Agenda

Executive

Tuesday, 28 July 2020 at 7.30 pm

Remote meeting via video link

This meeting will be held **remotely**. Committee Members will be provided with the details of how to connect to the meeting one day before the meeting.

Members of the public may observe the proceedings live on the Council's YouTube channel.

Members:	
M. A. Brunt (Leader)	
T. Schofield	A. C. J. Horwood
T. Archer	E. Humphreys
R. H. Ashford	G. J. Knight
R. Biggs	V. H. Lewanski
N. J. Bramhall	

John Jory
Chief Executive

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Published 20 July 2020

Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

1. Minutes (Pages 5 - 10)

To approve the minutes of the meeting of the Executive held on 25 June 2020.

2. Apologies for absence

To receive any apologies for absence.

3. Declarations of interest

To receive any declarations of interest.

4. Environmental Sustainability (Pages 11 - 60)

To consider the report of the Executive Member for Neighbourhood Services.

5. Treasury Management Outturn Report 2019/20 (Pages 61 - 84)

To receive the report of the Executive Member for Finance.

6. Medium Term Financial Plan 2021/22 to 2025/26 (Pages 85 - 166)

To consider the Medium Term Financial Plan (2021/22 to 2025/26).

7. Capital Investment Strategy 202122 (Pages 167 - 224)

To consider the Capital Investment Strategy 2021/22.

8. Statements

To receive any statements from the Leader of the Council, Members of the Executive, or the Chief Executive.

9. Any other urgent business

To consider any item(s) which, in the opinion of the Chairman, should be considered as a matter of urgency – Local Government Act 1972, Section 100B(4)(b).

(Note: Urgent business must be submitted in writing but may be supplemented by an oral report).

10. Exempt business

RECOMMENDED that members of the Press and public be excluded from the meeting for the following item of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

(i) it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act; and

(ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Our meetings
As we would all appreciate, our meetings will be conducted in a spirit of mutual respect and trust, working together for the benefit of our Community and the Council, and in accordance with our Member Code of Conduct. Courtesy will be shown to all those taking part.

Streaming of meetings
Meetings are broadcast live on the internet and are available to view online for six months. A recording is retained for six years after the meeting. In attending any meeting, you are recognising that you may be filmed and consent to the live stream being broadcast online, and available for others to view.

Accessibility
The Council's agenda and minutes are provided in English. However, the Council also embraces its duty to anticipate the need to provide documents in different formats, such as audio, large print or in other languages. The Council will provide such formats where a need is identified prior to publication or on request.

Notice is given of the intention to hold any part of this meeting in private for consideration of any reports containing "exempt" information, which will be marked accordingly.

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BOROUGH OF REIGATE AND BANSTEAD

EXECUTIVE

Minutes of a meeting of the Executive held as a Remote Meeting on 25 June 2020 at 7.30 pm.

Present: Councillors M. A. Brunt (Leader), T. Schofield (Deputy Leader), T. Archer, R. H. Ashford, R. Biggs, N. J. Bramhall, E. Humphreys, G. J. Knight and V. H. Lewanski.

Also present: Councillors M. S. Blacker, J. C. S. Essex, R. Michalowski, S. Sinden and R. S. Turner.

10. MINUTES

RESOLVED that the minutes of the meeting of the Executive held on 4 June 2020, be approved.

11. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Horwood.

12. DECLARATIONS OF INTEREST

There were none.

13. COVID-19: RESPONSE AND RECOVERY

The Leader of the Council, Councillor Brunt, introduced the report which set out how the Council, working with local communities, had responded with positivity and determination to the unprecedented and challenging times presented by the global pandemic. The Council would continue to play a central role in supporting the most vulnerable people in the Borough and whilst some activities had been paused or scaled back, many services and projects had continued, those included:

- The Marketfield Way development and the housing scheme at Pitwood Park
- New efficient vehicles including waste lorries, had been delivered
- Core statutory services had been maintained

The Council's recovery workstreams were underway, including the re-implementation of some of the services that had been paused. Those services included:

- Green waste collections
- Re-opening skate parks; and
- The phased re-opening of community centres and the Harlequin Theatre, at the appropriate time.

The Leader explained that there was an opportunity for the Council to learn from the past few months and to use that learning to do things better as a Council. This would involve a review of ways of working, alongside the provision of services to residents.

The Deputy Leader and Executive Member for Finance, Councillor Schofield, set out the financial implications of the pandemic:

- Unbudgeted expenditure incurred through emergency response work was forecast to be £1.177m
- Reductions in service income due to changes in demand for services or policy decisions taken in response to the emergency was forecast to be £2.26m
- There were further potential financial implications arising from reductions in income from Council Tax and Business Rates.

The pandemic represented a material financial risk to the Council's budget. The current estimate of the net adverse financial impact for 2020/21 was at least £1m. The adverse impact could be funded through the Headroom Contingency sum included in the 2020/21 budget, however, other in-year budget risks would then draw on Council reserves.

Councillor Schofield emphasised that the Council was in a better financial position than many other local authorities and remained well-placed to respond to the challenge. A further report on the Council's Medium-Term Financial Plan would be made to the Executive in July.

The Executive welcomed the forthcoming Overview and Scrutiny task group review of the recovery workstreams. In response to questions from a Visiting Member, the Leader explained that the Council would continue to seek government funding for projects that supported the Council's environmental sustainability objectives.

The Executive Member for Neighbourhood Services, Councillor Bramhall, highlighted the progress made by Surrey County Council on cycling initiatives in the Borough; and set out that the Council's strategic approach to Environmental Sustainability would be considered at the next meeting of the Executive.

RESOLVED that the Executive:

1. Records its thanks for the outstanding efforts of all members and Council staff in responding to the Covid-19 (Coronavirus) emergency

2. Agrees the approach for recovering from the emergency, including the approach to service & financial planning and continuing to deliver on the Council's ambitions as set out in Reigate & Banstead 2025.

3. Agrees the latest forecasts of the financial implications of the emergency which will be updated in June to form the basis for in-year financial reporting and the Medium-Term Financial Plan review.

Reason for decision:

i. To put on record the Executive's appreciation for the hard work and dedication of members and Council staff in supporting the borough and its residents through these unprecedented times
ii. To formalise the Council's recovery plans and set the framework for the focus of service and business planning over the coming months.

iii. To endorse current forecasts for the financial implications and the actions proposed to mitigate them.

Alternative Options: As set out in the report.

14. QUARTERLY PERFORMANCE REPORT (Q4 2019/20)

The Executive Member for Corporate Governance and Direction, Councillor Lewanski, presented the report, on the Council's performance for Quarter 4 (January to March 2020). Of the 15 Key Performance Indicators reported during the quarter, 11 were on target or within the agreed tolerance. The Council's KPIs for 2020/21 had been updated to ensure that they continued to be robust and demonstrated performance against key corporate objectives. Eleven strategic risks were presented to the Executive for approval and subsequent reporting to, and monitoring by, the Audit Committee.

