

BOROUGH OF REIGATE AND BANSTEAD

OVERVIEW AND SCRUTINY COMMITTEE

Minutes of a meeting of the Overview and Scrutiny Committee held at Remote – via Teams on Thursday, 22 October 2020 at 7.30 pm.

Present: Councillors N. D. Harrison (Chair), S. T. Walsh (Vice-Chair), M. S. Blacker, G. Buttironi, J. C. S. Essex, R. J. Feeney, K. Foreman, J. Hudson, N. C. Moses, S. Parnall, J. Paul, J. E. Philpott and S. Sinden

Also present: Councillors T. Archer, M. Brunt, S. Schofield

32. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies for absence were received from Councillor K. Sachdeva and Councillor R. Turner.

33. MINUTES

The Minutes of the previous meeting on 10 September 2020 were approved.

34. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

35. MEDIUM TERM FINANCIAL PLAN 2021/22 TO 2025/26

Members considered the Medium Term Financial Plan 2021/22 to 2025/26 (MTFP). This Plan was adopted by the Executive in July 2020 as the framework for the budget elements of Service and Financial Planning for 2021/22 onwards.

Councillor T. Schofield, Portfolio Holder for Finance, introduced the item. It continued to be a challenging financial situation as government funding reduces further. Local authorities have to use resources efficiently and seek new sustainable funding streams. Budget preparations for next year had started well despite the extra work going into the emergency response to COVID-19 which had added further complexity. It was uncertain yet how much government funding for COVID-related income losses would be.

Members had asked 32 Advance Questions. These ranged from fees and charges, investments and commercial opportunities, council tax, revenue reserves balances and the impact of COVID-19. Written responses had been provided to Members. More answers would be given as part of the budget scrutiny process. Councillor T. Schofield confirmed that both Service and Central budgets would be presented in

the November budget report (where available) this year for review by the Budget Scrutiny Panel meeting in early December. It was noted that the MTFP forecasts did not yet include any forecast income in relation to any future new investments that might be made.

Members raised questions and made comments on the following topics:

- **Commercial investments** – Members asked if the £50m budget allocated for investment opportunities (for consideration by the Commercial Ventures Executive Sub-Committee) would be spent this year. Councillor T. Archer, Executive Member for Investments and Companies, said that the Council was being prudent about its assumptions for increasing new commercial income streams. It was noted that the Council was benefiting from previous investments with a return of around £4m a year. The Sub-Committee would continue to look cautiously at investment opportunities. It was confirmed that part of the £50m budget allocation in the Capital Programme will fund Project Baseball (an initiative to build a crematorium in the Woodhatch area which was announced earlier in the week and was now open to public consultation).
- **Government funding assumptions** – Members asked about planning for reduced government funding (such as business rates income) which was predicted to be £2.3m in total over the next three years. This was not a confirmed figure, but it was referenced as a planning assumption (based on the information currently available) until the Government confirms the actual changes.
- **Budget provision for future pay and pensions increases** – Members asked if pension increases were due to an increase in staff or a general pension increase. It was confirmed that figures in the Plan were the pension element of any agreed pay rises. The Local Government Pension Scheme managed by Surrey County Council was fully funded overall. Once the outcome of the pay negotiations was known, this would be included in the budget.
- **Financial difficulties of neighbouring local authorities** – Members asked about the potential impact on the Council and on Surrey local authorities of the reported financial difficulties of the neighbouring local authorities such as the London Borough of Croydon. It was noted that a number of London boroughs were facing acute financial challenges which had been exacerbated due to COVID-19 and increased demands and costs, particularly on social care. The Management Team and Members were keeping a close eye on any potential impact on the Council.
- **Fees and charges** – The Medium Term Financial Plan outlines the key principles of the Fees and Charges Policy which focuses on charging for Council services in a transparent and consistent manner. Fees and charges had not been reviewed for some time and increasing the potential for income from this source could contribute to becoming financially self-sufficient. Members commented that a balance needed to be struck on the level of charges: raising fees too much (such as for planning pre-application meetings) would reduce the number of people wanting to use these services. Also, residents were facing significant financial challenges due to COVID-19. Businesses who were struggling would also be affected if charges, such as car parking charges, were increased. Members were reassured that a balanced view would be taken so there was not a negative impact on

demand for services. Work was ongoing to benchmark the costs of similar services provided in the market to set the right level of fees and charges. The Council was very sensitive to the fact that many residents had faced a considerable drop in income.

