)	2021/22	The QBP is being developed by SCC as a scalable package of measures which could be delivered on its own or as part of the wider Redhill STP Phase 2 project.
			£3,630,200 (Indexed £4,074,455)		

Agenda Item 7

Executive
19 July 2018

Agenda Item: 7
Acquisition of Freehold in Horley



REPORT OF:	HEAD OF PROPERTY
AUTHOR:	John Reed
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E-MAIL:	john.reed@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	19 July 2018
EXECUTIVE MEMBER:	COUNCILLOR MRS N. BRAMHALL

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	HORLEY

SUBJECT:	ACQUISITION OF FREEHOLD IN HORLEY
RECOMMENDATION: <p>1. Subject to a satisfactory due diligence report being received, the Head of Property, in consultation with the Head of Finance and the Executive Members for Property and Regeneration and Finance, be authorised;</p> <ul style="list-style-type: none">a. To acquire the Freehold referred to in this report for investment purposes.b. Agree any variations to the heads of terms and to the acquisition price further to external valuation advice and due diligence investigations.	
Reason for Recommendation: <p>To obtain Executive authority to acquire, subject to the usual due diligence, this property land acquisition in Horley which will produce additional income to support the Council's 5 Year Plan.</p>	
EXECUTIVE SUMMARY <p>This report seeks authority to acquire the freehold interest of land in Horley, which is subject to an occupational Licence. The Council has been successful in agreeing terms to acquire the land ahead of it being fully marketed. Full details of the Council's bid, the financial implications and the property's address are set out in the exempt Part 2 section of this agenda.</p> <p>Central Government funding for Local Authorities is reducing, and the Revenue Support Grant ended in the 2016/17 financial year for this Council. To enable the Council to continue to deliver the level of services its residents currently enjoy and to ensure Corporate Plan objectives are met, it is essential alternative sources of income and capital receipt are found to meet this shortfall.</p>	
The Executive has authority to determine recommendation (i)	

STATUTORY POWERS

1. Section 2 of the *Local Government Act 2000* gives local authorities the power to do anything in the furtherance of the economic, social or environmental wellbeing of their area. The exercise of that power is specifically linked, in section 4 of the Act, to works required in furtherance of community and corporate plan objectives.
2. This acquisition is anticipated to provide financial, social and environmental enhancements to the well-being of the area for the reasons set out in the exempt Part 2 section of this report.
3. Whilst there is no statutory requirement to achieve best consideration on an acquisition, the Council's adopted Asset Management Plan and its medium term Financial Strategy require that any acquisitions made add to the value of the Council's existing asset portfolio and in turn the Council's income. These aspects are addressed in the exempt Part 2 section of the agenda. .

BACKGROUND

4. The Council's corporate plan identifies property investment and development as one of its key objectives. As Central Government funding reduces for Local Authorities this produces a budget shortfall. In order to meet this shortfall, the Council has embarked on a programme of acquiring additional income and potential capital-generating commercial investment and development opportunities. This acquisition is a longer term strategic development opportunity providing shorter term income as set out in the exempt Part 2 section of this agenda.
5. It is likely that the Council will be an unsuccessful bidder on some occasions, or that due diligence following agreement of terms may lead to a conclusion that a property is not a suitable investment.
6. Each investment is assessed on its own merits. Viable opportunities will be recommended to Executive individually.

ISSUES

7. The Council submitted a bid for the purchase of this freehold interest. Heads of terms have been agreed subject to Executive approval.
8. Acquiring this freehold interest, could provide development opportunities of the land in the future, however the acquisition will not affect the terms of the current occupational tenants licence arrangements, however if the acquisition is successful the occupational tenants will continue to pay rent directly to the Council, providing the Council with an income stream.
9. The agreed purchase is subject to the usual due diligence to confirm there are no problems with the legal title, purchase price, surveys or environmental. The costs associated with this due diligence are set out in the exempt Part 2 section of this agenda.
10. The financial implications for the Council are clearly relevant. This has partly been addressed in the preceding paragraphs but also in detail in the exempt Part 2 section of this report detailing all the financial information.

OPTIONS

11. Complete the purchase of the Freehold Interest

Subject to the due diligence set out in paragraph 9, this is the recommended option. The Council will acquire land of strategic interest in Horley. Being in control of the land may realise development benefits in the future.

12. Investigate alternative property acquisitions or joint venture on the purchase

The property market continues to attract significant interest from investors. This acquisition offers an attractive prospect for future development potential. However acquisitions of this nature do not come without risk, and this is set out in more detail in the Part 2 report in the confidential annex to this agenda. There are always property opportunities being brought to the market, however the opportunity associated with this acquisition makes it an attractive proposition. There is also the opportunity to acquire the land in a joint venture, however as set out earlier this is an attractive proposition as an acquisition and there appears to be little benefit in acquiring the property through a Joint Venture arrangement. This option is not recommended.

13. Do Nothing

For the reasons set out in this report this is not the recommended option.

