

Addendum

Executive

Dear Councillor,

Executive - Thursday, 22 June 2023, 7.30 pm

I enclose, for consideration at the meeting of the Executive to be held on Thursday, 22 June 2023 at 7.30 pm, the following Addendum which were unavailable when the agenda was published.

Mari Roberts-Wood
Managing Director

4. Revenues, Benefits & Fraud - Service Provision (Pages 3 - 6)

The Executive Member for Finance, Governance and Organisation and Deputy Leader.

7. Quarter 4 2022/23 performance report (Pages 7 - 12)

The Executive Member for Corporate Policy and Resources and the Executive Member for Finance, Governance and Organisation and Deputy Leader.

9. Treasury Management Strategy 2023/24 (Pages 13 - 16)

The Executive Member for Finance, Governance and Organisation and Deputy Leader.

For enquiries regarding this addendum;

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Overview and Scrutiny Committee – 15 June 2023

Draft Minute 8 - Revenues, Benefits & Fraud - Service Provision

The Executive Member for Finance, Governance, and Organisation, Councillor Lewanski, presented the Revenues, Benefits & Fraud – Service Provision Report.

The report provides an overview and update of the Revenues, Benefits and Fraud service's joint work with other local authorities and organisations and, in particular, future joint working with Tandridge District Council. Local authorities are allowed to trade with each other under section 113 of the Local Government Act 1972. Services may also be provided under section 93 of the Local Government Act 2003, providing the services are on a cost recovery basis only. Therefore, if the Council is not making a profit, there is no requirement to set up a separate trading company,

This work for other local authorities started in 2015 and since then has developed and the service now provided services to 28 separate organisations including local authorities, housing providers, and private sector companies. In particular, the service's award-winning Counter-Fraud team now provided counter-fraud services for five other Surrey local authorities and carries out property inspections for local authorities across the country.

As well as generating additional income to cover the staff costs and overheads, these arrangements give the Council's service areas added resilience, ensuring that capacity can be maintained to deliver high quality services, including collection and savings from fraud.

Information about the 2023/24 budget for Revenues, Benefits and Fraud was set out in the table at paragraph 26 of the report. It is noted there is provision to generate income of £600,000 within the overall service budget.

A further opportunity had now arisen to work more closely with Tandridge District Council around Revenues and Benefits. A Counter-Fraud service was already provided to Tandridge, and work has been carried out to identify the benefits of collaborating in more areas of work.

During 2022/23, external consultants were commissioned to review the options for future service provision of both councils. From this piece of work, four options were identified as being viable and these are set out at paragraph 10 of the report.

Of these four options, it was decided that the Centre of Excellence model would be more likely to provide the best outcome in terms of cost reduction, income generation potential, and enhanced resilience.

This approach was endorsed by the Tandridge Strategy and Resources Committee in March 2023 and it had been agreed that this report would also be submitted to the Reigate and Banstead Executive, to seek equivalent endorsement of the planned approach.

Members were assured that adoption of the Centre of Excellence model would be managed effectively so as not to disrupt current service activities. Both councils will be looking to share expertise and build resilience, while working towards offering a commercially attractive service with other local authorities.

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The Executive Member for Finance, Governance, and Organisation, Councillor Lewanski invited Members to ask questions on the Revenues, Benefits & Fraud – Service Provision Report provided in the agenda pack. In response, the following clarifications were provided:

Creation of a Centre of Excellence

It was confirmed that the joint phased implementation plan would be formulated with input from the Legal teams of both councils, as well as drawing on the research completed by the consultants to ensure resilience.

It was confirmed that the Revenues, Benefits & Fraud Manager would oversee the partnership working for this Council.

Members commented that consideration should be given to the eventuality that either party may need to exit; this was acknowledged.

The Council already had a wealth of experience of arrangements with other local authorities. Usually where services were provided to other authorities, each has a Memorandum of Understanding, setting out where resources are shared, and how resilience was protected. Any documentation would be carefully considered by both parties before being signed.

It was confirmed that this authority would continue to work with other local authorities aside from Tandridge. The preference is to continue the current practice in partnership with another good operational service; making this approach the preferred option.

This would also provide a good basis to develop opportunities to share other services with other Surrey authorities.

