

BOROUGH OF REIGATE AND BANSTEAD
OVERVIEW AND SCRUTINY COMMITTEE

Minutes of a meeting of the Overview and Scrutiny Committee held at the New Council Chamber - Town Hall, Reigate on 11 October 2018 at 7.30 pm.

Present: Councillors B. A. Stead (Chairman), T. Archer, M. S. Blacker, R. W. Coad, G. R. Curry, J. C. S. Essex, J. S. Godden, J. P. King, D. T. Powell, J. M. Stephenson, Mrs. R. S. Turner, J. C. White and J. F. White.

Also present: Councillors N. D. Harrison (Substitute), C. T. H. Whinney (Substitute), Mrs. N. J. Bramhall and M. A. Brunt.

26. MINUTES

RESOLVED that the minutes of the meeting held on 6 September 2018 be approved as a correct record.

27. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Committee Members: Councillors R. Michalowski and A. Tarrant.

Others: None.

28. DECLARATIONS OF INTEREST

No declarations of interest were made.

29. PORTFOLIO HOLDER BRIEFING

The Committee received a presentation from Councillor Mrs N. Bramhall, Executive Member for Property and Acquisitions, on the Council's property activities. The presentation detailed the Council's current and previous property activities, including investment acquisitions and developments, community facilities and regeneration projects. The potential for benefits to the borough from significant potential developments such as Horley Business Park and Marketfield Way was noted.

The portfolio holder outlined the Council's criteria and process for considering potential property actions. It was identified that the team had access to a range of contacts and expertise and considered both individual properties and the broader prospects for associated sectors. Opportunities were noted to be considered by the members of the strategic property advisory group and the full Executive prior to decisions being made. All prospects were identified to be subject to due diligence and independent valuation.

The committee considered and discussed the presentation. There were a number of questions and comments, relating to the following topics:

- **Greensand Holdings.** It was identified that Greensand Holdings, the property company owned by the Council had acquired one property to date, and other acquisitions had been made by the Council.

- **The property selection process.** It was identified that many potential properties would be initially considered, and then assessed according to a number of established criteria. The criteria were noted to include the potential financial return and associated details, along with opportunities to deliver on the Council's strategic objectives. The procedure was noted to include initial assessment by officers, consideration by the portfolio holder, strategic property advisory group and Executive Members. It was noted that many prospects were considered but not approved. It was noted that the criteria were being considered as part of the development of the Council's revised investment strategy.
- **Regeneration successes.** Members expressed appreciation for the regeneration work undertaken across the borough, including in the Preston and Merstham areas, and the benefits for the local areas.
- **Secondary benefits of developments.** Discussion was undertaken of the potential secondary benefits to local areas of development activities. It was identified that the addition of a cinema and additional retail units in the Marketfield Way development would be expected to boost the local evening economy and provide further benefits to existing local businesses. The development of additional homes was also identified to address the demand from individuals with a connection to the borough seeking homes, and to provide opportunities for key workers for local business to live locally.
- **Portfolio performance.** The Council's property portfolio was identified to generally be performing in line with market expectations, subject to variation across sectors. It was identified that approved projects were expected to offer positive future prospects.
- **Implications to retail from Brexit.** It was identified that there was the potential for the consequences of Brexit to have an impact on retail, but that there was a great deal of uncertainty around the matter. It was identified that the Council's property was distributed across a range of sectors, so should be resilient to disruption in specific sectors.
- **Business rates.** It was identified that minimal information had been provided by central government on future business rates and that there had been significantly limited opportunities for consultation.
- **Areas for improvement.** It was identified that projects undertaken by the Council were generally delivered in line with expectations, but that there might be opportunities to streamline cooperation with some partners.
- **Future property team arrangements.** It was identified that the Head of Property would be leaving the Council, and Members expressed their thanks for his efforts on behalf of the Council. It was noted that the property team would continue to consider property opportunities and pursue where appropriate. It was noted that the Council and property team's future arrangements would be considered as part of the Council's broader consideration of ensuring that the organisation was structured efficiently and in conjunction with the development of the revised investment strategy. It was identified that there was hoped to be a more developed view on future arrangements by the end of the year.
- **Scrutiny of property activities.** It was queried how the Council's property activities might be most effectively scrutinised. The portfolio holder indicated that they believed that the Leader and Executive model utilised by the Council was the most effective model of making decisions regarding individual properties, rather than requiring advanced consideration by the

Overview & Scrutiny Committee in individual cases. It was identified that Members with any comments or concerns regarding forthcoming Executive decisions were welcome to engage with the Executive in advance of or at the associated meetings of the Executive. The Leader indicated that it was expected that there would be an opportunity for the Committee and Members to contribute to the development of the investment strategy and criteria governing the Council's investment decisions. It was identified that the Committee would continue to have a role in monitoring the performance of the Council's investments in general.

RESOLVED that the portfolio holder briefing from Cllr Mrs N. Bramhall, Executive Member for Property and Acquisitions, be noted.

30. INTERNAL AUDIT PARTNERSHIP AGREEMENT

The Committee received a report on a proposed Internal Audit Partnership agreement, in advance of its consideration by the Executive. It was identified that the proposed new agreement, whereby the Council would join a larger internal audit partnership, was expected to continue to provide a good quality of service to the Council whilst also providing cost savings.

