

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 12 September 2019 at 7.30 pm.

Present: Councillors N. D. Harrison (Chair), S. Parnall (Vice-Chair), R. Absalom, M. S. Blacker, G. Buttironi, J. C. S. Essex, R. J. Feeney, J. P. King, J. E. Philpott, S. Sinden, R. S. Turner, S. T. Walsh and D. Allcard (Substitute).

1. MINUTES

RESOLVED – the Minutes of the previous meeting on 11 July 2019 be approved as a correct record.

The Chair welcomed the Committee. He noted that the Report from the External Auditors on the 2018/19 Financial Accounts (ISA 260 Report) is now expected to be available to be discussed at the 17 October 2019 meeting of the Committee rather than this meeting.

The Interim Head of Finance and Assets explained that the draft report was presented to Executive on 18 July 2019. Subsequently it was identified that some fixed asset elements of the balance sheet required more work. This meant the External Auditors' were not able to complete their audit by the end of July as previously planned. The audit of the revised statement is now nearly complete and it is anticipated that the final audit report would come to the next meeting. This will include looking at general year-end lessons learned and put in place arrangements next year to make sure that the specific issues relating to fixed assets were not repeated.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Committee Members: Councillors F. Kelly, C. Neame.

Councillor J. Hudson (substituted for by Councillor D. Allcard).

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. INTERNAL AUDIT 2019/20 - Q1 PROGRESS REPORT

Members considered the Internal Audit 2019/20 Quarter 1 progress report. The Chair welcomed the two representatives (Natalie Jerams and Neil Pitman) from the Council's new Internal Auditors (Southern Internal Audit Partnership). He said he was pleased that they would be attending every meeting. Work had just started on this year's internal audit.

- **Key messages** – the Internal Auditors outlined the key messages in the report. The purposes of the report was to give the status of ‘live’ internal audit reports as well as an update on progress and to raise any significant issues that may have an impact on their annual opinion. A performance dashboard set out the delivery of the performance plan: six per cent were completed; one out of 17 audits was completed. All programmed audits were underway and delivery of the plan was therefore on schedule. There were no ‘live’ reports with management actions outstanding. The first report on Decision Making and Accountability was reported as ‘Substantial’ which meant there was a sound framework of internal control so there were no management actions. The customer feedback was based on an annual survey which the Council would be able to take part in next year.
- **Work programme** – Page 31 of the report onwards set out the rolling work programme for the year and the status of each review. The auditors reported that the programme was on track for year. It was noted that staff had co-operated very well and the auditors were happy with progress at the moment. It was noted that there had been some adjustments to the plan. It had brought forward the Main Accounting audit at the request of the Interim Head of Finance and Assets to provide earlier assurance on the operation of core financial systems and processes. Fraud and Irregularities and Information Security had been added this year at the request of the Committee. Supporting Families, IT Business Continuity, Payment Card Industry Data Security Standard and Housing Benefits had been deferred to 2020/21 as a result.

The Chief Executive said he was pleased a good start had been made and thanked the Internal Auditors for their work so far.

There were no further questions from Members.

RESOLVED – that the Internal Audit 2019/20 Quarter 1 progress report be noted.

5. **CORPORATE PLAN 2020-2025**

Councillor S. Sinden and Councillor S. Walsh arrived at the meeting.

Members considered the Draft Corporate Plan 2020-25 in accordance with the Council’s constitution. The Executive Member for Housing and Benefits, Councillor G. Knight introduced the item. He thanked the work of both Members and Officers who had worked hard to develop the plan over a two-year journey so far. He also thanked the Head of Corporate Policy for her work on behalf of himself and the Leader. The plan is now in a period of consultation and as part of that the Committee were due to provide feedback on the draft plan.

Councillor Knight noted that it was an ambitious plan. It included new areas of focus on both housing and environmental sustainability. It set the direction of travel for the

Council. Over the coming weeks and months, Members would start to see more detail about items set out in the plan, such as the housing delivery strategy. The plan commits the Council to delivering high quality services. The Council needs to generate more income to do this, due to the cut in government funding. It had already established the Commercial Ventures Executive Sub-Committee, and the capital strategy explained how the Council will develop its commercial approach.