Councillor Schofield, Executive Member for Finance and Deputy Leader of the Council, reported on the Council's financial performance for Quarter 4. The Council had been impacted by several financial challenges in 2019/20 however, due to prudent financial management, overall financial performance had not been negatively impacted. Those challenges included the delay in reopening the Harlequin Cinema, DWP Housing Benefit Administration Grant reductions, service development pressures in the Finance Team and the emerging impacts of the global pandemic.

The provisional outturn for Service budgets was £0.47m (3.5%) higher than the approved budget; the overall provisional outturn including Central Items was £2.09m (11.9%) lower than budget. The net provisional outturn underspend of £2.09m, was recommended to be transferred to Earmarked Reserves initially to help address unfunded COVID-19 budget pressures with any unspent balance allocated to build up funds in anticipation of the next Pension Fund Revaluation in 2022.

Significant progress had been made on major capital projects which supported the delivery of the Council's objectives. The 2019/20 Capital programme provisional outturn was £18.96m compared to the approved Budget of £49.11m; the £30.15m variance was 61% below the approved programme for 2019/20. The variance comprised £29.74m slippage and an £0.41m underspend.

The Overview and Scrutiny Committee had reviewed the report at its meeting and had welcomed the Council's approach to supporting rough sleepers and homelessness during the crisis. The Executive acknowledged the comments made by the Overview and Scrutiny Committee; and in response to questions from a Visiting Member, The Leader explained:

- That the Council would continue to address the causes of homelessness, working with partners, through its housing strategy
- That the Council's Recovery Plans demonstrated that the Council would continue to look to deliver services in a SMARTer way, which included working with the voluntary sector.

- That the recovery workstreams also provided for engagement with the Local Enterprise Partnership, and partners in the Gatwick Diamond, to mitigate the impact of COVID-19 on employment at the airport.

RESOLVED

1. To note the performance and risk management update for the fourth quarter of 2019/20

2. That the provisional Revenue Budget outturn position for 2019/20 and the transfer of £2.086 million unspent resources to General Fund Reserves be approved

3. That the provisional Capital Programme outturn position for 2019/20 and the carry-forward of £29.491 million of approved Capital Programme resources to 2021/20 be approved

4. To approve the new KPIs to be reported on for 2020/21 as detailed in section 5 of the report

5. To approve the new strategic risks for 2020/21 as detailed in section 6 of the report.

Reason for decision:

To consider performance and risk management for 2019/20 and 2020/21, as well as to advise Members of the provisional Revenue and Capital expenditure for 2019/20.

Alternative options: None.

15. SUPPLEMENTARY PLANNING DOCUMENTS

The Executive Member for Planning Policy, Councillor Biggs, introduced the report. Following the adoption of the Development Management Plan (DMP) in September 2019, four of the Council's SPDs/ SPGs had been revised to reflect changes in national and local planning policy.

In response to a question from a Visiting Member, the Director of Place Services clarified that the Affordable Housing SPD provided a means to consider the cumulative impact of the sub-division of development sites.

RESOLVED

1. To adopt the revised Affordable Housing SPD, Barn and Farm Conversions SPD, Historic Parks and Gardens SPD and Reigate Town Centre Shop Front Design SPD

2. Revoke the current Affordable Housing Supplementary Planning Documents (SPD) (2014), the Appropriate Uses for Historic Barns Supplementary Planning Guidance (SPG) (1994), the Historic Parks and Gardens SPG (2001) and the Reigate Shop Front Design Guide SPG (1999)

Reason for decision:

Following the adoption of the Development Management Plan (DMP) in September 2019, four of the Council's SPDs/ SPGs have been revised to reflect changes in national and local planning policy.

Alternative options:

i) Do not approve the revised SPDs. This option is not recommended as legislation requires that SPDs/ SPGs must not conflict with the adopted development plan.

ii) Do not agree to revoke the current SPDs/ SPGs. This option is not recommended as legislation requires that SPDs/ SPGs must not conflict with the adopted development plan.

16. APPOINTMENTS TO THE BOARD OF THE BANSTEAD COMMON CONSERVATORS (2020)

Councillor Bramhall presented the report, and the Executive considered each of the applications for appointment to the Board of Banstead Commons Conservators, whereupon it was:

RESOLVED That Mr D. Atkins and Councillor P. Harp be appointed to the Board of Banstead Commons Conservators.

Reason for decision: To ensure that positions on the Board of the Banstead Commons Conservators are suitably filled.

Alternative options: The Executive had the discretion to decide which nominees to appoint. Alternatively, the Executive may ask officers to seek new nominations.

Clerk's note: *It was noted that the Wards of Nork and Tattenham Corner & Preston should have been included on the report.*

17. STATEMENTS

There were none.

18. ANY OTHER URGENT BUSINESS

There was none.

19. EXEMPT BUSINESS - TO CONSIDER THE EXEMPT APPENDIX TO AGENDA ITEM 7.

RESOLVED that the exempt information be noted during the consideration of agenda item 7.

The Meeting closed at 8.28 pm

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Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

SIGNED OFF BY	Director of Place
AUTHOR	Catherine Rose, Head of Corporate Policy
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TO	Executive
DATE	Tuesday 28 July 2020
EXECUTIVE MEMBER	Portfolio Holder for Neighbourhood Services

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT	Environmental Sustainability Strategy

RECOMMENDATIONS

(i) That the Executive recognises the need for urgent action on climate change and environmental sustainability issues

(ii) That the Environmental Sustainability Strategy (Annex 1) and accompanying action plan and performance measures (Annexes 2 and 3) be approved for publication and implementation

(iii) That the Head of Corporate Policy be authorised, in consultation with the Portfolio Holder for Neighbourhood Services, to make any additional minor amendments to the Environmental Sustainability Strategy to ensure factual accuracy and clarity prior to publication

(iv) That the Executive agrees to continue with the cross-party member task group to review and feed back on the implementation of the Environmental Sustainability Strategy, and that progress in delivering the strategy will be reported annually.

(v) That the Executive supports the overall approach within the recently adopted Surrey County Council Climate Change Strategy and commits to continue to work with the County Council and other Surrey boroughs and districts to develop a jointly owned action plan and achieve shared climate change objectives.

REASONS FOR RECOMMENDATIONS

Approval of the Environmental Sustainability Strategy reflects the Council's recognition of the need for urgent action on climate change and environmental sustainability issues and explains how it will focus its activities and resources to deliver positive progress towards achieving national targets.

To deliver its climate change and environmental objectives the Council will need to work closely with a range of partners, including Surrey County Council and other Surrey boroughs and districts.

EXECUTIVE SUMMARY

The Council's new corporate plan, Reigate & Banstead 2025, commits the Council to operate in an environmentally responsible way, and explains that the Council will publish a new Environmental Sustainability Strategy.

On a related subject, in September 2019, Full Council referred a motion about climate change for consideration by the Executive. This motion suggested a number of action and workstreams that the Council should commit to in order to address the challenge of climate change.

An Environmental Sustainability Strategy ('ES Strategy') has now been prepared and is appended to this report. It also explains how the Council can help achieve positive change across the borough, working with residents, communities, businesses and other partners. It is supported by an action plan which explains the actions that the Council will take within its own sphere of responsibility to contribute towards environmental sustainability objectives.