Benefit to residents

It was clarified that the £600,000 of potential income generated would be used to offset the direct cost of the staff carrying out the work plus a contribution to management overheads. This would provide benefits to this Council's residents by expanding team capacity and resilience of the services provided.

Staff turnover

Members commented that the report stated that retaining the expertise and knowledge of staff would be key to maintaining and building a resilient and commercially attractive service; Members asked for further clarification given that the Council-wide staff turnover KPI is red-rated. Members also asked whether creation of the Centre of Excellence may lead to redundancies.

It was confirmed that there would not be redundancies; conversely, more jobs would be created, and personal development opportunities for employees would increase. Turnover in this team was actually very low, as evidenced by several very long serving members of staff.

Costs

It was explained that each arrangement was costed before the agreement is entered into, ensuring that staff costs were covered, along with overheads for management time and relevant third-party support costs; an additional percentage is then applied to cover a contribution to other overheads. Charges are reviewed annually to account for increased salary and third-party costs.

Report to Tandridge District Council

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The link to the Tandridge District Council report would be provided to Members of this committee.

The Chair requested an update on progress when the Commercial Strategy Update Report was next presented to this committee in December 2023.

RESOLVED that the Overview and Scrutiny Committee:

considered the Revenues, Benefits & Fraud Service Provision report and provided observations to the Executive on the plans for continued development of the Revenues, Benefits and Fraud service's joint-working with other councils and external bodies, specifically with Tandridge District Council.

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Draft Minute 6 - Quarter 4 2022/23 performance report

The Executive Member for Finance, Governance, and Organisation, Councillor Lewanski, presented the Quarter 4 Performance Report 2022/23 covering the period January to March 2023. The reports gave an overview of the Council's performance for Quarter 4 2022/23, including Key Performance Indicator (KPI) reporting, as well as revenue and capital budget monitoring. The reports are due to be presented to Executive on 22 June.

Key Performance Indicators

Of the 11 KPIs reported on, 10 were on target or within the agreed tolerance. KPI 3 – Staff Turnover was off target and outside of its tolerance and therefore red rated. Although this performance indicator continues to remain outside of target and tolerance, there are no new causes of concern arising.

An advance question on this item had been submitted prior to the meeting. The advance question on KPI 8 Environmental Quality Surveys and its response can be viewed here:

[Document Advance Questions and Answers OS 15 June 2023 | Reigate and Banstead Borough Council \(moderngov.co.uk\)](#)

The Executive Member for Finance, Governance, and Organisation, Councillor Lewanski invited Members to ask questions on the Quarter 4 2022/23 Performance Report provided in the agenda pack. In response, the following clarifications were provided:

KPI 9 - Number of missed bins per 1,000 collected

There was very little public data made available by local authorities regarding reliability of their waste collection services so there is no data set to make a meaningful comparison. The Council's target is set by the service at a level that is assumed to indicate a reliable service; for every 1,000 bins collected no more than 10 should be missed.

In-cab technology allows for data to be reported to the Council which is then analysed at service level. The in-cab technology also allows communication to cabs enabling missed bins to be reported and collected as soon as possible.

Members noted and commended the low rate of missed bin collections.

KPI 3 – Staff turnover

The Council's staff turnover was compared to that of other local authorities, especially neighbouring authorities and at 19% was not an outlier. Private sector staff turnover is around 25%. Early assessment of Period 1 of 2023/24 also appears to be indicating a decrease in staff turnover. The employment market continues to be buoyant, and the Council conducts exit interviews. Staff turnover also provides an opportunity to attract new people, skills, and ideas.

Gaps left by employees leaving the Council may be filled by temporary resource, as well as being used to provide opportunities for current staff development; officers may be seconded from either within the team or elsewhere in the Council. The solution would depend upon the vacancy. A thorough vacancy approval process is in place as part of the Financial Sustainability Plan whereby all vacancies are scrutinised to

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determine whether they are needed, and at which level. Opportunities to share services with other local authorities, particularly in the east of the borough, were also identified. No significant impact on delivery of services has been experienced.

The number of applications for vacant roles varied. Some posts attracted a high number of high-quality applications, whereas some more specialised, skilled posts were more difficult to recruit to, due to market competition and number of available candidates. Social media, such as LinkedIn is used for advertising vacancies. The Council also develops staff internally, as well as offering a wide offer of apprenticeships up to level 7.

It was confirmed that the Council has strong links with local colleges to encourage students to apply to for Council vacancies and apprenticeships.

