

## **Corporate Improvement Scrutiny Committee – Meeting held on Tuesday, 25th July, 2023.**

**Present:-** Councillors Manku (Chair), Shaik (Vice-Chair), Escott, Hulme, Iftakhar, Mann, Matloob, Mohindra and O’Kelly

**Also present under Rule 30:-** Councillor Chahal

### **PART 1**

#### **1. Declarations of Interest**

No declarations were made.

#### **2. Minutes of the meeting held on 25 July**

Following discussion, the minutes of the meeting held on 27 June 2023 were agreed, subject to the following sentence being inserted at paragraph 10, page 6 of the minutes, to ensure clarity of the minutes:

‘A question was asked about a £34k discrepancy in the table on page 6.’

**Resolved** – That the minutes be agreed, subject to the above amendment.

#### **3. Asset Disposal Programme**

The Chair welcomed Committee Members, officers and the Lead Member for Financial Oversight, Council Assets, Procurement, & Revenues and Benefits to the meeting.

He advised that the Committee had received the message below from one of the Commissioners, and would be read out by the Monitoring Officer:

‘I apologise to the Committee that these comments have had to be read to you on the night rather than made available to you earlier in the process. I am grateful to Stephen Taylor for bringing them to your attention.

Following discussions with the report authors and the chief executive, it has been agreed that the work programme report should be noted by the Committee but that a revised programme will be brought to the September meeting for approval of the future work programme.

The proper functioning of scrutiny is the subject of a specific direction. This is because one significant factor in Slough’s past failings was the inability of the organisation to support and draw on the skills of all Councillors to constructively monitor and challenge the administration and the executive.

In response to this, and as the name of the Committee makes clear, scrutiny has been redesigned with the key aim of focusing attention upon the improvement and recovery programme.

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The suggested work programme only partially does this. Its lack of focus on that agenda, the dispersal of effort on other topics and a methodology that relies upon updates from the executive without a critical commentary is not sufficient to discharge the direction. Reviewing the work programme in September will allow these shortcomings to be remedied. Members are rightly keen to start work in the task and finish groups. However, it will be important to ensure that those are focussed on the key improvement and recovery priorities. It is not obvious that either the asset disposal programme nor the performance of Adult Social Care would be in the top 3 priorities then. If members are minded to set up a task and finish group before the meeting in September then picking the Adult Social Care topic most clearly aligns with those criteria. The Asset Disposal Programme task and finish group could be agreed **in principle** this evening and confirmed (or otherwise) in September.

More generally the Committee will share the Commissioner's disappointment that these papers were not produced to the agreed timetable leaving very little time for comment from the Commissioners and subsequent discussion of the issues with the Committee's chair. The poor quality of the Asset Disposal paper and the lateness of the Scrutiny Work Programme does not indicate the level of respect that the Committee deserves. The Committee will wish to keep a careful eye on these matters in future.

Thank you for your attention and please once again accept my apologies for the late submission of this advice.'

The Chair thanked the Commissioner for his comments. He emphasised the importance of reflecting seriously on the Commissioner's comments regarding the asset disposal report. Although the Commissioner was critical of the report, on 13 July the Commissioners' office had advised that that they were content with the asset disposal report. The Committee agreed with the Commissioner's revised assessment of the report, i.e., that it was not of sufficiently high quality. Members would have an opportunity to discuss this further under the relevant agenda item.

In the Chair's view, the process of producing the work programme had not been disrespectful to either the chair or the Committee. It had been produced with the assistance of the Council's statutory scrutiny officer, his team and the CfGS (the Centre for Governance & Scrutiny). It was regrettable that report timescales had not been adhered to and therefore the Commissioners had insufficient time to fully comment. Going forward this would be rectified.

Regarding the content of the work programme, it was Members' understanding that this process should be member-led, as per the directions. In any case, it was not intended to be a static document, and would be reviewed (and improved on as Scrutiny Members developed their knowledge base) at regular intervals, as recommended by the CfGS. The Committee would give due regard to the Commissioner's comments.