He also asked for the Committee's views on how the Plan had been developed, including Member engagement. Did it reflect the areas where the Council should be focusing its activity? The consultation started on 16 July 2019 and was due to close on Monday 16 September 2019.

Committee Members had a number of questions and comments in the discussion that followed:

- **Work of the Council** – Members praised the inclusive way that the Corporate Plan had been drawn together. The plan reflected the full width and breadth of the work and services of the Council which was of interest to residents in the Borough. The Executive Member was thanked for the two presentations that had been given to groups in the north of the Borough.
- **Partnership working** – it was identified that co-ordination with partners such as Surrey County Council was very important. Residents wanted a one stop shop so they could access services at a single point. Members welcomed what had been done so far.
- **Housing** – it was noted that Council is developing a detailed Housing Delivery Strategy to deliver the priority in the draft Plan. It has just re-confirmed its core planning strategy. It would be sensible to reflect this in the updated Corporate Plan as it set the scene. Members asked for more detail about the housing objective to deliver a minimum of 30 per cent affordable housing on all housing schemes on Council-owned land.

The Executive Member for Housing and Benefits said that the housing delivery strategy would have more detail in the next three months or so. The Council was concerned that there were many young people and those who worked in the community such as teachers, health care workers, police officers and local government officers who found themselves priced out of the market. The strategy would look at different stages of the housing cycle from addressing homelessness to social housing, through discounted market rent and into shared equity and shared ownership, to the top step of full ownership housing.

This was something new for this Council as previously it had concentrated on getting developers to develop social housing. It had seen through experience that developers had tried not to deliver that affordable housing, claiming these schemes were not economically viable. But if young people were forced to move out of the area to places that were more affordable, this then

led to a lack of coherence within our communities. It was possible to sell a two-bedroom flat in Clapham for £800,000 and move to buy a house for £500,000 in the Borough. But for those people working here, they were unable to afford to buy in the Borough. This was something the Council needed to address so it could have a strong local economy.

It was noted that the average earning was £34,000 in the Borough. Therefore the Council has to encourage developers to develop the right properties. The Council's Local Plan target for affordable housing in urban areas was 30 per cent and already a stretch target for the borough. Had the Council looked at what it was practical to deliver as opposed to what it would like to deliver? The test was in the results we delivered for our residents – not just an aspiration.

The Executive Member for Housing and Benefits said the current Local Plan target was building 100 affordable homes a year. He would like to see the Council exceed this number. It needed to bring in new partners and new investors in the discounted market rent housing. These were the people the Council needed to work with, from Homes England downwards, to be able to deliver these targets.

Members noted the Corporate Plan target was to deliver 30 per cent of affordable housing on Council-owned land. What did this mean and what about land that the Council did not own? The Plan (on page 50) set out that nearly 3,500 homes had been built since 2012 which was 500 per annum. Was 20 per cent probably a more realistic target than 30 per cent?

The Executive Member for Housing and Benefits said that 30 per cent was a realistic target that had been tested through the Local Plan process. There were local workers who deserved to be housed in this Borough. He would not be happy to see a target of 20 per cent. The Council needed to be ambitious and achieving the 30 per cent target on Council-owned land was in the Council's gift. It would be hard work but the Council could bring in partners who would make it their mission to provide additional social housing.

Members identified that as the Council knew it was not achieving the 30 per cent target on Council-owned land and developers could make the point that it was not viable to put in affordable housing, how could the Council combat that to have any chance of achieving this target?

The Executive Member noted that the National Planning Policy Framework (NPPF) this year effectively downgraded economic viability as a reason for not providing affordable housing. The Council needed to be more ambitious. It could not allow the community to turn into a dormitory community. It needed to have a vibrant economy. Members identified that they supported the Council's ambitions but the clause in the NPPF was very vague. It did not say how it would downgrade the economic viability reason and in this area of high land prices it was not evident how this could happen.

Members identified that in planning applications, it was tightening up on the analysis used on economic viability especially in large developments. It was aiming to improve on present performance to achieve results for the benefit

of our residents. It was identified that this was a welcome statement. The meeting noted the Committee's concern around affordable housing and said it would come back to this topic later in the year when it discussed the Council's housing delivery strategy.