- **Budget impact assessment** – Members asked if the Finance team was carrying out an equality impact assessment as part of the budget setting process, including looking at the effect COVID-19 was having on residents' income, particularly those who had moved onto Universal Credit for the first time. This year's budget round would be particularly challenging. The Council needed to be agile and proactive to meet the needs of residents during this emergency. Councillor T. Schofield confirmed that the Council was very aware of the current financial impact on residents and this was part of the ongoing budget discussions. A budget impact assessment would be carried out and feed into the budget-setting process. Leader of the Council, Councillor M. Brunt, told Committee Members that it was recognised that residents would need more Council support in the next one to three years. This was part of the work of the recovery teams and is a factor in next year's budget discussions and the continued push for more government funding.

Committee Members welcomed the comments from Executive Members. Their observations would be fed into the Executive meeting in November.

RESOLVED – that the Medium Term Financial Plan 2021/22 to 2025/26 financial period be noted, and the Committee's observations and comments be considered by the Executive.

36. **CAPITAL INVESTMENT STRATEGY 2021/22**

Members reviewed the Capital Investment Strategy that was adopted by Executive in July 2020 in support of service and financial planning for 2021/22 onwards.

Councillor T. Schofield, Portfolio Holder for Finance, introduced the item. The Strategy sets out the approach to capital investment and forms a key part of the Council's governance arrangements. It ensures that investment and financing plans can be prioritised and makes sure that capital decisions take account of stewardship, value for money, prudence, sustainability, affordability and risks. The Strategy also sets out the approach to evaluating and monitoring assets owned by the Council. The Commercial Ventures Executive Sub-Committee has responsibility for evaluating use of assets and potential future capital investments.

Members had asked 10 Advance Questions. These ranged from issues such as commercial returns, working with external advisers on investment planning and reviewing commercial opportunities. Written responses had been provided to Members with further answers to come. More detailed answers would also be given as part of the budget scrutiny process.

- **Capital receipts and repaying grants** – Members asked why a grant might need to be repaid after the sale of an asset. It was confirmed that sometimes the terms of an historic grant funding agreement specified repayment of the grant after an asset was sold.
- **Woodhatch Crematorium** – it was noted that the funding for this project would come from the £50m budget set out in the approved Capital

Programme. All proposals for use of this capital allocation were considered by the Commercial Ventures Executive Sub-Committee against appropriate governance criteria and a commercial checklist before approval. If the Crematorium project was approved, then spending on this item would be clearly reported in quarterly budget monitoring reports.

Councillor T. Archer, Portfolio Holder for Investments and Companies confirmed that the new Commercial Strategy would be considered by Overview and Scrutiny at its December meeting. This would include principles to guide decision-making on potential commercial investments and activities.

RESOLVED – that the Capital Investment Strategy for the 2020/21 financial period be noted and the Committee’s observations and comments be considered by the Executive.

37. COMPANIES PERFORMANCE UPDATE - AUTUMN 2020

Members received an update from Councillor T. Archer, Portfolio Holder for Investment and Companies, on the performance of the companies, currently owned or part-owned by the Council.

These companies are Greensand Holdings Limited, Horley Business Park Development LLP and Pathway for Care Limited. It was noted in the report to the Committee that all these companies are currently considered to be performing in line with the Council’s current objectives and expectations. The Annual Report and Financial Statements for Greensands Holdings and Horley Business Development for the year ended 31 December 2019 were provided in Annex 1 and Annex 2 to the report. Pathway for Care’s Unaudited Financial Statements for the year ended 31 July 2019 were provided in Annex 3.

Greensands Holdings Limited is a property investment and development company set up to facilitate the Council’s property investment activities and wholly owned by the Council. The company generates an income from one of its property holdings and provides an income to the Council through its repayments and interest on the loan.

Horley Business Park Development LLP is a joint venture which was set up to bring forward planning subsequent development, of employment land in the Horley area. It does not currently generate a profit but is working towards the future development of the proposed Horley Business Park as a long-term project. The Council has a 50 per cent share of the company.

Pathway for Care provides supported living facilities and support for their vulnerable residents in the borough and surrounding areas. The Council is a minority shareholder in the company. Members had been provided with a written answer on debtors and recoverability of payments by the company. It was noted that the debtors are almost exclusively other Local Authorities - payment is often made substantially in arrears but Pathway for Care have previously advised that recovery rates are high. Further details have been requested from Pathway for Care and details on their deferred tax asset. A further update would be provided to Members as soon as that was received.

It was confirmed that work was ongoing to develop a longer-term commercial strategy. This will set out recommendations on the best way to structure the Council's trading companies as well as how to help shape and direct the future actions of the Council around commercially relevant activities. This Commercial Strategy would be brought to the next Committee meeting on 9 December.