This includes actions in relation to reducing energy usage and carbon emissions, the more efficient use of natural resources and enhancing the capacity and resilience of the natural environment. These reach across a wide range of Council services and activities, including facilities management, fleet, greenspaces, planning, communications, procurement and waste and recycling.

It is important to recognise that the agreement of the ES Strategy by the Executive will be one stage of a much longer process.

In order to deliver the ES Strategy, additional resources will be required, with provision having been made in the 2020/21 budget to start to implement the Strategy through creation of an earmarked Reserves of £0.250 million and allocation of funding for a staff resource. As with all Council activities, it will be important that in delivering the Strategy we continue to secure best value for local taxpayers. It should be noted that the Council's continuing response to the Covid-19 emergency (and to any subsequent waves) may impact on the resources available to deliver the action plan (staff and/or financial). The Action Plan will therefore be kept under regular review.

It is proposed that progress in delivering the ES Strategy be reported annually to the Overview & Scrutiny Committee and that the cross-party task group continue to be used to review and feedback on progress. It will also be important that the Strategy itself is reviewed frequently to ensure that we continue to take account of local progress, the latest evidence, policy and technological advancements.

In April 2020, Surrey County Council endorsed its Climate Change Strategy and agreed to continue to engage with boroughs and districts with the intention of achieving joint endorsement across the 12 authorities. It is considered that further work is necessary to

finalise a joint action plan and agree individual authorities' contributions to Surrey-wide targets. However, the overarching objective of the Surrey Climate Change Strategy – the County becoming net zero carbon by 2050 at the latest – is consistent with the proposed Reigate & Banstead Environmental Sustainability Strategy ambition and should be supported.
Executive has authority to approve the above recommendations

STATUTORY POWERS

1. Under the Local Government Act 2000, the Council has a duty to promote the social, economic and environmental wellbeing of its area. Under the 2004 Planning and Compulsory Purchase Act, as a local planning authority, the Council must exercise its planning duties with the objective of contributing to the achievement of sustainable development.

BACKGROUND

Climate change

2. In December 2015, 195 countries (including the UK) adopted a legally binding global climate agreement. The agreement set out 4 key actions to avoid climate change and limit global warming. These include keeping global temperatures below 2°C above pre-industrial times (and, if possible, 1.5°C) and limiting the amount of greenhouse gases emitted by human activity to the same levels that trees, soil and the ocean can absorb naturally, at some point between 2050 and 2100.
3. In 2018, the Inter-Governmental Panel on Climate Change (IPCC) published its special report concluding that to limit global warming to 1.5°C would require rapid, far-reaching and unprecedented action.
4. In 2019, the Government agreed an amendment to the 2008 Climate Change Act which committed it to bring all greenhouse gas emissions (including CO_2) to net zero by 2050 (that is, a 100% reduction from 1990 levels).

Corporate priorities

5. The Council's new corporate plan, Reigate & Banstead 2025[1], was adopted by the Council in January 2020. The plan commits the Council to operate in an environmentally responsible way. It includes a specific objective for the Council to:

   "Reduce our own environmental impact, support local residents and businesses to do the same, and to make sure our activities increase the borough's resilience to the effects of climate change"
6. Reigate & Banstead 2025 further explains that the Council will review and update its plans and publish a new Environmental Sustainability Strategy. Recognising that the environmental challenges that the world faces extend beyond climate change (although that is a central consideration), the scope of the strategy was also intended to be wider.

[1] www.reigate-banstead.gov.uk/rbbc2025

7. The Core Strategy and Development Management Plan together form the Local Plan for Reigate & Banstead. These documents include a range of policies that seek to promote development that is sustainable and respects and protects the environment.

Climate change motion

8. In September 2019, Cllr Ritter presented a motion to Full Council[2], proposing that the Council commit to:
   - Declare a climate emergency that requires urgent action
   - Make the Council's activities net-zero carbon by 2030 by putting in place a cross party working group to work towards this across all aspects of the Council's work and responsibilities and setting out a plan of action within six months, including clear targets and transparent reporting.
   - Ensure that all strategic decisions, budgets and approaches to planning decisions are in line with a shift to net-zero carbon by 2030
   - Work with, influence and inspire partners across the borough to help deliver this goal through all relevant strategies, plans and shared resources by developing a series of meetings, events and partner workshops; and
   - Request that the Council and partners take steps to proactively include young people in the process, ensuring that they have a voice in shaping the future.
9. In accordance with Council Procedure Rules, the motion was referred to the Executive for consideration. A progress update was subsequently provided to the Executive in December 2019[3].

Surrey Climate Change Strategy

10. In April 2020, Surrey County Council adopted its Climate Change Strategy[4], which sets out the County Council's ambitions for working with second tier authorities (boroughs and districts) and other partners to put the county on the path to net zero emissions.
11. The overall ambition in the SCC Strategy – the county becoming net zero carbon by 2050 at the latest, and a reduction of organisational emissions to net zero by 2030 – should be supported. However, further work between the authorities is necessary in order to finalise a joint action plan and agree individual authorities' contributions to Surrey-wide targets. This need for ongoing work to refine proposals was recognised by the SCC Cabinet in agreeing the Strategy.

KEY INFORMATION

Environmental Sustainability Strategy

12. The proposed Environmental Sustainability Strategy ('the ES Strategy') is included at Annex 1.

[2] https://reigate-bansteadintranet.moderngov.co.uk/ieListDocuments.aspx?CId=136&MId=1415&Ver=4
[3] https://reigate-bansteadintranet.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=1405&Ver=4
[4] https://www.surreycc.gov.uk/people-and-community/climate-change/what-are-we-doing/climate-change-strategy

13. The ES Strategy has been prepared by consultants working for the Council and has included consideration of national and local policy, and evidence and information about Council facilities and the Council's day-to-day activities and services.

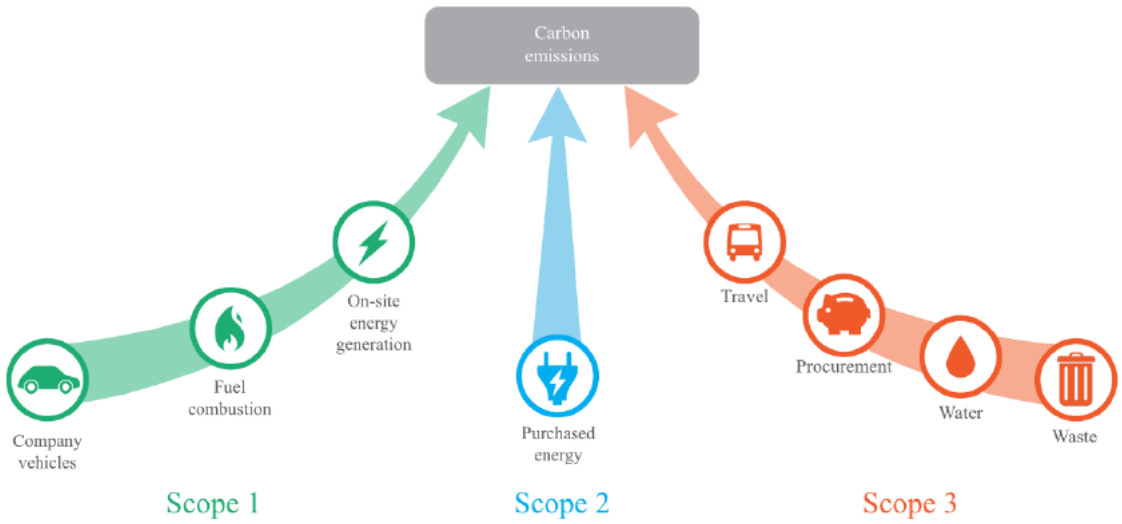
14. It focuses on taking action within the Council's own sphere of responsibility (across our own estate and services) but also on how the Council can help achieve positive change across the borough working with residents, businesses and partners such as Surrey County Council and the Surrey Environment Partnership.

