

BOROUGH OF REIGATE AND BANSTEAD

EXECUTIVE

Minutes of a meeting of the Executive held at the New Council Chamber - Town Hall, Reigate on 16 December 2021 at 7.30 pm.

Present: Councillors M. A. Brunt (Leader), T. Schofield (Deputy Leader), N. J. Bramhall and V. H. Lewanski.

Also present: Councillors T. Archer, R. H. Ashford, R. Biggs, E. Humphreys, C. M. Neame, K. Sachdeva, M. S. Blacker, J. Booton, J. C. S. Essex and N. D. Harrison.

47. APOLOGIES FOR ABSENCE

There were none. The following Executive Members attended the meeting remotely and did not vote: Councillors Archer, Ashford, Biggs, Humphreys, Neame and Sachdeva.

48. MINUTES

RESOLVED that the minutes of the meeting of the Executive held on 18 November 2021 be approved.

49. DECLARATIONS OF INTEREST

There were none.

50. OBSERVATIONS OF THE OVERVIEW AND SCRUTINY COMMITTEE ON THE BUDGET PROPOSALS FOR 2022/23

The Chairman of the Overview and Scrutiny Committee, Councillor Harrison, explained that the budget proposals for 2022/23 had been considered at the Budget Scrutiny Review Panel and the Overview and Scrutiny Committee. The meetings had been productive, but it was recognised that there was a gap of £700k and that further work would be required. The Overview and Scrutiny Committee was to consider the proposals further at its meeting on 20 January 2022. However, the proposals in general appeared to be realistic, achievable and based on sound financial practices.

The Committee had paid particular attention to the proposed reduction in services including the taxi voucher scheme, the reduction in the Borough News newsletter and the withdrawal of small and medium grants, as well as suggesting vacant roles be considered at the next round of budget setting. It was recognised that the Commercial Strategy would be important for the Council's long-term financial future.

In response to questions from Visiting Members it was confirmed that:

- Publicity had been undertaken in relation to the public consultation, with further publicity to take place in the New Year
- Details of the consultation and information about how to respond were available on the Council's website
- The responses received during the public consultation would be considered before the final budget proposals go to Executive in January.

- Any surplus made on commercial projects would be used to support the delivery of the Council's services. The Council would also consider putting money back into reserves in order to fund future developments.

The Leader of the Council, Councillor Brunt, thanked the Budget Scrutiny Panel and the Overview and Scrutiny Committee for the work that had been undertaken to scrutinise the budget proposals. The Leader also thanks officers for their work.

RESOLVED to note the following observations from the Overview and Scrutiny Committee in response to the Service and Financial Planning 2022/23 report:

- 1) The national and local policy context and significant uncertainties at this stage of the budget-setting process were noted.
- 2) The Service and Financial Planning 2022/23 report forecasts a budget gap of over £700k. In the light of this and given that assumptions and individual budgets were to be reconsidered following the December Government financial settlement announcement, the Committee did not draw a conclusion on the overall Budget proposals for 2022/23.
- 3) The Committee requested that the final Service and Financial Planning 2022/23 report to Executive on 27 January to be an agenda item for discussion at Overview and Scrutiny Committee on 20 January.
- 4) The Committee considered the explanations in the Budget report for year on year changes in the budget and found the following to be achievable, realistic and based on sound financial practices and reasonable assumptions, subject to the outstanding matters set out in (i) and (ii):
 - a) Medium Term Financial Plan Summary
 - b) Revenue Budget Savings and additional income proposals totalling £0.566m
 - c) Revenue Budget Growth proposals totalling £0.567m
 - d) Forecast ongoing income budget pressures in 2022/23 onwards as a consequence of the COVID-19 pandemic totalling £1.3m
 - e) Revenue Reserve Balances as of 1 April 2021 of £41.738
- 5) The Committee reviewed savings proposals in service delivery: to pause the Medium Grants and Small Grants scheme, to withdraw the taxi voucher scheme and to reduce the Borough News publication to a single issue a year, and asked they be reconsidered.
- 6) The Committee expressed concerns about recent inflationary pressures with short term inflation well above the Bank of England 2% target which would put unbudgeted upward pressure on the cost of goods and services and on staff costs/pay demands.
- 7) In relation to potential future cost savings the Committee supported initiatives to:
 - Assess the potential reduction of office space reflecting the impact of hybrid working.
 - Implement joint working with the boroughs and districts in East Surrey to share costs and improve services.The Committee asked these initiatives to be accelerated.