The Committee considered and discussed the report, with questions and comments made regarding the following topics:

- **Cost:** It was identified that there was no initial buy-in cost to joining the partnership, and that being a member would mean that the Council would not be charged the additional rate for an external contract.
- **Audit Days:** It was identified that the proposed number of audit days was in line with the number currently used, and offered a margin for flexibility where required.
- **Independence of Audit:** It was identified that whilst the Council would be a member of the audit partnership, the independence of the audits offered would be maintained by the partnership board, containing representatives from multiple local authorities within the partnership.
- **Capacity and Resourcing:** It was identified that the Council had considered the available resources of the partnership to deliver audit services to the Council and any other new partners. It was identified that the partnership had additional resources available that were not committed to long term arrangements and could therefore be deployed to support demand.
- **Alternative in-house provision:** It was identified that it would be possible to have an in-house lead for audit provision, supported by external contractors, but that this was not expected to provide a cost saving, and that membership of the partnership would also provide access to a larger pool of specialist resources where required.
- **Partnership profits and liabilities:** It was identified that the partnership was a non-profit organisation. It was identified that there would be no liabilities for the Council resulting from its membership of the partnership, and that a written answer would be provided to confirm the relevant details of the partnership arrangements.
- **Quality Assurance:** It was identified that the Council had received references regarding the quality of the audit services provided by the partnership from existing members of the partnership, including from

members who had joined the partnership in 2012 and those who had joined more recently.

RESOLVED that the Internal Audit Partnership Agreement report, and the Committee's comments to support the Executive's consideration of the report, be noted.

31. COMPANIES PERFORMANCE UPDATE

The Committee received a report on the performance of companies owned or partly owned by the Council. There was noted to be additional confidential information of the performance of the companies available in an accompanying exempt item.

The Committee considered and discussed the report. There were a number of questions and comments, relating to the following topics:

- **Reporting timetable and arrangements:** It was identified that the report on the performance of companies owned or part-owned by the Council was expected to be presented on a six-monthly basis. It was expected that additional detail would be available in future.
- **Audit arrangements:** It was confirmed that all of the companies had external audit arrangements in place where required. It was requested that audit information regarding the companies be made available to committee members where possible.
- **Council governance of companies:** It was identified that future governance of commercial activities by the Council was being considered by the cross-party commercial governance group, working with the Council's Monitoring Officer. It was identified that an update from the group was expected to be available in December, with a report in January. Interested Members were invited to contact the chair of the group. It was commented that it would have been preferable for the work of the group to have been undertaken and concluded at an earlier date.
- **Loans to the companies.** It was agreed that a written response would be provided explaining how the Council's loans to the companies would be shown in the accounts.

RESOLVED that the Companies Performance Update report be noted.

32. EXECUTIVE

It was reported that there were no items arising from the Executive that might be subject to the 'call-in' procedure in accordance with the provisions of the Overview and Scrutiny Procedure Rules.

33. EXEMPT BUSINESS

RESOLVED 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.

34. INTERNAL AUDIT PARTNERSHIP AGREEMENT (EXEMPT)

RESOLVED that the Exempt information with regard to the Internal Audit Partnership report to be considered by the Executive on 18 October 2018 be noted.

35. COMPANIES PERFORMANCE UPDATE (EXEMPT)

The Committee considered and discussed Exempt information with regard to the Companies Performance update report. The purpose of setting up the companies and key risks faced by each was explained. There were a number of questions and comments relating to the following topics:

- **Accounting treatment of loans to companies and associated arrangements:** It was confirmed that the Council's External auditors had been content with the accounting treatment of loans to companies to date, and that future accounting treatment would be confirmed in time for associated reporting requirements. It was commented that matters which might not be material to auditors might still be of interest to Members. It was identified that the Council's approach to arrangements around loans to companies had been made on the basis of the most positive expected outcome for the Council and the borough, and in accordance with decisions of the Executive.
- **Property acquisition by Greensand Holdings and the Council.** It was identified that the Council would continue to make property acquisitions where these were considered to be most appropriate for the Council itself to acquire directly.
- **Presentation of information:** Members indicated that they would be interested in seeing more summary information on total payments to and returns from companies, or other information that would support clarity of understanding of the situation to date. It was noted that the Council was open to identifying the most effective ways to present information. It was suggested that presentation to the Committee on the general activities and objectives of companies owned or part-owned by the Council might help support additional understanding of the context of performance reports.
- **Appointment of directors to companies:** It was noted that the Head of Property (and the Joint Managing Director of Greensand Holdings and a Director of the Horley Business Park LLP) had secured an excellent promotion with another Council. It was identified that where the Council was able to appoint directors to companies, this appointment would be conducted according to an Executive decision, potentially via a decision of a relevant Executive subcommittee.
- **Additional advance questions:** It was confirmed that written responses to additional detailed questions regarding the report and exempt information, received prior to the meeting but subsequent to the formal advance questions deadline, would be provided following the meeting.
- **Minutes of meetings:** It was confirmed that minutes of meetings were confirmed by the Committee as a correct record and that if committee members identified any areas where they believed amendments should be made to the minutes, these should be identified in advance of this confirmation.

RESOLVED that the Exempt information with regard to the Companies Performance Update report be noted.

36. ANY OTHER URGENT BUSINESS

None.

The Meeting closed at 9.44 pm