15. The ES Strategy is supported by an Action Plan (Annex 2) and a series of performance indicators (Annex 3). Together these provide more detail about the activities that the Council will take, and how progress will be monitored. It should be noted that the Action Plan has been prepared based on the information about Council resources available at the time of writing. Although Environmental Sustainability is a clear corporate priority for the Council, our ability to deliver identified actions in the short term may be impacted by the continuing financial and staff resource pressures associated with our ongoing response to Covid-19.

16. Recognising the breadth of the challenge, the Strategy is structured around four themes. Within each theme, a number of objectives are identified in the strategy and associated actions set out in the Action Plan.

17. **Energy and carbon:** This section focuses on minimising energy use, using renewable energy and minimising carbon emissions generated by transport. Particular actions in this area will include (although are not limited to) introducing energy efficiency measures in Council buildings, promoting behaviour change to reduce overall energy use, procurement of energy from renewable sources, transitioning the Council's transport fleet to electric vehicles and promoting sustainable travel choices for both staff and residents[5].

18. The strategy outlines that the Council will aim to achieve carbon neutrality (based on scope 1 and scope 2 emissions) by 2030 with a focus on achieving carbon neutrality including scope 3 emissions as soon as possible thereafter.



[5] A number of the actions identified in this section relate to promoting the use of public transport. These actions will be kept under review and delivery will need to comply with continuing Government advice and guidance as to the use of trains and buses by the public.

(source: The Sustainability Exchange)

19. The Council is already making progress in this area, including moving to hybrid and electric pool cars and more efficient refuse vehicles, and putting in more electric vehicle charging points.

20. The carbon emissions directly under the control of the Council only represent a small proportion of these released within the borough, therefore it is important that the Council also considers how it can use its position to encourage behaviour change and the reduction of emissions by both residents and businesses (for example by reducing domestic energy consumption and moving to low carbon modes of transport).

21. **Low impact consumption:** As well as reducing energy use, the ES Strategy includes actions to reduce waste generation, use water more efficiently and source materials in a responsible way. This includes focusing on how products and materials can be reused rather than disposed of, continuing to work to make it easier for people to recycle and promoting low impact construction for new developments thorough our planning activities.

22. **Biodiversity and the natural environment:** Recognising that the natural environment is essential for maintaining a good quality of life, the ES Strategy includes a range of activities to protect and enhance biodiversity and the natural environment. Activities such as managing our greenspaces well, improving soft landscaping and tree cover and managing drainage in a sustainable way will all help improve our local environment and reduce flooding. At the same time, these measures will also deliver wider ranging benefits, for example, improving carbon storage, reducing air pollution, and reducing embodied carbon.

23. **Effective implementation:** This section identifies a number of overarching activities that will be needed to implement the other objectives in the ES Strategy, including:

    a. Using the Council's planning powers to ensure that new developments are sustainable. In the short to medium term (until such time as the Local Plan is reviewed) this includes providing planning advice and guidance to developers and ensuring that relevant existing Local Plan policies are implemented.
    b. Ensuring that the Council's procurement process allows for the selection of product and service suppliers that further the Council's sustainability objectives.
    c. Recognising the role the Council can play in helping residents and businesses to reduce their own carbon emissions, use resources more sustainably and protect the local environment. Central to this is how we use our communications channels, including the Council website and our social media activity.
    d. Appointing a dedicated staff resource to work with teams across the Council to implement the ES Strategy; and
    e. Working in partnership with other organisations, including Surrey County Council and the Surrey Environment Partnership and local community organisations to ensure a joined up approach to environmental sustainability, and to make the best use of the public sector resources that are available.

24. The ES Strategy and Action Plan will inform the work of relevant Council teams in delivering the activities within it. It is proposed that delivery of the Strategy (reporting on performance indicators and action plan progress) be reported on annually, both on the Council's website and to the Overview & Scrutiny Committee.

25. In terms of carbon emissions, the actions in this Strategy explain how progress will be made to reduce the Council's scope 1, 2 and 3 emissions as well as helping reduce carbon emissions across the borough more generally. It is important to recognise that the agreement of this ES Strategy by the Executive is one stage of a much longer process. The strategy is based on information and evidence available at a point in time, and the tools and policy levers that the Council currently has available to it; with some of the activities identified requiring further investigation and the development of more detailed business plans before they can be implemented. In addition, national policy and the environmental sustainability industry will continue to evolve and develop. Therefore - as well as annual reporting - it will be important that the Strategy itself is also regularly reviewed to take account of the local progress that has been made, the latest evidence, policy and technological advancements.

Committee on Climate Change report, June 2020

26. Since the ES Strategy was prepared, the Committee on Climate Change (CoCC) has published its annual report to Parliament about reducing UK emissions[6]. As well as updating on progress, this report highlights the opportunity for climate considerations to be central to recovering from the Covid-19 pandemic.

27. As part of this Council's Covid-19 recovery work, consideration is being given to how to secure environmental benefits in relation to the Council's own operations as well as more widely within Reigate & Banstead (working with partners such as Surrey County Council).

28. The CoCC report also identified that there are still gaps in policy at a national level which limit the ability to make progress against national targets, for example policy in relation to existing residential and commercial building stocks. It urges the Government to make swift progress on ensuring the appropriate policy levers are in place.

29. As noted in paragraph 25 above, it will be important to keep our ES Strategy and Action Plan under review to reflect national policy and any new opportunities or responsibilities for local authorities that emerge in the coming years.

Climate change motion

30. The climate change motion, referred to the Executive for consideration, includes a suggestion that the Council should declare a climate emergency that requires urgent action. It also suggests a number of other actions and workstreams that the Council should commit to.

31. Commitment to action: As outlined above, the new corporate plan adopted in January 2020 already identifies the global climate challenge and the importance of the Council taking action in this area. As such, the Council has already made a clear commitment in this regard.

32. Targets and transparent reporting: The proposed ES Strategy, Action Plan and performance indicators explain how the Council will work towards carbon neutrality by 2030. In publishing the ES Strategy, the Council is committing to a positive plan of action, with performance indicators having been identified to allow progress to be measured and reported on. It is worth noting that both Reigate & Banstead 2025 and the ES Strategy take a more holistic approach to sustainability than the motion

[6] https://www.theccc.org.uk/wp-content/uploads/2020/06/Reducing-UK-emissions-Progress-Report-to-Parliament-Committee-on-Cli.._-002-1.pdf

suggests, focusing on a wider range of environmental challenges and action than carbon and carbon emissions.