At the recent CISC work programming workshop, budget & savings delivery, asset disposal, and the Government intervention in SCF (Slough Children First) had been identified as the three top areas of focus – and all three were critical to the Council's recovery. These topics had been scheduled to be

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considered by the Committee within its first 3 meetings. In the Chair's view, the proposed T&F (task & finish) groups should be launched at the meeting.

A Member asked to what degree the Committee was obliged to follow the Commissioner's advice.

The Monitoring Officer reminded Members that the Commissioners had the powers of the Directions from the Secretary of State, and emphasized the importance of giving substantial weight to the Commissioners' advice.

The Chair stated that the Committee would focus on improvement and recovery, follow the Directions and respect the Commissioner's views, however, the process should be independent and member led.

A Member stated that the Commissioner had provided constructive criticism and had highlighted weaknesses in the work programme and Slough's past failings. It was important for the committee to understand how the scrutiny of specific areas would contribute to improvement. The work programme needed to be reviewed. He was happy to follow the Commissioner's advice that the asset disposal T&F group be agreed in principle at the meeting. Councillors needed to consider their skill sets and how they could best contribute to the scrutiny process. The Committee needed to provide critical commentary as flagged up by the Commissioner. He added that the Commissioner had asked Members to move at pace but asked that a work programme be submitted in September. He stressed the importance of making informed decisions. The Asset Disposal programme was fundamental to the Council's financial recovery and therefore needed to be monitored, which was the rationale behind the proposed T&F group.

The Chair stated that the Committee agreed with the Commissioners. The work programme represented cross-party involvement and reiterated that it would be reviewed. The asset disposal programme was crucial to improvement and recovery. The vice chair echoed the Chair's comments.

A member stated that the Committee should focus on the four priority areas identified by Commissioners for improvement; namely, IT, finance, HR and culture change.

A Member endorsed the Commissioner's comments and agreed that the work programme only partially focussed on improvement and recovery. She was of the view that it was singularly focussed on assets at the expense of other topics which were more pertinent to the improvement and recovery outcomes.

At the work programming workshop, her group had not identified the asset disposal strategy as a priority area. She was not suggesting that it should not be looked at, but Members should consider where their efforts would best spent. In her view, it would not be a T&F on asset disposal. She agreed that the report was inadequate and Members should share and endorse the Commissioner's concerns regarding the report. The Committee should set out its expectations of the standard and quality of reports required, to enable it to fulfil its function. The Commissioner's considered advice would allow Members a role in representing their residents. However, the Commissioners

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could choose to use their formal powers, therefore, the Committee could not afford to disregard the Commissioner's advice.

The Monitoring Officer confirmed that the Commissioners had reserve powers which would allow them to exercise all aspects of the scrutiny function. His earlier statement about the importance of giving 'substantial weight' to their advice related to the message he had read out.

A Member stated that the Scrutiny committee and the Audit committee were the main fora for scrutinising the Council's performance. However, it was crucial that all Councillors be involved in this function. She proposed establishing a robust framework to undertake the work, to review the work programme, following which key areas of investigation could be identified.

She pointed out that children's services (which had been under intervention since 2015) and adult social care, were the two single largest areas of spend for the Council. In her view CISC alone was not a sufficiently resourced forum to undertake this scale of work.

A Member stated that the committee should take Commissioner's guidance seriously focussing its efforts on improvement & recovery.

The Chair moved discussion to the substantive item – the asset disposal report. He stated that this item had both strategic and political implications, would have an impact on residents and was central to the improvement and recovery journey and therefore had been identified as a priority area of focus at the work programming workshop.

He stated that Members had expressed concerns regarding the quality of the report. He was disappointed with its poor quality and lack of structure, and the fact that it was not presented on the corporate template. It failed to provide the level of detail necessary to enable the Committee to sufficiently scrutinise key issues. He proposed the following motion.