- 8) The Committee recommended that the need to fill vacant headcount positions be reconsidered (currently 22 full-time equivalent staff (FTE) equating to £1m salary and on-costs). These vacancies had been confirmed as part of the Service and Financial Planning reconciliation of HR establishment records and service budgets for all services.
- 9) Implementation of the Council's Commercial Strategy was vital to meeting budget gaps in future years, as Government funding is further reduced. Part 2 of the Commercial Strategy report was an agenda item at Overview and Scrutiny Committee on 9 December and due to be approved by Executive on 16 December. At this stage the Committee noted that no substantial additional commercial income from investments was included in the current 2022/23 budget.
- 10) The Committee noted that the Executive intends to come forward with a Financial Sustainability Plan to be integrated with the Medium-Term Financial Plan (MTFP) in Quarter 1 2022/23

51. COMMERCIAL STRATEGY - PART 2

The Executive Member for Investment and Companies, Councillor Archer, explained that Part 2 of the Commercial Strategy had been developed in recognition of the continuing financial challenges faced by the Council. Building on Part 1 agreed last year, Part 2 would provide detail about the implementation of the Council's commercial activity, in particular investment activity.

Councillor Archer explained that, due to changes to the local government borrowing regime, the Council was no longer able to invest purely for yield, and therefore the Council's commercial approach would need to be different in the future.

Part 2 of the Strategy proposed:

- Ensuring that existing income streams from the Council's assets, which provide income of around £4million, would be maintained and, where possible, increased.
- That assets that were not generating income would be repurposed, redeveloped, or disposed of.
- That the Council would continue to develop or redevelop assets to deliver the Council's corporate objectives, whilst also securing new income streams.
- Investment in new assets, where these would contribute to the Council's corporate priorities, secure income or help deliver savings.
- A project pipeline would assist in resource planning and income forecasting.

In terms of commercial services activity, the proposed Part 2 explained that the Council would continue to develop activity in areas where the Council already trades, introduce new trading activity, and explore opportunities to take a more commercial approach to the Council's non-statutory fees and charges.

Councillor Archer explained that the proposed Part 2:

- Explained how the Council would ensure decisions are robust, evidence based and transparent. It did not introduce changes to formal governance structures.

- Confirmed arrangements for regular reporting on commercial income, project progress and asset portfolio performance
- Recognised the need to develop in-house commercial skills and buy in expert advice and expertise in some cases.

The Overview and Scrutiny Committee had considered the proposed Part 2 and, as a result of their observations, Councillor Archer:

- Confirmed that the Strategy would be amended to provide clarity that performance reporting and updates would be taken formally to meetings of the Commercial Ventures Executive Sub-Committee, and
- Explained that he, and the Leader, were committed to ensuring that the Council had the skills in place to deliver the Council's commercial plans.

The Chairman of the Overview and Scrutiny Committee, Councillor Harrison, explained that the Committee had scrutinised Part 2, and were of the view that it was realistic, and it was hoped commercial income would fill the budget gap. The Commercial Strategy Scrutiny Panel had highlighted the need for effective commercial governance and the importance of learning lessons from the past and from other local authorities. It was important to ensure the Council had the right skills to instigate the Strategy.

In response to questions from other Visiting Members, it was confirmed:

- That the Commercial Strategy would work alongside the Housing Strategy
- That the environmental implications of commercial property-related and service-related activity would be fully considered within business cases and through the decision-making process, and the Strategy recognised the opportunities that existed for combining commercial and environmental sustainability activities.
- That the Council's governance arrangements, including the Commercial Ventures Executive Sub-Committee and the Commercial Checklist, would ensure the Council was protected from risky commercial activities.
- That the Council would only be able to undertake commercial activities if they were also considered to have a social benefit or otherwise contributed to the delivery of corporate objectives.

RESOLVED that the Executive approves the Commercial Strategy Part 2.

52. TREASURY MANAGEMENT MID-YEAR REPORT 2021/22

The Deputy Leader and Executive Member for Finance and Governance, Councillor Schofield, introduced the report which provided an update on the performance of the Council's treasury management activities. The report had been considered by the Audit Committee and there were several questions about the background to our company and other investments.

The report showed that the treasury management performance was forecast to be better than budget due to the borrowing facility not being utilised because of slippage in the 2021/22 capital programme.