33. Establishing a cross party task group: A cross party task group has already been established and has input into the development of the proposed ES Strategy at Annex 1. Strategy preparation is only the first stage of a much longer process of implementation. It is therefore recommended that the task group should have an ongoing remit, to review and feedback on the implementation of the ES Strategy. This would be in addition to annual progress reporting to the Overview & Scrutiny Committee.

34. Funding carbon reduction activities: To assist in the delivery of the ES Strategy, the 2020/21 budget includes revenue funding for a dedicated staff resource to work with teams across the Council to deliver the strategy, as well as a new dedicated Environmental Sustainability Reserve to fund activities identified in the Strategy. It should also be noted that in some instances it may also be possible to use other funding sources (for example, third party funding, or Community Infrastructure Levy to fund associated infrastructure projects). However, as highlighted above, it is also the case that some financial and staff resources remain directed to the Covid-19 response, and that the ongoing impact of this crisis may impact on the delivery of the Action Plan. That said, there are also a number of opportunities arising from the pandemic in relation to enhancing the future sustainability of the borough (see below).

35. The role of planning: The Council's Core Strategy includes policies in relation to sustainable development and sustainable construction and Development Management Plan policies introduce requirements in relation to (amongst other things) sustainable transport, electric charging points, renewable energy generation, and green infrastructure. As noted above, the ES Strategy recognises the positive role that the planning system can play in promoting a shift to carbon neutrality and includes a number of associated actions.

36. Working with partners, residents and particularly young people: Reigate & Banstead 2025 was developed in consultation with partners, local interest groups and residents (including the Youth Council). As reported to the Executive in December 2019, there was considerable public engagement in the consultation and support for the plan's environmental sustainability objective. Suggestions made through the public consultation have helped inform the development of the ES Strategy and the actions within it.

37. Both Reigate & Banstead 2025 and the ES Strategy recognise the necessity of partnership working to deliver corporate objectives. In addition to partnership working with public sector agencies, in implementing the Strategy consideration will be given to how to proactively involve communities and residents across the borough in specific projects and activities.

38. **Recommended response to the motion:** Taking into account the above, it is recommended that the Executive take the following actions in relation to the motion:

    a. Reiterate that the Council recognises the need for action on climate change and environmental sustainability issues

    b. Agree the ES Strategy; and

c. Note the continuing role of the cross-party member task group to review and feedback on the implementation of the ES Strategy, and that progress in delivering the strategy will be reported annually.

OPTIONS

39. The following options are available to the Executive:
40. Option 1: Approve the Environmental Sustainability Strategy at Annex 1. This option is recommended. Having an updated Strategy is an objective in the recently-adopted Reigate & Banstead 2025, and allows the Council to set out the positive action it will take in relation to environmental sustainability and climate change.
41. Option 2: Request that amendments be made to the Environmental Sustainability Strategy at Annex 1 before it is approved. This option is not recommended as it could result in delay to the Council starting to implement a its programme of positive action in this area. As noted above, the proposed monitoring and review process will help ensure that the Council's activities in this area continue to take account of emerging evidence, policy and technological advancements.
42. Option 3: Do not approve an Environmental Sustainability Strategy. This option is not recommended as it would not be consistent with the Council's commitments in Reigate & Banstead 2025.

LEGAL IMPLICATIONS

43. No legal implications have been identified in relation to the report recommendations or arising from the ES Strategy or activities identified within it.

FINANCIAL IMPLICATIONS

44. Implementing the ES Strategy will have financial implications. In addition to the financial implications outlined below, the impact of the Council's Covid-19 response must be recognised, as set out elsewhere in this report.
45. Some of the activities in the Strategy will be funded through the existing revenue budget, for example, where these relate to ensuring that products or services already provided by third parties are procured with a greater emphasis on sustainability in the future.
46. Other aspects of the ES Strategy will require additional funding.
47. As noted above, to assist in the delivery of the ES Strategy, the 2020/21 budget includes revenue funding for a dedicated staff resource to work with teams across the Council to deliver the strategy, as well as a new earmarked Environmental Sustainability Reserve of £0.250 million to fund associated activities.
48. Some of the activities in the ES Strategy will require further investigation and the development of more detailed business plans before they can be implemented. For more complex projects, it will be important that the costs, benefits, deliverability and viability of different options are properly considered to ensure that best value for taxpayers continues to be secured. Any proposals for additional budget growth in 2021/22 onwards will be considered as part of the annual service and financial planning process.

49. Opportunities to secure third party funding, or match funding to deliver the activities within the ES Strategy will also be considered on a case-by-case basis.

EQUALITIES IMPLICATIONS

50. We have a statutory duty to consider the equalities implications of all the Council's decisions. An Equality Impact Assessment has been undertaken and is appended as a background paper.
51. The Assessment does not identify any negative impacts on protected characteristic groups resulting from the ES Strategy. It identifies that, in particular, the actions identified in relation to promoting walking and cycling could have positive benefits.
52. It also highlights that it will be important to give consideration to ensuring that communications activities in relation to (or arising from) the strategy is accessible to all, for example by considering a range of different communications channels.
53. Equality issues will also be considered as detailed business cases for projects within the ES Strategy are developed in more detail using the Council's project management framework.

COMMUNICATION IMPLICATIONS

54. The ES Strategy recognises that the Council has an important role to play in helping residents and businesses to reduce their own carbon emissions and live more sustainably.
55. The ES Strategy proposes that an on-line web resource be included on the Council's website to assist residents and businesses to do this. This would be accompanied by promotion through our other communication channels and communications campaigns; including:
    a. Ensuring senior management support for the strategy to encourage awareness and ownership by staff and to help them champion behaviour change.
    b. Demonstrating to partners, residents, businesses and visitors that the Council is leading by example.
    c. Developing an overarching communications plan, along with key messaging, to educate and inspire residents, visitors and businesses to reduce their own carbon emissions, use resources more sustainably and protect the local environment.
    d. Developing and delivering targeted behaviour change campaigns, in support of specific elements of the ES Strategy. These campaigns will be based on data, resident insight and research, have clearly defined objectives, require dedicated resources, follow a clear agreed strategy and be subject to stringent evaluation.

RISK MANAGEMENT CONSIDERATIONS

56. The implementation of the ES Strategy is anticipated to have positive impacts in relation to environmental considerations and delivery of corporate objectives. Consultation undertaken on Reigate & Banstead 2025 confirms that (in general) residents consider that the Council has a role to play in environmental sustainability and addressing climate change.
57. The risks of individual projects within the ES Strategy action plan will need to be considered on a case-by-case basis using the Council's established project

management framework. This will include considering operational risks in relation to existing Council activities, financial risks and health and safety considerations.