- **Refugee families** – one of the successes of this Borough had been the help it had given in the resettlement of Syrian families. The original plan was to take up to ten families and Members asked for an update on this. The Director of People identified that the Council had just agreed with the Home Office to receive its tenth Syrian family who were due to arrive in the next few months. It was currently in discussions about potential opportunities and costs associated with receiving additional families. It was doing work behind the scenes to see what would be involved. The Council was aware of the resource commitment and that it would need to avoid taking resources from the current housing register.
- **Population figures** – it was noted that the facts and figures were very useful but a figure should be included about the number of households not population. It was important to recognise that the population could ebb and flow, for example, as students went to university.
- **Communities and community safety** – Members welcomed the aspiration to fund community development workers in target communities across the Borough. It was identified that these would be better supported if community hubs had more available back room space as charities such as Furnistore needed large community spaces. If the Council wanted to support flourishing communities it would be good to match the actions of neighbouring Councils and provide facilities at peppercorn rent for charities to help them.
- **Vulnerable residents** – Members noted the statistics presented on the number of vulnerable residents in the Borough. It was good to have the aspiration to do more to support vulnerable residents. It was identified that the primary responsibility for this group was Surrey County Council and this should be reflected more strongly in the plan.
- **Economic prosperity** – it was identified that Members had received complaints from small businesses and existing small shops about the high level of business rates. The rates were outside the Council's control but it was asked what it could do to help small shops and businesses which were part of a thriving community. The Executive Member for Housing and Benefits said that the strategy included looking at how to support smaller businesses. He noted Councillor E. Humphreys, Executive Member for Place and Economic Prosperity had been very proactive in encouraging inward investment and helping existing businesses and start-up businesses in the Borough. He had presented the Corporate Plan to the recent Banstead Business Guild and they had discussed a range of ways of how they could

help themselves. The Plan would underpin economic prosperity strategy and the Council would do what it could to ensure businesses survive and prosper in the Borough.

It was noted that infrastructure requirements had been discussed at the Reigate and Banstead Local Committee. It had identified that infrastructure projects needed to be identified early so that they were ready to go when funds were available. The Council should have this list brought forward at the appropriate time. The wording in the Plan should be strengthened on this subject. The Executive Member confirmed there were several projects in the pipeline. Also now the Leader was on the Board of Coast to Capital this would raise the profile of the Borough for infrastructure investment.

The Chief Executive said that the LEP funding had been secured for Horley Business Park, and two further bids had been submitted for the Marketfield Way scheme and Horley town centre.

The Chair noted that work on the level crossing in Reigate was important to all in the Borough. It would be useful to involve Members more widely in identifying other projects.

- **Shaping our places, Clean & Green Spaces and Environmental Sustainability** – Members noted that in 2010, the Government had required that every new home was going to be zero carbon but this was not a government requirement any longer. Councillor J. Essex said that he would put in writing some additional feedback, however he felt that if it wanted to be a green Council then Reigate & Banstead should have a zero carbon transport policy.

Members asked if the Committee could be given the opportunity to see the final amended Corporate Plan before it went to the Executive. It was identified that this evening's meeting was part of the statutory consultation and the Committee had been asked to provide feedback which had been achieved. The final Corporate Plan would go to full Council for adoption once updated.

RESOLUTION – that the Draft Corporate Plan 2020-2025 and Members observations on it be noted and reported to the Executive in accordance with the Council's constitution.

6. CAPITAL INVESTMENT STRATEGY

Members considered the Capital Investment Strategy for the 2019/20 financial period and provided feedback for consideration by the Executive.

The Executive Member for Finance, Councillor T. Schofield presented the latest Capital Investment Strategy. This forms a key part of the Council's governance arrangements. It provides a mechanism by which investment and financing plans can be prioritised, ensuring that capital decisions took account of stewardship,

value for money, prudence, sustainability and affordability. An Outline Capital Investment Strategy was approved by the Executive in March. This report reflects work carried out over recent months, overseen by the Commercial Ventures Executive Sub-Committee (CVESC) and Commercial Ventures Officer board. There will be further work to complete going forward. The Strategy will be used to support the 2020/21 Service and Financial Planning process when prioritising future capital investment plans and identification of new sources of income to address the forecast budget gap.