KPI 10 – Percentage of household waste that is recycled and composted

Bring sites were in operation for those areas which do not receive a full doorstep service. Some bring sites had been subject to significant fly-tipping and work had been underway to ascertain which bring sites would be advantageous to retain and which were no longer a good use of public resource, as well as understanding other forms of waste collection that might be needed; this work had now been paused pending the new Government Waste and Resources Strategy. It was confirmed that public consultation over any bring sites identified for possible closure would take place.

Members asked what effect the completion of rollout of services to flats would have on the percentage of household waste that is recycled and composted. A written answer would be provided following the meeting.

Members asked whether statistics were available for fines issued to residents or information on repeat offenders for contamination of recycling collections. A written answer would be provided following the meeting.

KPI 1 – The percentage of Council Tax collected

The in-year collection rates in KPI 1 related to amounts collected against that billed in the current year; the Council continues to collect amounts still owed in subsequent years. Arrears are monitored year by year. A written response would be provided following the meeting with regards to a year-by-year breakdown of previous years' Council Tax debts.

KPI 6 – Net housing completions and KPI 7 – Net affordable housing completions

It was noted that the target of net housing completions in the report should read 460, rather than 345.

The Managing Director confirmed that the Council strives to secure affordable housing with developers, but that creating viable business cases was challenging. Other solutions were in place, such as co-funding schemes with Raven Housing Trust.

KPI 5 – The percentage of positive homelessness prevention and relief outcomes

The Council is legislated to provide assistance to people in priority need and works with all homeless residents for a period of time to provide assistance. Resources are limited and need to be allocated to those with the highest need. Those with lower levels of need are directed to the private rental sector and offered assistance.

Emergency accommodation in the borough is available at Massetts Road in Horley which has been extremely successful, limiting costs in terms of homelessness and providing better outcomes for people as they can stay connected within their community. A small amount of “out of borough” emergency accommodation is also necessary; this is usually in South London, particularly Croydon and Thornton Heath.

There is a significant refugee cohort in the borough, compared to neighbouring boroughs, which provides challenge; the Council works with partners to provide support for refugees.

KPI 11 – Reduction in the Council's carbon footprint

The Council was striving to achieve the carbon footprint target by 2030. An audit had been carried out on the Council's estate with regards to how the carbon footprint can be reduced and would be presented to the Executive. However, there may be a need to offset the Council's carbon footprint by other means, such as installing Electric Vehicle charging points and tree planting. Some of the larger vehicles in the refuse fleet are not available in electric models but may come on stream before 2030.

It was difficult to compare the performance of the Council with other authorities, as differences in contributors to their carbon emissions exist. The Head of Corporate Policy, Projects and Business Assurance would circulate the latest report from Surrey County Council, following the meeting.

Contextual Performance Indicator 4 – Corporate complaints

The Chair requested a breakdown of the Corporate complaints resolved at stage 1. This would be provided following the meeting.

Finance

The Executive Member for Finance, Governance and Organisation, Councillor Lewanski, gave an overview of the Council's provisional budget outturn for revenue and capital expenditure.

Revenue Budget

The full year outturn for Service Budgets was £17.8 million against the management budget of £18 million, resulting in an underspend of £0.2 million.

For Central Budgets, the outturn was £0.5 million against the management budget of £2.1 million, resulting in an underspend of £1.6 million. This underspend is mainly as a result of lower Treasury Management costs driven by favourable interest rates and a lower borrowing requirement than originally forecast.

2022/23 has been another challenging year from a financial perspective, but the continued focus on cost control and income generation ending the year with a net underspend on the Service and Central Budgets and healthy reserves is evidence of the fact that every possible source of funding has been pursued.

2023/24 therefore started from a position of strength as the Council continues to focus on addressing medium term risks through the Financial Sustainability Plan.

Capital Programme

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The outturn position is £21.2 million which is £55.8 million below the approved programme for the year. The variance is as result of £55.7 million slippage plus a net underspend on various schemes of £0.1 million.

Members were invited to ask questions on the Quarter 4 2022/23 Budget Outturn Report provided in the agenda pack. In response, the following clarifications were provided:

Revenue Budget

The most significant variances in Service Budgets were confirmed to be energy cost pressures, housing benefit subsidy shortfall, increase in garden waste income and parking income. It was confirmed that these items had been taken into account in setting the budget for 2023-24, or would help inform future budget setting.

