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Monday, 28 June 2021

To: The Members of the **Performance and Finance Scrutiny Committee**
(Councillors: Sashi Mylvaganam (Chairman), Valerie White (Vice Chairman),
Graham Alleway, Cliff Betton, Vivienne Chapman, Sarah Jane Croke, Paul Deach,
Sharon Galliford, Edward Hawkins, Darryl Ratiram, Morgan Rise, Graham Tapper and
Victoria Wheeler)

**In accordance with the Substitute Protocol at Part 4 of the Constitution,
Members who are unable to attend this meeting should give their apologies and
arrange for one of the appointed substitutes, as listed below, to attend.
Members should also inform their group leader of the arrangements made.**

Substitutes: Councillors Dan Adams, Peter Barnett, Rodney Bates, Tim FitzGerald,
Josephine Hawkins, David Lewis, Pat Tedder and Kristian Wrenn

Dear Councillor,

A meeting of the **Performance and Finance Scrutiny Committee** will be held at Council Chamber, Surrey Heath House, Knoll Road, Camberley, GU15 3HD on **Wednesday, 7 July 2021 at 7.00 pm**. The agenda will be set out as below.

Please note that this meeting will be recorded.

Yours sincerely

Damian Roberts

Chief Executive

AGENDA

	Pages
1 Apologies for Absence	
2 Minutes of Previous Meeting	3 - 8

To receive, and confirm as being a correct record, the minutes of the meeting of the Performance and Finance Scrutiny Committee held on 17th March 2021.

3 Declarations of Interest

Members are invited to declare any interests they may have with respect

to matters which are to be considered at the meeting. Members who consider that they may have an interest are invited to consult the Monitoring Officer or Democratic Services Officer prior to the meeting.

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|-----------|--|-----------------|
| 4 | Annual Performance Report | 9 - 26 |
| | To receive and comment on a report summarising the performance of the Council in 2020/21 against the corporate objectives, priorities and success measures set out in the Annual Plan. | |
| 5 | A New Five Year Strategy for Surrey Heath Borough Council | 27 - 32 |
| | To receive a report providing an update on the development of a new Five Year Strategy for the Council. | |
| 6 | End of Year Finance Report | 33 - 46 |
| | To receive a report summarising the Council's financial position at the end of the 2020/21 financial year. | |
| 7 | Corporate Capital Programme 2020/21 and Capital Prudential Indicators for 2020/21 | 47 - 52 |
| | To receive a report setting out a review of the Council's Capital Programme and Prudential Indicators. | |
| 8 | Property Investment Task and Finish Group Final Report | 53 - 96 |
| | To receive a report setting out the findings of the Property Investment Task and Finish Group and the action plan arising from these findings. | |
| 9 | Performance and Finance Scrutiny Committee Work Programme | 97 - 100 |
| | To receive and comment on the Committee's proposed work programme for the remainder of the 2021/22 municipal year. | |
| 10 | Date of Next Meeting | |
| | The next scheduled meeting of the Performance and Finance Scrutiny Committee is scheduled to take place on Wednesday 8 th September 2021 at 7pm. | |

Minutes of a Meeting of the Performance and Finance Scrutiny Committee held virtually on 17 March 2021

- + Cllr Sashi Mylvaganam (Chairman)
- + Cllr Shaun Garrett (Vice Chairman)

- | | |
|-------------------------|-------------------------|
| + Cllr Dan Adams | + Cllr Sharon Galliford |
| + Cllr Graham Alleway | + Cllr Edward Hawkins |
| + Cllr Cliff Betton | - Cllr Darryl Ratiram |
| + Cllr Vivienne Chapman | + Cllr Graham Tapper |
| + Cllr Sarah Jane Croke | + Cllr Victoria Wheeler |
| + Cllr Paul Deach | + Cllr Kristian Wrenn |

+ Present

- Apologies for absence presented

Substitutes: Cllr Paul Deach for Cllr Darryl Ratiram

Members in Attendance:

Councillors Peter Barnett, Rodney Bates, Emma-Jane McGrath, Robin Perry, Pat Tedder and Valerie White

Executive Portfolio Holders in Attendance:

Cllr Josephine Hawkins, Support and Safeguarding
 Cllr Rebecca Jennings-Evans, Places and Strategy
 Cllr David Lewis, Finance
 Cllr David Mansfield, Environment and Health
 Cllr Alan McClafferty, Leader

Officers Present:

Sarah Bainbridge, Senior Organisational Development Advisor
 Daniel Harrison, Executive Head: Business
 Martin Hone, Executive Head: Finance
 Louise Livingston, Executive Head: Transformation
 Sue McCubbin, Recreation and Business Services Manager
 Richard Payne, Executive Head: Corporate
 Jenny Rickard, Executive Head: Regulatory
 Ben Sword, Commercial and Community Development Manager

37/PF Minutes of Previous Meetings

RESOLVED that the minutes of the Performance and Finance Scrutiny Committee meeting held on 5th January 2021 and 27th January 2021 were, subject to an amendment to include Councillor Mansfield's attendance at the meeting of the 27th January, agreed as being a correct record and signed by the Chairman.

38/PF Executive Portfolio Update: Places and Strategy

The Committee received a report summarising the Council's work during the past twelve months which were encompassed within the Places and Strategy Executive Portfolio; a portfolio which covered a number of areas including recreation and business, greenspaces, commercial and community development, physical activity, health and wellbeing and events.

The Covid-19 pandemic and its associated restrictions had had a significant impact on the functions within the portfolio; a number of planned events had either been cancelled or postponed and the Recreation and Business Team, in their entirety, had been seconded to deliver support to residents through the Council's welfare cell. There had been a significant increase in the number of visitors to the Borough's green spaces and this had impacted negatively on road surfaces in the surrounding areas as car parks reached capacity. There had also been a surge in vandalism and antisocial behaviour in the Borough's parks and green spaces during the restrictions.

Over the year, improvements had been made to a number of playgrounds and green spaces in the Borough including the playgrounds at Loman Road, Old Dean Recreation Ground and Watchetts Recreation Grounds. Further improvement works were underway in Chobham Road in Frimley, Heatherside Recreation Ground, Frimley Lodge Park and London Road Recreation Ground.

The Borough's Greenspaces contract with Surrey County Council included a duty to treat known areas of Japanese Knotweed and over the past year approximately 6 days had been taken up with this work. It was stressed that the Council was currently only responsible for treating those areas named in the original contract with the County Council and treatment of any new areas would either be the responsibility of the County Council or would require additional funding to be made available from the County to the Borough. It was agreed that the matter would be raised with the Executive. It was requested that Members forward any information about Japanese Knotweed on public land to the Executive Head of Business in the first instance.

It was clarified that the Active Lives Survey was a nationwide survey administered by Sport England. The Survey was sent to 2000 households selected at random by postcode in each local authority area with the only criteria for respondents was that they were at least 18 years old. In the October 2020 survey, which covered the period May 2019 - May 2020, a total of 561 responses had been received from Surrey Heath residents. Whilst the 2020 survey showed a continued reduction in levels of inactivity it was thought that these results did not fully reflect the impacts of the Covid-19 pandemic and it was expected that the next survey which would cover the period November 2019 to November 2020 would show a sharp increase in inactivity levels.

The construction of the new Leisure Centre was on target and on budget, prices for memberships and activities are currently being finalised and it was expected that the facility would open in July.

A new Physical Activity Strategy, which would set out how the Council planned to help reduce inactivity in the Borough and support people to return to physical activity was under development. Included in the planned work to encourage improved levels of physical activity was the introduction of Sweatcoin, an app which enabled residents to convert the number of steps they walked into points which could be exchanged for rewards. The national scheme, which would be tailored to Surrey Heath residents, was backed by Sport England and would be free to use with costs covered by advertising.

Concerns about the standards of public cricket pitches were noted. Renovation works were ongoing however the majority of pitches were located on multi-use sites and consequently maintaining their standard was more difficult to control.

The Committee noted the update and the positive work which was taking place.

39/PF Executive Portfolio Update: Support and Safeguarding

The Committee received a report summarising the Council's work during the past twelve months in the functions which were encompassed within the Support and Safeguarding Executive Portfolio. The portfolio covered a number of areas including voluntary sector and community partnerships, grant schemes, community safety, safeguarding, equalities, housing solutions and family support.

During the course of the year, a number of additional grants schemes had been made available including the Covid-19 scheme, which made grants of up to £25,000 available to local voluntary and community groups, and the Ward Councillor Grants, which provide ward councillors with £1,000 which could be used to provide grants of up to £500 to community initiatives within their wards. The Council had received £40,922 from DEFRA to help alleviate local hardship which had subsequently been used to support the work of local foodbanks.

A Poverty Working Group had been established with representation from a wide range of organisations including Councillors, the Clinical Commissioning Group and the voluntary and community sector. Initial work had focused on working with partners to provide assistance to local residents including a computers for schools scheme and a hardship fund which was administered by Citizens Advice Surrey Heath. A Poverty Summit had been scheduled for Monday 29th March and an invitation had been sent to all councillors. It was agreed that a recording would be made available for those who were unable to attend.

In 2020, 119 Disabled Facilities Grants had been made to local residents who needed adaptations to be made to their homes to meet their changing needs. The maximum grant available was £30,000 and independent occupational health advisors helped to assess bids and work with applicants to ensure that improvement schemes met their needs. The grants were used to pay for a range of improvements including the installation of stair lifts, adaptations to bathrooms and addressing access issues.

Between 1st January 2020 and 31st December 2020, the Housing Solutions Team had received 487 approaches from households who were either homeless or at risk of becoming homeless. Of these 214 were either already homeless or were at risk of being homes within 56 days of their approach to the Council, compared to 315 in the same period the previous year, a reduction attributed to the eviction ban put in place by the Government as a result of the Covid-19 pandemic. The removal of the eviction ban in May was expected to increase levels of homelessness however it was not possible at this stage to gauge the full impacts.

At the start of the pandemic, 31 individuals were identified as sleeping rough in the Borough and were accommodated. At the end of the first lockdown restrictions, 18 had moved into settled accommodation, 2 had refused offers of alternative accommodation and 11 placements had ended due to abandonment, non-engagement, non-payment of rent or anti-social behaviour.

The Council had bought Connaught Court, a 10 bed unit, to provide accommodation for up to two years for single homeless people for up to two years and a 5/6 bed property had been bought to provide Night Stop accommodation via the Hope Hub. The Council worked closely with the Hope Hub and other specialist charities to support those residents who were sleeping rough, particularly those with more complex needs. It was requested that officers be made aware of any people who were sleeping rough so that support could be provided.

Difficulties in identifying suitable accommodation had slowed the Council's commitment to rehoming 10 refugee families through the UK Resettlement Scheme. To date, five families had been rehomed and all were reported to have settled well into their new communities. The suspension of services during the pandemic had impacted on the families particularly with the suspension of English language classes and the move to home schooling. It was agreed that a briefing on the programme would be provided to members.

The Committee was informed that the roll out of community noticeboards was taking place on a phased basis and an update would be provided outside the meeting.

The Committee noted the report.

40/PF Quarter 3 (September to December 2020) Finance Update

The Committee received a report summarising the Council's financial position at the end of the third quarter (October to December 2020) of the 2020/21 financial year.

It was reported that projections showed a year end overspend of £1,100,000 in the revenue budget and £16.9million of the Capital Programme's total budget of £34.2million had been spent.

In February 2021, the Council had moved £25million of short term loans into 40 year fixed term loans. The change was expected to cost the council an extra £500,000 over the course of the loan however it was considered good practice that the financing of long term projects which were expected to run for 20 years or more, for example the building and running of a leisure centre, should be financed by long term borrowing and this transfer of short term loans into long term borrowing reflected this.

The Covid-19 pandemic had had a significant impact on the Council's income in a number of areas including car parking and a loss of rental income from retailers and businesses in the Council's commercial property. The Council was taking advantage of Government Grant schemes that had been put in place to support local authorities wherever possible.

The Committee noted the update.

41/PF Draft Five Year Strategy

The Committee received a report providing an update on the development of a new five year strategy for the Council.

The five year strategy set out the Council's overarching priorities for the Borough and would be used to shape the Council's annual projects and targets. The strategy would be informed by a number of existing policy areas, data sources and emerging legislation. The report identified key areas for inclusion in the emerging strategy and the Committee was invited to comment.

To ensure that the Council had the resources to deliver the ambitions in the strategy, the review of the Council's Medium Term Financial Strategy would be aligned with the five year strategy's development.

It was noted the terms of office for the current cohort of councillors would expire in 2023 and it was suggested that a five year strategy could potentially commit the incoming administration to a course of action that did not necessarily align with their manifesto. It

was suggested that a three year strategy followed by a four year strategy would better align with these terms of office.

Officers confirmed that the Five Year Strategy would include the Council's commitment to addressing climate change.

The Group noted the report.

42/PF ISO9001

The Committee considered a report which provided an overview of the ISO9001 standard and how it applied to local government.

It was noted that ISO9001 was an international standard used by organisations to demonstrate their ability to consistently provide products and services that met customer and regulatory requirements and demonstrated continuous improvement.

Surrey Heath's Building Control function was currently working towards ISO9001 accreditation. The process of obtaining ISO9001 accreditation is an intensive one and Surrey Heath Borough Council's Building Control Team has been supported through this process by Local Authority Building Control (LABC) via advice, support and templates. Officers undertook to report back to Committee members on the expected timeframes for the outcome of the accreditation process.

Whilst there were no plans to pursue ISO9001 accreditation for other Council functions, there were a number of projects and targets outlined in the draft Annual Plan for 2021/22 which focused on improvement and aligned with the Standard's quality management principles. With this in mind it was proposed that a self-assessment of the Council's performance against the Local Government Assessment Tool for Integral Quality Management which was contained in the ISO18091 Standard. The outcomes of this work would then be used to inform the review of performance management in 2021/22.

The Committee noted the update.

43/PF Property Investment Task and Finish Group

The Committee received an update on the work of the Property Investment Task and Finish Group which the Committee had established to review the decision making processes which had led to the Council's purchase of the Mall Shopping Centre in 2016. The outcomes of the review would then be fed into the Council's developing Property Investment Strategy

The Committee was informed that delays in appointing an independent reviewer and accessing information had meant that the Group's work had taken longer than initially anticipated. The Task and Finish Group had taken evidence from a number of organisations who had provided the Council with advice in the run up to the purchase and reviewed the decision reports, urgent actions and legal advice that had been provided. A projected budget of £110,000 had been agreed for all stages of the work with £40,000 being allocated to an external review of valuations and £20,000 being set aside for any additional external advice required.

The Committee was informed that the Task and Finish Group had taken evidence from Arlingclose, in their capacity as the Council's Treasury Advisors, Montagu Evans, Addleshaw Goddard and KPMG. A review of the papers used to inform the Council

decisions in 2016 had been carried out and Avison Young had been instructed to carry out a 'desktop' review of the 2016 acquisition of the Mall Shopping centre and ancillary properties.

Interim findings had concluded that whilst the Council had purchased the Shopping Centre at the top end of the expected price range it had not over paid. In addition, the Council had been the only prospective purchaser and this had removed any element of competitive market tension at the time of purchase. Notwithstanding the subsequent collapse of the retail sector and the impacts of the Covid-19 pandemic on any income the shopping centre might have generated, the Council's primary driver for buying the property had been to secure the future regeneration of Camberley town centre.

The final report would be brought to the Committee's next meeting for consideration. It was agreed that a full breakdown of the cost of the investigation would be included in the report.

The Committee noted the update.

44/PF Performance and Finance Scrutiny Committee Work Programme

The Committee received and noted a report setting out the draft work programme for the Performance and Finance Scrutiny Committee for the 2021/22 municipal year.

It was agreed that an item looking at the Council's use of bailiffs to recover non-commercial debts would be added to the work programme before December 2021 so that the outcomes could be fed into the budget setting process for 2022/23.

It was requested that a review of the Council's Climate Change Policies be included in the work programme.

The Committee noted the significant gap between the dates of meetings between March and July and requested that this be reviewed when the timetable was next set.

RESOLVED that subject to the amendments detailed above the Committee's work programme for the 2021/22 municipal year be endorsed.

45/PF Date of Next Meeting

It was noted that the next scheduled meeting of the Performance and Finance Scrutiny Committee would take place on Wednesday 7th July 2021 at 7pm.

CHAIRMAN

End of Year Performance Report – 2020/21

Summary

This End of Year Report summarises the performance of the Council in 2020/21 against the corporate objectives, priorities and success measures set out in the Annual Plan.

Portfolio: Leader

Wards Affected: All

Recommendation

The Performance & Finance Scrutiny Committee is requested to NOTE the attached end of year performance report and make any observations to the Executive.

1. Key Issues

- 1.1 The Annual Plan 2020/21 was agreed by the Executive on 24 March 2020, and set out the key targets, projects and success measures for the year.
- 1.2 The attached report at Annex A summarises the Council’s performance and achievements against these targets in 2020/21.
- 1.3 Progress against this plan is monitored regularly by Executive Heads of Service and reported on a quarterly basis to the Corporate Management Team.
- 1.4 A number of targets and projects have inevitably been impacted by the Covid pandemic and the Council’s need to redeploy resources to welfare response to support the most vulnerable in the community. This has been detailed in the attached report. Notwithstanding this, many of the targets were complete or on-going at year end.
- 1.5 This report will be considered by the Executive at its meeting on 20 July and the Committee is asked to consider any observations it wishes to make on this report.

2. Resource Implications

- 2.1 There are no specific resource implications arising from this report.

3. Proposals

- 3.1 The Performance & Finance Scrutiny Committee requested to note the attached end of year performance report and make any observations to the Executive.

4. Supporting Information

- 4.1 Please see the attached report at Annex A.

5. Corporate Objectives And Key Priorities

5.1 This report details progress against the Council's Corporate Objectives and Key Priorities.

6. Policy Framework

6.1 The Annual Plan supports the delivery of the Council's Five Year Strategy; a key element of the Council's Policy Framework.

7. Legal Issues

7.1 There are no specific legal issues arising from this report.

8. Governance

8.1 Regular monitoring and review of progress against key projects and targets is a key element of corporate governance.

9. Risk Management

9.1 Risks are considered on a project by project basis.

10. Equalities Impact

10.1 Equalities impact are considered on a project by project basis. A key target in the Annual Plan is focusing on addressing poverty within the Borough.

11. Human Rights

11.1 There are no specific human rights implications in this report.

12. Environmental Impact

12.1 Environmental impacts are considered on a project by project basis. A key target in the Annual Plan is focusing on addressing Climate Change within the Borough and the Council's operations.

13. Consultation

13.1 There are no consultations arising from this report.

14. PR And Marketing

14.1 There are regular communications across numerous channels on many of the projects and targets included in the plan, including any impact of Covid on services.

