

**Minutes of the Meeting of the STRATEGY AND RESOURCES COMMITTEE held on
25 September 2018**

PRESENT -

Councillor Eber Kington (Chairman); Councillor Clive Smitheram (Vice-Chairman); Councillors Tony Axelrod, Richard Baker, Hannah Dalton, Liz Frost, Omer Kokou-Tchri, Barry Nash, Vince Romagnuolo (as nominated substitute for Councillor Kate Chinn) and Clive Woodbridge

Absent: Councillor Kate Chinn

Officers present: Kathryn Beldon (Chief Executive), Damian Roberts (Chief Operating Officer), Rod Brown (Head of Housing and Community), Lee Duffy (Chief Finance Officer), Amardip Healy (Chief Legal Officer), Margaret Jones (Business Assurance Manager) and Mark Shephard (Head of Property and Regeneration)

19 QUESTION TIME

No written questions were submitted and one member of the public asked two questions at the meeting.

20 DECLARATIONS OF INTEREST

In the interests of openness and transparency, Councillor Vince Romagnuolo declared he was a member of the Planning Committee with particular regard to Item 3 on the agenda.

21 FUTURE USE OF THE WELLS SITE: PROGRESS UPDATE

As agreed at the Strategy and Resources Committee in July, Members received an update on the proposed development of the Wells site which included three potential site configurations, and Option C was highlighted as the preferred choice.

The Committee noted that due to the sloping nature of the site and potential foundation issues (owing to the position of the nearby natural well) suitable types of housing construction may be limited. However, the Council were committed to developing sustainable buildings and overall aesthetically acceptable designs.

The consultation process was discussed and it was confirmed that the consultation would be conducted by officers in the Town Hall Council Chamber.

Whilst it was too early to predict a start date for the development, it was intended to commence construction as soon as possible after planning permission had been granted and that the search for Contractors would coincide with the submission of a planning application.

A commitment to keep all stakeholders informed and updated throughout the process was reiterated and an assurance to continue responding to all questions and enquiries.

Accordingly, the Committee:

- (1) Approved the proposed site configuration Option C as described in the report.
- (2) Agreed the commencement of a consultation with residents on the proposed site configuration, Option C.
- (3) Agreed that a report to inform on the final options and proposals for the Wells site be brought to a future meeting.

Note: The committee agreed to replace recommendation 3 on the published agenda with recommendation 3 above

22 EMPTY PROPERTY STRATEGY

Officers received a report detailing a proposed Empty Property Strategy compiled with the intention of encouraging owners of empty properties to bring them back into use.

It was recognised that lack of housing within the borough created demand that far outstripped supply, subsequently placing additional pressure on the housing stock available with the result of driving up house prices and rent.

The potential for using Compulsory Purchase Orders (CPO) was discussed and it was noted that whilst other avenues would be explored before considering a CPO it was a realistic option and there was evidence that it had worked effectively for other boroughs. Furthermore it was agreed that in order for policies to work effectively it was important to bring all the parties together to agree a cohesive course of action having awareness of and access to all the tools that were available to support to the process.

Having considered the Empty Property Strategy and the list of available enforcement powers, the Committee;

- (1) Agreed to the adoption of the Empty Property Strategy as set out in Annex 3 to the report.
- (2) Approved in principle the creation of an Empty Property Fund, the details of which will be subject to a further report to the Committee.

23 TREASURY MANAGEMENT YEAR-END PERFORMANCE 2017/18

This report included a detailed review of the performance of the Council's management function in 2018/18 and provided an update on the Ministry of Housing, Communities and Local Government's (MHCLG) new Statutory Guidance on Local Government Investments.

It was noted that the Council were using one external fund Manager – Aberdeen Asset Management – to advise on suitable investments to achieve maximum returns within defined risk parameters. Whilst the Council had invested £7.1m in triple A investments, providing an average rate of return of 0.59%, the Committee was assured that the Council continued to explore alternative investment funds and that presently the percentage return achieved by Aberdeen Asset Management was consistent and satisfactory compared with other fund managers.

The Committee discussed the impact of the MHCLG's new guidance which stated that 'authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed', and it was recognised that alongside the government's decision to withdraw funding, it would place added financial pressure on the borough. It was further noted that the new guidance would have a negative impact on the Council's capacity to increase budgeted revenue income expectations as out of the Borough acquisitions where the intention was purely to profit, would not meet the guidance criteria in terms of borrowing.

Whilst this was disappointing it was pointed out that the Council had undertaken robust discussions with a QC, whose advice was not to risk out of borough purchases until the legal position and Government Guidance had been tested in the courts, and to explore opportunities within the Borough or on the boundaries, where the main purpose of the purchase was regeneration. To that end the Committee was informed that officers were actively seeking opportunities within the Borough and it was hoped to bring further proposals within the next three months.

Having considered the Treasury Management year-end performance, the Committee:

- (1) Received the report on the Council's treasury management performance 2017/18.
- (2) Approved the actual 2017/18 prudential indicators.
- (3) Noted MCHLG's Statutory Guidance on Local Government Investments.
- (4) Noted the suspension of further out-of-borough investment property acquisitions, where the main purpose is purely to profit, until further guidance or case law is published that clarifies the Council's related vires.

Note: Two Councillors abstained from agreeing to note recommendation 4 above.

24 BUDGET TARGETS 2019/20

The Committee received an update on the financial forecast and recommendations for preparing the draft budget for 2019/20 which were based on the Financial Policy Panel recommendations (held on 11 September).