'That Cabinet should ensure that reports to the Committee about their portfolio areas should be of sufficient quality and depth to respect the role of the Committee in the Council's recovery process, by allowing and assisting the Committee to do its job well. And as a minimum, be presented on the agreed corporate template, unless previously agreed by the Chair.'

He advised that Members could vote on the motion at conclusion of the asset disposal item. (However, the Chair did not return to this motion later in the meeting, it was not seconded or voted on)

He also proposed that the asset disposal T&F group discussion should be brought forward as a matter of urgency and could also be voted on at the end of the item.

The draft terms of reference for the T&F group were tabled.

The Chair invited the Lead Member to present the report.

The Lead Member for Financial Oversight, Council Assets, Procurement, & Revenues and Benefits reminded Members of important role played by the

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Commissioners' and their reserve powers, in the light of which their guidance could not be ignored.

He went on to say that the document was not a full report and was intended to act as a briefing note. It had been produced in response to the questions submitted, within tight timescales. He would respond to each question in turn.

- *How confident are we that asset disposals will do what we need for our improvement and recovery?*

The Lead Member replied that he was very confident, adding that the current challenges had been brought about by the actions of the previous administration, namely asset disposal at pace. The Council had set an asset sales target of £400M (of which £200M had been achieved, with no losses made on those sales) in a relatively short time span. An additional £100m worth of assets would be sold by the end of financial year. Therefore, three quarters of the commitment had already been achieved. The intention now was to move from a reactive to a pro-active approach, to ensure best value for the Council and its residents.

- *How well has the asset disposals programme gone so far?*

It had gone as well as could be expected, under the circumstances – namely poor market conditions, economic decline and poor record keeping at the Council. All assets sold to date had been commercial assets, the sale of which had not impacted residents. His administration was committed to preserving community assets and there were no plans to sell cemeteries or the crematorium.

- *What will be the impact on residents of selling these assets?*

The Lead Member stated that it would be nil, as none were community assets and were on the whole commercial/business assets, many of which could be developed for the benefit of Slough. Those assets awaiting sale were also commercial, operational or development assets.

- *What obstacles were there to achieving the targets set for asset disposal receipts?*

The Lead Member responded that poor record keeping and unfavourable market conditions would have an impact, however, he was confident that sales' targets would be met.

The Executive Director of Housing advised that market conditions and the UK economy were the biggest challenge. However, prices in Slough had maintained their levels due to local factors and its location. Inflation, Brexit, the energy crisis, the war in Ukraine and other global and national economic factors all played a part. Sale performance to date had been strong, with assets achieving more than the stated guide price, and if this continued, he expected to exceed targets.

- *Why did paragraph 4.6 mention that Slough had a poor reputation in the development and investment industry, when he had stated that Slough had positive points as an investment area?*

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The Executive Director of Housing clarified that in locational terms Slough had a positive industrial and commercial history, and the prices offered reflected the positive side of this. Its proximity to London, for example, meant there were alternative locations for investors. This was particularly true of the office market, with investors preferring South-East and London locations. Most global/international investors had little knowledge of Slough. These challenges were being addressed. He had attended a successful event in Central London to promote Slough and to increase the marketability of assets. Slough had many positives which were recognised by others; however, its reputation and image were less good than they should be and this too was being addressed.

- The report did not set out how the asset disposal programme was contributing to improvement and recovery; there were no figures provided about how revenue would be generated to clear the debts. What were the timelines for achieving this?

The Executive Director of Finance & Commercial clarified that the Council's debt and the deficit (the latter was explained in section 1 of the report) were two separate things. The capitalisation direction from Central Government, allowed Slough to use its capital receipts (which had been factored into the MTFs) to support revenue costs, otherwise the Council would have been in a deficit/negative budget position, which is not permitted under law.