Annexes	Annex A – End of Year Performance Report – 2020/21
Background Papers	Annual Plan 2020/21
Author/Contact Details	Name – Sarah Bainbridge sarah.bainbridge@surreyheath.gov.uk
Head of Service	Louise Livingston - Executive Head of Transformation

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KEY PROJECTS – STRATEGIC / CROSS-CUTTING

REF	TARGET / PROJECT	MILESTONES	END OF YEAR STATUS	END OF YEAR 2020/21 UPDATES/COMMENTS
SHBC1	<p>CLIMATE CHANGE – Surrey Heath Borough Council declared a Climate Change emergency in October 2019; agreed a target of make Surrey Heath Borough Council and its contractors carbon neutral by 2030, or earlier if possible, taking into account both production and consumption emissions; and has set up a Working Group to deliver these aspirations. In 2020/21 the Council will measure its baselines and agree a strategy and action plan.</p> <p>Targets:</p> <ul style="list-style-type: none"> Set up an Executive and Officer working Groups. Measured base line carbon emissions in our estate and from Council activities. To agree a Climate Change Strategy and Action Plan. 	BY MARCH 2021	COMPLETE	<ul style="list-style-type: none"> Set up Executive and Officer working groups Following the declaration of a Climate Emergency in October 2019, a Members Climate Change Working Group was formed. A key action of this group has been the development of a Climate Change Action Plan, to set out the aims, objectives and actions for delivery in Surrey Heath to support achieving the 2030 carbon neutral target. Following a request for Service lead Climate Change champions, an Officer Working Group has also been set up. Measured base line carbon emissions in our estate and from Council activities The SHBC Climate Change Action Plan is supported by the emission baseline set out in the Climate Change Study prepared by Aceom on behalf of the Council to support the development of the new Local Plan. Chapter 4 of the study sets out the baseline carbon emissions for Council as an organisation, as well as the Borough wide emissions (2017 base year). To agree a Climate Change Strategy and Action Plan The Surrey Heath Climate Change Action Plan was agreed at the March 16th 2021 Executive meeting, the Surrey Climate Change Strategy was also endorsed as this meeting. Work has started on the delivery of priority actions.
SHBC2	<p>POVERTY – undertake a study to identify and understand the community groups (to include statutory services where appropriate) that operate in St Michael's, Old Dean and Watchetts, to include church, sport groups, and unofficial community champions.</p> <p>To understand what services are currently offered and what more is required to support those living in poverty within the community (the gaps). Based upon this work, develop an outline action plan that can address this inequality, together with clear improvement measures.</p>	<p>Report setting out an action plan for the council and its partners to be brought to the executive by JULY 2020</p>	ON TRACK	<p>With the parameters to this project, it has changed slightly to reflect the impact on our community in the recovery phase of the pandemic. This is primarily due to the increasing unemployment through the contraction in many business sectors.</p> <p>Reports received by the Executive in October 2020, and February 2021 outline progress to date with a newly formed working group and action plan to commence post elections in May 2021.</p> <p>The reported outlined in October 2020 introduced a framework of support available to local organisations and groups that operate within Surrey Heath. A successful consultation event hosted on the 9th December 2020, established further community links to ensure the support reaches all who need to access, and raised the issue of insufficient ICT equipment for children who were being home-schooled. This triggered support to meet the need from a generous grant from Frimley Fuel Allotments to some schools with others being offered recycled PCs and laptops from the Councils ICT team. The former Poverty Working Group set out its actions with their completion by February 2021, with a further report that provided an update on the establishment of the Ward Councillor Scheme, and the Emergency Food Poverty Scheme.</p> <p>On the 29th March an All Councillor meeting was hosted which set-out possible direction of the Poverty Working Group, the outcome has agreed a new direction that is to be ratified at the first meeting of the newly formed Community Support Working Group, in May 2021. The all-important community representation is retained, with an indication of Chobham/Windlesham and Deepcut/Frimley Green and Mytchett to be the next areas of focus.</p>
SHBC3	<p>CAMBERLEY TOWN CENTRE REGENERATION – continue with the programme to deliver an improved Camberley Town Centre for residents, businesses and visitors and develop our Town Centre Strategy including:</p> <ul style="list-style-type: none"> Delivery of a new Leisure Centre (see BUS1) 	<p>Regular reports to the Town Centre Working Group on milestones and progress.</p> <p>New leisure centre to open SUMMER 2021</p>	ON TRACK	<p>The new centre is currently under the final stages of construction and is due to open on 1 July 2021 (with an official opening in early 2022). Gym inductions and tours for new members and key stakeholders are planned to take place in June 2021.</p>

REF	TARGET / PROJECT	MILESTONES	END OF YEAR STATUS	END OF YEAR 2020/21 UPDATES/COMMENTS
	<ul style="list-style-type: none"> Improvements to the public realm (see REG2) 	<p>Complete improvements to public realm by end 2021.</p>	PART COMPLETE	<p>Works are now complete (apart from small snagging works) and the highway is back open to general traffic.</p> <p>A green wall is currently being installed in Knoll Walk. Public Art is also in the process of being installed.</p>
	<ul style="list-style-type: none"> Big Spaces review of vacant retail spaces 	<p>Update on options to be reported by JULY 2020</p>	NOT ACHIEVED	<p>Discussions are underway to secure an occupier for former BHS building. The options have included the marketing of the space for new retailers or tenants. Other options have included a new base for the library including a community hub, a digital hub including flexible desk space, a charity hub, all these projects require investment from multiple partners, business cases will continue to be worked on with all prospects considered with the aim to fill the unit in 2021/22.</p> <p>House of Fraser continues to trade although options are being explored for future use of the store. An options appraisal was undertaken to look at using the building for mixed purpose, a business case will be developed and bought forward in 2021/22.</p>
	<ul style="list-style-type: none"> London Road Development Site Regeneration 	<p>Development agreement signed in June 2020</p> <p>Planning application anticipated within 18 months of signing</p> <p>Regular updates to tenants throughout the year</p>	NOT ACHIEVED	<p>The Covid pandemic has had an impact on the project.</p> <p>The target to sign a development agreement by June 2020, proved not to be achievable. A decision on the next steps is due to be taken by the Council in July 2021.</p>
	<ul style="list-style-type: none"> Land East of Knoll Road (LEKR) 	<p>Agree next steps with Partners by SEPTEMBER 2020</p>	ON HOLD	<p>This project is still on hold. Work is underway to determine a wider vision and strategy for Camberley Town Centre.</p>
	<ul style="list-style-type: none"> Reporting on key Capital Projects to the Executive and Performance & Finance Scrutiny Committee. 		ONGOING	<p>Review of the 2019/20 Corporate Capital Programme considered by Executive July 2020. Key Capital Projects and milestones identified in Annual Plan performance reports to Performance & Finance Scrutiny Committee and the Executive.</p>
SHBC4	<p>FIVE YEAR STRATEGY – review and update the Council's Five-Year Strategy setting out our ambitions for our communities, Borough and organisation, including consultation with partners, residents, businesses and staff.</p> <p>Review staffing resources and skills needed to deliver the strategy goals and ensure the Council is able to meet future challenges.</p>	<p>Agree new Strategy by MARCH 2021</p>	<p>RESCHEDULE TO ALLOW FOR FULL CONSULTATION</p>	<p>To allow for full consultation with public and partners, a revised timetable for the preparation of the Five Year Strategy (and the Medium Term Financial Strategy) was agreed with the final Strategies being agreed at Full Council in October 2021.</p> <p>Workshops took place in August/September 2020 with the Executive and Corporate Management Team, supported by the Local Government Association (LGA), to start work identifying priorities for a the Five Year Strategy, and an evidence base of relevant data has been collated. Initial workshops with wider Members and partners will take place in May and June to inform a draft strategic narrative, which will go out to wider consultation during the summer of 2021.</p>

REF	TARGET / PROJECT	MILESTONES	END OF YEAR STATUS	END OF YEAR 2020/21 UPDATES/COMMENTS
SHBC5	<p>VILLAGES – outputs of Villages Working Group – in 2020/21:</p> <ul style="list-style-type: none"> Continue the Villages Working Group to look at opportunities and proposals to support villages across the Borough Consider proposals for making better use of a Council-owned asset in Bagshot Look at opportunities to improve transport links in villages including provision of transport linked to the wider community transport strategy. 	<p>On-going Report to Council on options by March 2021 On-going throughout year.</p>	<p>COMPLETE</p> <p>NOT ACHIEVED</p>	<ul style="list-style-type: none"> Council owned asset in Bagshot Following detailed consideration the Villages working group was able to recommend to Property & Investment Working Group and the Executive that this project is progressed which will include the redevelopment of 63A The High Street, Bagshot to provide flexible office space, community space and new residential units. Community transport update The Group has spent the year considering options for the design of a transport service that could be delivered to support residents of the outlying villages of Surrey Heath. However, the pandemic has impacted progress on this project. The next stage is to invite all the parish councils to take part in the co-design of a pilot service followed by a public consultation exercise with village residents. This will also include identifying potential funding opportunities around Community Transport from Surrey County Council.
SHBC6	<p>INTEGRATED CARE SYSTEM (ICS) AND SURREY HEATH ALLIANCE –Local health organisations are working together as Frimley Health and Care to provide a joined up health, care and well-being system aiming to provide the ‘right care at the right time and in the right place.’</p> <p>Within this system, the Surrey Heath Alliance leads on the integration of health and care services across the Surrey Heath CCG area. This will include a range of services delivered by the council.</p> <p>Ensure appropriate representation at all levels within Frimley Health & Care and the Surrey Heath Alliance, promoting the role the council plays in the delivery of prevention services and in support of the health and wellbeing of residents.</p>	<p>On-going</p>	<p>ONGOING</p>	<p>This work continues to be a priority for the Council. The Chief Executive has a key position on the Surrey Heath Alliance and works with other leaders in the Community to drive forward the Health and Wellbeing agenda. A major focus has been in responding to the Covid-19 Pandemic. We supported the NHS in a number of ways including the provision of testing sites and providing a call centre for the Covid-19 vaccination service. As we move to Recovery there is more emphasis on the longer term health impacts arising from Lockdown restrictions such as mental health and physical health inequalities such as Obesity.</p> <p>The services delivered by the Council are well represented at various levels within the ICS. Grants are received through the Better Care Fund to support a number of Council Services such as Disabled Facilities Grants; Handy Person Services and Wellbeing Prescribing. Recently the ICS awarded a grant to the Council for the provision of hospital to home services. This has the potential to grow.</p> <p>The Surrey Heath Alliance has identified the Council as the right organisation to the lead on a Whole Systems Approach for tackling Obesity in the Borough. This is now part of the Council’s annual plan for 2021/2022.</p>
SHBC7	<p>Property Investments – maintain the Council’s approach of being active in finding and reviewing potential property investment opportunities to deliver income to safeguard services.</p>	<p>On-going – regular reporting</p>	<p>ON TRACK</p>	<p>The Council has continued to review opportunities as they arise during the year.</p>

BUSINESS

REF	TARGET / PROJECT	MILESTONES	END OF YEAR STATUS	END OF YEAR UPDATE/COMMENTS
BUS1	<p>NEW LEISURE CENTRE – Manage and monitor the construction of the new Leisure Centre following the start of the main construction phase in January 2020. Monitor stages through detailed project plan.</p>	<p>New centre to open SUMMER 2021</p>	<p>ON TRACK</p>	<p>The new leisure centre is on track and due to open on the 1st July. (See SHBC3)</p>

REF	TARGET / PROJECT	MILESTONES	END OF YEAR STATUS	END OF YEAR UPDATE/COMMENTS
BUS2	GROUNDS MAINTENANCE CONTRACT DELIVERY – due to the unwillingness of the current provider to deliver the contract to the full term, retender the grounds maintenance contract.	DECEMBER 2020	COMPLETE	The grounds maintenance tender was completed and the new contract commenced on the 1st November 2020.
BUS3	PLAYGROUND REFURBISHMENT – Install new playgrounds within Surrey Heath, following the selection of the design after public consultation and obtaining any necessary planning permission. <ul style="list-style-type: none"> Old Dean Recreation Ground 	JULY 2020 (In time for school holidays)	COMPLETE	This was opened in July 2020.
	<ul style="list-style-type: none"> Watchetts Plan 		COMPLETE	Work on the new playground started mid-November 2020 and is now complete. Opened January 2021.
	<ul style="list-style-type: none"> Loman Rd and Chobham Rd Rec. 		COMPLETE/ ON TRACK	Work on the Loman Road playground started in January 2021 and is now complete. Opened February 2021. Chobham Road Recreation is due to be completed by Autumn
BUS4	PHYSICAL ACTIVITY STRATEGY 2020–2022 – To agree a Physical Activity Strategy with the goal of creating an environment where all residents, regardless of background or circumstances, can participate in physical activity. <i>Draft Key Objectives/KPI's:</i> <ul style="list-style-type: none"> To reduce % of “inactive” Surrey Heath residents according to Active Lives Survey (currently 21%) To reduce % of “less active” under 16 residents according to the Active Lives Children and Young People Survey (currently 38%) Reduce gap between inactivity levels in most inactive ward and least inactive ward based on MSOA data (currently 7.5% - Old Dean, 25% inactive vs Bisley, 17.5% inactive)	Strategy considered by the Executive MARCH 2020 Detailed timescales in Strategy Action Plan to be delivered by MARCH 2022.	RESCHEDULED DUE TO COVID	The Physical Activity Strategy report has been delayed to 21/22 but will be taken to members in October 2021. The baseline for the strategy will be based on Sport England figures which were not available due to the pandemic. The Lead Officer for this area of work was re-deployed to lead the Council's Welfare Response to protect vulnerable residents during the pandemic.
BUS5	EVENTS STRATEGY - Review Surrey Heath's approach and role in delivering or enabling community events, in partnership with the Business Improvement District (BID).	On-going	RESCHEDULED DUE TO COVID	This is now likely to be reviewed in late 2021 looking ahead to 2022. The Lead Officer for this area of work was re-deployed to lead the Council's Welfare Response to protect vulnerable residents during the pandemic. As restrictions have lifted events are restarting in a Covid-safe way, for example a duathlon in Frimley Lodge Park in September 2020, the 'walking for heath' scheme restarted in May 2021, a 'family search and discover' event took place at Lightwater Country over May half term and a 'Freedom of the Borough' event in being planned for September 2021.

KEY PERFORMANCE MEASURES 2020/21 - BUSINESS							
INDICATOR	DESCRIPTION	PROPOSED TARGET 20/21	2020/21 Q1 STATUS	2020/21 Q2 STATUS	2020/21 Q3 STATUS	2020/21 Q4 STATUS	INFO / COMMENTS
People Reached by the Heritage Service	Includes visitors to the Surrey Heath Museum, pupils taking part in sessions delivered in schools, elderly people taking part in reminiscence sessions and other enquires including historical research.	6,500	0	500	808	22	There were no visitors, schools or care homes due to lockdown. However, there were 22 enquiries.
Reduction in the Percentage of Inactive Surrey Heath Residents	A reduction in the % of 'inactive' (taking part in less than 30 minutes physical activity a week) Surrey Heath residents according to Sport England's Active Lives survey. A lower percentage result is better.	23%	20.30%	N/A		N/A	Sports England's Active Lives Survey is sent to randomly selected households with the results published twice a year in April and October for the covering a rolling years' worth of data. This result is very good although it came through in October and the reporting is approximately 6 months behind so doesn't take lockdown into account. Expecting numbers to increase for next report (although this will be countrywide)
People Attending Events at Camberley Theatre	The number of people attending theatre and community events at Camberley Theatre.	55,000	0	80	1,214	0	Theatres have been closed since 17th December as per government guidelines and are due to reopen for socially distanced events from 17th May. Camberley Theatre reopened the Box Office on 12th April for walk-in sales and enquiries and are also working on opening a pop-up children's space (Squish) on 18th May in The Square shopping centre

COMMUNITY

REF	TARGET / PROJECT	MILESTONES	END OF YEAR STATUS	END OF YEAR 2020/21 UPDATES/COMMENTS
COM1	COMMUNITY SERVICES PARTNERSHIP – next steps	MARCH 2021	COMPLETE	The Executive approved the partnership on 17 November 2020. Following a comprehensive period of consultation staff were transferred to Runnymede Borough Council under TUPE on 1 st April 2021. The partnership is working well and the service to residents has been uninterrupted. The Corporate Head of Community Services at Runnymede BC has produced a Community service plan for 2021/2022. This will be submitted to approval by the Community Services Partnership Board following the annual meeting of both Councils at which Members will be nominated to the Board.
COM2	DEVELOP A COMMUNITY TRANSPORT STRATEGY for the Community Services Partnership.	DECEMBER 2020	NOT ACHIEVED	The target was not met but now that the Executive has approved the partnership we can now move forward on the strategy. There are a number of commercial opportunities which can result from the larger fleet of vehicles we now have managed across the partnership. This includes the home from hospital contract and SEND transport. This will be included as part of the Community Service plan for 2021/2022 which will be presented to the Community Services Partnership Board.
COM3	AIR QUALITY – monitor air quality levels on the A331 (Blackwater Valley Relief Road) following the implementation of the 50 m.p.h speed limit in 2019. Continue to monitor air quality across the Borough to ensure levels of pollutants continue to	MARCH 2021	ON TRACK	A331 monitoring of Nitrogen Dioxide levels is ongoing in conjunction with Rushmoor BC as part of Blackwater Valley Group. First year raw results indicate compliance. Final report to DEFRA is due 2024 which will incorporate traffic counts and modelling data to determine the outcome. Routine air quality monitoring across the Borough is ongoing and levels continue to be compliant with national standards.

REF	TARGET / PROJECT	MILESTONES	END OF YEAR STATUS	END OF YEAR 2020/21 UPDATES/COMMENTS
	be compliant with national standards. Review our Air Quality Strategy.			The air quality strategy with regard to the M3 Air Quality Management Area is to continue to be kept under review, to take into account the impact of ongoing changes to traffic volumes due to covid restrictions on local air quality results.
COM4	<p>SURREY ENVIRONMENT PARTNERSHIP (SEP) – deliver in partnership the Surrey Environment Partnership Work Programme for 2020/21 with a view to increasing recycling and minimising waste with focus on ‘Ourselves’ (SHBC), ‘Our Services’ and ‘Our Community’. The three main areas of the strategy are:</p> <ul style="list-style-type: none"> Waste Management – responding to the new National Resources & Waste Strategy and improving our services Fly-tipping Single-use plastics 	<p>Milestones in a detailed project plan approved by the Surrey Environment Partnership. It covers the full year From 1st April 2020 to 31st March 2021</p>	<p>PART COMPLETED/ PART DELAYED</p>	<p>The Joint Waste Solutions team, hosted by SHBC, is responsible for delivering the majority of the Surrey Environment Partnership (SEP) work programme, and coordinating partnership activities across all 12 Surrey authorities.</p> <p>Considerable resources were diverted to coronavirus response in 2020/21. This included contingency planning, communicating issues to the public, and collating and disseminating guidance from industry bodies. Whilst some authorities in Surrey experienced temporary disruption to collections of a small number of materials such as green waste and textiles, all core services (e.g. residual waste and dry mixed recyclables) remained operational throughout the height of the pandemic, and Surrey services fared well when compared to the national picture.</p> <p>Work on some areas of the programme was delayed or stopped due to coronavirus but a wide range of activity was still able to go ahead. This included various communications and behaviour change initiatives focused around reduction, reuse and recycling. A range of activity was also focused around process improvements in areas such as contamination reduction, and targeted interventions in specific geographical areas aimed at encouraging residents to use their food and garden waste services.</p> <p>A full annual report on the SEP programme of work will be available later in the year once Defra waste performance statistics have been published.</p>
COM5	<p>IMPROVEMENTS TO FLATS RECYCLING – subject to funding, implement improvements to recycling facilities at flats across the Borough, targeting either highest priority areas or recycling streams.</p>	<p>Milestones included in detailed project plan referred to above. This covers the period 1st April 2020 to 31st March 2021</p>	<p>PART COMPLETED / PART DELAYED</p>	<p>On the ground support for local authorities was paused for a time as result of the pandemic, which meant that some work was delayed or re-scoped.</p> <p>In September 2019 SEP was awarded grant funding to expand waste electricals and battery recycling in flats. Work to introduce these services in Surrey Heath, Waverley and Woking took place in the second half of the year, with more planned for 2021/22.</p> <p>SEP has also secured some capital funding from Surrey County Council to enable the programme to continue for the next three to four years. Priority areas will continue to be expanding and improving food waste collections and reducing contamination of dry mixed recycling</p>

KEY PERFORMANCE MEASURES 2020/21 - COMMUNITY							
INDICATOR	DESCRIPTION	PROPOSED TARGET 20/21	2020/21 Q1 STATUS	2020/21 Q2 STATUS	2020/21 Q3 STATUS	2020/21 Q4 STATUS	INFO/ COMMENTS
Food Businesses with a 'Food Hygiene Rating' of 3 or Over	Percentage of establishments with a rating of 3 (generally satisfactory) or better under the Food Hygiene Rating Scheme.	95%	96.40%	96.96%	95.95%	96.60%	
Food Premises that are Inspected Within 28 Days of Being Due	Percentage of establishments where a food hygiene inspection is carried out within 28 days of it being due.	99%	N/A	N/A	51 %	N/A	Performance impacted by Covid-19 as the Food Standards Agency changed the food premises inspection priorities in recognition of Environmental Health's increased outbreak control response and the closure of food premises during the periods of lockdown.
Environmental Health complaints	Percentage of noise complaints resolved within 3 months.	80%	75%	87%	88%	94%	The service received and responded to a considerable increase in number of Environmental Protection complaints received and responded to during lockdown. These mainly related to bonfires where waste was burnt in gardens when the local tips were closed.
Number of journeys by community bus in a year	Number of journeys BOOKED for community bus in a year.	24,000 BOOKED JOURNEYS	5,246	4,849	1,158	857	Community Transport had been operational since last summer, however it was impacted by the restricted movements of residents, social distancing and the closed services that it has supported locally. All of which resulted in a reduction in journeys. During the pandemic the drivers played a vital role in delivering food and medicines to residents shielding and transporting vulnerable residents to medical and hospital appointments. We have held vacant posts during the pandemic due to the reduction in work but as we move to Business as Usual we are recruiting into these posts
Number of journeys by community bus in a year	Number of journeys COMPLETED by Community Bus in a year		118	687	794	567	As above.
Number of Meals at Home products served in the Year	Number of "meals at home" products served in the year including both lunch and tea.	35,000 (ANNUAL TARGET)	16,622	16,363	14,235	14,126	The number of Meals delivered have significantly increased during the Pandemic and these numbers have sustained after lockdown. Total number of meals delivered was 61,346 a 75% increase on target
Number of residents supported by Community Alarms	Number of residents supported by the community alarm service (could include two service users at the same address)	1,100	1,111	1,111	1,115	1000	In Q 1-3 the target was exceeded. In Q4 the number of referrals dropped slightly but as Adult Social Care moves their services back to 'business as usual' we expect to see the number of referrals picking up again. The service is very popular and is literally a lifeline for a lot of vulnerable residents.
Number of referrals to social prescribing service	Number of referrals to Social Prescribing service across whole of Surrey Heath partnership project.	900 (ANNUAL TARGET)	38	119	120	107	The number of referrals decreased during the pandemic in Quarter 1 due to the focus being on Covid welfare duties.
Handyperson service referrals	Number of referrals to the newly introduced Handyperson service. (Homelink Handyperson service is a partnership between SHBC, Runnymede BC, Spelthorne BC and Woking BC.)	235 (ANNUAL TARGET)	44	38	56	37	These figures were impacted by Covid but referrals are now starting to pick up.