It was noted that the Business Rates Pilot was expected to generate £500,000 of which £200,000 was to be used to mitigate the potential payment of £625,000 to the government for negative Revenue Supports Grant (RSG). The remainder of the income generated would be used to offset expected reductions in funding over the next 3 years as a result of the 'Fair Funding Review planned for 2020/21.

It was recognised that public sector spending cuts imposed by the government and Surrey County Council posed a considerable risk to the Council. There was an ongoing government consultation on negative RSG and a fair funding review the outcomes from which could affect the Council's financial forecasts. In addition there was uncertainty around the New Homes Bonus Grant in relation to the potential legacy payments being honoured by the Government. In light of the uncertainty it was emphasized the importance of budgeting to use income over the entire plan period to counteract as far as possible the forecasted deficit which currently stood at £1.613 million over four years.

Having considered the budget targets and as set out in the Financial Policy Panel Minutes 11 September (published in a supplementary annex) the Committee:

- (1) Received the Minutes of the meeting of the Financial Policy Panel held on 11 September 2018.
- (2) Agreed the following overall revenue budget target for 2019/20:
 - a) Estimates to be prepared including options to reduce organisational costs by £406,000, subject to government grant announcement, in order to minimise the use of working balances and maintain a minimum working balance of £2.5 million in accordance with the medium term financial strategy;
 - b) That at least £200,000 additional revenue is generated from an increase in discretionary fees and charges;
 - c) That a provision for pay award is made of £280,000 that represents an increase to the staffing budget of 2.5%, 1% for cost of living and 1.5% for progression.
 - d) That further savings and efficiencies be identified to address the budget shortfall of £113,000 in 2019/20;

- e) That £200,000 from the financial gain of being part of the Pilot for Business Rates is used to mitigate the potential payment of £625,000 to government for 'negative RSG'.

25 INTERNAL AUDIT

The Committee was asked to consider the procurement of internal audit services from Southern Internal Audit Partnership for a period of 4 years from 1 April 2019.

The report outlined the arrangements with the existing provider (RSM), who were contracted to provide services through the East Surrey Internal Audit Consortium, and the contract was due to expire on 31 March 2019

The Consortium had met several times to discuss the possibilities going forward, and had identified three options; procurement through a full Official Journal of the European Union; use of established frameworks or to join an existing shared service.

An evaluation had been prepared outlining the strengths, weaknesses, price, quality and risks of all the options and presented to Committee in restricted Annex 1 to the report.

Having considered all the options the Consortium unanimously agreed that the best option was to join an existing shared service through the Southern Internal Audit Partnership, who provided services to a range of organisations including the Police. Their proposed day rates were competitive against the rates charged by the Consortium based on the 2018/19 rates.

Accordingly, the Committee agreed to:

- (1) The Council entering into a partnership arrangement with Southern Internal Audit Partnership
- (2) Give delegated authority to the Head of Corporate Governance in conjunction with the Chief Finance Officer to finalise the arrangements.

26 SHAREHOLDER SUB-COMMITTEE: APPOINTMENT OF CHAIRMAN

The Council had established a Local Authority Property Investment Company (EEPIC) at an Extraordinary Meeting on 19 September 2017. At that meeting the Council ratified the Strategy and Resources Committee decision to discharge the functions of the Council as the Shareholder in the Company.

The Terms of Reference of the Sub-Committee were attached at Annex 1.

The Committee was asked to appoint a Chairman of the Sub-Committee from amongst its members in accordance with the Terms of Reference.

Members of the Sub-Committee are:

Councillor Eber Kington (RA)

Councillor Barry Nash (RA)

Councillor Clive Smitheram (RA)

Councillor Clive Woodbridge (RA)

Councillor Tina Mountain (CON)

Subsequently, the Committee agreed to appoint Councillor Eber Kington as the Chairman for the Shareholder Sub Committee.

27 MINUTES OF PREVIOUS MEETING

The Minutes of the Meeting of the Strategy and Resources Committee held on 26 July 2018 were agreed as a true record and signed by the Chairman.

28 INCREASING CAPACITY THROUGH ORGANISATIONAL CHANGE

The Committee received a report outlining the proposal to increase capacity through organisational change, and were asked to consider the costs arising from the proposals (detailed in confidential supplementary Annex 4).

Members discussed the reasoning behind the proposed changes and noted that the training and development of staff, came under the remit of the HR panel.

Accordingly the Committee:

- (1) Noted the proposed changes to the officer structure aligned to the delivery of Council priorities as outlined in Annex 1 of the report.
- (2) Agreed that £20,000 be included in the Council's budget planning process for 2019/20 for business improvement work needed to further enhance capacity within the organisation.
- (3) Agreed the one-off costs associated with moving to the new structure as detailed in the confidential supplementary Annex 4.

29 EXCLUSION OF PRESS AND PUBLIC

The Committee resolved to exclude the Press and Public from the meeting. This was in accordance with Section 100A (4) of the Local Government Act 1972 on the grounds that the business involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act (as amended), and, that, pursuant to paragraph 10 of Part 2 of the said Schedule 12A, the public interest in maintaining the exemption outweighed the public interest in disclosing the information

30 EPSOM CEMETERY EXTENSION - USE OF COMMUNITY
INFRASTRUCTURE LEVY

The Committee agreed a way forward as set out in the Minutes.

Note: The details are considered officially sensitive at this time and the Minute for this item will be exempt from publication.

The meeting began at 6.30 pm and ended at 8.55 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)