It also confirmed that the Council was compliant with the treasury limits previously approved except:

- 1) One money market fund that had been in use at the start of the year had two rather than three ratings from credit agencies
- 2) Balances held were higher than approved limits at some periods due to the additional Covid-19 funding received from the government

Councillor Schofield also referred to an announcement by the Department of Levelling Up, Homes & Communities on 30 November 2021 that it would be consulting on changes to the Minimum Revenue Provision (MRP) regulations. Consideration would be given as to whether any changes would be required to the Council's approach during the next review of the Treasury Management Strategy. Consultation would be undertaken with treasury advisors and the outcome reported to the Executive in due course.

RESOLVED to note the Treasury Management Performance for the year to date and the updated prudential indicators, and to RECOMMEND to Council to note.

53. QUARTER 2 PERFORMANCE REPORT 2021/22

The Executive Member for Corporate Policy and Resources, Councillor Lewanski, introduced the report which outlined the Council's performance up to the end of Quarter 2.

Of the ten indicators, eight were on target or within the agreed tolerance. There were two that were red rated:

- KPI 2 – Business Rates collection had been affected by the recalculation of the Retail Rate Relief earlier in the year. This resulted in some instalments being set back and the creation of new instalment plans. It was expected that performance would catch up throughout the year.
- KPI 7 – Affordable Housing Completion. 24 affordable houses had been delivered this year, against a target of 50. However, a significant number of housing development projects were expected to reach completion later in the year, bringing the level in line with the target.

In response to questions from Visiting Members, the work of the Council to deliver affordable housing was highlighted including projects in Horley for single occupants and the Cromwell Road development. The Council was also working with the YMCA to deliver housing for young people with additional support needs. It was recognised that these weren't sufficient in themselves to meet overall need, but the Planning Authority worked hard with developers to increase the number of affordable units being developed.

The Deputy Leader and Executive Member for Finance and Governance, Councillor Schofield, outlined the Council's Revenue and Capital Budget position for Quarter 2.

In terms of the Revenue Budget, the projected full year outturn was £17.841m against a management budget of £17.808m which resulted in a minor underspend for the year of £33k. Details of the more significant budget variances were set out in the report.

Councillor Schofield explained that the budget forecast was before income shortfalls, as a result of the Covid-19 pandemic, had been taken into account. The

Council was confident that income streams had started to be restored, but parking income remained the main area of concern. The shortfall was to be funded through £354k claimed from Government and drawing on £2m Earmarked Reserve. Expenditure on the continued pandemic response was forecast to be funded within grants made available by the Government.

The full year Capital Programme forecast at the end of Quarter 2 was £88m (62%) below the approved Programme for the year. The variance was as a result of £87m slippage and a £650k net underspend, as, substantial budgets had been allocated for investment in Housing and Commercial developments and the related business cases had not been developed.

The Chairman of the Overview and Scrutiny Committee, Councillor Harrison, explained that the Committee considered the report at its meeting on 9 December. Members of the Committee had asked questions in relation to community centres, revenue benefits and fraud, leisure services and the housing delivery programme. Officers had agreed to investigate whether, due to a shortfall in spending in Disabled Facilities Grants and the Handy Person Scheme, funding could be made available for vulnerable residents requiring essential items.

In response to a question from a Visiting Member, it was confirmed that the £2m drawn from Earmarked Reserves was funded from unspent 2020/21 Covid-19 grants from Government that were set aside at year end.

RESOLVED to:

1. Note Key performance Indicator performance for Q2 2021/22 as detailed in the report and in Annex 1;
2. Note the Budget Monitoring forecasts for Q2 2021/22 as detailed in the report and at Annexes 2 and 3.

54. RISK MANAGEMENT - QUARTER 2 2021/22

The Executive Member for Corporate Policy and Resources, Councillor Lewanski, introduced the report which provided an update on risk management in Quarter 2 2021/22. No new strategic risks had been identified and none were recommended for closure. The Executive was provided with an update on one red rated operational risk in the Part 2 exempt annex.

The report was considered by the Audit Committee on 25 November 2021. The Committee made several comments on the risks and the presentation of information in the risk registers, and these would be reflected on as part of future risk management reporting.

In response to a question from a Visiting Member, it was confirmed that future reviews would consider the rationale to include climate change as a strategic risk.

RESOLVED to note the Q2 update on risk management provided by the report and associated annexes.

55. STATEMENTS

There were none.

56. ANY OTHER URGENT BUSINESS

There was none.

57. EXEMPT BUSINESS

RESOLVED that the exempt information relating to item 8 be noted.

The Meeting closed at 8.35 pm