Members had a number of questions and comments on the report, relating to the following topics:

- **Work plan** – the Chair commented that this was still work in progress. The Strategy had started to develop the numbers required to help meet the Council's financial objectives. It was expected to develop further as priorities in the new Corporate Plan and Housing Strategy were finalised. This was set out in a logical sequence as the Council started to look at Budget gaps, set out its final plans and proposed commercial investments.
- **Feasibility studies** – Members asked about progress during recent months, including the allocation of £25m in the Capital Programme for investment in corporate priorities in 2019/20 onwards and the creation of an earmarked reserve of £250k that was available to fund feasibility studies. The report confirmed that the Commercial Ventures Executive Sub-Committee now has delegated authority to approve investment of these funds. It was commented that the feasibility studies were revenue expenditure as opposed to the £25 million which is capital investment. It was confirmed that the wording would be amended to clarify this.
- **Commercial Ventures Executive Sub-Committee (CVESC)** – the Chair made the point that there was on-going work to evaluate the risk profile and capital investment criteria which had been overseen by the CVESC. A lot of work had been undertaken by the CVESC at informal meetings but so far nothing had formally come to that Committee so far. He asked for assurances that a report would be formally put forward and that the Overview and Scrutiny Committee would be consulted. This was a very important area as it was looking at management information about investment performance as well as setting criteria for future investment. The Overview and Scrutiny Committee would also want to comment on proposals. The Executive Member for Finance gave those reassurances. CVESC, since its establishment in May, worked in both a formal and informal setting. These items would eventually come through to a formal meeting for discussion.
- **Social and environmental impacts** – Members asked if the Council reviewed any undue environmental impact of capital investment schemes while looking at both risk and economic appraisal. If there were two schemes to invest in and both had the same financial benefits but one might have more benefit than other in social or environmental terms, was there an appraisal process to maximise the opportunity in terms of wider social benefit and environmental benefit? The Executive Member for Finance said that the social side and community benefits formed a large part of CVESC discussions. Where there were two similar cases, if one had a lesser

community social benefit, it was likely to come second.

- **Influences on Investment** – Members asked for more information, when it was available, about how it would ensure that service delivery was supported by fit for purpose assets (page 74 of the report). It was asked what was meant by the proposal for the Council to adopt transformational approaches to the delivery of services with and by local communities. How would it improve business performance? It was noted that work was on-going to fully analyse what assets the Council had, which wards they sat in and the benefit from these – either social or financial.

Members asked about progress on investments in property and capital scheme developments over the last five years. Results would come out of the current review of assets and returns. Progress over recent months was reported for major schemes including Marketfield Way, Cromwell Road, Lee Street and Pitwood Park developments. It was noted that it would be useful for local Members to understand the current timescales for these projects. These would be shared with Members outside the meeting.

- **Brexit** – Members asked what impact Brexit might have on planning for capital investments. Were there any factors that could benefit or detract from current or planned investments? It was identified that Brexit risks were a consideration when planning investments but this was not made explicit in the report. There was risk that the value of assets could go down but this was always a transient cycle and it was regularly reassessed.
- **Property team** – Members noted that there were gaps in permanent staff in the property team which was not at full strength and needed more people with the appropriate skills. This was a risk to the Council that needed highlighting. Projects like Marketfield Way needed people with the right skills. It was identified that the property review was now complete and the external consultant's report on the required staffing would be considered. Members were surprised that the absence of a full property team was not regarded as a "red risk" at this time (page 104 of the report). Officers commented that the Council had good interim staff on the team.
- **Purchase of shares/Provision of loans** – the report referred to the option of making loans to and buying shares in service providers and local businesses to promote economic growth. Members had concerns about this statement. The Council made small grants to local businesses but investing in shares in local businesses, while worthy, was concerning. It said the Council should be very cautious and proposals should be scrutinised if it does this.