The sale of assets was supporting the current financial position. The September budget monitoring report to Cabinet would clearly set out the outturn position for the last financial year. The deficit was being reduced, and the figures for this had not changed since being reported to Council in March 2023. However, the model was being updated. She clarified that the timing of the briefing note to scrutiny was out of sync with the September Cabinet report, which would provide more detailed figures and information.

She added that the Council had set a balanced budget in March 2023 and formulated an MTFs (medium term financial strategy). Timelines would become clearer in September. The capitalisation directive would remain in place for the next three years and the Council could achieve a balanced budget on the premise that it was reducing its debt and selling assets. She clarified that the Council's debt would never be reduced to zero, as debt levels fluctuated daily as part of the Council's cash flow and treasury management strategies. Whereas the deficit budget would come down to zero in the future. Further training on budgets and finance was planned for scrutiny Members in September.

The Lead Member added that the asset disposal strategy was projected to achieve £400m.

- Could she provide further clarification on the figures in the report relating to the deficit and debt? Could a list of all the assets be provided?

The Executive Director of Finance and Commercial reiterated that the deficit was different from the Council's debt.

The Executive Director of Housing advised that the asset disposal programme was not linked to the Council's debt. The total value of assets had been

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estimated and he was confident that an additional £300m worth of assets would be sold this year. The value of an asset could only be realised once sold. Monies earned from the sale of assets could be used to service the Council's debt, (which would in turn reduce interest charges, which contributed to the deficit) and could be used to cover running costs, which in turn would reduce the overall deficit. The value of the assets was not linked to the size of the deficit.

- Regarding poor record keeping – had any assets been missed off the register?

The Executive Director of Housing advised that some assets not on the original list had been discovered. While others had restricted covenants, which may not affect their value but may require further investigation and deeds located. This could make the sale process trickier and longer. However, these issues would not affect the overall value of the sales of those assets identified for sale.

The Lead Member advised that the Council was not planning to sell all its assets, just enough of them to enable it to meet its debt burden.

- Were there any plans to sell the libraries?

The Lead Member stated that community assets would be preserved for residents, adding that the change in approach from a reactive to proactive position meant that the Council was assessing how to best utilise its community assets.

- How a buyer chose to develop an industrial premises was likely to have an impact on residents – was there any process of assurance for residents regarding how these premises would be developed?

The Executive Director of Housing advised that it would depend on individual premises, all of which could only be developed in accordance with the local planning framework. For example, the Montem site had pre-existing planning permission for a residential development. Other sites may have restrictive covenants on them. Vendor powers such as adding covenants could also be used.

- Although the report used layman's terms and was easy to understand, it was disappointing that it had not been presented on the corporate template. The report touched on areas requiring critical commentary. For example, paragraph 1.5 alluded to fund asset purchases that had not been included in prior years' accounts, including interest payments and the principal loan amounts – how far back did this go?

The Executive Director of Finance & Commercial advised that the 2018/19 statement of accounts were still outstanding and awaiting commentary from auditors. It went back that far, possibly further. The Council had got into difficulties by failing to recognise the full cost of borrowing in the past. This was now fully recognised, monitored and had been factored into the budget.

- Had the capitalisation directive been confirmed by Central Government and what was it subject to?

The Executive Director of Finance & Commercial advised that the current status of the capitalisation directive was 'minded to' and could only move to a

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formal footing once the statement of accounts had been signed off. She added that she was in close contact with colleagues in Central Government and had updated them regarding the statement of accounts, which had also been reported to the Audit & Corporate Governance Committee.

- What action had been undertaken to correct the MRP (minimum revenue provision)?

The Executive Director of Finance & Commercial clarified that the minimum revenue provision was the amount set aside for repaying loans. The budget approved by March Council had included an updated MRP position, which would be subject to change through the year as assets were sold. The first budget monitoring report to September Cabinet would provide more detail.

- Why had the format and quality of the report been so poor as to arouse criticism from the Commissioners? The recommendation from overview and scrutiny about the format of reports had been ignored.