CORPORATE

REF	TARGET / PROJECT	MILESTONES	END OF YEAR STATUS	END OF YEAR 2020/21 UPDATES/COMMENTS
COR1	Conduct the POLICE & CRIME COMMISSIONER ELECTION	Election MAY 2020	COMPLETE	Due to Covid19 the PCC Elections scheduled for May 2020 were delayed. The Election was successfully delivered on 6 May 2021.
COR2	Implement CANVASS REFORMS in time for the publication of the revised Register of Electors.	DECEMBER 2020	COMPLETE	Completed in accordance with the required timescale.
COR3	COMMUNITY GOVERNANCE REVIEW – complete the Community Governance Review for the Windlesham Parish area.	Recommendations published by JULY 2020	COMPLETE	Following the Stage 2 consultation, the Council agreed at its meeting on 14 October 2020 to recommend to the Local Government Boundary Commission for England (LGBCE) the creation of a new parish ward for Windlesham North. Consent was granted by the LGBCE on 4 th March 2021.
COR4	MARKETING AND COMMUNICATIONS – lead the project to ensure the Council complies with the new public sector website accessibility regulations	SEPTEMBER 2020	ON-GOING	Accessibility work on the SHBC website is mostly complete and was praised publicly by SOCITM (Society for Innovation, Technology and Modernisation) in January 2021. Outstanding work includes ensuring applicable historical documents on the website are accessible and the Council is seeking to employ additional staff via the Government's Kickstart Scheme to support this work.
COR5	CONTACT CENTRE – Implementation of new CRM (Customer Relationship Management) system	From APRIL 2020	COMPLETE	The new CRM went live on schedule and is now fully embedded in the Contact Centre.

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KEY PERFORMANCE MEASURES 2020/21 - CORPORATE							
Indicator	Description	Proposed Target 20/21	2020/21 Q1 Status	2020/21 Q2 Status	2020/21 Q3 Status	2020/21 Q4 Status	Info/ Comments
Percentage of Complaints Responded to Within Target	Percentage of 'formal' complaints (stage 2-3) responded to within target 2 days to acknowledge and 10 days to reply)	90%	100%	100%	100%	90%	
Customer Satisfaction Rating of Good/Excellent to Exceed 90%.	Customer satisfaction rating of good/excellent to exceed 90%	90%	100%	100%	100%	100%	

FINANCE

REF	TARGET / PROJECT	MILESTONES	END OF YEAR STATUS	END OF YEAR 2020/21 UPDATES/COMMENTS
FIN1	TREASURY STRATEGY - Review and refresh the Council's Treasury strategy to ensure that returns from treasury investments are borrowing costs are optimised. Treasury updated twice yearly in June 2020 and Dec 2020 and the strategy agreed in February 2021 (for the following year)	On-going Reported six-monthly to the Executive.	ONGOING	The treasury strategy was updated for 21/22 and agreed at the February 2021 full council meeting.
FIN2	MEDIUM TERM FINANCIAL STRATEGY (MTFS) – Review and refresh the Medium Term Financial Strategy. Set a sustainable and robust budget.	FEBRUARY 2021	RESCHEDULED	See SHBC 4 – to ensure alignment between the MTFS and the Council's new Five Year Strategy, the MTFS will be prepared alongside the new Five Year Strategy and submitted to Council for approval in October 2021. The financial assumptions used to prepare the MTFS have been through a radical change in 2020/21.
FIN3	COUNCIL TAX SUPPORT SCHEME – To review and update the Council Tax Support Scheme arrangements.	DECEMBER 2020	COMPLETE	At the Council meeting in December 2020, it was agreed the Local Council Tax support scheme would be unchanged for 2021/22, apart from any minor changes needed due to Housing Benefit / Universal Credit changes introduced by legislation;

KEY PERFORMANCE MEASURES 2020/21 - FINANCE							
INDICATOR	DESCRIPTION	PROPOSED TARGET 20/21	2020/21 Q1 STATUS	2020/21 Q2 STATUS	2020/21 Q3 STATUS	2020/21 Q4 STATUS	INFO / COMMENTS
Council Tax Collected	Percentage calculated, as a cumulative year-to-date figure, from the total council tax payments received compared to the total amounts payable in that year	99.25% (ANNUAL TARGET)	28.26%	55.74%	85.60%	98.70%	These represent cumulative totals of Council Tax collected for the year.
Non-Domestic (Business) Rates Collected	Percentage calculated, as a cumulative year-to-date figure, from the total business rates payments received compared to the total amounts payable in that year	99.25% (ANNUAL TARGET)	28.10%	53.60%	84.70%	99.80%	These represent cumulative totals of business rates collected for the year. A smaller number of business were eligible for business rates collection in 2020/21. In 2019/20 £40m was collected, but in 2020/21 it was £18m.
Benefits processing	a) Number of days taken to process new housing benefits claims	20 DAYS (NEW CLAIMS)	25.30	20.10	23.60	21.9	The outturn for the year is as follows, the average number of days taken to process a new HB claim 23.2 days. The section processed 217 new claims. The average number of days taken to deal with the assessment of notified changes in circumstances relating to existing HB and Local Council Tax support Scheme (LCTSS) claims was 3.3 days. The section processed 15,819 changes. In addition to processing new claims to HB the team also process new applications to the LCTSS. During 2020/21 the team assessed 3914 new claims to LCTSS an increase of 2680 claims. This increase was due to an increase in claims made by residents for Universal Credit. That is an increase of 217%. These claims were processed promptly with average new days of 30.92 which goes to ensure Council Tax payers have certainty on what is due to be paid which in turn helps to maintain our collection as we can issue bills and reminders with certainty. The additional workload was absorbed by the team in addition to them taking on outbound welfare calling as part of the SHBC response to the National pandemic and the payment of £25m in business support grants
	b) Number of days taken to process changes to benefits	10 DAYS (CHANGES)	4.90	2.40	2.40	2.3	
Invoices Paid On Time	Percentage of invoices paid on time.	97%	97.78%	98.06%	98.24%	97.92%	

INVESTMENT & DEVELOPMENT

REF	TARGET / PROJECT	MILESTONES	END OF YEAR STATUS	END OF YEAR 2020/21 UPDATES/COMMENTS
I&D1	<p>ASSET MANAGEMENT – continue to manage and deliver the programme of capital projects to make the best use of the Council’s assets, including the projects that are part of the Camberley Town Centre Regeneration Programme (see SHBC3)</p> <p>Corporate Asset Management Strategy being developed.</p> <p>Reporting on key Capital Projects reporting to the Executive and Performance & Finance Scrutiny Committee.</p>	<p>Regular reports to the Town Centre Working Group on milestones and progress.</p> <p>By END 2020.</p>	ONGOING WORK	<p>Work is underway to determine a new vision and strategy for Camberley Town Centre.</p> <p>In relation to the Square Shopping Centre the JPUT has been brought ‘on shore’ in April 2021 which provides SHBC with direct control of its asset management strategy. Montagu Evans have been retained as managing agents and appropriate governance is in place.</p> <p>The Council’s office and industrial properties have been less affected by the impact of the pandemic and continued to perform well.</p>
I&D2	<p>PROPERTY INVESTMENTS – being active in finding and reviewing potential property investment opportunities to deliver income to safeguard services.</p>	<p>On-going as opportunities arise</p>	ONGOING WORK	<p>The Council continued to assess opportunities as they arose during the year.</p>

JWS

KEY PERFORMANCE MEASURES 2020/21 - JOINT WASTE SOLUTIONS							
INDICATOR	DESCRIPTION	PROPOSED TARGET 20/21	2020/21 Q1 STATUS	2020/21 Q2 STATUS	2020/21 Q3 STATUS	2020/21 Q4 STATUS	INFO / COMMENTS
Household waste recycled and composted	Cumulative year-to-date figure, calculated by comparing the amount of waste sent for recycling, reuse and composting against the total waste collected. This figure includes street sweepings.	61%	64.2	62.10%	63.3	59.0	Q4 is an estimated figure due to a delay in Defra approving the figures. The lower level in Q4 is due to a number of rejected loads due to contaminated recycling. In the first quarter of 21/22 an active campaign has taken place with the crews and residents to approve the quality of recycling. Surrey Heath remains the highest performing authority in Surrey for recycling and 6 th highest in England.
Percentage of streets falling below a grade B cleaning standard	The percentage of streets reviewed as part of the regular survey falling below a ‘Grade B’ standard of litter (Predominately free of litter and refuse apart from some small items)	4%	0.60%	0.67%	0.67%	1.17%	
Number of ‘missed’ bins.	Number of ‘missed’ residential kerbside collections per 100,000 collections.	80	48	36	35	40	<p>These figures cover all five waste streams (refuse, recycling, garden waste, small electricals and textiles).</p> <p>Q4 – Is an estimated figure due to a fault with the Amey IT system.</p> <p>Year on year we have seen a fall in the number of missed bins reported.</p>

REGULATORY

REF	TARGET / PROJECT	MILESTONES	END OF YEAR STATUS	END OF YEAR 2020/21 UPDATES/COMMENTS
REG1	LOCAL PLAN – continue to develop a new Local Plan to guide development in the Borough and address Housing need. Consult with the public, businesses and partners on the draft local plan.	Local Development Scheme to be updated	ON TRACK	The Surrey Heath Local Development Scheme 2021-2024 has been published, as agreed by Executive on 16 February 2021, and in accordance with the milestone target. A significant amount of work has been undertaken over the year to progress development of the Local Plan, including the production of evidence base documents and drafting of Local Plan policies.
REG2	CAMBERLEY TOWN CENTRE PUBLIC REALM IMPROVEMENTS - Continue with the works to improve Camberley High Street, Knoll Walk and Princess Way with a target date for the completion of improvements of the end of 2021. (see SHBC3)	<i>See update against SHBC 3 above</i>		
REG3	HOMELESSNESS – following a successful bid for funding, implement a Rough Sleeper Initiative project including a property acquisition. Submit another bid to the Government for funding to further expand the Council work to support those currently homeless or at risk of becoming homeless.	Purchase property APRIL 2020 Submit bid by NOVEMBER 2020	COMPLETE	The purchase of Connaught Court is complete and the Single Homeless Case Worker employed. The completion of the refurbishment has been delayed due to Covid-19 but some residents are now in occupation. A property for the delivery of a Night Stop service has been purchased and a schedule of works is being drawn up, as is the change of use planning application. Talks are underway with a delivery partner to finalise the service specification. The Council was successful for Rough Sleeper Initiative funding for both these projects. Funding has also been secured for Homeless Pods, delivered in partnership with Surrey Public Health and which offer a stop gap housing option while the Night Stop project is finalised. A bid for further funding has been made for a Housing First project which would assist rough sleepers into housing association homes (announcement on funding expected May 2021).
REG4	HOUSING RELATED SUPPORT SERVICE - to enable Surrey County Council and Surrey Heath Borough Council to meet the requirements set out in the Care Act 2014 and Homelessness Reduction Act 2017. The service will support vulnerable and socially excluded people to set up and maintain tenancies to prevent, reduce and delay care needs and prevent homelessness. It will also help clients who have accommodation who are at risk of homelessness by providing intervention and support to stabilise and maintain their tenancies.	JUNE 2020	COMPLETE	Recruitment is complete, service operating from 26th October 2020. Funding secured from Surrey County Council for 2021/22, including a 2% uplift.

KEY PERFORMANCE MEASURES 2020/21 - REGULATORY							
INDICATOR	DESCRIPTION	PROPOSED TARGET 20/21	2020/21 Q1 STATUS	2020/21 Q2 STATUS	2020/21 Q3 STATUS	2020/21 Q4 STATUS	INFO COMMENTS
Processing of 'Major' Applications	Percentage calculated as the number of major applications processed within timescales (13 weeks) against total received. As per national guidelines, this includes applications where there is an agreement for an extension	72%	50%	57%	100%	67%	Government target is 60%
Processing of 'Non-Major' Applications	Percentage calculated the number of minor and 'other' applications processed within timescales (8 weeks) against total received. As per national guidelines, this includes applications where there is an agreement for an extension	84%	78%	73%	84.76%	84%	Government target is 70%
Appeals dismissed against the Council's refusal of planning permission	Percentage of appeals dismissed against the Council's refusal of planning permission.	65%	50%	0%	50%	54%	Only one appeal decision received in quarter 2 which was allowed. [Member overturn] In depth report on Appeals considered by Planning Committee on 19 th May.
Number of households living in temporary accommodation	Number of all households in temporary accommodation at the end of the quarter. These are only the households who are accommodated following an acceptance of a homelessness duty. Other households may be placed in temporary accommodation without us accepting a duty but by using our prevention powers.	30	67	32	31	36	
Housing advice – homelessness prevented	A count of the number of households who approached the Council as homeless or threatened with homelessness within 56 days who had their homelessness prevented (i.e. were able to remain in their current home) or relived (i.e. were found a move to an alternative home) by the work of the Council's Housing Solutions Team	30	10	26	10	10	Quarterly Lower numbers presenting due to lockdown.
Home Improvement Agency Activity	The number of homes adapted or improved for older and vulnerable residents to promote their independence and keep them safe and well in the community.	80	22	27	29	19	Work continued despite lockdown.
Family Support Feedback	Proportion of children and young people (and/or parent carers) who feedback that they have made positive progress in relation to identified outcomes.	70%	88%	92%	85%		Between 1/06/2020 and 31/05/2021 85% of people supported by the team reported making progress in at least 3 outcome areas (91% in at least two outcome areas and 95% in at least one).

KEY PERFORMANCE MEASURES 2020/21 - REGULATORY							
INDICATOR	DESCRIPTION	PROPOSED TARGET 20/21	2020/21 Q1 STATUS	2020/21 Q2 STATUS	2020/21 Q3 STATUS	2020/21 Q4 STATUS	INFO COMMENTS
Family Support outcomes	% of families not re-referred to Surrey Family Safeguarding hub or early help hub within 6 months of closure to family support programme	70%	See comments				Family Support Surrey Heath & Runnymede have been one of the pilot services that moved to a new system within Surrey County Council that links to the Children's Services LCS system. Reports are not yet available, but SHBC family support team records show that no Surrey Heath families were re-referred back to the family support team within six months of closure.
Refugee resettlement	Number of families resettled under the UK resettlement scheme.	3 FAMILIES	N/A	N/A	N/A	N/A	Due to COVID-19, the Government have put on hold all resettlements off families. A plan to restart the resettlement programme is being worked on at a national level by the Home Office and relevant agencies. (There are currently 5 resettled families)

TRANSFORMATION

REF	TARGET / PROJECT	MILESTONES	END OF YEAR STATUS	END OF YEAR 2020/21 UPDATES/COMMENTS
TRA1	ECONOMIC DEVELOPMENT – PROMOTING THE BOROUGH – Have in place inward investment promotional literature and content based on local data and case studies and use to promote Surrey Heath through the year.	In place from April onwards. Promote and update throughout the year.	COMPLETE	The Business in Surrey Heath website launched in July 2020 (businessinsurreheath.co.uk) to promote the area to prospective businesses. The Executive agreed in June 2020 to repurpose the Kevin Cantlon fund to support new local businesses with start-up advice, 1-2-1 mentoring for new and growing businesses, and funding the Surrey Chambers 'Start Up Academy' for two years. SHBC was awarded funding from DWP to launch a 'Youth Hub' to support young people into employment, which will open on 28th June 2021. New staff to run the hub are in post.
TRA2	FRIMLEY – undertake a highways survey in Frimley to ascertain where improvements could be made to improve traffic flow at peak times especially understanding the concerns of businesses and residents in the area. Look for funding opportunities to deliver identified solutions. Engage with residents and businesses to discuss other aspirations for the area to be included in the scope of the project.	Report on findings of initial residents' questionnaire by END APRIL 2020 Review potential funding streams by MAY/JUNE and on an on-going basis throughout the year	COMPLETE	SHBC met with local businesses to understand the issues further. The information was relayed to Surrey County Council as the local Highways Authority. Surrey County Council are upgrading the traffic lights at Lion Way, Frimley which should have a positive impact on local traffic flow. The Community Infrastructure Levy (CIL) main fund is a resource that can be used to offer match funding for transport improvement schemes for Surrey County Council contributions and a fund for initial feasibility work on schemes. Officers have informally suggested to Surrey County Council that for highways a beneficial schemes would be improvements to Frimley High Street and the A325 roundabout to address the impact of traffic accessing Frimley Park Hospital on the businesses in adjoining industrial estates and in Frimley centre.
TRA3	IMPROVED PROJECT AND PERFORMANCE MANAGEMENT – implement an improved process, toolkit and system for project and performance management across the organisation including relevant training and support for staff.	Toolkit and monitoring process from APRIL 2020 Implement system by MARCH 2021	PART COMPLETE	Audit of corporate projects and their status due to the Covid pandemic completed and shared with Corporate Management Team in May 2020. A progress update against all Corporate Projects was completed in January 2021 and reported to the Corporate Management Team. Weekly project meetings take place with the Chief Executive to monitor and manage progress against the Council's Property and Town Centre projects and a formal project process is in place. From June 2021, four additional monthly project monitoring boards will be taking place.

ANNEX A – END OF YEAR REPORT (last updated 25.06.2021)

REF	TARGET / PROJECT	MILESTONES	END OF YEAR STATUS	END OF YEAR 2020/21 UPDATES/COMMENTS
TRA4	COMMUNITY LOTTERY FUND – within two years of the scheme being operational (July 2021) aim for the lottery fund to have distributed £10,000 into the community to fund projects and events. Aim to have signed up 75 community organisations in total by March 2021.	JULY 2021 MARCH 2021	COMPLETE	The new Lottery Scheme was introduced in November 2020 with 8 grants being awarded at a cost of just under £8,000. At that time it reflected the funds available to distribute locally. The scheme has 65 organisations registered as good causes. This is less than the target set but has reflected the slight downward turn in people purchasing tickets, and the Council not actively promoting during the pandemic, which will be reviewed during the recovery phase.
TRA5	CORPORATE SOCIAL RESPONSIBILITY - working with the Community Matters Partnership Project (CMPP), enable communities in the Borough to receive volunteer hours on community projects – record and benchmark hours delivered throughout the year.	MARCH 2021	COMPLETE	This was launched to Surrey Heath businesses in 2020 and opportunities have been shared internally. The new Youth Hub staff will be increasing promotion of this to SHBC teams and local businesses.
TRA6	PUBLIC SPACE PROTECTION ORDER - To review and consult to extend for a further 3 years the Public Space Protection Order which provides the framework to manage low level anti-social behaviour/neighbour/dog nuisance complaints within Surrey Heath.	By OCTOBER 2020	COMPLETE	Consultation on the Public Space Protection Order (PSPO) took place from 7 July to 7 August and the PSPO was extended for a further 3 years by the Executive on 15 September 2020.