Members asked if the company accounts presented at the Commercial Ventures Executive Sub-Committee meeting in September could be made public. It was confirmed that the accounts were published on the public website as part of the Overview and Scrutiny Committee papers.

Chair, Cllr N. Harrison, thanked Councillor T. Archer, Portfolio Holder for Investment and Companies, the Interim Head of Finance, and the Director of Commercial and Investment Services, for their work and responses to Members' questions.

RESOLVED that:

- (i) the Companies Performance Update – Autumn 2020 as set out in the report to the Committee and the Exempt information be noted;
- (ii) the observations of the Committee be noted by the Commercial Ventures Executive Sub-Committee at its meeting on 5 November 2020.

38. RECOVERY SCRUTINY PANEL UPDATE

Members received the Recovery Scrutiny Panel's feedback on the COVID-19 recovery work to date following its meeting on 14 October 2020. This included a presentation to the Panel on achievements to date and Minutes from the meeting.

Councillor T. Schofield summarised the discussion from the Panel meeting. A number of questions had been raised by Panel Members which included second wave preparations, locality meetings, business support activities, support for residents with Council Tax arrears and the response to the increase in fly tipping. It was noted that the focus of the Panel is the recovery of RBBC services and operations from the impact of COVID-19 response initiatives. However, it was recognised that this needs to be placed in the context of ongoing Covid response activities and second wave planning. The written answers would be circulated to all Committee Members.

- **Kickstart programme for young unemployed people** – as the current job furlough scheme was due to end shortly, Members asked about the Kickstart scheme. Kickstart is a central Government scheme to provide funding to employers to create job placements for 16 to 24-year-olds on Universal Credit. It was confirmed that this scheme was being supported by the 'Supporting local businesses and the local economy to recover' workstream. It was not yet known how much funding would be available to the Council from this scheme.

In addition, funding from the Department for Work and Pensions had been confirmed for a joint project with Tandridge District Council to set up an East of Surrey Youth Hub to support young people to access training and skills development, work experience and employment opportunities. This was part

of the ongoing work to tackle youth unemployment which was rising in the borough.

RESOLVED – that the Recovery Scrutiny Panel’s feedback and Minutes from the Panel meeting on 14 October 2020, and the observations of the Committee be noted.

39. CONSTITUTION OF BUDGET SCRUTINY PANEL

Members considered and agreed the membership, timetable and scope of work of the Budget Scrutiny Review Panel during 2020/21. The Panel meeting was due to take place on 3 December 2020 and was open for any Member to attend.

The Committee confirmed that the Panel nominations which were:

Conservative: Councillors K. Foreman, R. Michalowski, C. Neame and S. Parnall

Green: Councillor J. Essex

Liberal Democrats: Councillor J. Philpott

Residents’ Association: Councillor N. Harrison

RESOLVED that:

(i) The membership of the Budget Scrutiny Review Panel and the timetable for the preparation of the Budget for 2020/21 be agreed as set out in the report and confirmed at the meeting.

(ii) The scope of the Budget Scrutiny Review Panel work during 2020/21 be agreed as set out in the report.

40. FUTURE WORK PROGRAMME

The Committee’s Forward Work Programme was discussed. The Commercial Strategy report had moved to the next meeting on 9 December. The December meeting had a crowded agenda so consideration would be given to allow enough time to debate these items.

Members thanked Executive Members attending the meeting for their full responses. They also thanked Officers for their written responses to Members’ Advance Questions which had helped to focus discussions.

41. 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.

42. ANY OTHER URGENT BUSINESS

There were no items of urgent business.

43. EXEMPT BUSINESS

RESOLVED – that members of the Press and public be excluded from the meeting for the consideration of Item 12 of the agenda (Medium Term Financial Plan Update (Exempt)) 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.

44. COMPANIES PERFORMANCE UPDATE, AUTUMN 2020 (EXEMPT)

Additional commercially sensitive supporting information was detailed in the Exempt report set out in Part 2 on the agenda. Councillor T. Archer introduced the report and a wide range of issues were discussed which included:

Greensands Holdings Limited – interest charges on loans, the structure of Greensands Holdings, how it generates payments to the Council and the return on investments, current valuation of Crown House, gross rent and annual yield.

Horley Business Park Development Limited – joint venture discussions, current assets, future development costs, medium and longer term risks for investments.

Pathway for Care Limited – it was noted that the Council had a 10 per cent share in this company and held £1.1m redeemable preference shares in the company redeemable in 2023 which is reflected in the Council's financial accounts. The 2020 management accounts were reviewed.

The Meeting closed at 9.15 pm