The Lead Member reiterated that the briefing note had received approval from the Commissioners. Nevertheless, going forward this issue would be rectified. The Executive Director of Housing stated that the topic had not been on the work programme and he apologised for format of the briefing note, which had been produced within tight timescales.

A Member asked the Lead Member to clarify his views on the report. The Lead Member responded that the asset disposal paper fulfilled the criteria for a briefing note but did not qualify as a substantive report. He agreed that reports to scrutiny needed to be of high quality. Going forward, there were lessons learnt which would be applied.

A Member stated that she welcomed the Lead Member's assurance that no assets had been sold at a loss and that community assets would be preserved. Had there been any plans to sell the crematorium or the cemeteries in the past?

The Lead Member advised that it was his understanding that everything on the original list had been intended for sale, however, the list had since been revised.

The Executive Director of Housing advised that these assets had been listed on the original asset register, however, a comprehensive review was being undertaken as part of the estates' strategy. It should be noted that listing items on the asset register did not amount to a commitment to sell them. All assets would be assessed to see what could be rationalised in a bid to reduce the Council's revenue expenditure. Other means such as gifting may be used. His team had clarified the value of significant number of commercial assets, which alongside other activities, were closing the gap. This would allow the next phase of the asset disposal programme to be rolled out in a more considered and structured manner.

The Lead Member added that the success of the asset disposal programme thus far had meant that the crematorium could be taken off the sale list.

- The report raised issues around legacy suppliers, could he provide more information regarding this?



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The Executive Director of Housing stated that there were a number of inherited commercial advisors (carrying out rent collection) and suppliers whose performance of concern. This situation was being monitored and the pool of advisors/suppliers was being increased.

- The list of Community assets was in the public domain and it would benefit both Councillors and the community if this were to be published. This could function as a mechanism to ensure his administration adhered to its commitment to preserving community assets.

The Lead Member advised that as part of the move from a reactive to a proactive position, an estates' strategy, which was a substantial piece of work was underway. A draft report would be submitted to Cabinet in the autumn for approval and no asset lists would be released before then.

The Director of Housing added that the following submission to Cabinet, the strategy would be shared with scrutiny and Cabinet again for final approval by the end of the year or early in 2024.

A Member made the point that the asset register should not be confused with the asset disposal list.

- The graph at paragraph 2.1 showed capital receipts. It was his understanding that most of the assets sold to date had been sold at a loss, i.e., below market value, as defined by the RICS Redbook valuation. Could he confirm whether this was the case?

The Executive Director of Housing advised that in terms of the overall portfolio, most assets had achieved significantly more than had been paid for them. There was a robust marketing process in place and none of the assets had been sold below market value and all sales to date had achieved above the guide price.

The Executive Director of Finance and Commercial added that each asset needed to have formal independent report to ensure best value and best consideration. The Council was not permitted to sell assets below market value and this would require the permission of the Secretary of state.

- (To the Executive Director of Housing) Did he plan to attend any future industry events e.g., REiif to promote Slough and raise its profile?

The Executive Director of Housing replied that he was looking at a range of activities aimed at promoting inward investment, increasing jobs and retail activity and value. He expected Slough to have a significant presence at next year's UK REiif (real estate investment infrastructure) event. He and the Executive Director of Finance & Commercial used their professional networks to regularly meet industry professionals in a bid to promote Slough generally and particularly those third-party assets in the town centre the development of which had stalled.

- How important was the success of the asset disposal programme to the overall improvement and recovery of the Council, in the context of the directions from the Secretary of state?

The Lead Member responded that the Council was bankrupt and therefore the success of the strategy was critical. The Executive Director of Finance & Commercial added that financial success underpinned the financial health of

the organisation and as such the strategy was one of the key factors, but not the only one.

- Some assets acquired in last ten years may have a low value. What was the total value of the low value assets?