KEY PERFORMANCE MEASURES 2020/21 - TRANSFORMATION

INDICATOR	DESCRIPTION	PROPOSED TARGET 20/21	2020/21 Q1 STATUS	2020/21 Q2 STATUS	2020/21 Q3 STATUS	2020/21 Q4 STATUS	INFO / COMMENTS
Planning Enforcement Breaches	Percentage of planning enforcement referrals where the initial action (e.g. a site visit) takes place within the target timescales set out in the Local Enforcement Plan.	75%	69%	94%	75%	95%	Current target timescales: - High Priority – 2 working days - Medium Priority – 10 working days - Low priority – 21 working days Reporting will also include the number of referrals in the previous rolling year and the outcomes achieved. The reason for not hitting the target in Q1 is that site visits were suspended due to Covid 19 lockdown.
SH012a Staff Sickness Absence	Rolling year to date number of working days/shifts lost due to sickness absence. This is calculated by the number of long and short term sickness absence days divided by the number of FTE staff.	6-9 DAYS	8.11	5.89	4.41	3.96	Quarterly figure
SH012a Staff Sickness Absence (short term <=20 days)	Rolling year to date number of working days/shifts lost due to short term sickness absence (20 days or less). This is calculated by the number of long and short term sickness absence days divided by the number of FTE staff.	3-4 DAYS	2.63	2.24	1.50	1.22	Quarterly figure
Staff Turnover	This is a rolling year-to-date figure calculated from the total number of staff leaving (voluntarily and non-voluntary) as a percentage of total staff in post.	ROLLING YEAR	11.89%	11.39%	11.27%	20.00%	The turnover figures include staff whom were part of the Community Services TUPE to Runnymede Borough Council on 1 st April 21 .

A New Five Year Strategy For Surrey Heath Borough Council

Summary

This report provides an update to the Committee on the preparation of the new Five Year Strategy, seeks the Committee's comments on the issues and priorities raised to date, and asks for the Committee's views on the relative priority of these. It also sets out the arrangements for the public, partner and business consultation.

Portfolio: Leader

Wards Affected: All

Recommendation

The Performance and Finance Scrutiny Committee is advised to

- i) note and comment on the proposed overarching priorities for the Strategy and the key issues raised at the initial Member and partner workshops;
- ii) comment on the issues it considers should be particular priorities in the future strategy, or any areas that should be less of a priority;
- iii) note the plans for the consultation exercise and that the results, together with a draft strategy, will come to this Committee's meeting on 7 September 2021.

1. Key Issues

Background

- 1.1 The Performance and Finance Scrutiny Committee received an update about the preparation of a new Five Year Strategy at its meeting on 17 March 2021.
- 1.2 At the Executive on 25 May 2021, a cross-party Task & Finish group was appointed to input into and steer the development the production of the new strategy and the analysis of feedback received during the public and partner consultation exercise.
- 1.3 Two Member workshops to identify key issues for the strategy took place on Wednesday, 9 June at 10am and 6.30pm. The discussions identified areas of work that Member's felt that the Council needed to work on, but also these needed to be kept under review throughout the 5 year period.
- 1.4 Two partner workshops took place on Thursday, 10 June and Tuesday, 15 June. There was a good response from partners to the workshop invitations and partners appreciated and valued the collaborative approach that the Council was taking as a community leader to bring stakeholders together and engage partners at an early state.
- 1.5 The factors below were shared with Members and partners at the workshops as key influences on the Council's future direction.
 - a) *The need for sustained economic and social recovery following the devastating impact of the pandemic*
 - b) *The declaration of a Climate Emergency*
 - c) *The Council's role in tackling poverty in the local community*

- d) *The role of the Council in improving health and wellbeing and support for the most vulnerable in the community*
- e) *A focus on our villages and rural communities across the borough*
- f) *With changing retail and working habits, redefining what makes Camberley Town Centre and the village centres successful places*
- g) *A greater recognition of the need for affordable housing for local people as a fundamental foundation for living full and productive lives*
- h) *Concern about the impact of growing rates of obesity on the life chances of local residents*
- i) *Putting customer service at the centre of what the Council does*
- j) *The Council's attitude to collaboration with other Councils including sharing staff and putting in place shared service delivery*
- k) *A desire for stronger partnership working*
- l) *Keeping the borough a safe place for everyone and enforcing the rules so that no one behaves like they are above the law*
- m) *Responding to greater usage levels of the Council's parks and open spaces*

1.6 Across all four workshops there was a high level of support for the factors listed above, and feedback from partners that their own priorities aligned closely.

1.7 Prominent issues that arose at the Member workshops were:

- a) Provision of enough housing that is truly 'affordable' and the importance of a decent, safe home on people's life chances;
- b) Congestion / traffic and the impact of development on these;
- c) Better working with the voluntary sector and reducing duplication;
- d) Ensuring a key focus on our villages and improvements needed – particularly issues such as connectivity, retail, development and loneliness/isolation;
- e) The importance of climate change, the environment and biodiversity;
- f) Support of retail – particularly niche or independent – in the borough
- g) Addressing poverty and inequalities across the borough and the impact of the Covid-19 pandemic

1.8 Prominent issues that arose at the partner workshops were:

- a) A desire for partnership approach, and a shared strategy for the future. Building on the excellent foundations of collaborative working in Surrey Heath that were further strengthened during the Pandemic. Working together to combat the impacts of Covid-19.
- b) Addressing areas of need and inequality across the borough – including supporting those who have found themselves in need for the first time.
- c) Addressing digital exclusion (particularly faced by older people or those with disabilities), and at the same time being mindful of the national increase in cybercrime and fraud.
- d) Focusing on young people and families, including upskilling families, providing facilities for young people, supporting mental health and addressing issues such as knife crime.

- e) Tackling isolation and loneliness – particularly among elderly people – which has been impacted by Covid and also reflects the lack of connectivity between our villages and rural areas. Supporting people to be confident in reintegrating into their communities post-Covid.
- f) Housing – affordability and supply issues in the borough and recognising that a safe, decent, quality home has an undeniable impact on a person’s health, education and employment.
- g) Harnessing the capacity of the voluntary sector and community volunteers and working together to ensure best use of resources and avoid duplication.
- h) Support for businesses across the borough to be resilient and grow provide on-going employment opportunities.
- i) Ensuring engagement with different ethnic groups across the borough.

1.9 In considering all of the feedback at its meeting on 23 June, the Task & Finish Group proposed that the three overarching priorities for the Strategy should be **Health & Quality of Life, Economy and Environment**. All the issues and objectives for the Strategy would then flow from these three key areas.

1.10 The Performance & Finance Committee is asked to note and comment on the proposed overarching priorities for the Strategy and the key issues raised at the Member and partner workshops. The Committee is asked which of the issues it considers should be particular priorities in the future strategy, or any areas that are less of a priority.

2. Consultation

2.1 Engagement and consultation are key elements of preparation of the new strategy, and consultation with the public, partners, businesses and staff will take place over the summer. The consultation will seek to gather both quantitative and qualitative data in variety of methods. Significant promotion of the consultation will take place across a number of different channels, and using pre-existing networks where possible. The planned elements are:

- Public online survey (with paper copy available on request),
- Partner online survey
- Business online survey.
- Partner presentations/discussions
- Public Focus Groups
- Presentations/discussions at different political group meetings.
- Materials and Feedback Framework for councillors to facilitate resident discussion
- SHBC Staff Survey

2.2 This Committee will receive an update on the results of the consultation, and the draft Five Year Strategy at its meeting on 7 September 2021, ahead of the Strategy being considered by the Executive on 21 September 2021, and Full Council in October.

3. Resource Implications

3.1 Mostly officer time, with some additional costs for paid social media adverts to come from existing budgets. The Medium Term Financial Strategy will be prepared alongside the Five Year Strategy and reflect the priorities in it.

3.2 In the preparation of the new Five Year Strategy, the Council will need to have regard to the funding available, and ensure that the aspirations set out reflect this.

4. Corporate Objectives And Key Priorities

4.1 The Council's Five Year Strategy is the main vehicle for agreeing Corporate Objectives and Key Priorities.

5. Policy Framework

5.1 The Five Year Strategy is one of the key elements of the Policy Framework of the Council.

6. Legal Issues

6.1 No specific Legal issues arising.

7. Governance

7.1 The proposed timetable for the preparation and adoption of the new Five Year Strategy includes significant opportunity for scrutiny, public and partner input and transparency of decision making.

8. Risk Management

8.1 Without a coherent Five Year Strategy in place there is a risk that the Council's work and resources do not achieve the desired outcomes for the Borough, residents and businesses.

9. Equalities Impact

9.1 An equalities impact assessment will be carried out on the final public consultation arrangements and the final Draft Strategy.

10. Human Rights

10.1 No specific Human Rights implications arising from this report.

11. Environmental Impact

11.1 The Strategy is likely to include the Council's commitment to reducing Climate Change.

12. Consultation

12.1 Public and Partner consultation forms a key part of this report - see Annexe A.

13. PR And Marketing

13.1 See Consultation above.

Annexes	None
Background Papers	Surrey Heath Borough Council Five Year Strategy 2016 - 21
Author/Contact Details	Sarah Bainbridge, Senior Organisational Development Advisor, sarah.bainbridge@surreyheath.gov.uk
Head of Service	Louise Livingston - Executive Head of Transformation Louise.livingston@surreyheath.gov.uk

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Council Finance Outturn as at the 31st March 2021

Summary

To provide the Performance and Finance Committee with a high-level view as to the Financial Performance for the year 2020/21.

Portfolio - Finance Date

Wards Affected

All

Recommendation

The Performance and Finance Scrutiny Committee is advised to note the Council's Financial Performance for the 2020/21 financial year.

1. Key Issues

- 1.1 This report covers the entire financial year to the 31st March 2021 and is intended to give members a high level view as to the financial performance of services for the year highlighting significant variances against budget. The variances reported only include controllable costs. Costs relating to asset charges, revaluations and accrued pensions have been excluded since under local authority accounting rules they do not impact the overall financial outturn.
- 1.2 This has been a challenging year with pressure on commercial and fees and charges income due to the Covid pandemic offset in part by an increase in grants received. For the 20/21 financial year, overall expenditure will be coming in over budget by £1.0m. Details are included later in this report.

2. Resource Implications

Revenue Budget

- 2.1 A review of actuals against budget which have generated a variance greater than £25k at the end of the year is shown in the attached annex A.

Treasury Investments

- 2.2 The Council currently has £22.3m invested in a variety of banks, building societies and funds.
- 2.3 A list of investments held at the 31st March 2021 is shown in Annex B.

Borrowing

- 2.4 The Council has borrowed £180m to fund property acquisitions. Based on the advice of our Treasury advisers £78m is made up of longer-term loans from the Public Works Loans Board and the Phoenix Group with the remainder being shorter term loans from other local authorities. The Council has entered into an arrangement to forward fix a further £25m of debt in 2021/22 to minimise the risk of interest rate increases.

3. Debtors

Sundry Debts

- 3.1 Sundry debts include all debts except those relating to housing benefits. At the 31st March 2021 these amounted to £2.923m compared with £3.990m for the same period last year, a reduction of £1.067m. There are a number of reasons for this reduction mainly more timely payment of invoices by our joint waste service partnering authorities along with a reduction in community service arrears over the past year. Car Park arrears have also reduced but this is down to a timing difference of when an invoice will be raised for 21/22 parking charges due to a large credit on the customers account.

Housing Benefit Debts

- 3.2 The Council pays over £15m in Housing Benefit each year, the nature of the Housing Benefit Scheme means that overpayments arise because of changing circumstances of the recipients. These debts have to be recovered. At the 31st March 2021 the accumulated debt was £476k compared with £515k at the end of the last quarter. During the last 3 months £92k was collected and £53k of new debt was raised.

4. Officer Comments

- 4.1 Overall this has been a very challenging year for Surrey Heath due to the Covid 19 Pandemic. Despite this a majority of services are coming in on or under budget. Services have monitored their spend over the year using the Civica financial system which gives them real time actual and committed expenditure.

5. Options

- 5.1 The Performance and Finance Committee is advised to note the report regarding financial performance for the year 2020/21.

6. Proposals

- 6.1 It is proposed that the Performance and Finance Committee notes the financial performance for the year 2020-21.

7. Supporting Information

7.1 None

8. Corporate Objectives and Key Priorities

8.1 This item addresses the Council's Objective of delivering services efficiently, effectively and economically.

9. Risk Management

9.1 Regular financial monitoring enables risks to be highlighted at an early stage so that mitigating actions can be taken.

Annexes	Annex A - Summary Information on the Revenue Budget Position at 31st March 2021 Annex B - Investments at 31st March 2021
Background Papers	None
Author/Contact details	Adrian Flynn Chief Accountant Adrian.Flynn@surreyheath.gov.uk
Head of Service	Martin Hone Executive Head of Finance Martin.Hone@surreyheath.gov.uk

Annex A

Summary Information on the Revenue Budget Position at 31st March 2021

Most of the revenue accounts have now been closed so the outturn on an individual service level can now be reviewed. The figures provided to services and reported below exclude asset charges as these are not controllable by service managers.

Individual variances increased at year end due to the current service cost element of the annual IAS19 valuation of the pension fund, over which the Council has no control. These costs are not chargeable to General Fund by statute and are managed through statutory reserves.

The tables below list significant variances against budget greater than £25k together with an explanation. “+” denotes favourable and “-“denotes adverse. Although there are a significant number of underspends some of these will be carried forward to next year.

Summary

	Budget	Actual	Variance
	£000	£000	£000
Finance	1,880,424	3,543,541	(1,663,117)
Transformation	4,036,718	3,374,343	662,375
Corporate	1,776,932	1,534,145	242,787
Business	704,786	1,210,706	(505,920)
Regulatory	2,326,709	1,201,123	1,125,586
Legal	345,286	272,446	72,840
Property Management	(1,974,647)	(2,277,822)	303,175
Investment & Development	(611,201)	1,522,101	(2,133,302)
Community	4,495,988	3,629,016	866,972
	<u>12,980,995</u>	<u>14,609,599</u>	<u>(1,028,604)</u>

Finance

Budget £ 1,880,424

Actual £ 3,543,541

Function	Variance	Notes
Corporate Management	-£1,235m	Consultant and legal fees paid above budget, a number of year-end adjustments were carried for which resulted in increased accumulated absences provision and a credit note issued for a large debtor.
Council tax Cost of Collection	-£73k	Reduction in Legal fees collected, plus increased computer software and licence costs.
NNDR Cost of Collection	-£50k	Reduction in Income plus increased computer software and licence costs.
Housing Benefits	-155k	Reduction in rent allowance payments offset in part by increased software costs.
Pension Compensation Payments	-£59k	Payments to compensate the pension fund for early leavers
Accountancy/Transactions	-£137k	Agency Staff to cover vacant posts
Remaining	+£46k	.

Transformation
Budget £ 4,036,718
Actual £ 3,374,343

Function	Variance	Notes
Community development	-£42k	Increased salary spend
Economic development	+£65k	Kevin Canlton fund underspend due to low take up of grants from the scheme.
Revenue Grants	+£80k	Excess of lottery income and a reduction in transport and supplies and services expenditure.
Corporate Training	+£42k	Lower training expenditure due to change in working arrangements within the organisation.
ICT	+£82k	Reduction in supplies and services expenditure
Recruitment	-£25k	Increased expenditure, the majority of which was around the recruitment of the CEO.
Salaries	+£173k	Savings in various service areas by not recruiting to vacant posts.
Counter Fraud fund	+£260k	This is the remainder of an anti-fraud grant and a supplementary estimate for Swift Lane.
Remaining	+ £27k	

Corporate

Budget £ 1,776,932

Actual £ 1,534,145

Function	Variance	Notes
Members	+£29k	Reduction in members allowances and supplies & services expenditure.
Electoral Registration	+£49k	Reduction in employee, printing expenses and some grant income not budgeted for.
Contact Centre	+£63k	Reduction in employee expenses due to vacant posts.
Remaining	+£101k	Savings in post room and postage costs £43k. Savings in public relations, Consultation, Heath scene, Web development etc.

Business

Budget £ 704,786

Actual £ 1,210,706

Function	Variance	Notes
Theatre	-£67k	The theatre was greatly affected by the pandemic and was closed for most of the financial year. There was a large reduction in income offset by savings in artist fees etc.
Theatre Catering	-£83k	Large reduction in income due to the closure of the theatre for much of the year offset by a reduction in stock purchases.
Car Parks	-£411k	Reduction in Income due to the pandemic offset by savings in salaries and supplies and services.
Parks and Open Spaces	+£78k	Reduction in premises and supplies and services expenditure plus an increase in fees and charges income.
Frimley Lodge Park	-£98k	Reduction in fees and charges income.
Leisure Grants	+£85k	Reduction in grants paid
Remaining	-£9k	

Regulatory

Budget £ 2,326,709

Actual £ 1,201,123

Function	Variance	Notes
Supporting People	+£79k	Reduced salary and transport related expenditure, plus increased grant expenditure received.
Land Charges	-£30k	Reduced income due to pandemic
Syrian Refugees Project	+£141	Reduced salary expenditure plus an increase in grant and other income received.
Surrey Heath Local Plan	+£92k	Grant Income and underspend on consultants. Local plan work now being done in 2021/22
DFG's	+67K	Grant income received that was not budgeted for and a reduction in supplies and services expenditure.
Homelessness	+£788k	Grant received that was not budgeted for and carry forwards from 19/20 that were not spent during 20/21.
Remaining	-£12k	

Property Management

Budget £ - 1,974,647

Actual £ - 2,277,822

Function	Variance	Notes
Corporate Land Management	+£45k	Reduced premises and supplies and services expenditure offset by agency costs covering vacant posts.
St Georges Industrial estate	+£63k	Reduction in Supplies and Services expenditure along with an increase in rental income.
Trade City Industrial Estate	-£78k	Reduction in rental income received plus increased premises related expenditure.
Albany Park	+£200k	Increased Rental income and reduced supplies and services expenditure.
Theta Building	+£38k	Reduction in Supplies and Services expenditure and an insurance recharge.
Ashwood House	+£64k	Reduction in premises related and supplies and services expenditure offset by a reduction in rental income.
Remaining	-£29k	

Investment & Development

Budget £ (611,201)

Actual £ 1,522,101

Function	Variance	Notes
Regeneration	+£61k	Reduced spend on consultants
Strategic Property Development	+£506k	Lower Salary costs, plus carry forwards from 2019/20 not used and reduced consultant spend.
Town Centre Investment	-£2.7m	Our town centre revenues are under pressure due to the changing nature of retail and the effects of the pandemic and the lockdown.

Legal

Budget £ 345,286

Actual £ 272,446

Function	Variance	Notes
Legal	+£72k	Reduced salaries due to vacant posts and restructure.

Community

Budget £ 4,495,988

Actual £ 3,629,016

Function	Variance	Notes
Meals at Home	+54k	Increased Income due to greater take up of the service during the pandemic.
Community Transport	+44k	Service was badly affected by the pandemic, but the government did partly compensate for loss of income. Vehicle expenditure was under budget due to the low use of the buses throughout the year.
Joint Waste Service		
Core Waste Contract (Collection of refuse bins)	+£30k	Savings in main core contract costs due to lower contract inflation.
Variable Waste Contract	+258k	Increased Income due to higher tonnage figures plus contractor settlement.
Recycling	-61k	Increased Business rates and contractor costs.
Waste	+450k	Increased income received including the contractor settlement.
Remaining Variances	+£92	

Annex B

Investments at 31.03.2021

	£	£
Banks		
Nat West Central Account	426,755.00	
Nat West Reserve Account SIBA	<u>2,373,575.00</u>	
Total Banks		2,800,330.00
DMO investments		12,802,000.00
Money Market Funds Investments		
Aberdeen Investment Cash OEIC Fund	3,000,000.00	
CCLA Public Sector Deposit Fund - Share Class	700,000.00	
Federated Short-Term Sterling Prime Fund (class 3)	<u>1,000,000.00</u>	
		4,700,000.00
Longer term investments		
CCLA property fund	<u>2,091,447.00</u>	
Total Long term Investment		2,091,447.00
Total Investments		<u><u>22,393,777.00</u></u>

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Review of the Corporate Capital Programme 2020/21 and Report Capital Prudential Indicators for 2020/21

Summary

To report on the capital outturn for 2020/21 and report on the actual performance against the 2020/21 capital prudential indicators.