OTHER IMPLICATIONS

58. Human resources: The ES Strategy highlights the need to appoint a dedicated sustainability resource (officer) to ensure the its successful delivery. Revenue funding for this post is included in the 2020/21 budget agreed by Full Council earlier this year.
59. As some Council services remain fully or partially deployed dealing with the Covid-19 emergency response/recovery, it will be important that the staff resources available to implement the ES Strategy are kept under review.
60. Environmental: Overall, the impacts of the ES Strategy will have a positive environmental impact across the borough as well as contributing to global sustainability and climate objectives. However, it will be important that the full range of potential environmental impacts of projects within the strategy are considered as detailed proposals are developed, in order to avoid or mitigate any unintended negative environmental consequences.
61. The national response to Covid-19 has brought notable related environmental changes, with reductions in traffic and associated improvements in air quality, and increased usage of our greenspaces. At the same time, flytipping has increased along with general littering of public spaces as lockdown starts to be lifted, and current Government advice is for people to avoid the use of public transport if at all possible.
62. It therefore remains important that the Borough Council works with the County Council and other partners to identify measures to facilitate and embed positive behaviours (particularly with respect of travel).

CONSULTATION

63. Public consultation was undertaken to inform the development of Reigate & Banstead 2025, and suggestions raised through this process have helped inform the development of the ES Strategy.
64. Councillor involvement in development of the emerging ES Strategy has included:
    a. A member briefing event in late October 2019
    b. Informal discussion of the emerging strategy with Executive members
    c. Discussion of the emerging strategy with a cross-party member task group
    d. Sharing the draft strategy with all councillors for review / comment
    e. A member briefing event in early March 2020.
65. As noted above, in implementing the strategy consideration will be given to how to proactively involve communities and residents across the borough in specific projects and activities.

POLICY FRAMEWORK

66.	Reigate & Banstead 2025 commits the Council to publish an ES Strategy and to seek to reduce waste and emissions across the Council's estate, assets and activities and use natural resources more efficiently. The Strategy at Annex 1 explains how the Council will achieve this.
BACKGROUND PAPERS	
1.	Reigate & Banstead 2025: www.reigate-banstead.gov.uk/rbbc2025

Environmental Sustainability Strategy

June 2020

Client Name: Reigate and Banstead Borough Council
Document Reference: WIE16549-100-R-1-5-1-SS-SM
Project Number: WIE16549-100

Quality Assurance – Approval Status

This document has been prepared and checked in accordance with
Waterman Group's IMS (BS EN ISO 9001: 2015, BS EN ISO 14001: 2015 and BS EN ISO 45001:2018)

Issue	Date	Prepared by	Checked by	Approved by
1	02/02/20	Sophie Murray	Chloe Souque	Chloe Souque
2	20/02/20	Chloe Souque	Laura Collier	Chloe Souque
3	23/02/20	Chloe Souque	Laura Collier	Chloe Souque
4	28/02/20	Laura Collier	Chloe Souque	Chloe Souque
5	23/06/20	Laura Collier Sustainability Consultant	Chloe Souque Sustainability Associate Director	Chloe Souque

Comments

1	02/02/20	Draft for comments
2	20/02/20	Final draft for Councillors' comments
3	23/02/20	Comments accepted
4	28/02/20	Foreword and action plan tables added
5	23/06/20	Action plan tables removed

Disclaimer

Contents

Figures

1. Foreword

I am delighted to introduce Reigate & Banstead Council's Environmental Sustainability Strategy.

We are publishing this strategy at a time when there is – rightly – a lot of concern about not only our local environment but also our global climate.

Recognising the scale of the challenge, the UK Government has been the first major nation to propose to cut bring greenhouse gas emissions to net zero by 2050.

Our own corporate plan, Reigate & Banstead 2025, commits the Council to being proactive about tackling climate change and reducing our environmental impact, and supporting local residents and businesses to do the same.

This Strategy explains how we will continue to build on the work we are already doing to make real progress in relation to energy and carbon, low impact consumption and biodiversity and the natural environment. It focuses on the actions we will take across our own estate and services. It also looks at how the Council can help achieve positive change across the borough, working with residents, businesses and partners.

This, for Reigate & Banstead Borough Council, is our next step on a continuing journey. We will report on our progress in delivering it every year, and will regularly review the Strategy to make sure it remains up to date and effective.

I look forward to working with local communities and partners to make Reigate & Banstead a more environmentally sustainable borough.

Cllr Natalie Bramhall

Executive Member, Neighbourhood Services

Reigate & Banstead Borough Council

2. Introduction

This report has been developed to outline Reigate and Banstead Borough Council's (RBBC's) Environmental Sustainability Strategy. As part of its 5-year corporate plan the Council has committed to being proactive about tackling climate change and reducing the borough's environmental impacts. This includes reducing the Council's direct impact and supporting residents and businesses to do the same.

While climate change is a global issue, the importance of each country taking action to limit greenhouse gas emissions cannot be underestimated. In response to the adoption of the Paris Climate Agreement in 2015, the UK became the first major economy in the world to pass legislation to bring all greenhouse gas emissions to net zero by 2050.

Achieving net zero will require a combination of conventional mitigation techniques that is reducing energy and resources consumption in our buildings, infrastructure, industrial processes and our daily lives. It will require in parallel a transition towards renewables sources of energy. There will always be however residual carbon emissions that will have to be compensated for through carbon removal technologies (e.g. reforestation, afforestation, carbon capture and storage).

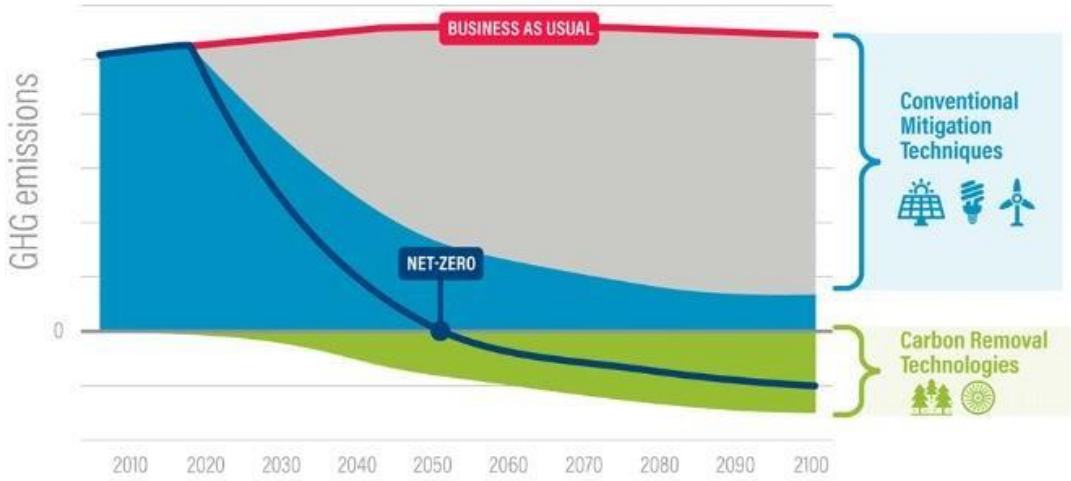


Figure 1 - Net Zero diagram - Source: World Resources Institute (WRI)

To support the government in achieving net zero by 2050, Reigate and Banstead Borough Council has recognised that the role of local government is critical in helping to embed measures and support residents and businesses to make the necessary changes to meet this national legislation.