Variances in the Central Budgets were largely due to an underspend against previously-approved housing allocations. Those schemes have not yet come forward and in future would be reported as a potential allocation pending approval of business cases (instead of being included within the approved Capital Programme). This will remove the main cause of Capital Programme slippage going forward and also means that borrowing will not need to be provided for in the revenue budget until specific schemes are approved.

Budget Monitoring Summary

Members asked for confirmation of the reasons for the Communications budget variance. A written response would be provided following the meeting.

Members asked what will happen to the forecast net £1.7 million contribution to the General Fund Reserve; it was confirmed that this will be reallocated at the end of the year to other Reserves to help manage specific budget risks while the General Fund Balance will be maintained at £3.5 million to retain prudent cover for general risks. Reserve balances will be reviewed by the Executive when the Medium-Term Financial Plan is updated in July 2023 and again in November 2023 and January 2024, as well as being subject to scrutiny by the Budget Scrutiny Panel in November 2023.

Capital Budget

It was explained that the unspent capital allocation of £100,000 for investment in Vibrant Towns and Villages would not be carried as no specific uses for the budget had been identified and alternative funding is available in a Revenue Reserve. It was suggested that this allocation be retained and Members canvassed for ideas on how to invest to make the town centres more vibrant, which the Executive Member accepted.

The Chair pointed out that at its December 2022 meeting, the Committee had asked for details of the capital budget outturn on three completed projects – Camelia Close/ Pitwood Park, Lee Street Horley and Wheatley Court/ Cromwell Road. The Committee had also requested a “lessons learnt” report following completion of the projects at Cromwell Road and Pitwood Park. He asked that these delayed reports now be provided to the Committee, using estimates to complete for outstanding costs should the final outcome not be known.

2022-23 Outturn Capital Programme Monitoring

Members asked for a written response on the budget forecast for The Rise development at Marketfield Way.

Members asked for confirmation where the costs for installation of electric vehicle charging points appeared in the budget monitoring report. A written response would be provided following the meeting.

Members also asked for a progress update on the CCTV project. A written response would be provided following the meeting.

Reconciliation of Capital Programme to Approved Budgets 2022-23

Members asked for clarification of the “other charges” amounting to £4.8million on page 57. It was confirmed that these were schemes that had been approved since the original Capital Programme was approved in February 2022; the details were set out at page 22.

Financial Sustainability Programme

The Service and Financial Planning process had begun, preparing the 2024/25 budget proposals. Executive Members and officers were currently considering options in terms of opportunities to achieve efficiencies and savings, or generate income, as well as looking at budget risks and pressures that will feed into the Medium-Term Financial Plan and the November draft budget report. The Financial Sustainability Programme also captures activities that would not feed into 2024/25 as they might take 18 months or two years to come to full fruition; so it takes a longer-term view as well.

Housing Allocation

Members asked for clarification on the definition of criteria for a “suitable project” for the £30 million housing budget allocation. A written response would be provided following the meeting.

RESOLVED that the Overview & Scrutiny Committee:

- (i) Noted the Key Performance Indicators performance for Q4 2022/23 as detailed in the report and in Annex 1 and made observations to the Executive;
- (ii) Noted the Revenue budget outturn for 2022/23 and recommended budget-carry-forwards as detailed in the report and at Annex 2 and made observations to the Executive;
- (iii) Noted the Capital Programme outturn for 2022/23 as detailed in the report and at Annex 3 and made observations to the Executive.

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Draft Minute 7 - Treasury Management Strategy 2023/24

The Executive Member for Finance, Governance, and Organisation, Councillor Lewanski, presented the Treasury Management strategy 2023/24.

The purpose of the strategy was to guide all treasury management activity for the coming year and comprises three sections.

Firstly, the Treasury Management Strategy Statement, which sets out details of the Council's traditional Treasury Management activities, covering topics such as sources of borrowing and investment counterparties and limits.

Secondly, the Investment Strategy which covered the Council's investments, including traditional Treasury Management investments, but also with increased coverage of the Council's other investments that have been made for service and other commercial reasons.

Thirdly, the Capital Strategy, which outlined the Council's capital expenditure plans and core borrowing and investing activities; this includes prudential indicators, that were required to be reported under CIPFA's Code of practice.