Portfolio	Finance
Wards affected	N/A

RECOMMENDATIONS

The Performance and Finance Committee is asked that

- (i) Actual capital expenditure for 2020/21 of £24.162m against a budget of £34.991m be noted;
- (ii) The final capital prudential indicators for 2020/21 be noted

1. Resource Implications

- 1.1 The Prudential Code for Capital Finance in Local Authorities requires that actual capital expenditure during the year is reported to members. For 2020/21 this was £24.162 million.
- 1.2 The budget impact of these schemes was considered and approved when the schemes were incorporated into the capital programme.
- 1.3 The Capital Reserves available for capital expenditure amounted to £3 million at 31st March 2021. An additional £10 m is held in the revenue capital fund which could be used to support capital expenditure as well as supporting revenue expenditure in the future. Some of the expenditure is also funded by grant and external contributions
- 1.4 The Council will borrow to acquire assets to assist with economic development and regeneration provided that the assets generate a return adequate to service the loan and any Minimum Revenue Payment.

2. Key Issues

- 2.1 The schemes detailed in Annex 'A' reflect a number of larger projects agreed by the Council throughout the year.
- 2.2 The Council in accordance with the Prudential Code is required to report its performance against the actual capital prudential indicators for 2020/21 (set in February 2020) and these are detailed in Annex 'B'.
- 2.3 A number of capital projects that have being added to the capital programme, are projects that are intended to be carried out over a number of years, rather

than just one single year. E.g Building of the new Arena, London Road block and Property Acquisition strategy.

3. Options

- 3.1 The Performance and Finance Committee to note the actual capital expenditure against budget and the final capital prudential indicators for 2020/21.

4. Proposals

- 4.1 It is proposed that Performance and Finance Committee notes that
- (i) Actual capital expenditure for 2020/21 of £24.162m against a budget of £34.991m be noted approx. 69.05% of the budget be noted;
 - (ii) the final capital prudential indicators for 2020/21 be noted.

5. Corporate Objectives and Key Priorities

- 5.1 Corporate Objective – Providing services better, faster and cheaper.

Annexes	Annex A – Monitoring statement. Annex B - Capital Prudential Indicators.
Background papers	None
Author/contact details	Adrian Flynn – Chief Accountant
Head of service	Martin Hone – Executive Head of Finance

CAPITAL MONITORING 2020/21 OUT-TURN

	B/Fwd From 2019.20	Approved Bids 2020.21	Total 2020.21 Programme	Current Spend & Commitments	Funds Available
	£'000	£'000	£'000	£'000	£'000
Investment and Development					
1 The Square Refurbishments	1,628	0	1,628	0	1,628
2 Public Realm Works	3,280	0	3,280	3,459	-179
Sub Total	4,908	0	4,908	3,459	1,449
Legal					
3 Property Acquisition Strategy	2,343	0	2,343	0	2,343
4 London Rd Block	3,478	0	3,478	350	3,128
5 Theta	81	0	81	0	81
6 Ashwood House (Market Hall)	300	0	300	0	300
7 Theta (2nd Floor)	0	49	49	0	49
8 Boiler @ Hudson House, Albany Park	0	25	25	0	25
Sub Total	6,202	74	6,276	350	5,926
Transformation					
9 Switch Replacement	16	0	16	14	3
10 CRM replacement	0	30	30	30	0
11 Laptop Project	0	30	30	30	0
12 MFD Replacement	0	24	24	24	0
13 Civica Financials Live Cloud Upgrade	0	16	16	16	0
14 Monitor Refresh	0	30	30	30	0
15 HR/Payroll System	0	30	30	30	0
16 Internet of Things Sensors	0	50	50	0	50
17 SHORE	0	10	10	0	10
Sub Total	16	220	236	173	63
Business					
18 Main Square Car Park Refurbishments	52	0	52	10	42
19 Chobham Car Park Resurfacing Scheme	0	50	50	37	13
20 Watchetts Road Car Park Resurfacing Scheme	0	40	40	48	-8
21 Camberley Theatre Improvements	3	0	3	3	1
22 Theatre Frontage & Lighting Upgrade	123	0	123	3	120
23 Camberley Park & Obelisk	32	0	32	33	0
24 Lightwater CP Visitors Centre	44	0	44	38	6
25 Deanside DR Woods Play Area	23	0	23	4	19
26 Mytchett Skate Park	54	0	54	0	54
27 London Rd Rec Disabled Access	7	-7	0	0	0
28 Board Sites	16	0	16	9	7
29 Chobham Rd Play Area	20	0	20	0	20
30 Loman Rd Play Area	35	20	55	55	0
31 London Rd Rec Play Area	70	7	77	0	77
32 Old Dean Play Area	200	0	200	220	-20
33 Watchetts Rec	40	0	40	40	0
34 Whitmoor Rd	25	0	25	0	25
35 Maguire Drive Play Area/Path	12	0	12	3	9
36 Frimley Lodge Pavilion Windows	0	40	40	37	3
37 Watchetts Recreation Ground Access Road and Car F	0	65	65	85	-20
38 Watchetts Recreation Ground Tennis & Netball	0	135	135	2	134
39 Arena	19,099	0	19,099	16,880	2,219
40 Green Spaces - Increased Security Measures	0	192	192	26	166
Sub Total	19,855	542	20,397	17,533	2,865
Community					
41 Bulking Shed - Doman Road	270	0	270	0	270
42 Community Bus	40	0	40	0	40
Sub Total	310	0	310	0	310
Regulatory					
43 Renovation Grants	348	1,000	1,348	524	824
44 Openspace Works	6	0	6	4	2
45 Drainage Works	60	0	60	0	60
46 128 London Rd (Connaught Court)	699	0	699	649	50
47 Meadows Roundabout	0	750	750	750	0
48 151 Gordon Avenue (Night Stop)	0	720	720	720	0
Sub Total	1,113	2,470	3,583	2,647	936
GRAND TOTAL OF ALL SCHEMES	32,405	3,306	35,711	24,162	11,549

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PRUDENTIAL INDICATORS - CAPITAL ACTUALS 2020/21

CIPFA's Prudential Code for Capital Finance requires local authorities to prepare Prudential Indicators of their intended capital spending plans for the forthcoming and future years. The indicators are intended to help the decision making process within an authority and must be approved by the full Council before the beginning of the financial year. The indicators are neither comparative statistics nor performance indicators. Different Council's will have different figures reflecting their history and local circumstances.

Financing and Capital Prudential Indicators

	2019/20 Actual	2020/21 Original Budget	202021 Actual	
Capital Expenditure	£7.895m	£38.4m	£24.162m	The Council acquired additional investment property over the year which was not envisaged when the original program was set.
Capital Financing Requirement as at 31 st March	£186m	£224m	£176m	The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a measure of the Council's debt position.
Ratio of Financing Costs to Net Revenue Stream	31.13%	19.18.%	30.66%	This is an indicator of affordability and is the ratio of the Council's General Fund capital financing costs to its net revenue budget in percentage terms.
Operational Boundary	£245m	£230m	£230m	The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt
Authorised Limit	£250m	£235m	£235m	The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe

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TITLE: Report of Task & Finish Group on the Council's Property Investments

Portfolio:	Finance
Ward(s) Affected:	All

Purpose

At its meeting on 9 September, P&F Scrutiny Committee considered a report on property investments for treasury management Since 2016.

The Committee agreed, *inter alia*, to set up a time limited 'Task and Finish Group' with a remit to examine the advice provided by professional agents to the Council regarding its property acquisitions and management, and to feed their findings into the Council's future Property Investment Strategy.

1. Executive Summary

1.1 At its meeting on 9 September, P&F Scrutiny Committee considered a report on property investments for treasury management since 2016.

1.2 The Committee agreed, *inter alia*, to set up a time limited 'Task and Finish Group' with a remit to examine the advice provided by professional agents to the Council regarding its property acquisitions and management, and to feed their findings into the Council's future Property Investment Strategy.

1.3 The remit and scope of the Group agreed at the Performance & Finance Scrutiny Committee was:

To examine the advice provided by professional agents to the Council regarding its property acquisitions and management to feed into the Council's future Property Investment Strategy.

1.4 The membership of the Group was:

- Cllr. Mylvaganam (substitute Cllr. Wrenn);
- Cllr. Garrett (substitute Cllr. Croke); and
- Cllr. Galliford

1.5 A projected budget of £110k was agreed for all stages of the work set out made up of a mix of external consultant costs and officer time, split £50k for officer time; £40k for external review of valuations; and £20k for any additional external advice required.

After the final evidence was taken, the Interim Head of Finance reported to the Group:

- That the total officer time spent on the review totalled £35k;
- That the £40k for external review of valuations had been largely spent (£38k);
- That there had been no need to seek any additional external advice;
- Therefore, total spend against budget was £73k, a saving of £37k against the budget agreed by the P&F Committee.

1.6 The Task & Finish Group has taken evidence from all the professional advisors involved:

- Arlingclose (Treasury advisors)
- Montagu Evans (Property consultants)
- Addleshaw Goddard (Legal advice)
- KPMG (External auditors)

1.7 The Group has also examined the papers that were put to Council at the time of the acquisitions in 2016, in particular the legal advice and risk management issues contained in the Chief Executive's report to Council in July 2016 recommending the acquisition of the Mall Shopping Centre in Camberley and in the urgent action to acquire 45-51 Park Street in November 2016 signed by the Council's Chief Executive and agreed by the Council Leader.

1.8 Avison Young UK Limited (AY) were instructed by the Task & Finish Group to carry out the "desktop" review of the 2016 acquisition of the Mall Shopping centre and ancillary properties. It was requested that their report should include a critical appraisal of the market in 2016, the purchase process and a review of the valuation and recommendations.

1.9 Their report was received by the Group on 19 November 2020 and has helped shape the findings of the final report from the Task & Finish Group. A subsequent piece of work relating to the acquisition of Park Street and Princess Way, Camberley was received by the Group on 26 January 2021 and the findings from have also informed the final report. Discussions have also been held with the Council's auditors, BDO, regarding the Council's approach to managing its current and future investments.

10.1 Attached to this report as an Annex is an Action Plan addressing issues raised during the review. Committee is asked to note that most or the recommendations have already been approved by The Corporate Management Team and implemented by the relevant officer(s).

1.10 Findings: Key Points

In acquiring the properties in 2016, the Council acted within the statutory framework and its own constitution.

1.11 The Avison Young Report

The findings of the AY report were accepted by the T&F Group. Items to note:

- The price(s) paid by the Council were at the top end of the valuations as validated by AY.
- The acquisition was primarily in support of the stated Council priority to redevelop Camberley Town Centre.
- The Council purchased the shopping centre by directly approaching the owner, thereby losing any competitive market tension. To be clear, the Council was only interested in viable investment opportunities within the borough boundary since these would also help deliver the Council priority to invest in and support the local economy, as well providing amenity to local residents. The Council was not interested in the purchase of alternative potential purchases outside the borough boundaries, since these would not deliver the Council's ambitions for Surrey Heath. As a result of this approach, competitive market tension (or 'leverage') could not be applied to the purchase of the town centre; the Council could not use the possibility of purchasing an alternative shopping centre elsewhere in the UK as a 'bargaining chip' in its discussions with Capital & Regional.
- The purchase of the properties allows the Council to undertake a wholesale redevelopment of the town centre that would not otherwise be possible.
- The properties require significant future investment to increase their market value over the long term.
- Prior to the purchase there had been no significant investment in the town centre by Capital & Regional and had the Council not made the purchase there was every possibility that the shopping area would continue to decline, with all the associated economic and social issues this would entail for the communities the Council serves.

2 Scope of the review

2.1 Members and local people have raised concerns about the Council's acquisitions of commercial property over the past five years. The issues that have been raised are broadly similar to more general criticism of local authorities taking on too much risk by engaging in commercial property speculation to generate income to fund services in the light of reducing financial support from Central Government. The COVID-19 pandemic and associated economic downturn has further exacerbated these concerns.

2.2 At its meeting on 9 September 2020, the Performance & Finance Scrutiny Committee agreed to set up a Task & Finish Group to examine these matters.

2.3 Task and finish groups are informal, usually small and time-limited bodies comprised of Councillors and, often, co-optees brought in from outside the Council for their specific skills and experiences.

2.4 They are established by a parent Committee (in this case the Performance & Finance Scrutiny Committee) to undertake a discrete piece of scrutiny work, and report back to that Committee with their findings and recommendations. Decision-making in the Task & Finish Group (i.e., deciding on the wording of a final report and deciding on recommendations) is undertaken through consensus rather than through a vote, given the fact that the membership may not directly reflect political proportionality. To demonstrate transparency and accountability, Task & Finish Groups make published information, minutes and evidence-gathering sessions accessible to the public. The notes of these meetings are attached at Annex C.

2.5 The remit and scope of the Group agreed at the Performance & Finance Scrutiny Committee was:

To examine the advice provided by professional agents to the Council regarding its property acquisitions and management to feed into the Council's future Property Investment Strategy.

The work to comprise:

- *Developing an agreed action plan on the key task at hand*
- *Action the work programme in a timely fashion i.e. doing the work*
- *Developing measures of evaluation*
- *Reporting on the impact, learning, and outcomes*

2.6 The membership of the Group was:

- Cllr. Mylvaganam (substitute Cllr. Wrenn);
- Cllr. Garrett (substitute Cllr. Croke); and
- Cllr. Galliford

2.7 The Interim Executive Head of Finance was the lead officer within the Group, with additional support from Member Services.

3. Gathering Evidence

3.1 The evidence gathered by the Group was directed by the Scrutiny Committee. At its meeting on 9 September 2020, the Committee considered a report setting out a motion relating to the Council's property investments in Camberley Town Centre (which had been referred to the Committee by Full Council at their meeting on 22nd July 2020).

3.2 The motion:

- Expressed concern about articles in the national press regarding the Council's property investments;

- Sought information pertaining to the purchase costs of property investments since 2016; and
- Suggested further actions in the event that there had been a significant impairment of book value since the date of a property's purchase. The proposal was to use various levels of impairment to decide whether or not to cut the risk of further losses to the Council (and local taxpayers) by disposing of some or all of the Council's commercial property holdings.

3.3 It was acknowledged by the Committee that a number of those involved in the decision to pursue the purchase of the Mall Shopping Centre in 2016 were either no longer employed by the Council or were no longer elected members and there would therefore be little benefit in revisiting their actions at the time. Notwithstanding this, it was agreed that the concerns that there had been insufficient information available at the time for members to make a fully informed decision on the Mall's purchase did warrant further investigation and that the information provided in the relevant reports and workshops ought to be reviewed in order to inform future decision making.

3.4 The Task & Finish Group was established to review the information available at the time of the decision. A projected budget of £110k was agreed for all stages of the work set out made up of a mix of external consultant costs and officer time, split £50k for officer time; £40k for external review of valuations; and £20k for any additional external advice required. Subsequently, Council agreed the funding request for £40k to pay for the services of an external consultant to complete a desk-top review of the Council's property acquisitions. As reported in 1.5 above, of the total budget of £110k, £73k was spent, achieving a saving on the project of £37k against the agreed budget.

3.5 Concern was raised by the Committee that some documentation relating to the decision to purchase the Mall in 2016 remained exempt leading to a perception that the decision had not be subject to adequate scrutiny. It was agreed that the possibility of making the documentation public would be followed up with the Monitoring Officer as part of the work of the Task & Finish Group.

3.6 The starting point for the Group's work was to examine the decision-making surrounding the acquisition of the Mall Shopping Centre and ancillary properties in 2016. The Council's corporate plans included a commitment to acquire strategically important assets that:

- Promoted the delivery of key priorities;
- Were important in assisting the long-term economic wellbeing of the borough;
or
- Were potential sites for housing.

3.7 In at its meeting in July 2016 the Council decided to purchase the Mall Shopping Centre in Camberley and all other property interests owned by Capital and Regional (C&R) in the town. The Council already owned a substantial freehold interest in much of the town centre.

3.8 In addition, in November 2016 under urgent action provisions the Council agreed to acquire other sites located in Park Street and Princess Way, GU1 3SP.

3.9 The properties purchased comprised a covered shopping centre with various street facing parades of retail property fronting Princess Way, Obelisk Way, Park Street, High Street and London Road.

3.10 The main anchor tenants were/are House of Fraser, Sainsbury's and Primark. The shopping centre is held freehold by Surrey Heath Borough Council and is subject to a long lease to Camberley Trustee NO 1 Ltd and Camberley Trustee NO 2 Ltd for a term of 150 years from 23 June 1988 (approximately 118 years unexpired) at a fixed head rent of £200,000 per annum.

3.11 Camberley Trustee NO1 Limited and Camberley Trustee NO2 Limited also acquired the freehold interests in the following:

- 45-51 Park Street
- Land and buildings lying on the south side of London Road, Frimley; Land lying to the south of 129 & 131 London Road, Camberley including 10 High Street and 127 London Road (former Alders development site)
- 30-54 High Street (even) including 1A-D, 2, 2A, 4 & 4A Grace Reynolds Walk
- 5-21 Park Street (odd) and 48-54 (even)
- 145-153 (odd), 161-171 (odd) & 181-183 (odd) London Road

3.12 The total purchase price of the acquisitions was £103.6 million, calculated as follows:

	£'000
1. July 2016 Acquisitions:	
Shopping Centre Valuation	77,850
London Road Valuation	1,950
Alders Site Valuation	2,500
TOTAL VALUATION	82,300
Marriage Value	1,700
Stamp Duty Savings	2,000
SUB-TOTAL	86,000
2. November 2016 Acquisitions:	
Park Street and Princess Way Valuation	17,600
TOTAL	103,600

3.13 The Marriage Value was the added value arrived at by combining the freehold (already owned by Surrey Heath Borough Council) and the leasehold interest. The Stamp Duty Savings were calculated as a 50/50 split between buyer and seller based

on savings of £4 million SDLT because the purchase was made within a Jersey Property Unit Trust (JPUT) to which Stamp Duty did not apply.

3.14 The decisions by the Council in 2016 were informed by:

- Input from senior Council officers involved in the acquisition, management and disposal of commercial property assets; and
- Input from professional advisors to the Council on commercial property acquisition, management and disposal.

3.15 The Task & Finish Group took evidence from all of the professional advisors involved:

- Arlingclose (Treasury advisors)
- Montagu Evans (Property consultants)
- Addleshaw Goddard (Legal advice)
- KPMG (External auditors)

3.16 It should be noted that in the case of the Council's external auditors, KPMG were replaced by BDO with effect from the audit of the 2018/19 accounts, and that information relating to the audit view of the 2016 acquisitions was largely based on guidance from the new auditors. BDO have continued to review and advise the Council on the treatment of property acquisitions since their appointment and this has provided the Council with a fresh perspective in the management of its property portfolio.

3.17 In addition, the Task & Finish Group appointed Avison Young (property advisors) to carry out the desk-top review and advise the Group more generally on property matters.

4. Key Findings from the Task & Finish Group

4.1 Decision-making by the Council

4.1.1 Report to Full Council July 2016

4.1.2 The decision to proceed with the purchase of the Town Centre, London Road and Alders Site was made by Full Council in 2016 on the basis of a report from the Chief Executive of the Council.

(i) Legal advice contained in the Chief Executive's report

The Council sought Queen Counsel's opinion as to whether the Council had the necessary powers to acquire and manage the assets including the power to borrow to invest in the proposal.

The advice confirmed that there was sufficient power to make the acquisition as a Council and indeed there were a number of powers which could be exercised to

purchase the assets, either under the Local Government Act 2003, the Local Government and Housing Act 1989 as well as the 1972 Act.

Whilst there were many ways in which the Council could have chosen to structure the acquisition, it relied particularly on the relevant power contained in s120 of the Local Government Act 1972, whereby a Council has the power to acquire property for the purposes of either its statutory functions or for the benefit, improvement or development of the area. Economic Development is a statutory function of a Local Authority and there are also powers within the planning legislation to acquire land by agreement for planning and public purposes. As the majority of the sites that were purchased formed either part of redevelopment proposals, refurbishment plans or preserving economic development of Camberley Town Centre, the Council was satisfied that it had the necessary powers to make the acquisition.

In terms of investment powers, section 12 of the Local Government Act 2003 provides a power to invest “for any purpose relevant to [a Local Authority’s] functions under any enactment”. The Council also has power under section 1 of the same Act to borrow money for such a purpose.