Members asked if the Council used the £25 million in the approved capital programme that is available for new investments, how much of this would be borrowed? It was confirmed that all of this sum will be funded through borrowing. It noted that capital growth requirements will be considered as part of the service and financial planning process, and would be subject to

review by this Committee. It drew attention to the Non-specified investments sentence in the report, concerning the purchase of shares, and asked how such purchases were being planned to work to the Council's benefit. It would require a significant amount of rigour and due diligence before purchases were contemplated. It was confirmed that the Council would start borrowing in this financial year. It was noted that the Council had not said it would buy any Non-specified investments.

RESOLVED – that the Capital Investment Strategy for the 2019/20 financial period was noted including the Committee's observations and comments for consideration by the Executive.

7. QUARTERLY PERFORMANCE REPORT (Q1 2019/20)

Members considered the key service performance for the first quarter of the year (2019/20).

The Executive Member for Corporate Direction and Governance, Councillor V. Lewanski, outlined the main findings from the quarterly report. In summary, 10 of the 14 Key Performance Indicators (KPIs) reported in this quarter were on target. Two of the KPIs were outside the agreed tolerance level: KPI 2 – Total number of residential completions and KPI 14 – Percentage of household waste that is recycled and composted.

One indicator (KPI 4) was contextual. This tracked the number of individuals/households that approached the Council for homelessness support and as this was a figure outside the direct control of the Council no target could be set. KPI 1 (Maintain levels of self-service transaction) could not be reported on due to a combination of factors, including a back office systems upgrade.

In the first quarter of 2019/20, KPI 2 (residential completions) showed that there were 66 completions out of a target of 115. The low completions this quarter reflected the phasing of some major developments which results in an uneven distribution of housing completions throughout the year. It also noted as a comparison that in 2018/19 as a whole, the target of 460 residential completions had been exceeded, 515 having been completed. It was further noted that KPI 3 – (Number of affordable homes) was ahead of target for this quarter out of a target of 25 affordable homes, the Council had completed 37 which was ahead of target.

On KPI 14, the percentage of household waste that had been recycled and composted was 51.6 per cent, in comparison with the new "stretch" target of 57 per cent. Performance had increased despite a reduction in garden waste resulting from dry growing conditions early in the year. Current indications showed that mixed recycling tonnages would increase due to an additional 1,900 flats now receiving enhanced kerbside recycling collections.

There were no new strategic risks identified in Quarter 1. A general risk management update is not provided in Quarter 1, however it was appropriate for an update to be provided on the strategic risk concerning Brexit. It was noted that as the 31 October exit date from Europe approached, the Council has appointed a

Brexit Lead Officer who is coordinating the Council's preparations and a Lead Member, Councillor T. Schofield.

There were a number of questions and comments on the report relating to the following areas:

- **Review of KPIs and residential completions** – Members asked for an update on the review of Key Performance Indicators. It was identified that a new set of indicators would be produced for the Committee in December/January. This would include reviewing indicators such as the number of residential completions which the Council could not significantly control or influence. While it was not felt to be a helpful measurement to show what the Borough itself was delivering, it was vital to monitor given the Core Strategy new homes target. In view of this, Members were surprised that permissions commenced but not yet completed were not tracked more closely, at least on an overall basis. However, it was noted that this was outside the control of the Council; developers set the timetable for their developments.
- **Corporate Plan 2020-25** – Members asked if the Corporate Plan 2020-25 was an opportunity to change the scope of KPIs as the current reporting system could not articulate all the work that the Council was doing. It was identified that performance measures were useful for communicating to residents the positive work the Council was doing as well as letting them know how it was doing and how money was being spent. Performance measures could cover a wide range of subjects that residents were interested in such as green spaces.

The Chair confirmed that the Committee scrutinises an annual report on measures in the Corporate Plan which it would continue to do. Certain items should be added as they were very important to residents, such as road sweeping and verge cutting and Members were often asked about these issues by residents.

The Executive Member for Corporate Direction and Governance confirmed that the new set of indicators would be mapped to the Corporate Plan.