In addition to focusing on limiting actions and processes that contribute to climate change, the Council has also considered their environmental impacts more broadly. Recent history has demonstrated that there is an increasing disconnect between society's consumption of natural resources (e.g. plants, air, water, soils, minerals) and ecosystem services (e.g. water and air purification, crop pollination and pest control) and the ability of our ecological and environmental systems to replenish themselves. Currently, UK consumption exceeds what can be produced.

The challenges of embedding sustainability within the Council's practices and then influencing the wider Borough are wide ranging. The scope of the Council's Environmental Sustainability Strategy has therefore been influenced by the areas of responsibility that the Council holds. It is acknowledged that Surrey County Council (SCC) is responsible for issues such as transport, highways, schools and education. RBBC will look to collaborate with SCC where its initiatives support the objectives of this sustainability strategy but will prioritise implementing opportunities within its direct sphere of responsibility.

Acknowledging the range and complexity of issues required to achieve sustainable development, the strategy has been broken down into three overarching environmental themes. It should be noted that

climate change adaptation and resilience is a cross cutting issue which has been addressed under each environmental theme.

1. Energy and carbon
2. Low impact consumption
3. Biodiversity and the natural environment

To support the delivery of the strategy an action plan has also been developed for each of these themes to formalise how the Council intends to embed and achieve the strategy. As part of each priority theme there are a range of key issues to ensure its successful realisation.

Overarching objectives set out the Council's approach within each theme which are supported by key performance indicators (KPIs) to assist with monitoring progress against the objectives and evaluating the success of the actions.

In some cases further investigation is required before a definitive target can be identified. For these objectives, a direction of travel has been identified. In developing future targets, national or other recognised industry benchmarks will be referenced alongside deliverability and viability considerations, and therefore these targets are indicative only.

It should be recognised that the achievement of 'Borough' level targets does not fall solely within the control of the Council and therefore are indicative only. A long list of activities has been developed. Those that are likely to be most effective in delivering the council's priorities are detailed in the following sections of this strategy document.

3. Energy and carbon

Overview

In June 2019 the Government amended the Climate Change Act 2008 and is now targeting a 100% reduction in greenhouse gas emissions (compared to 1990 levels) by 2050. This is otherwise known as a net zero target which will have to be achieved through a combination of efficiency measures, renewable energy production and carbon sequestration (e.g. reforestation). This target would effectively mean that the UK will end its contribution to global emissions by 2050.

RBBC is responding to this challenge by aiming to achieve carbon neutrality (based on scope 1 & 2 emissions - Figure 2) by 2030 with a focus to achieving carbon neutral including scope 3 as soon as possible thereafter. It is worth highlighting that the carbon emissions directly under the control of RBBC represent only about 0.2% of the emissions released within the Borough
(Table 1). It is therefore paramount that RBBC concentrates its efforts on reducing its Scope 3[1] emissions as soon as practical thereafter.

This highlights the importance for RBBC to concentrate its efforts in influencing businesses and residents' behaviour and purchase patterns to adequately curb emissions. RBBC will work in partnership with Surrey County Council (SCC) and other key stakeholders achieve carbon neutrality across the Borough by 2050.

Definition of Scope 1,2, 3 emissions

Scope 1 includes emissions from the **combustion of fuels** by sources owned or controlled by the reporting organisation.

Scope 2 includes the emissions from the combustion of fuels to generate electricity, steam, heating, and cooling **purchased and consumed** by the reporting organisation.

Scope 3 includes all other indirect emissions that occur in a organisation's value chain.

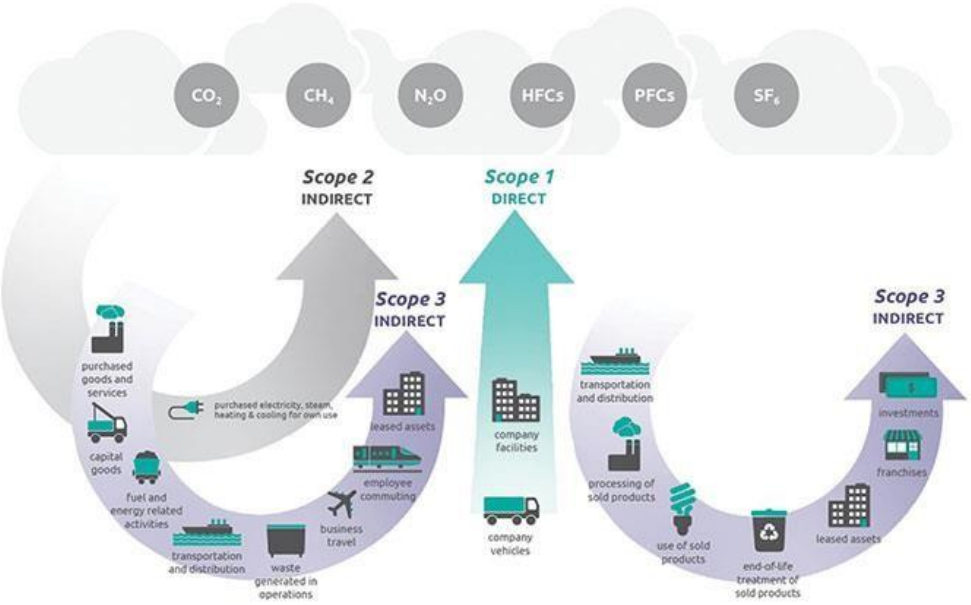


Figure 2 - Overview of Greenhouse Gas Protocol scope and emissions across the value chain. Source: GHG Protocol

[1] Scope 3 emissions include purchased goods and services; business travel; employee commuting; waste disposal; use of sold products; transportation and distribution (up- and downstream); investments; leased assets and franchises

Scope	Description	Annual carbon dioxide emissions (estimates)	
		Council level	**Borough level**
Scope 1	Fuel consumption (waste fleet)	304.24 tCO_2	764,000tCO_2 (2017)[2] ▪ Transport 47% ▪ Domestic (elec., gas, fuel) 32% ▪ Businesses (elec., gas, fuel) 21%
	Fuel consumption (cleansing)	197.54 tCO_2	
	Fuel consumption (greenspace vehicles/machinery)	76.59 tCO_2	
	Fuel consumption (other company vehicles)	55.58 tCO_2	
	Sub-total	**633.91 tCO_2**	
Scope 2	Purchased electricity	473.22 tCO_2 (2018)	
	Purchased gas	384.86 tCO_2 (2018)	
	Sub-total	**858.08 tCO_2**	
Total Scope 1 & 2		**1,492tCO_2**	**764,000tCO_2**

Table 1 – Reigate and Banstead's estimated annual carbon emissions at Council and Borough levels.