Therefore, the Council carried out the acquisition, and financed the purchase price from the Public Works Loan Board, for a purpose relevant to its statutory functions.

In addition, it should be noted that the Council has statutory functions both in relation to the economic well-being of its area, and in relation to its planning and development. It also has more specific powers under the Local Government Act 1972 and the Town and Country Planning Act 1990 to acquire land for the benefit, improvement or development of its area (1972 Act) or in the interests of proper planning, or to facilitate development which will promote the economic development of the area (1990 Act).

The Counsel’s opinion provided in relation to the acquisition of the Shopping Centre has informed subsequent acquisitions of commercial property.

(ii) Risk Management issues contained in the Chief Executive’s report

The report drew the attention of members to potential risks associated with the proposed acquisition, both at the point of acquisition and in the longer term. As regards the purchase risks, the report highlighted the need to justify the initial price agreed using financial assessments to confirm the forecast rental income, the structural and running costs of the centre, and other aspects of the valuation.

The point was also made that PWLB loan rates could not be fixed in advance and that the assumptions about the costs of borrowing contained in the report were therefore provisional: an increase in interest rates would increase borrowing costs. In the event, the advice and costings provided by Arlingclose (the Council’s retained financial advisors) proved correct and were not subject to variation between the date of the Full Council meeting and the date of completion of the purchase.

As regards longer term risks, the report noted that as with all property investments there would be an on-going level of financial risk in relation to empty properties, rent reductions, non-payment etc. The report suggested that these risks were mitigated to some extent by:

- The large number of properties being purchased.
- The fact that for the purposes of the acquisition valuation units currently empty in the centre had been valued at nil.
- The Council's PWLB borrowing costs being a fixed and known quantity.

The report contained a calculation to the effect that annual rents would need to reduce by 26% for the Council to suffer a financial loss. Of course, in the event, rents have indeed fallen by more than 26% over the period 2016 to 2021 most dramatically during the Covid-19 Pandemic:

Rent Income	£000
2016/17	5,750
2020/21 (unaudited)	3,600
Percentage reduction	37.6%

At the time of acquisition a fall in rental income of 37.6% was not considered to be within the parameters of reasonably foreseeable risk.

The other point made in the report about on-going financial risks is more telling: that the financial viability of the purchase would be jeopardised if further borrowing were required, such as for centre refurbishment. In fact, the long-term success of the town centre, its transformation, would require significant further funding and associated borrowing in order to be achieved.

4.1.3 Urgent Action agreed 31 October 2016

4.1.4 The Urgent Action to acquire 45-51 Park Street in November 2016 was signed by the Council's Chief Executive and agreed by the Council Leader. The reasons for urgency were that the Council was aware of other potential buyers and that the Council would be required to exchange quickly.

4.1.5 The Urgent Action authorised the Chief Executive to acquire the freehold for the sum of £17.6 million, subject to due diligence and after consultation with the Council's Land & Property Board. The Chief Executive was also authorised to spend up to £275k on professional fees related to the purchase.

4.1.6 The Urgent Action confirmed that the Council had the legal powers to acquire the properties and that borrowing from the PWLB would be required to finance the deal. It was noted that the acquisition meant that the Council would now own all the property within the covered shopping mall except for Primark.

4.1.7 Although the specific powers to purchase and fund the acquisition of 45-51 Park Street were not included in the Urgent Action signed by the Leader, it is clear

that they were the same as relied upon in the earlier transactions relating to the Town Centre, London Road and Allders Site.

5 The Avison Young Report

5.1 Avison Young UK Limited (AY) were instructed by the Task & Finish Group to carry out a “desktop” review of the 2016 acquisition of the Mall Shopping centre and ancillary properties (“The Mall”). It was requested that their report should include a critical appraisal of the market in 2016, the purchase process and a review of the valuation and recommendations.

5.2 Their report, received by the Group on 19 November 2020, has helped shape the findings of the final report from the Task & Finish Group, particularly in examining the advice provided by professional agents to the Council regarding its property acquisitions and management.

5.3 In addition, their report addressed various comments made at the Performance & Finance Scrutiny Committee of July 2020.

5.4 A subsequent piece of work relating to the acquisition of Park Street and Princess Way, Camberley was received by the Group on 26 January 2021 and the findings from this are also set out below.

5.5 The AY report included a review of the valuation(s) provided to the Council by Montagu Evans (ME), the Council’s property consultants, who provided AY with an electronic version of their 2016 valuation which was undertaken in Argus Enterprise (a profession-standard valuation software) and with their valuation report which was undertaken in accordance with the RICS Valuation – Professional Standards January 2014 (‘the Red Book’). AY confirmed that the ME valuation of £82,300k for the Mall was in accordance with ‘the Red Book’.

5.6 Their report also concluded that the valuation was at the top end of the range they would have expected to have seen in 2016. They noted that the town centre is/was ‘Town Dominant’ and that an adjustment in estimated yield from rental income of minus 0.5% against comparable ‘Town Dominant’ shopping centres given within the ME report reduced the valuation of the core property (the shopping centre) from £77,850k to £71,600k. The valuation was carried out in the correct technical manner and contained all the items AY would have expected to see. The valuation of £77,850k was at the top end of the range AY would have expected to have see at the date of purchase.

5.7 Looking forward from 2016, the AY report notes that actual income has not kept up with the income projected within the ME valuation. At the valuation date the gross passing rent was £5,451k per annum. In the third month of the Pandemic and associated lockdown, the June 2020 tenancy schedule shows a gross passing rent of £5,102k per annum, a decrease of -6.39%. The cashflow within the valuation predicted a gross rent of £6,270k per annum a fall of -18.61% as at June 2020. AY’s report emphasises that a valuation is only a snapshot of the property at a fixed date and the income profile within the report is not guaranteed and is subject to economic

changes, which have gone against the shopping centre sector since the date of the Council's purchase.

5.8 The findings of the AY analysis are consistent with the evidence gathered by the Task & Finish Group from Montagu Evans.

5.9 Acquisition of The Mall: Findings from Avison Young (AY)

5.9.1 AY's recommendations are based on a limited scope review of the report "Strategic Acquisition of Property Holdings in Surrey Heath" that went to Full Council in July 2016, recommending the acquisition of Camberley Town Centre.

5.9.2 The desk-top review was undertaken in the week-ending 20 November 2020.

5.9.3 AY did not review the Counsel's opinion which considered the vires of the Council to make the investment (this has been dealt with in Section 3 above). Their review focussed on making recommendations for the process and documentation that should accompany future investment decisions.

5.9.4 AY have set out their conclusions from their investigations. The following comments are extracted from their report to the Task & Finish Group:

- I. We (viz. Avison Young) consider that the information provided to the Council in 2016 was light on systematic analysis. The acquisition of Camberley Town Centre was a significant one for the Council and it appears that the information and supporting narrative was not proportionate to the size of the investment decision. The internal paper lacked sufficient detail on options, benefits and risks;
- II. The Councillors do not appear to have been provided with detailed decision-support documentation showing the case for public investment purpose, desired outcomes, rationale and objectives are explicit and their fit with the Council's strategic aims are clear. It is clear to us (viz. Avison Young) that the purpose of the acquisition was primarily in support of the stated Council priority to redevelop Camberley Town Centre. It was a public investment in the sense that it allocates funding to an initiative that the market cannot successfully or may not wish to deliver on its own;
- III. Investment decisions should be based on a business case that is fit for purpose and proportionate to the scale of the decision being made. We (viz. Avison Young) would draw your attention to HM Treasury Five Case Model provides a leading practice methodology. This should be adopted because it would enable the Council to consider value for money taking into account. The Five Case Model considers 1) Strategic Case, 2) Economic Case 3) Financial Case, 4) Commercial Case and 5) Management Case. Adoption of this model would have given the Council greater confidence regarding the investment case;
- IV. A valuation report is a snapshot of a property's valuation at a specific date. it does not necessarily provide forward looking advice which the Council would

have been best to seek. An acquisition report should have been commissioned from ME showing a clear plan for the future of The Mall together with a forward looking ten-year cashflow together with development proposals. This would have given greater clarity on the future potential of the investments to the Councillors and highlighted income risks;

- V. The valuation was of an income generating asset which would receive some refurbishment but would continue to operate broadly “as is”; but as stated in 11 above the Council’s objective was primarily as an investment not as an operational asset.
- VI. The Council purchased the shopping centre by directly approaching the owner, therefore lost any competitive market tension (see 1.11 above), but the Council avoided having to bid against other potential purchasers. This meant that re-negotiation of an agreed price following a valuation would be very difficult;
- VII. The property was purchased at a time of market uncertainty due to the June 2016 Brexit vote. Generally, Brexit had a negative impact on the commercial investment market during the mid-part of 2016 and forced many listed funds to block immediate redemptions. However, in 2016 the subsequent difficulties faced by retailers were not readily apparent although the sector weakness was gradually become apparent. Since the purchase, the retail occupational market has been dominated by tenant failures and Company Voluntary Arrangements many relating to tenants that were perceived to have excellent covenant strength in 2016.
- VIII. If the Council had not purchased The Mall there may not have been any further capital investment in the centre and this would have a detrimental impact on the Camberley town centre which may have been difficult to reverse in the short-term. The purchase of the property allows the Council to undertake the wholesale redevelopment of the town centre providing a mixed-use development;
- IX. At the date of purchase, the direction of travel for town centre shopping centres was to see income and capital values falling. The fundamental challenges faced by physical stores of the relentless move on-line was not addressed at the time of your purchase. A pure valuation report is not the most suitable report to address these issues.
- X. The market has some uncertainty following the Brexit referendum which slowed the number investment transactions;
- XI. It is best practice for a Public Sector body to obtain an independent valuation by an external valuer that is not part of the procurement process, although this is not universally followed;
- XII. In our opinion the use of ME to facilitate the purchase and to manage the shopping centre is not a conflict of interest;

- XIII. We would regard an annual valuation by ME as creating a conflict and would not be best practice. The property is now independently valued by BNP Paribas;
- XIV. The property will need significant future investment although this should increase the Market Value over the long term. In order for Councillors to fully understand the asset decisions should be accompanied by detailed financial modelling demonstrating projected income and expenditure over the life of the investment rather than a valuation report which tend not to address such matters. Long-term impact on cashflows and balance sheet should also be a fundamental part of such a long-term decisions. There should also be a quantification where possible of the economic and undoubted social benefits which would flow from a wholesale redevelopment of the property.

5.10 Acquisition of Park Street and Princess Way, Camberley, Surrey GU15 3SP: Findings from Avison Young (AY)

5.10.1 The conclusions from this piece of work were as follows:

- I. We (viz. Avison Young) consider that the information provided to the Council in 2016 was light on systematic analysis. The acquisition of the property was another significant one for the Council and it appears that the information and supporting narrative was not proportionate to the size of the investment decision. The internal paper lacked sufficient detail on options, benefits and risks.
- II. The Councillors do not appear to have been provided with detailed decision-support documentation showing the case for public investment purpose, desired outcomes, rationale and objectives are explicit and their fit with the Council's strategic aims are clear.
- III. The sale of the Southampton property at nearly 25% under its asking price is a good example of astute negotiation and waiting for the right time to purchase a property rather than "rushing into" a sale because the Vendor's wishes and aspirations. [NB: This was an example cited in the main body of the AY report examining comparable acquisitions at the time of the purchase(s) in 2016 and is attached at Annex B.]
- IV. Investment decisions should be based on a business case that is fit for purpose and proportionate to the scale of the decision being made. We (viz. Avison Young) would draw your attention to HM Treasury Five Case Model provides a leading practice methodology. This should be adopted because it would enable the Council to consider value for money taking into account.
- V. Adoption of this model would have given the Council greater confidence regarding the investment case.
- VI. The valuation was of an income generating asset which would receive some refurbishment but would continue to operate broadly "as is".

- VII. The property was purchased at a time of market uncertainty due to the June 2016 Brexit vote. Generally, Brexit had a negative impact on the commercial investment market during the mid-part of 2016 and forced many listed funds to block immediate redemptions. However, in 2016 the subsequent difficulties faced by retailers were not readily apparent although the sector weakness was gradually become apparent. Since the purchase, the retail occupational market has been dominated by tenant failures and Company Voluntary Arrangements many relating to tenants that were perceived to have excellent covenant strength in 2016.
- VIII. The market has some uncertainty following the Brexit referendum which slowed the number investment transactions.
- IX. It is best practice for a Public Sector body to obtain an independent valuation by an external valuer that is not part of the procurement process, although this is not universally followed.
- X. The valuation was carried out in the correct technical manner and has all the items we would expect to see. The valuation was at the very top end of the range we would expect to have seen at the date of purchase.

5.11 AY Recommendations to the Task & Finish Group

5.11.1 The AY report contained six recommendations, and these are set out below, with observations and comments.

Recommendation 1

Future decision-support documentation should ensure that the public investment purpose, desired outcomes, rationale and objectives are explicit and their fit with the Council's strategic aims are clear. It should be made clear whether the acquisition of property is for financial investment or for an economic, social or public service delivery purpose. The likely achievement of the objectives should be tracked throughout the investment decision-making process and documentation.

Observations:

It is clear that the purpose of the acquisition was primarily in support of the stated Council priority to redevelop Camberley Town Centre. It was a public investment in the sense that it allocates funding to an initiative that the market cannot successfully deliver on its own (although little supporting evidence of the market failure was provided). The report did not present the primary rationale for the acquisition as being a financial investment.

The key priorities were expressed in fairly generic terms – e.g. “to increase our strategic influence”, “to assist long term economic wellbeing”, and “to allow the Council a more direct and longer-term control in the future

management and direction of Camberley Town Centre”. There was not a clear, detailed explanation of the desired outcome(s), acquisition rationale and how the outcome(s) will be achieved. The consequences of not making the acquisition (i.e., the ‘counterfactual’) was not described.

Recommendation 2

Investment decisions should be based on a business case that is fit for purpose and proportionate to the scale of the decision being made. The HM Treasury Five Case Model provides a leading practice methodology, and its adoption will enable the Council to consider value for money taking into account:

1. Strategic Case
2. Economic Case
3. Financial Case
4. Commercial Case
5. Management Case

Observations:

The information provided to the Council in 2016 was light on detail and systematic analysis. The acquisition of Camberley Town Centre was a material and significant one for the Council and it appears that the information and supporting narrative was not proportionate to the size of the investment decision. It lacked sufficient detail on options, benefits and risks.

Recommendation 3

The Council should consider preparing a programme-level business case for the redevelopment of Camberley Town Centre. This would provide the economic, social and financial rationale for future expenditure and an economic framework for future investment decisions.

Observations:

The investment had many characteristics of a programme and should have been appraised as such: e.g., the objective of the initiative was the delivery of a social and economic outcome; to secure that outcome involves a set of projects and activities over the life of the investment, there were significant complexity and interdependencies.

Recommendation 4

A range of options should be tested financially and non-financially to achieve an option that provides the best value for money in achieving the strategic aims. The non-financial criteria should include fit with project objectives, strategic alignment, affordability, deliverability. The financial cashflows should cover the economic life of the asset.

Observations:

Two options were described for this transaction – to buy or not to buy. Other options, such as seeking a partner, joint ventures and alternative routes for town centre revitalisation were not explored. A robust business case should cover a range of options. In this case a rationale for only two to be taken forward for detailed consideration would need to have been provided based on supporting analysis.

Recommendation 5

Future investment decisions should be accompanied by detailed financial modelling demonstrating projected income and expenditure over the life of the investment. Long-term impact on cashflows and balance sheet should also be a fundamental part of such a long-term decision. There should also be a quantification where possible of the economic and social benefits.

Observations:

The section of Annex A [to the report to Council in July 2016] which refers to the financial model provides very little by way of detail or information. We would have expected to see far more financial information to support an acquisition of this size. It is implied in the report that the opportunity to purchase was because refurbishment and redevelopment of the centre was sub-commercial for the vendor, which emphasises the need for robust financial analysis. We would expect the capital costs of lifecycle replacement, refurbishment and redevelopment to have been examined, along with quantification of the value of the social and economic benefits, using established benefit cost ratio techniques.

Recommendation 6

The Council should undertake a robust risk assessment on future investments that is proportionate to the size of the investment. The assessment should consider scenarios and quantify the key risks through considering impact and the likelihood of the risks materialising. Mitigation strategies should be set out and there should be clarity on the unmitigated risk that the Council will be exposed to as a result of the potential transaction and management and commercial arrangements put in place.

Observations:

There was reference to potential risks associated with the acquisition, but there was inadequate quantification of the potential risks and their likelihood. We would have expected a range of scenarios covered, including but not limited to interest rate changes and income reductions. There was generally little consideration of mitigation or exit strategies.

6 Public Works Loans Board Borrowing to Fund Investments

6.1 The Task & Finish Group took evidence from Arlingclose, the Council's retained financial advisors, who provided support and guidance of the funding of the 2016 acquisitions. Arlingclose have confirmed that the borrowing undertaken by the Council since 2016 to fund its commercial property acquisitions has been in accordance with its statutory powers and treasury guidance. BDO, the Council's external auditors, have also confirmed that Council borrowing is in accordance with both statutory powers and the Council's agreed treasury management strategy.

6.2 However, Committee should note that in 2019 The Public Accounts Committee raised concern about whether the Ministry of Housing, Communities and Local Government had sufficiently robust mechanisms to monitor borrowing by Councils from the Public Works Loan Board (PWLB) to fund commercial development portfolios.

6.3 Consultation was carried out as part of the provisional financial settlement for 2021/22 and the final settlement confirmed the government's commitment to reform the PWLB lending terms, ending the use of the PWLB for investment property bought primarily for yield, which the Chancellor stated was a risk for both national and local taxpayers.

6.4 In November 2020, the government cut PWLB lending rates to gilts + 100bps for Standard Rate and gilts + 80bps for Certainty Rate and at the same time introduced new borrowing terms.

6.5 In future, Councils must ensure that their proposed borrowing complies with the revised lending terms of the PWLB:

- The PWLB will no longer lend to local authorities that plan to buy commercial assets primarily for yield. The PWLB will still be available to all local authorities for refinancing.
- In order to borrow from the PWLB, local authorities will now be required to submit a summary of their planned capital spending and PWLB borrowing for the following three years.
- These plans must be included in the commentary section of the Certainty Rate return. This is an annual return submitted to PWLB in advance of the start of the financial year. The Council's Certainty Rate return for 2021/22 was submitted on 26 February 2021.
- Councils that have said in their Certainty Rate returns for previous years (e.g., 2020/21) they plan to buy commercial property in the coming years have had to review these plans to ensure that they comply with the new PWLB lending terms.

6.6 Taken together, the reduction in the costs of borrowing and the controls on the types of schemes for which borrowing is permitted will have a significant impact on future commercial property acquisitions.

6.7 The Council's Property Investment Working Group (which reviews all potential commercial property acquisitions) has been made aware of these changes and since November 2020 all reports on potential purchases have included a clear statement of the intended reason for acquisition: economic development; land assembly; strategic policy; yield; etc. It should be noted that at the time of writing (June 2021) the Council has no plans to borrow to acquire property primarily for yield.

6.8 Within the Council's financial management systems there are safeguards already in place to act in accordance with the Prudential Code of Financial Management to prepare investment strategies annually as part of Surrey Heath's Treasury management requirements. The strategy explains how investments (including commercial property portfolios) relate to the Council's core purposes.

7. The Jersey Property Unit Trust (JPUT)

7.1 The Council bought the town centre assets as a JPUT since that was the way the previous owner (Capital & Regional) held the Retail Assets. As pointed out above, the agreed price included a 50/50 share of the £4 million saving in Stamp Duty achieved by continuing to hold the underlying assets in a JPUT. Addleshaw Goddard (the Council's legal advisors for the purchases) have confirmed that the share of SDLT savings in these proportions is standard practice in these types of acquisition.

7.2 However, Committee should note that there are no additional tax advantages in continuing to hold the assets as a JPUT. In any event, the London Road properties will need to be moved out of the JPUT in order to progress the London Road Development. It has been agreed, therefore, these commercial property holdings will move under the direct ownership of the Council and the JPUT will be wound up. It is expected that the assets held in the JPUT will be 'on-shored' early in financial year 2021.