The report has been prepared against a backdrop of considerable change for local authority treasury activities, primarily in response to concerns about a small number of authorities that have borrowed significant amounts over recent years to invest in commercial assets; both the Government and CIPFA have made changes to the regulatory frameworks and guidance that govern how councils borrow and invest.

While these changes would not have significant impact on this Council's Treasury Management Plan, it did mean that some of the options that might have been considered going forward were no longer permitted.

An advance question on the investment managers used to hold funds received in advance of expenditure had been submitted prior to the meeting. The advance question and its response can be viewed here:

[Document Advance Questions and Answers OS 15 June 2023 | Reigate and Banstead Borough Council \(moderngov.co.uk\)](#)

The Executive Member for Finance, Governance, and Organisation, Councillor Lewanski invited Members to ask questions on the Treasury Management Strategy 2023/24 provided in the agenda pack. In response, the following clarifications were provided:

Treasury Management Investments

It was confirmed that the forecast fluctuation in balances between £10 million and £55 million during the 2023/24 financial year was largely due to the expectation of a £34 million capital receipt from the sale of the housing properties at The Rise, in addition to typical cash flow fluctuations within the year.

Service Investments: Loans

It was confirmed that the loss allowance reported at table 1 on page 94 was the IFRS9 impairment for credit loss and that losses are charged to the Commercial Risks Reserve. The loans were made by the Council to its own subsidiary, relating to specific

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assets held by the counterparty, backed by tangible fixed assets. Impairment allowances were not required for shareholdings.

Members asked for confirmation whether the Horley Business Park LLP loan was included in the tables. The Chief Finance Officer would provide a written response following the meeting.

Commercial Investments: Property

A Member pointed out that the property investments in Table 3 on page 96 showed that the current values were all less than the purchase cost of each asset. It was explained that the information was a snapshot at a point in time, prepared each year for the Statement of Accounts. Significant assets were valued by an independent valuer. It was confirmed that losses and gains on property were not realised in local government until an asset was sold; therefore, there was no immediate financial impact on the taxpayer.

The property investment portfolio was regularly reviewed to ensure that retaining assets was appropriate, comparing income streams from the asset against operating costs.

Local Context

In summary, Members were advised that the forecast underlying treasury management position of the Council remained one of minimal borrowing, due to holding substantial balances.

Table 1 on page 78 confirms that balances were forecast to reduce from £16 million to a £7 million borrowing requirement; it was explained that this was not a detrimental trend and was consistent with the treasury management strategy. The treasury function was a means to utilise the cash available to good effect; rather than borrowing, and that available balances were used to fund capital expenditure wherever possible.

Treasury Investment Strategy

Following on from an advance question, members enquired about investments in Money Market Funds during 2023/24 with institutions that were not yet signatories to the Net Zero Asset Managers Alliance. The Chief Finance Officer explained that the primary responsibilities in terms of investment of public funds are security, liquidity, and yield. Credit ratings must also be considered. The Council's list of potential counterparties to place funds was therefore relatively restricted and advice was taken from the Council's treasury advisers regarding appropriate institutions to consider.

Investment Limits

It was confirmed that there is a restriction on investments within any one country of £5 million.

Minimum Revenue Provision Policy (MRP)

It was confirmed that the Policy is reviewed on a regular basis.

It was confirmed that as credit loss provisions were made separately, MRP was not provided on capital loans and share capital, which was consistent with the current regulatory framework. Government has consulted on changing this practice, but the outcome was yet to be confirmed. This would be taken into account when reviewing the MRP Policy if any changes occur in future.

The Chair pointed out that the 30-year asset life assumed for plant and equipment in establishing the MRP was quite high. Officers advised that asset life was based on the nature of the assets owned, and their longevity. Technical advice had also been sought from independent advisers from the treasury perspective and from the accounting perspective.

It was explained that the straight-line method for asset life based on equal amounts per year of life and the annuity method was similar to a mortgage where the earlier amounts were largely made up of interest with a small amount of capital.

RESOLVED that the Overview and Scrutiny Committee:

noted and provided feedback on the following which are to be finalised and submitted for approval by the Executive on 22 June 2023 and Council on 20 July 2023:

- i) Treasury Management Strategy 2023/24;
- ii) Investment Strategy 2023/24;
- iii) Capital Strategy 2023/24.

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