The Executive Director of Housing advised that the retail market had changed in recent years and that values changed significantly and rapidly over time. Some retail assets had been bought recently and these would be assessed for their potential sale value, taking into consideration market fluctuations, length of covenants etc. The number of assets with a low value were few.

- Paragraph 2.1 of the report showed capital receipts received to date amounted to £220M, however, his calculations showed a variance of £5M in actual receipts - could he clarify.

The Executive Director of Housing advised that the total was in fact £215 plus £20M which related to the sale of the Adelphi, the completion of which had been delayed.

- It was important that the Committee recognise that the asset disposal programme alone would not resolve all the issues faced by the Council. There was a need to assess departmental budgets in a bid to make further savings and consider whether an additional rise in council tax would be required next year. The Committee should bear in mind all the other issues that would impact the Council and its residents when making its decision about which T&F groups to launch.

- A number of assets in table 3.2 were rated amber or amber/red which should be cause for concern. How confident was he that these would achieve receipts?

The Executive Director of Housing stated the amber/red ratings related to assets where there had been a need for caution due to the current economic climate, or if there had been a downturn in a particular sector, and those where there were issues of record keeping, missing documentation, where additional work would need to be undertaken to prepare them for sale.

**Resolved** – That the report be noted.

#### 4. Scrutiny Work Programme

The draft terms of reference for the asset disposal T&F group were tabled.

The Chair asked Members to bear in mind the Commissioner's comments when discussing this item.

A Member suggested that the proposed asset disposal T&F group should not proceed. She added that the report stated that the terms of reference did not follow the standard governance procedures for establishing a T&F group and she was concerned about the erosion of standard governance practice. Part of the stated remit of the T&F would be to set up an estate strategy, however this would be superseded by the Estates' strategy currently underway and which would be reported to Cabinet in September. Under the circumstances a

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T&F group would have little impact. Furthermore, the Commissioner's view should be respected.

A Member thought that the asset disposal T&F group could be agreed in principle at the meeting but this did not find favour with the Committee.

The Chair repeated that the draft programme had been developed based on a work programming workshop attended by the Committee. He thanked the scrutiny officer and the CfGS for supporting the process and sought comments from Members to firm up the items for the September meeting of the Committee. The Head of Governance & Scrutiny advised that following discussions with the Executive Director of Finance & Commercial and the Executive Director Strategy & Improvement, the Chair would produce another work program for the next meeting.

The Monitoring Officer reminded Members that the Commissioners had suggested that a revised work programme should be submitted at the next meeting.

The vice chair stated that adult social care should be the topic of a T&F group.

A Member stated that life expectancy of Slough residents was a complex topic that could not be resolved by a T&F group alone. In any case, looking at life expectancy would inevitably include children and there was insufficient time for such a piece of work. Adult social care and its performance under the new inspection regime should be looked at.

The Executive Director of Adult Social Care stated that the proposal had merit and his team wanted to demonstrate readiness for the new inspection regime. A T&F group would help to raise the profile of the workstream, identify any gaps and risks in current provision and recommend how resources could be best used to resolve these. He added that health inequalities were a key issue for residents (both adults and children).

Following extensive discussion, a Member proposed that health inequalities should be investigated at a later date which had supported from other members.

As advised by the Commissioner, Members agreed that the report be noted, the work programme items proposed for September be agreed and a revised work programme for the rest of the year be submitted at the next meeting.

**Resolved – That:**

- 1) the work programme be noted;
- 2) the proposed asset disposal T&F group should not proceed;
- 3) a Task & Finish group on Adult Social Care be convened to be chaired by Cllr Hulme and comprising Cllrs Matloob, Escott, O'Kelly, Mohindra and Iftakhar, based on the terms of reference provided, minus all references to health inequalities;
- 4) health inequalities be investigated at a later date; and

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- 5) a revised work programme be submitted to the September meeting of the Committee.

**5. Attendance Report**

**Resolved** – That the report be noted.

**6. Date of Next Meeting - 26 September 2023**

26 September, 2023.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 8.57 pm)