LEGAL IMPLICATIONS

14. In accordance with section 120 of the Local Government Act 1972 the Council has the power to acquire land by agreement for the benefit, improvement or development of its area.
15. There is no legal duty to consult the public on any commercial terms of the acquisition. These are matters for the authority. Executive is entitled to determine them at its discretion, notwithstanding any previous decisions it has made, having considered the contents of this report.
16. Although the Council is not under an explicit duty to acquire property at market value it still must have regard to its fiduciary duties to its Council tax payers and its best value duty.
17. Legal and valuation advice will be sought as necessary throughout the acquisition process.
18. The acquisition of land is exempt from the Contract Procedure Rules under paragraph (f) of Appendix A of on page 194 of the Constitution.

EQUALITIES IMPLICATIONS

19. There are no equalities implications, this is the acquisition of freehold land with an occupational license already in place.

COMMUNICATIONS IMPLICATIONS

20. Until the Council has exchanged contracts on the acquisition there would be no plans to issue any communications. This is the procedure when confidential

contract negotiations are being held by the Council on acquisitions. Further detail on communications is described in the exempt annex at Part 2 of this agenda.

RISK MANAGEMENT CONSIDERATIONS

21. These are set out in the Part 2 report in the exempt section of this agenda.

FINANCIAL IMPLICATIONS

22. The purchase price and acquisition costs comprising stamp duty land tax, introducing agents fees, valuation advice, surveys and legal fees are set out in the exempt Part 2 report.
23. This acquisition will provide the Council with a modest income stream. However the acquisition is mainly for the future potential which is explored more fully in the exempt annex at Part 2 of this agenda.
24. This investment is a strategic acquisition and not without risk. Currently the properties are let on a licence creating a small income. However, it should be recognised that rental income can be interrupted due to tenant default or void periods between lettings. Furthermore, there is always a risk of rental values falling due to fluctuations in the market.
25. The purchase will be funded from the Council's reserves. Any VAT payable on the purchase will be fully recoverable.
26. This acquisition will provide the Council with a small income, however the lands potential that makes it an attractive acquisition
27. The occupational tenant has a grazing Licence.
28. This proposed acquisition is strategic and not without risk. It should be recognised that acquisitions of this nature may not realise the identified potential development opportunity.

CONSULTATION

29. The Leader of the Council, Deputy Leader of the Council and Portfolio Holders for Property and Regeneration and Finance have been consulted about this acquisition.

POLICY FRAMEWORK

30. The acquisition also reflects the aim of the Council's Asset Management Plan to undertake acquisitions, to add to the value of existing asset or to produce a greater financial return than alternative investment options in accordance with the Council's medium-term financial strategy.

Background papers: None.

Agenda Item 8

Executive
19 July 2018

Agenda Item: 8
Acquisition of Freehold in Redhill



REPORT OF:	Head of Property
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TO:	EXECUTIVE
DATE:	19 JULY 2018
EXECUTIVE MEMBER:	COUNCILLOR MRS N. BRAMHALL

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	REDHILL

SUBJECT:	ACQUISITION OF FREEHOLD IN REDHILL
RECOMMENDATION:	
<p>1. Subject to a satisfactory due diligence report being received, the Head of Property, in consultation with the Head of Finance and the Executive Members for Property and Regeneration and Finance, be authorised;</p> <ul style="list-style-type: none"> a. To acquire the Freehold referred to in this report for investment purposes. b. Agree any variations to the heads of terms and to the acquisition price further to external valuation advice and due diligence investigations. 	
Reason for Recommendation:	
<p>To obtain Executive authority to acquire, subject to the usual due diligence, this property in Redhill which will produce additional income to support the Council's 5 Year Plan.</p>	
EXECUTIVE SUMMARY	
<p>This report seeks authority to acquire the freehold interest of a building in Redhill, which is subject to the occupational leases set out in the exempt Part 2 section of this agenda. The Council has submitted a bid to acquire the investment ahead of it being fully marketed. Full details of the Council's bid, the financial implications and the property's address are set out in the exempt Part 2 section of this agenda.</p>	
<p>Central Government funding for Local Authorities is reducing, and the Revenue Support Grant ended in the 2016/17 financial year for this Council. To enable the Council to continue to deliver the level of services its residents currently enjoy and to ensure Corporate Plan objectives are met, it is essential alternative sources of income and capital receipt are found to meet this shortfall.</p>	

The Executive has authority to determine recommendation (i)

STATUTORY POWERS

1. Section 2 of the *Local Government Act 2000* gives local authorities the power to do anything in the furtherance of the economic, social or environmental wellbeing of their area. The exercise of that power is specifically linked, in section 4 of the Act, to works required in furtherance of community and corporate plan objectives.
2. This acquisition is anticipated to provide financial enhancements to the well-being of the area for the reasons set out in the exempt Part 2 section of this report.
3. Whilst there is no statutory requirement to achieve best consideration on an acquisition, the Council's adopted Asset Management Plan and its medium term Financial Strategy require that any acquisitions made add to the value of the Council's existing asset portfolio and in turn the Council's income. These aspects are addressed in the exempt Part 2 section of the agenda. .