7.3 In the meantime, the Council's auditors, BDO, have provided additional assurances regarding the Council's approach to managing its current and future investments:

As part of the additional assurance that the Council has requested, in the Audit Plan for the coming year BDO have agreed the following:

In undertaking their audit of the Council, they plan to place reliance on BDO Jersey's work. In placing reliance on the work of BDO Jersey, they will undertake the following procedures:

- Assess the competence and independence of the BDO Jersey Team;
- Participate in planning meetings with the BDO Jersey Team and communicate the work they require them to perform for the purposes of the audit of the Council. In doing so, they will communicate details of the financial reporting framework applicable to the Council, their timetable, the significant risks of material misstatement relevant to the audit of the Council, and the materiality levels applicable to the audit. They will also undertake a review of

the BDO Jersey team's key audit working papers, and key outputs from their audit including reports to Those Charged with Governance.

In addition to the reliance the Council's auditors place on the work of the BDO Jersey team, as part of their audit of the Council they will:

- Review the inclusion of the Trust's financial statements into the Council's financial statements;
- Undertake testing of transactions and balances arising in the Trust between January and March 2020;
- Obtain direct confirmation of the cash balances held by the Trust at 31 March;
- Review updated valuations of the investment property held by the Trust; and
- Confirm that any adjustments required to convert transactions and balance from an FRS102 basis IFRS basis.

8. Officers Comments & Conclusions

8.1 Having considered the work carried out by the Task & Finish Group, officers comments are as follows:

8.2 Acquisition

8.2.1 The Council acted within the statutory framework and its own constitution. It took counsel's opinion and ensured sufficient professional advice from legal, financial and property experts. As well as the legal guidance provided at the time of acquisition, other legislation provides the Council with both flexibility and safeguards for commercial activity. Section 4 of the Localism Act requires anything done for a purely commercial purpose to be carried out by a limited company. However, if a local authority is using powers related to (say) regeneration or economic development to buy a local shopping centre, for example, it is not acting purely in a commercial purpose and can own it direct. The general power of competence, introduced in the Localism Act, permits a local authority exercising it with:

- The power to do it anywhere in the United Kingdom or elsewhere;
- The power to do it for a commercial purpose or otherwise for a charge or without charge; and
- The power to do it for the benefit of the authority, its area, or persons resident or present in its area.

8.2.2 Again, as the Council manages its commercial property as an adjunct to other functions rather than purely for financial gain a company structure is not required.

8.3 The Avison Young Report

8.3.1 The findings of the AY report are accepted. Items to note:

- The price(s) paid by the Council were at the top end of the valuations as validated by AY.
- The information provided to the Council in 2016 was light on systematic analysis. The internal paper lacked sufficient detail on options, benefits and risks.
- Members were not provided with detailed decision-support documentation showing the case for public investment purpose, desired outcomes, rationale and objectives.
- The acquisition was primarily in support of the stated Council priority to redevelop Camberley Town Centre. It was a public investment in the sense that it allocates funding to an initiative that the market cannot successfully or may not wish to deliver on its own.
- Future investment decisions should be based on a business case that is fit for purpose and proportionate to the scale of the decision being made.
- An acquisition report should have been commissioned from ME showing a clear plan for the future of The Mall together with a forward looking ten-year cashflow together with development proposals. This would have given greater clarity on the future potential of the investments to the Councillors and highlighted income risks.
- The Council purchased the shopping centre by directly approaching the owner, therefore losing any competitive market tension.
- There were market uncertainties during 2016, some of which were not factored into the valuations. Since the purchases, the retail occupational market has been dominated by tenant failures and Company Voluntary Arrangements many relating to tenants that were perceived to have excellent covenant strength in 2016.
- If the Council had not purchased The Mall there may not have been any further capital investment in the centre and this would have a detrimental impact on the Camberley town centre which would have been difficult to reverse in the short-term. The purchase of the property allowed the Council to undertake the wholesale redevelopment of the town centre.
- It would have been best practice for the Council to obtain independent valuations by an external valuer that was not part of the procurement process however the use of ME to facilitate the purchase and to manage the shopping centre was not a conflict of interest.
- The ongoing annual valuation by ME would have created a conflict and would not be best practice. The properties are now independently valued by BNP Paribas.

- The properties require significant future investment to increase their market value over the long term. In order for Councillors to fully understand the consequences of future investment the asset decisions should be accompanied by detailed financial modelling.

8.3.2 An action plan to address any outstanding issues arising from the AY report will be presented to the next meeting of the Performance & Finance Scrutiny Committee.

8.4 Funding for future investments

8.4.1 The new rules relating to borrowing from the PWLB to fund future investments has been noted and included in the agreed treasury management strategies for financial year 2021/22 presented to Full Council on 24 February 2021.

8.5 The Jersey Property Unit Trust

8.5.1 As noted above, the Task & Finish Group were satisfied that the acquisitions via the JPUT were correct and legitimate. The Group also noted that the JPUT is to be wound up in early financial year 2021/22 and all assets transferred 'on-shore' to the Council's balance sheet. This task was completed in April 2021. Overall management of tenant relationships and lease negotiations have passed to the Council and the 2020/21 budget agreed by Council in February 2020 anticipates savings of £125k from the new arrangements. The Council has recently employed a new Head of Investment & Development, and he has begun a review of tenancies to reflect the findings of the Performance & Finance Task & Finish Group and the recommendations arising from the Avison Young report.

Annex A: Action Plan to deliver recommendations.

Annex B: Avison Young Report

Annex C: Minutes of T&F Group

BACKGROUND PAPERS	Minutes and notes of the Task & Finish Group Evidence taken from: <ul style="list-style-type: none"> • Arlingclose (Treasury advisors) • Montagu Evans (Property consultants) • Addleshaw Goddard (Legal advice) • KPMG (External auditors) • BDO (External auditors)
AUTHOR/CONTACT DETAILS	Martin Hone Interim Executive Head of Finance Martin.Hone@surreyheath.gov.uk
HEAD OF SERVICE	Martin Hone Executive Head of Finance

CONSULTATIONS, IMPLICATIONS, AND ISSUES ADDRESSED

	Required	Consulted	Date
Resources			
Revenue			
Capital			
Human Resources			
Asset Management			
IT			
Other Issues			
Corporate Objectives & Key Priorities			
Policy Framework			
Legal			
Governance			
Sustainability			
Risk Management			
Equalities Impact Assessment			
Community Safety			
Human Rights			
Consultation			
P R & Marketing			

Annex A: Action Plan

Recommendation	Actions Required	Lead Officer	Date for Completion
<p>Recommendation 1</p> <p>Future decision-support documentation should ensure that the public investment purpose, desired outcomes, rationale and objectives are explicit and their fit with the Council's strategic aims are clear.</p>	<p>Development of standard documentation <i>pro forma</i> for proposed acquisitions of assets submitted to Property Investment Working Group (PIWG) setting out:</p> <ul style="list-style-type: none"> • Specific purpose of proposed acquisition. • Specific benefits to the Council and/or residents and/or service users. • Anticipated outcomes (e.g., additional income stream, potential savings, improved service delivery). • Rationale in terms of funding, timing of acquisition, management of assets, future costs of maintenance, cash-flow, site assembly, etc. 	<p>Head of Investment & Development/ Executive Head of Finance.</p>	<p>Already implemented.</p>

Recommendation	Actions Required	Lead Officer	Date for Completion
<p>It should be made clear whether the acquisition of property is for financial investment or for an economic, social or public service delivery purpose.</p> <p>The likely achievement of the objectives should be tracked throughout the investment</p>	<ul style="list-style-type: none"> • Specific supporting evidence of fit with the Council's existing property portfolio. • Specific supporting evidence of fit with the Council's strategic aims. • Alternative options to acquisition. <p>Comments to Executive from PIWG to address all these issues to ensure decision-making is based on all relevant criteria.</p> <p>To be made explicit in all reports to PIWG, Executive or Council, and in line with guidance from Government and professional bodies (e.g., CIPFA). Comments from Executive Head of Finance (S151 Officer) must specify whether the acquisition is intended for investment or service delivery purposes.</p> <p>Regular update reports to PIWG on progress against objectives.</p>	<p>Executive Head of Finance.</p> <p>Head of Investment & Development.</p>	<p>Already implemented.</p> <p>Already implemented.</p>

Recommendation	Actions Required	Lead Officer	Date for Completion
decision-making process and documentation.			
<p>Recommendation 2</p> <p>Investment decisions should be based on a business case that is fit for purpose and proportionate to the scale of the decision being made.</p> <p>The HM Treasury Five Case Model provides a leading practice methodology, and its adoption will enable the Council to consider value for money taking into account:</p> <ul style="list-style-type: none"> • Strategic Case • Economic Case • Financial Case • Commercial Case • Management Case 	<p>To review the guidance in the Council's Constitution regarding the decision-making process for the acquisition of property.</p> <p>Reports to PIWG, Executive and Council to include all relevant criteria to aid decision-making (see Recommendation 1 above).</p> <p>The HM Model to be incorporated into the <i>pro forma</i> documentation (see Recommendation 1 above) ensuring that the information provided and supporting narrative are proportionate to the size of the investment decision and include sufficient assessment and detail on options, benefits and risks.</p>	<p>Head of Legal Services.</p> <p>Head of Investment & Development/ Executive Head of Finance.</p> <p>Head of Investment & Development/ Executive Head of Finance.</p>	<p>TBC.</p> <p>Already implemented.</p> <p>TBC.</p>
<p>Recommendation 3</p> <p>The Council should consider preparing a programme-level business case for the</p>	<p>To be incorporated into the work programme of the Camberley Town Centre Working Group.</p>	<p>Head of Investment & Development.</p>	<p>TBC.</p>

Recommendation	Actions Required	Lead Officer	Date for Completion
<p>redevelopment of Camberley Town Centre.</p> <p>This would provide the economic, social and financial rationale for future expenditure and an economic framework for future investment decisions.</p>	<p>The business case to include the social and economic objectives; the scope and range of projects and activities over the life of the investment; and any interdependencies.</p>	<p>Head of Investment & Development/ Executive Head of Finance.</p>	<p>TBC.</p>
<p>Recommendation 4</p> <p>A range of options should be tested financially and non-financially to achieve an option that provides the best value for money in achieving the strategic aims.</p> <p>The non-financial criteria should include fit with project objectives, strategic alignment, affordability, deliverability.</p> <p>The financial cashflows should cover the economic life of the asset.</p>	<p>Observations:</p> <p>Two options were described for this transaction – to buy or not to buy. Other options, such as seeking a partner, joint ventures and alternative routes for town centre revitalisation were not explored. A robust business case should cover a range of options. In this case a rationale for only two to be taken forward for detailed consideration would need to have been provided based on supporting analysis.</p>	<p>Head of Investment & Development/ Executive Head of Finance.</p> <p>Head of Investment & Development.</p> <p>Executive Head of Finance.</p>	<p>Already implemented.</p> <p>Already implemented.</p> <p>Already implemented.</p>
<p>Recommendation 5</p> <p>Future investment decisions should be accompanied by detailed financial modelling demonstrating projected income</p>	<p>Observations:</p> <p>The section of Annex A [to the report to Council in July 2016] which refers to the financial model provides very little by way of detail or information. We would</p>	<p>Executive Head of Finance.</p>	<p>Already implemented for all significant capital schemes [Investment and Operational].</p>

Recommendation	Actions Required	Lead Officer	Date for Completion
<p>and expenditure over the life of the investment.</p> <p>Long-term impact on cashflows and balance sheet should also be a fundamental part of such a long-term decision.</p> <p>There should also be a quantification where possible of the economic and social benefits.</p>	<p>have expected to see far more financial information to support an acquisition of this size. It is implied in the report that the opportunity to purchase was because refurbishment and redevelopment of the centre was sub-commercial for the vendor, which emphasises the need for robust financial analysis. We would expect the capital costs of lifecycle replacement, refurbishment and redevelopment to have been examined, along with quantification of the value of the social and economic benefits, using established benefit cost ratio techniques.</p>	<p>Executive Head of Finance.</p> <p>Head of Investment & Development.</p>	<p>Already implemented for all significant capital schemes [Investment and Operational].</p> <p>Already implemented.</p>
<p>Recommendation 6</p> <p>The Council should undertake a robust risk assessment on future investments that is proportionate to the size of the investment.</p> <p>The assessment should consider scenarios and quantify the key risks through considering impact</p>	<p>The Council's Corporate Risk Register already includes a risk covering income from treasury and property. The mitigation measures referred to in the Recommendation to be included in future revisions of the Risk Register.</p> <p>As well as the assessment of overall risk from the totality of the Council's property portfolio (see</p>	<p>Executive Head of Corporate Services.</p> <p>Head of Investment & Development</p>	<p>Already included on a quarterly basis as part of the review of the Corporate Risk Register.</p> <p>Already implemented.</p>

Recommendation	Actions Required	Lead Officer	Date for Completion
<p>and the likelihood of the risks materialising.</p> <p>Mitigation strategies should be set out and there should be clarity on the unmitigated risk that the Council will be exposed to because of the potential transaction and management and commercial arrangements put in place.</p>	<p>above), a similar assessment to be carried out as part of the consideration of each potential acquisition.</p> <p>To be included in both the Corporate Risk Register and individual risk assessments of potential acquisitions.</p>	<p>Head of Investment & Development.</p>	<p>Already included on a quarterly basis as part of the review of the Corporate Risk Register.</p>

Our Ref: 02C002916



23 November 2020

Martin Hone
Surrey Heath Borough Council
Knoll Road
Camberley
Surrey
GU15 3HD

Dear Martin,

Recommendations – documentation and analysis to support future property investment decisions

Our recommendations are based on a limited scope review of the report “Strategic Acquisition of Property Holdings in Surrey Heath” that went to Council in July 2016, recommending the acquisition of Camberley Town Centre.

The desk-top review was undertaken in the week-ending 20 November 2020. This is neither an audit nor a fundamental review. We have not interviewed any Council Officers or Members in reaching these recommendations. There may be other findings and recommendations of relevance to the Council’s governance and controls processes that are likely to be identified with a deeper review.

We have not reviewed Counsel’s opinion which considers the vires of the Authority to make the investment. This review has focussed on making recommendations for the process and documentation that should accompany future investment decisions, with the purpose of informing the Council’s forthcoming Investment Strategy.

Recommendation 1

Future decision-support documentation should ensure that the public investment purpose, desired outcomes, rationale and objectives are explicit and their fit with the Council’s strategic aims are clear. It should be made clear whether the acquisition of property is for financial investment or for an economic, social or public service delivery purpose. The objectives need to be articulated such that the likelihood of achieving them is understood clearly. Moreover, as the investment approvals progress, confidence in achieving the objectives should grow.

Observations

It is clear that the purpose of the acquisition of The Mall Shopping Centre in 2016 was primarily in support of the stated Council priority to redevelop Camberley Town Centre. It was a public investment in the sense that it allocates funding to an initiative that the market cannot successfully deliver on its own (although minimal evidence of market failure was provided).

The key priorities were expressed in fairly generic terms – e.g. “to increase our strategic influence”, “to assist long term economic wellbeing”, and “to allow the Council a more direct and longer-term control in the future management and direction of Camberley Town Centre. There was not a clear, detailed explanation of the desired outcome(s), acquisition rationale and how the outcome(s) would be achieved. The consequences of not making the acquisition (i.e. the ‘counterfactual’) was not described.

The report did not present the primary rationale for the acquisition as being a financial investment. Our interpretation is that an income-generating asset was acquired for the primary purpose of furthering the Council’s economic, social and place-making goals. The future revenue streams from the asset were intended to fund the acquisition, by covering the cost of finance and repayment of the loan. The acquisition created an imperative for the Council to maximise revenue generated from the lettings to pay for improvements to the asset and town centre. While the primary purpose of the acquisition was regeneration, it was a financial investment too (as acknowledged in paragraph 40).

Recommendation 2

Investment decisions should be based on a business case that is fit for purpose and proportionate to the scale of the decision being made. The HM Treasury Five Case Model provides a leading practice methodology and its adoption will enable the Council to consider value for money taking into account:

- i. Strategic Case
- ii. Economic Case
- iii. Financial Case
- iv. Commercial Case
- v. Management Case

Observations

The information provided to the Council in 2016 was light on detail and systematic analysis. The acquisition of Camberley Town Centre was a material and significant one for the Council and it appears that the information and supporting narrative was not proportionate to the size of the investment decision. It lacked sufficient detail on options, benefits and risks. There were significant gaps that could potentially result in a poor value for money outcome. For example,

the value for money and affordability of the essential improvements (i.e. refurbishment and redevelopment that the vendor would not commit to) were not explored in the report.

Recommendation 3

The Council should consider preparing a programme-level business case for the redevelopment of Camberley Town Centre. This would provide the economic, social and financial rationale for future expenditure and an economic framework for future investment decisions.

Observations

The investment had many characteristics of a programme and should have been appraised as such e.g. the objective of the initiative was the delivery of a social and economic outcome; to secure that outcome involves a set of projects and activities over the life of the investment, there were significant complexity and interdependencies.

Recommendation 4

A range of options should be tested financially and non-financially to an option that provides the best value for money in achieving the strategic aims. The non-financial criteria should include fit with project objectives, strategic alignment, affordability, deliverability. The financial cashflows should cover the economic life of the asset

Observations

Two options were described for this transaction – to buy or not to buy. Other options, such as seeking a partner, joint ventures and alternative routes for town centre revitalisation were not explored. A robust business case should cover a range of options. In this case a rationale for only two to be taken forward for detailed consideration would need to have been provided based on supporting analysis.

Recommendation 5

Future investment decisions should be accompanied by detailed financial modelling demonstrating projected income and expenditure over the life of the investment. Sensitivity testing should be used to assess the impact of changes in key assumptions on viability. Long-term impact on cashflows and balance sheet should be a fundamental part of such long-term decisions. There should also be a quantification where possible of the economic and social benefits.

Observations

The section of Annex A which refers to the financial model provides very little by way of detail or information. We would have expected to see far more financial information to support an acquisition of this size. It is implied in the report that the opportunity to purchase was because refurbishment and redevelopment of the centre was sub-commercial for the vendor, which emphasises the need for robust financial analysis. We would expect the capital costs of lifecycle replacement, refurbishment and redevelopment to have been examined, along with quantification of the value of the social and economic benefits, using established benefit cost ratio techniques.

Recommendation 6

The Council should undertake a robust risk assessment on future investments that is proportionate to the size of the investment. The assessment should consider scenarios and quantify the key risks through considering impact and the likelihood of the risks materialising. Mitigation strategies should be set out and there should be clarity on the unmitigated risk that the Council will be exposed to as a result of the potential transaction and management and commercial arrangements put in place.

Observations

There was reference to potential risks associated with the acquisition, but there was inadequate quantification of the potential risks and their likelihood. We would have expected a range of scenarios covered, including but not limited to interest rate changes and income reductions. There was generally little consideration of mitigation or exit strategies.

Should you wish to clarify any of these points, please do not hesitate to contact me.

Yours sincerely

Guy Brett
Principal
Strategic Business Advisory

For and on behalf of Avison Young (UK) Limited

**Notes of a Meeting of the Performance & Finance Scrutiny Committee -
Property Investment Task & Finish Group - 10 March 2021**

Members Present:

Cllr Sashi Mylvaganam
Cllr Sharon Galliford

Cllr Shaun Garrett

In Attendance:

Liz Dovey, Montagu Evans
Alan Harris, Montagu Evans
Martin Hone, Executive Head: Finance
Adrian Peachey, Montagu Evans
Kevin White, Montagu Evans

1 Review of Montagu Evans Advice

The Task and Finish Group were provided with an overview of Montagu Evans' involvement with Camberley town centre and the acquisition by the Council of The Mall shopping centre in 2016.

The Group was informed that the shopping centre had originally been developed by Capital and Regional in the 1980's with the Council having ownership of the Main Square Car Park and the centre's ground lease. Capital and Regional subsequently bought property within the London Road Block and in 2006/7 plans to refurbish and extend the Mall were developed in partnership with the Borough Council. Following the failure of these plans, in 2012 the Council entered into a three way relationship with Capital and Regional and the John Lewis Partnership with a view to John Lewis establishing a store in Camberley. Surrey Heath Borough Council made a request for expert support on property and legal matters to the Homes and Communities Agency's Property Panel and Montagu Evans was subsequently appointed to provide property advice to the Council. In 2015, the John Lewis Partnership decided that the will to provide what they required was not present and withdrew from the partnership.

