

MINUTES of the meeting of the **STRATEGIC INVESTMENT BOARD** held at 10.30 am on 13 February 2023 in the Council Chamber, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF.

These minutes are subject to confirmation by the Board at its next meeting.

Elected Members:

(*present)

- * Natalie Bramhall
- David Lewis (Cobham)
- * Tim Oliver
- * Denise Turner-Stewart

In attendance

Simon Crowther, Director - Land and Property
Anna D'Alessandro, Director - Corporate Finance and Commercial
Neil Jarvey, Strategic Finance Business Partner
Charles Maxlow-Tomlinson, Managing Director - Halsey Garton Property Ltd
Greta O'Shea, Senior Lawyer (remote)
James Fry, PDP Lawyer (remote)

1/23 APOLOGIES FOR ABSENCE [Item 1]

Apologies had been received from David Lewis (Cobham).

2/23 MINUTES OF THE PREVIOUS MEETING: 19 JULY 2022 [Item 2]

The minutes of the last meeting were agreed as a correct record.

3/23 DECLARATIONS OF INTEREST [Item 3]

There were none.

4/23 QUESTIONS AND PETITIONS [Item 4]

There were none.

5/23 STRATEGIC INVESTMENT BOARD 2021/22 FULL YEAR WITH 2022/23 MID YEAR UPDATE [Item 5]

The report was introduced by the Strategic Finance Business Partner who explained that the mid-year report outlined challenges and opportunities of the Council's investment companies and provided an update on performance expectations for the current year. He noted that in 2021/22 the three wholly owned subsidiaries Halsey Garton Property, Halsey Garton Residential and Hendeca delivered the following combined results: 4.5% return on investment for the Council, being in the form of gross interest plus dividends; an £11.1 million of interest margin to the Council; dividends £0.3 million; pre-tax profits excluding revaluations of £2.6 million. Reasons were given for the increases and variances compared to the previous year. It was noted that the profits were not included in the returns to the Council but would support the payment of dividends. Highlights included:

- Halsey Garton group: a part-time managing director and an independent non-executive director were appointed in 2022 to carry out a strategic

- review of the company and to strengthen the asset management of the portfolio
- Halsey Garton Properties: The portfolio was expected to be fully occupied by the end of the financial year except for the ex-Debenhams in Winchester. Following retail industry changes and Covid-19, the property valuations bounced back in 2021/22 by recovering £40 million across the portfolio. No acquisitions or disposals had made since late 2018.
 - Halsey Garton Residential: remained stable in delivering a £0.2 million profit before tax in 2021/22 to the company, in addition to the Council benefitting from the loan arbitrage.
 - Connect2Surrey: commenced trading in February 2022, corrective action had been taken to mitigate the initial challenges faced around the volume and proportion of placements, promoting compliance within the Council's Adult Social Care teams. The loss before tax was expected to be slightly worse than the £0.2 million budgeted.
 - Surrey Choices: continued to focus on the Changing Days programme in favour of community hubs which were integrated within local communities; which led to a reduction in the footprint occupied of 25%, with an overall target reduction of 50%. Another focus was on cost efficiencies that are passed on to the Council with the target of £3.5 million over three years, which they were mostly on target with. It was looking to grow its external income proportion from an existing 4% to 10%. Recruitment continued to be the biggest challenge.
 - Hendeca: its focus is to diversify income streams to help strengthen and grow the company, including expanding the training offering and complementary service offerings that leverage the core business of fire services.

The Cabinet Member for Property and Waste noted that since the Managing Director of Halsey Garton group had joined, there had been greater focus on the work underway with good re-gears on leases and moving to a 100% let across the portfolio, apart from Debenhams.

The Leader sought clarification on the governance process concerning Halsey Garton when the Council identified potential commercial investment and then proceeded to purchase. The Strategic Finance Business Partner noted that in the last four years there had not been any opportunities that had been considered. He noted the governance process: Halsey Garton Board, Property Panel, SHIP and then the Strategic Investment Board (SIB); and the Cabinet, plus the select committee and the Council as necessary. Responding to the Leader he noted that a non-executive director was appointed from outside of the Surrey group last year and he confirmed that he was confident that the process was robust. The Director - Corporate Finance and Commercial added that everything was done via a business case, with joint working between property and finance. She provided an example of that concerning another property within Surrey looking for potential commercial and accommodation purposes; and confirmed that it would be SIB members that would make the decisions.

The Leader noted that Connect2Surrey had a slow start and asked whether more business was being put through that company. The Strategic Finance Business Partner noted that at the last discussion with them before Christmas progress had been made, that support from the Council in terms of driving that compliance was crucial. He hoped to see a continuation of that progress. The Director - Corporate Finance and Commercial added that Connect2Surrey had some teething problems but were making improvements. More support from the

Council was being provided by the Deputy Chief Executive and Executive Director of Resources and the Director, who had joined the Connect2Surrey Board. She was speaking to an officer in her team who had a commercial background that could sit on the shareholder side. The Leader noted that it needed to be kept a close eye on.

The Leader noted that with the rising rates of the Public Works Loan Board (PWLB), the UK Municipal Bonds Agency (UKMBA) was potentially more attractive to local authorities, he asked whether any local authority had used the UKMBA. The Director - Corporate Finance and Commercial noted that the Council used the cheapest source of financing which were other local authorities, then failing that the PWLB. She noted that two years ago the Council had impaired its investment in UKMBA, however there was some reinvigoration of it last year and she would look into that. The Leader requested a future report on whether the Council should continue with its UKMBA membership.

The Deputy Leader and Cabinet Member for Communities and Community Safety noted that the report stated that preferential terms were expected regarding the UKMBA, but that did not confirm if they were available or were expected to be in the future. She asked whether that was a conceptual prediction as opposed to an actual arrangement. The Director - Corporate Finance and Commercial noted that it felt like that at the time, the arrangement changed to make it more favourable in theory, but it was not the right thing to do in terms of the practicalities. She confirmed that a report would be provided at the next SIB on the UKMBA covering the points raised.

RESOLVED:

1. Endorsed the 2022/23 Mid-Year Report of the Strategic Investment Board (Annexes A and B) and that the reports be presented to Cabinet on 28 March 2023.

Reasons for Decisions:

To inform the Council about the activities of the Strategic Investment Board.

The Strategic Investment Board has been established in accordance with best practice governance to ensure effective oversight and alignment with the strategic objectives and values of the Council.

Actions/further information to be provided:

1. The Director - Corporate Finance and Commercial will provide a report on the points raised concerning the UK Municipal Bonds Agency (UKMBA) at the next SIB meeting.

6/23 EXCLUSION OF THE PUBLIC [Item 6]

RESOLVED: That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information under the relevant paragraphs of Part 1 of Schedule 12A of the Act.

7/23 STRATEGIC INVESTMENT BOARD 2021/22 FULL YEAR WITH 2022/23 MID YEAR UPDATE [Item 7]

A separate confidential Part 2 minute was done for this item.

RESOLVED:

1. Endorsed the 2022/23 Mid-Year Report of the Strategic Investment Board (Annexes A and B) and that the reports be presented to Cabinet on 28 March 2023.

8/23 PUBLICITY FOR PART 2 ITEMS [Item 8]

RESOLVED:

That no confidential information within the item considered under Part 2 of the agenda should be made available to the Press and public.

Meeting ended at: 11.18 am

Chairman