BACKGROUND

4. The Council's corporate plan identifies property investment and development as one of its key objectives. As Central Government funding reduces for Local Authorities this produces a budget shortfall. In order to meet this shortfall, the Council has embarked on a programme of acquiring additional income and potential capital-generating commercial investment and development opportunities. This acquisition is a longer term strategic investment opportunity providing investment income as set out in the exempt Part 2 section of this agenda.
5. It is likely the Council will be an unsuccessful bidder on some occasions, or that due diligence following agreement of terms may lead to a conclusion that a property is not a suitable investment.
6. Each investment is assessed on its own merits. Viable opportunities will be recommended to Executive individually.

ISSUES

7. The Council submitted a bid for the purchase of this freehold interest.
8. Acquiring this freehold interest, is only likely to provide limited development opportunities in the future, the plan is to hold the building in its current form for the longer term for its investment income. The acquisition will not affect the terms of the current occupational tenants lease arrangements, however if the acquisition is successful the occupational tenants will continue to pay rent directly to the Council, providing the Council with an income stream.
9. The agreed purchase is subject to the usual due diligence to confirm there are no problems with the legal title, purchase price, surveys or environmental assessments. The costs associated with this due diligence are set out in the exempt Part 2 section of this agenda.

10. The financial implications for the Council are clearly relevant. This has partly been addressed in the preceding paragraphs but also in detail in the exempt Part 2 section of this report detailing all the financial information.

OPTIONS

11. Complete the purchase of the Freehold Interest

Subject to the due diligence set out in paragraph 9, this is the recommended option. The Council will acquire the building for investment purposes in Redhill.

12. Investigate alternative property acquisitions or joint venture on the purchase

The property market continues to attract significant interest from investors. This acquisition offers an attractive prospect for investment income through the rental income stream in the longer term. However acquisitions of this nature do not come without risk and this is set out in more detail in the Part 2 report in the confidential annex to this agenda. There are always property opportunities being brought to the market, however the opportunity associated with this acquisition makes it an attractive proposition. This option is not recommended.

13. Do Nothing

For the reasons set out in this report this is not the recommended option.

LEGAL IMPLICATIONS

14. In accordance with section 120 of the Local Government Act 1972 the Council has the power to acquire land by agreement for the benefit, improvement or development of its area.
15. There is no legal duty to consult the public on any commercial terms of the acquisition. These are matters for the authority. Executive is entitled to determine them at its discretion, notwithstanding any previous decisions it has made, having considered the contents of this report.
16. Although the Council is not under an explicit duty to acquire property at market value it still must have regard to its fiduciary duties to its Council tax payers and its best value duty.
17. Legal and valuation advice will be sought as necessary throughout the acquisition process.
18. The acquisition of land is exempt from the Contract Procedure Rules under paragraph (f) of Appendix A of on page 194 of the Constitution.

EQUALITIES IMPLICATIONS

19. There are no equalities implications; this is the acquisition of a freehold building with occupational leases already in place.

COMMUNICATIONS IMPLICATIONS

20. Until the Council has exchanged contracts on the acquisition there would be no plans to issue any communications. This is the procedure when confidential

contract negotiations are being held by the Council on acquisitions. Further detail on communications is described in the confidential annex at Part 2 of this agenda.

RISK MANAGEMENT CONSIDERATIONS

21. These are set out in the Part 2 report in the confidential section of this agenda.

FINANCIAL IMPLICATIONS

22. The purchase price and acquisition costs comprising stamp duty land tax, introducing agents fees, valuation advice, surveys and legal fees are set out in the Part 2 report.
23. This acquisition will provide the Council with a significant income stream. The acquisition is for investment purposes which are explored more fully in the confidential annex at Part 2 of this agenda.
24. This investment is a strategic acquisition and not without risk. Currently the property is let on a number of leases as set out in the attached schedule. However, it should be recognised that rental income can be interrupted due to tenant default or void periods between lettings. Furthermore, there is always a risk of rental values falling due to fluctuations in the market.
25. The purchase falls within the capital budgets for property acquisition planned by the Council. The property will be funded from the Council's reserves and/or borrowing in line with the prevailing cash flow requirements and treasury management policy at the date of purchase. Any VAT payable on the purchase will be fully recoverable.
26. This acquisition will provide the Council with a rental income stream the details of which are set out in the Part 2 report in the confidential section of this agenda.

CONSULTATION

27. The Leader of the Council, Deputy Leader of the Council and Portfolio Holders for Property and Regeneration and Finance have been consulted about this acquisition.

POLICY FRAMEWORK

28. The acquisition also reflects the aim of the Council's Asset Management Plan to undertake acquisitions, to add to the value of existing asset or to produce a greater financial return than alternative investment options in accordance with the Council's medium-term financial strategy.

Background papers: None.