Following the collapse of the partnership with John Lewis, Capital and Regional put forward alternative plans which the Council felt did not sufficiently reflect their ambitions for Camberley. The Borough Council started to explore the possibility of regenerating the town centre themselves and asked Montagu Evans to provide support with the due diligence required. It was noted that, asking an organisation which was already providing advice to continue providing advice was standard industry practice particularly in a situation where a non-disclosure agreement was in place with one or all of the parties previously involved. It had been agreed that payment for Montagu Evans' work would be paid in three instalments, on agreement of Heads of Terms, after the completion of Due Diligence work and a success element once the project had been completed.

During negotiations, Capital and Regional had made it clear that the Mall Shopping centre would not be sold at less than the Clear Book Price, which at the time initial conversations started was £88.5million. Subsequent due diligence by Montagu Evans concluded that the total overall valuation was £82.3million with the following sub-valuations:

- The Mall shopping centre £77.85million
- London Road Development Site £1.95million
- Alders Site £2.5million

With Stamp duty payments bringing the total valuation to £86million. It was confirmed that sharing stamp duty payment was not uncommon in commercial property transactions. The Council's Land and Property Board agreed that this shared approach would occur.

It was clarified that the transaction took approximately six months to complete. A length of time that was not considered to be particularly unusual for a transaction of this nature. The purchase of the House of Fraser site had been a more urgent transaction because an offer had been received from another prospective purchaser.

Montagu Evans had provided regular updates to the Council's Land and Property Board during the build up to the purchase of the Mall and had attended a briefing for all councillors held before the Council meeting held to debate a decision on whether or not to buy the Mall.

The fall in the Mall's valuation from £79million to £48million in the six to nine months (March to December 2019) following the Council's purchase was attributed to a combination of factors including significant falls in investments generally and either tenants failing completely or renegotiating the terms of their leases and entering into Company Voluntary Arrangements. A situation that had been exacerbated by the impacts of restrictions imposed due to the Covid-19 pandemic.

Throughout the process the Council had maintained that the purchase had been pursued in order to take forward the regeneration of Camberley town centre in a holistic fashion.

The Task and Finish group thanked Montagu Evans for their input.

Questions put to Montagu Evans

- 1. Prior to the acquisitions, what had been the business relationship between ME and the Council?**
- 2. How were ME appointed to handle the acquisitions? [i.e., how was the work tendered and awarded to ME.]**
- 3. How did the fee structure for payment by the Council to ME for work relating to acquisition operate?**
- 4. How did ME assist in the agreement of the purchase prices? [i.e., base data, tenancies, rent forecasts, marriage value, future investment required, etc.]**
- 5. At the time of acquisition, were ME aware of any alternative interested parties that might wish to purchase The Square, etc? Who were the advisors for C & R? (Valuers, Lawyers etc.)**
- 6. If so at what was the asking price? can we have their sales brochures, adverts, correspondence etc...**
- 7. At the time of acquisition, how pro-active were the Council in pressing for the deal(s) to be done?**
- 8. Can we have the presentation documentation such as slides / papers etc done to the officers & the Full council? Who from ME did the presentation?**
- 9. ME Team involved in this acquisition.**
- 10. Was a survey done? If ME arranged, it do they have a copy? Was advise given regarding this? If so, ca we have copies of the advice?**
- 11. Why was it decided that the acquisitions should be retained in a JPUT (or transferred into it in the case of the HoF)?**
- 12. Who were the managing agents of JPUT for C&R?**
- 13. Was any of the JUPT directors / employees associated with any of the parties involved in the transaction? i.e., Council, C&R & Valuers, and other professional advisors?**
- 14. Did ME assist in the calculation of the 'affordability' for the Council in the purchase arrangements [NB: The calculation of the minimum revenue**

provision needed each year to service the loan (interest and principal) from future rent income.]

- 15. What would ME recommend for the future development of the assets under their management to improve revenue income?**
- 16. What is ME's view of the future of the Town Centre (i.e., retail, residential, office, alternatives) given their forecast of future demand?**

**Notes of a Meeting of the Performance & Finance Scrutiny Committee -
Property Investment Task & Finish Group
22 February 2021**

Members Present:

Cllr Sashi Mylvaganam
Cllr Sharon Galliford

Cllr Shaun Garrett

In Attendance : Robert Baldwin, Avison Young,
Martin Hone, Interim Head of Finance

1 Acquisition of House of Fraser and the Squ.

Robert Baldwin, Avison Young, reported on the outcomes of the desktop review of Surrey Heath Borough Council's acquisition of the Squ shopping centre in Camberley in 2016.

It was reported that at the time of the Council's 2016 purchase there had been a significant volume of positive news around the future of the House of Fraser Group following its sale to Sanpower, a Chinese conglomerate, and subsequent announcements that new stores would be opened and the existing store network upgraded. The vote to leave the EU in July 2016 had caused turbulence in the UK's property markets for several months however Material Uncertainty Clauses placed on valuations had been removed by the end of September 2016.

Key findings of the review had included:

- Although the Council had purchased the shopping centre at the top end of the range expected for an acquisition of its type and size it had not paid over the odds.
- The reports used to set out the case for purchasing the shopping centre had lacked the level of detail expected for an acquisition of this size.
- No substantive evidence had been provided to support the urgency with which the decision was made.
- There was no evidence to suggest that the Council had been bidding for the shopping centre in a competitive market. A factor which meant that there had been little in the way of competitive tension in the bidding process.
- It was not clear whether the decision had been based on the HM Treasury Five Case Model; a methodology which if used would have enabled the Council to make its decision based on value for money and the following five factors:
 - Strategic Case
 - Economic Case
 - Financial Case
 - Commercial Case
 - Management case
- The reports provided were not supported by detailed evidence which demonstrated the case for public investment purposes, the Council's desired outcomes and objectives in purchasing the property or how the purchase fitted with the Council's strategic aims.
- Whilst the decision report made reference to further expenditure being necessary to refurbish the building the level of additional investment or what might be achieved with this investment was not explicit.
- Section 3.3 of the original report from Montagu Evans made it clear that the Council had not instructed them to conduct a building survey at the time the purchase was being considered.

It was noted that at the time the purchase had been made, the Public Works Loan Board (PWLB) did not routinely question the reasons why a local authority wanted to borrow money. Consequently there were fewer impediments for a local authority wanting to borrow money than there would be for a private organisation which could not access the PWLB
The Group acknowledged these findings

Next Steps

- The draft report for the Performance and Finance Scrutiny Committee would be considered at the Group's next meeting
- Montagu Evans would be invited to talk to the Group.

**Notes of a Meeting of the Performance & Finance Scrutiny Committee -
Property Investment Task & Finish Group
26 November 2020**

Members Present:

Cllr Sashi Mylvaganam
Cllr Sharon Galliford

Cllr Shaun Garrett

In attendance:

Robert Baldwin, Avison Young
Martin Hone, (Interim) Executive Head: Finance

1 Acquisition of Mall Shopping Centre Draft Report

The Group considered the draft report from Avison Young on the Council's acquisition of the Mall Shopping Centre in Camberley.

The Group was informed that the market for commercial property had in 2015 been particularly buoyant however markets had stalled in the run up to the Brexit referendum in 2016. During this time period there had been very few sale of shopping centres and the primary purchasers of those that were sold had been local authorities who were as a general rule paying the full asking price.

It was noted that the Council had approached Capital and Regional to buy the Mall, a move which it was acknowledged meant that the Council had lost a degree of leverage over any potential price negotiations at the time. Analysis of the data available showed that at the time of the purchase Montagu Evans had valued the Mall in line with what would have been expected. In addition, whilst the price paid by the Council had been at the top end of the expected price range there had been no evidence to suggest that the price range had been manipulated.

Avison Young's analysis of the documents available to them about the Council's acquisition of the Mall had concluded that the reports provided to make the decision did not contain a level of detail on the options, benefits and risks that would have been expected of an acquisition of this size, had the Treasury's Five Case Model methodology been followed, and the decision making processes had not been particularly coherent for example it would ordinarily have been expected that an Acquisition Report setting out a property's cash flow, how long it was proposed to hold the property for, what would need to be spent on the property in the short to medium term and the sum that might be realised if and when the property was sold. Instead the decision appeared to have been based on a Valuation Report which provided a snapshot in time and assumed that a property was being acquired primarily for income generation purposes.

Arising from the Group's questions and comments the following points were noted:

- It would normally be expected that a risk assessment including a summary of what you have, benchmarking of the proposed acquisition against the portfolio already held and projected cash flows, identified risks and any mitigating actions to reduce the impact of these risks would be produced prior to a significant property acquisition.
- Whilst there may have been a long term vision for the future of the Mall this was not articulated in the decision report.
- A commercial property transaction would normally take between four and six weeks to complete, a factor which can put pressure on local authorities'; decision making

processes particularly where a local authority lacked the necessary expertise to make an informed decision.

- If the Council had purchased the Mall without the Jersey Property Unit Trust (JPUT) then it would have been liable to pay the full Stamp Duty Tax on the purchase.
- Delays in progressing the regeneration of the London Road Block was impacting on the Mall's regeneration and it was expected that this situation would continue in the short to medium term.

Agreed Actions

- Details of current vacancy rate and rental income received today and compared to 2016 to be provided.
- Intervening values of Montagu Evans to be forwarded to Avison Young.
- Dates that the agenda and associated reports was published to be provided.
- First draft of report to be developed.

Notes of a Meeting of the Performance & Finance Scrutiny Committee - Task & Finish Group - 4 November 2020

Members Present:

Cllr Sashi Mylvaganam
Cllr Sharon Galliford

Cllr Shaun Garrett

Officers: Martin Hone

External Presenters: David Green (Arlingclose)

1 Presentation and Update from Arlingclose

The Group was joined by David Green, Strategic Director at Arling Close.

It was explained that in the role of the Council's Treasury Management advisor, Arlingclose gave detailed feedback and advice in respect of the codes of practice for local authority finance, on surplus investment and deficit strategies and on financial performance reporting.

The Group discussed the processes prior to the purchases of the Mall and the House of Fraser building in 2016. The Group were informed that Arlingclose did not have sight of the business plans for the acquisitions and it was their understanding that the properties were to be acquired primarily for the purposes of regeneration and service delivery. It was emphasised that if the acquisitions had been primarily for investment purposes, Arlingclose would have taken a different stance and pushed for view of the business cases prior to acquisition.

On the requesting of advice from Arlingclose prior to the acquisition of the Mall and associated properties, the Council were recommended that the costs of the acquisition should be proportioned so that a quarter of the debt was variable short term loans, a quarter was of a fixed rate loan from the Public Works Loan Board and half was from forward starting loans.

Officers and Arlingclose met frequently to review the Council's loan and investment portfolio and it was noted that as it was largely forecasted for interest rates to remain low partly due to central government quantitative easing measures, it was advised that the Council continued to roll over its short term loans. Whilst it was expected for the price of loans to drop, it was noted that historically loans from the Public Works Loan Board had been expensive.

The Group were advised that if the Council were to make acquisitions purely for income generation purposes the purchases would be subject to Minimum Revenue Production (MRP). Members were informed that the MRP for acquisitions were calculated aggregately and were assessed against all the Council's revenue streams. However there was an appetite amongst the Group to assess the Council's acquisitions on a property by property basis and whether they would have met the MRP individually and it was agreed to produce a schedule for all the Council's acquisitions since 2016 and whether they met the MRP. It was agreed that all the Council's acquisitions would also have their aggregate MRP calculated and the schedule would be included in the final report to be reported back to the Performance and Finance Scrutiny Committee.

It was highlighted that the Council's external auditors, BDO, had classified The Mall as an investment asset, as opposed to a purely fixed asset, as it was classified by the Council's former auditors, KPMG. Moreover this had been reflected in this year's and last year's financial statements. Emanating from the discussion, it was stressed and agreed that a significant part of the report to be reported back to the Performance and Finance Scrutiny

Committee would highlight that the Mall had in fact been acquired for a mixture of both regeneration and investment purposes.

The Group thanked David Green for attending the meeting, and noted that the service and advice provided by Arlingclose was invaluable and that a similar service, if it were to be provided in house, would be significantly more expensive.

Agreed Actions

- All the Council's recent property acquisitions since 2016 have their individual MRPs calculated and the schedule of which would be included in the final report to be reported back to the Performance and Finance Scrutiny Committee.
- The aggregate MRP for the acquisitions (against all the Council's revenue streams) also be provided

2 Update on the Independent Investigation

The Group were updated in respect of the progress relating to the appointment of the independent investigator to specifically look at the valuation of the Mall during its purchase in 2016. There were set to be at least 2 different offers from different firms to undertake the investigation. However it was acknowledged by all members of the Group that the completed investigation and resulting report were unlikely to be completed for full reporting to the Performance and Finance Scrutiny Committee at its meeting on 25 November 2020. It was also agreed that any evidence held by the Council in relation to the investigation would also be circulated to members of the Group.

Agreed Action

- Any electronic or physical evidence relating to the investigation of the valuation of the Mall in 2016, be circulated amongst the group whilst taking into account relevant information governance procedures.

**Notes of a Meeting of the Performance & Finance Scrutiny Committee
Property Investment Task & Finish Group
26 October 2020**

Members Present:

Cllr Sashi Mylvaganam
Cllr Sharon Galliford

Cllr Shaun Garrett

Officers: Martin Hone

1 Notes of Previous Meeting

The Group received the notes of the previous meeting of the Property Investment Task and Finish Group.

2 External Expertise

It was reported that four out of the five companies which had been approached about the possibility of conducting a desk top audit of the Council's property acquisitions since 2016 had declined the opportunity.

It was agreed that the Royal Institute of Chartered Surveyors would be approached for advice on potential audit companies.

3 Investment Properties - Schedule of Income

The Group received a spreadsheet summarising the income that the Council's investment properties had been projected to raise comparing it to the actual income received.

It was noted that whilst the industrial and commercial properties had performed well against their projected incomes the retail investments had consistently raised less income than had been projected even though the projected incomes had been revised downwards each year. It was stressed that this pattern was not unique to Surrey Heath and retail property investments were currently performing poorly nationally.

It was questioned how many of the businesses occupying Council owned property paid their rent on the dates scheduled. It was agreed that this information would be shared.

It was noted that the Group would need to clarify whether the loans received to buy the investment properties had been taken out for regeneration purposes or investment purposes. It was agreed that the Group would need to have sight of the correspondence between Arlingclose, the Council's financial advisors, and the Council in the run up to the purchase of the Squ. It was agreed that Arlingclose would be invited to the Group's next meeting to discuss the financial advice that was provided in relation to the investments

Agreed Actions

- The names of the agents responsible for marketing the commercial and industrial properties to the Council would be provided.
- Information relating to late payment of rents to be provided.
- Arlingclose to be invited to the Group's next meeting.
- Correspondence between the Council and Arlingclose relating to property acquisitions since 2016 to be circulated.
- Questions for Arlingclose to be drafted and circulated.

**Performance & Finance Scrutiny Committee
Property Investment Task & Finish Group
14 October 2020**

Members Present:

Cllr Sashi Mylvaganam
Cllr Sharon Galliford

Cllr Shaun Garrett

Officers: Martin Hone

1 Appointment of Chairman

It was agreed that Councillor Mylvaganam would be Chairman of the Property Investment Task and Finish Group.

2 Introduction and Terms of Reference

At its meeting on 9th September 2020 the Performance & Finance Scrutiny Committee had established the Property Investment Task and Finish Group to explore a number of concerns relating to the Council's acquisition of property since 2016 and in particular the decision making processes that were followed which led to the Council's purchase of the Squ. shopping centre in Camberley town centre.

It was questioned whether the decision making processes surrounding the purchase of industrial/commercial sites since 2016 should be included in the review's scope. It was agreed that if the legal advice on those purchases was from the same source as that given in relation to the Squ then they should be included in the review.

The Group was informed that the Head of Legal was carrying out a piece of work on the use of urgent actions to purchase property and the outcomes of this would be shared.

It was questioned whether members had been provided with an overview of the projected income that would be received from the Squ at the time its purchase was being considered and if the income received subsequently met these projections. It was agreed that income figures received from the Squ to the end of the 2019/20 financial year would be provided.

In addition to the above, it was agreed that the following information would need to be reviewed as part of the process:

- The strategic rationale that guided all the purchases made since 2016
- The financial advice received from Arlingclose on each property
- The Council's tender purchasing policy
- The paper trail for each acquisition
- The Land and Property Board's terms of reference and the decision making authority delegated to the board.
- The recording of the confidential part of the Council meeting when the decision was made to purchase the Squ.

3 Project Structure

It was agreed that Montagu Evans and Arlingclose would be invited to attend a future meeting of the Task and Finish Group.

It was agreed that in order to get the most out of the meeting, the questions would be shared with both organisations in advance.

4 External Expertise

It was agreed that an external auditor should be appointed as soon as possible. It was stressed that to ensure objectivity the appointed individual should have not had any previous involvement with the Council and that the appointment would be made by Martin Hone.

5 Task and Finish Group - Membership and Support

It was noted that Martin Hone, Executive Head: Finance had been appointed by CMT to act as the Task and Finish Group's lead officer. CMT had also agreed that any requests for additional support would be supported where appropriate.

It was agreed that the appointed substitutes would be able to attend the Task and Finish Group's meetings.

6 Timetable of Review

It was noted that the Task and Finish Group would present its findings to the Performance and Finance Scrutiny Committee at its meeting on 25th November 2020. Any recommendations would then be forwarded to Council for consideration on 9th December 2020.

The Group's next meeting would take place on Monday 26th October at 9am.

PERFORMANCE AND FINANCE SCRUTINY WORK PROGRAMME 2021/22

Summary

To consider the Performance and Finance Scrutiny Committee’s work programme for the 2021/22 Municipal Year

Portfolio: N/A

Wards Affected: N/A

Recommendation

The Committee is requested to consider the work programme for the rest of this municipal year and make suggestions as to any other matters they would like to add.

1 Background

- 1.1 The Performance and Finance Scrutiny Committee was appointed by the Council at its Annual Meeting on 19th May 2021.
- 1.2 The Council’s Constitution sets out the terms of reference for the Performance and Finance Scrutiny Committee and these can be found in Part 3 Section E of the Constitution.
- 1.3 The Council’s Constitution, Part 4, Section C paragraph 6, requires the Performance and Finance Scrutiny Committee to approve a work programme on an annual basis. The work programme is developed through the year, to meet new demands and changing circumstances and the Committee will be expected to review its work programme regularly and make amendments as required.
- 1.5 At its meeting on 6 July 2016 (minute 9/PF refers) the Committee agreed that reports at each meeting would, where possible, be themed to the areas covered by the Portfolio Holder attending that meeting.
- 1.6 A draft Work Programme has been developed to take into account items that are regularly reported on to the Committee and this has been attached to this report for the Committee’s consideration.

2 Resource Implications

- 2.1 Subject to any decisions relating the work programme, there are no resource implications which have not already been factored in, with those mainly involving officer time.

3 Recommendations

3.1 The Performance and Finance Scrutiny Committee is advised to:

- i. Note the work programme attached as Annex A
- ii. Make suggestions as to any other matters they would like to add to the work programme.

Background Papers: None

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Service Head: Richard Payne 01276 707150

Performance and Finance Scrutiny Committee
Work Programme 2021/22

8th September 2021

1. Five Year Strategy – Consultation Update and Draft Strategy
2. Annual Complaints Report
3. Annual Report on Treasury Management
4. Review of Public Realm Works
5. Executive Portfolio Update: Planning & People
6. Committee Work Programme

10th November 2021

1. Economic Strategy Update
2. Half Year Treasury Management Report
3. Half Year Finance Report
4. Surrey Heath Local Plan Authority Monitoring Report
5. Half Year Performance Report
6. Executive Portfolio Update: Finance
7. Executive Portfolio Update: Business & Transformation
8. Committee Work Programme

12th January 2022

1. Corporate Risk Register
2. Air Quality Annual Review
3. Draft Annual Plan
4. Property Portfolio Half Yearly Update
5. Portfolio Update: Environment & Health
6. Committee Work Programme

9th March 2022

1. 3rd Quarter Finance Report
2. Executive Portfolio Update: Support & Safeguarding
3. Executive Portfolio Update: Places & Strategy
4. Committee Work Programme

2022/23 Municipal Year*July 2022*

1. Annual Performance Report
2. End of Year Finance Report
3. Committee Work Programme

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