- **Recycled and composted household waste**
Members said the Council should be commended that the Council had nearly achieved the 57 per cent target which was up from 47 per cent the previous year.

It was noted that the advent of the garden waste scheme had led to a reduction in bonfires. However, there had been reports of recent increases in bonfires as garden waste subscription charges had gone up. The Executive Member confirmed that the reduction in garden waste tonnage was mainly due to the exceptionally dry growing conditions early in the year when residents were not recycling what was expected. The number of subscribers to the garden waste scheme had not decreased. Members identified that garden waste scheme charges were thought to be high compared to other Surrey councils. The latest figures on how the charges compared across the county would be provided for the Committee.

Members suggested that the Council could look at the take up per household of the garden waste system rather than measure the waste tonnages and look at how to make improvements to the service. It was queried whether the target of 57 per cent was set before the expected roll-out to flats and, if so, was it too low and what were the projections on recycling waste following the flats rollout? It was suggested that other areas to look at to help achieve the target were: the impact of the garden waste service, contamination rates, and extension of the full recycling service to all properties.

Officers would review the target with relevant Heads of Service and give a written response to the Committee.

The Chief Executive encouraged Members to take an active part in the review of KPIs and set out what they wanted to see as updated performance indicators to measure the work of the Council. It was agreed that structured feedback to develop this work was important.

Revenue and Capital Budget monitoring

The Executive Member for Finance, Councillor T. Schofield, introduced the headline performance information for Quarter 1 (2019-20) on Revenue budget monitoring and Capital budget monitoring.

- The Revenue budget was currently forecast to have an underspend of £774.4k compared to budget. On the positive side Refuse and Recycling income was forecast to be £665k higher than budget due to paper recycling and a higher than expected take-up of garden waste subscriptions. Senior Management Team costs were £250k lower than budget due to vacant positions. On the negative side, the costs for running the Harlequin were £74k higher than budget due an income shortfall (partly due to the delay in the cinema refurbishment) and higher staff costs. The Finance team had a £177k forecast overspend due to increased use of agency staff and recruitment costs following the team restructure earlier this year.
- The Capital budget was broadly on track with a projected underspend of £74k. Following last year's building surveys, the Council needed to increase investment in its building stock. The highest priority schemes had been identified. Some of these could be covered within the existing budget but cost pressures may require allocation of an additional £340k later in the year. The Handy Person Scheme which was used as part of the Council's housing assistance programme would also require an additional £50k. Members asked that officers consider providing more supporting detail within the main body of the report in future to aid their interpretation of the summary position.

RESOLVED – that the Performance Report for Quarter 1 2019/20 financial year and the comments of the Committee be noted.

8. CONSTITUTION OF BUDGET SCRUTINY REVIEW PANEL 2019/20

Members received a report detailing the proposed membership, timetable and scope of the Budget Scrutiny Review Panel 2019/20.

The nominations for membership of the panel were confirmed at the meeting, and were as follows:

Conservative Group: Councillors S. Parnall and S. Walsh. Two more nominations would be confirmed at the next meeting.

Residents' Association Group: Councillor N. Harrison

Green Group: Councillor J. Essex

Liberal Democrats: Councillor J. Philpott

It was noted that all Councillors were welcome to attend the meeting of the panel, even if they were not a member of the panel.

RESOLVED – that:

(i) The membership of the Budget Scrutiny Review Panel and the timetable for the preparation of the Budget for 2019/20 be agreed as set out in the report and confirmed at the meeting.

(ii) The scope of the Budget Scrutiny Review Panel work during 2019/20 be agreed as set out in the report.

9. FUTURE WORK PROGRAMME - SEPTEMBER 2019

Members considered the Future Work Programme for the Overview and Scrutiny Committee for 2019/20 and the Action Tracker from the previous meeting.

It was noted that the Report from the External Auditors on 2018/19 Financial Accounts (ISA 260) would be discussed at the next Committee.

RESOLVED – that the Future Work Programme for 2019/20 be agreed and the Action Tracker from the previous meeting be noted.

10. 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 Committee Procedure Rules.

11. ANY OTHER URGENT BUSINESS

There were no items of urgent business.

The Meeting closed at 9.15 pm