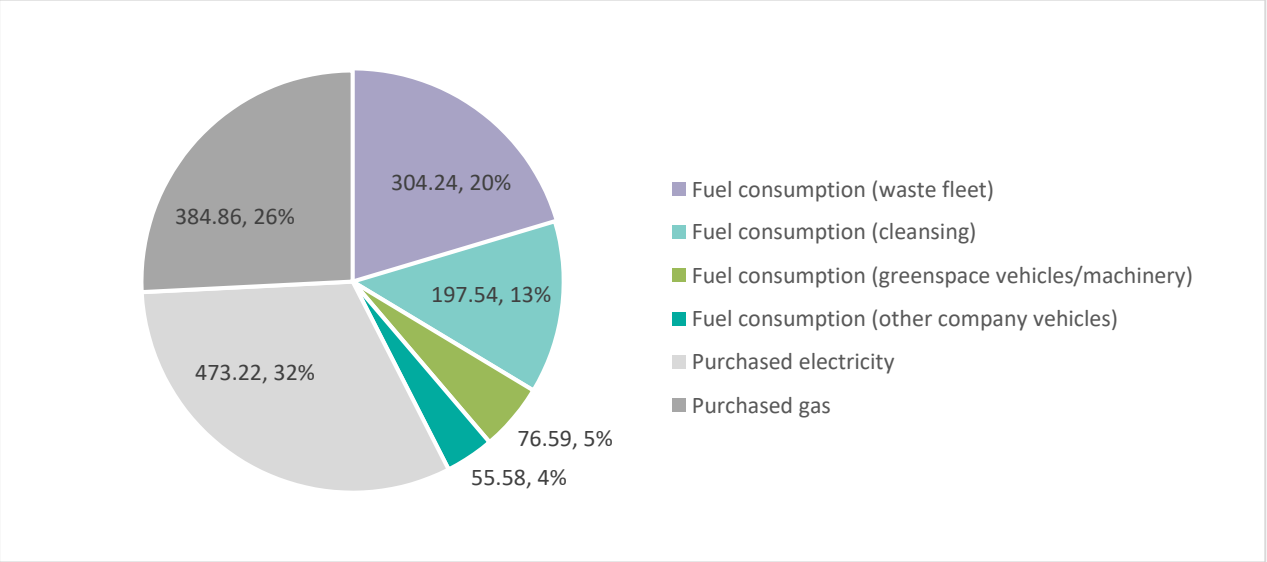


Figure 3 – RBBC's Scope 1 & 2 carbon dioxide emissions (tCO_2)

[2] Figures based on BEIS - UK local authority and regional carbon dioxide emissions national statistics: 2005-2017

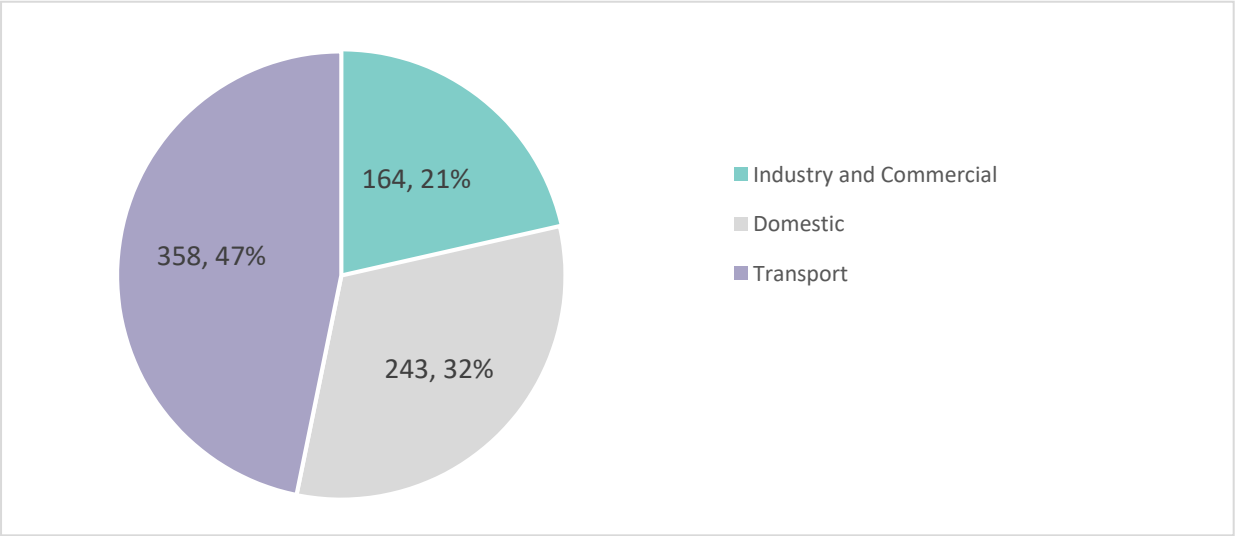


Figure 4 – Reigate & Banstead Borough CO_2 end-users emissions estimates 2017 ($ktCO_2$)

2050 Vision

- All Council's energy needs are met through renewable energy generated within the County or through reputable green tariff.
- The entire Council's fleet is powered by clean energy (i.e. either electricity from renewable or biodiesel from organic waste).
- All businesses and residents are generating their own renewable energy and/or have switched to a reputable green tariff.
- All residents walk or cycle for short journeys, where possible. Residents have moved away from car ownership; they use public transport or a car-sharing system for longer journeys. Where private car remains a necessity, these run on 100% renewable energy.

Priorities

Under the energy and carbon section we have set a number of objectives under four key priorities:

Energy minimisation: Reduction of operational energy (regulated and unregulated) through efficiency measures (e.g. insulation, LEDs) and behaviour change.

Renewable energy: Generation of renewable energy locally and procurement of renewable energy through reputable green tariffs.

Low carbon transport: Minimisation of transport emissions through reducing personal car travel, promoting electric vehicles, developing public transport and encouraging cycling and walking.

Embodied carbon: Reduction in embodied carbon in new infrastructure or building projects through lean engineering and construction techniques.

At the Council level, RBBC will switch to a renewable energy provider for its electricity and gas consumption. As part of any planned upgrade and works on its assets, energy reduction opportunities will be identified: improving fabric efficiency and incorporating efficient fixtures and fittings. Whole-life cost analysis will form an integral part of the decision-making process as part of any procurement activities to ensure that any mechanical and electrical plant to be replaced are future-proofed moving away from like-for-like replacement if this isn't the best long-term strategy. RBBC's fleet consumption is a key area to tackle as it represents circa 42.5% of its combined Scope 1 & 2 emissions. RBBC will gradually replace its fleet with electrical vehicles and machinery as part of their scheduled fleet renewal programme and subject to operational considerations.

At the Borough level, RBBC will work with residents and businesses to encourage them to adopt more sustainable lifestyles. Borough level domestic carbon dioxide emissions per capita figures show that RBBC residents with an annual energy footprint of 1.66[3]tCO_2/person consume more energy to run their homes than the average person in the rest of England (Figure 5).There is therefore scope for RBBC to concentrate its effort to enable a transition towards renewable energy purchase and generation across the Borough. RBBC will consider the suitability of developing community-owned renewable energy projects. It will also explore the possibility to negotiate preferential energy tariff with reputable renewable energy providers for its residents and businesses by teaming up with Surrey County Council.

The measures to reduce greenhouse house gas (GHG) emissions associated with the Council and Borough activities will have wider benefits beyond limiting contributions to climate change. Initiatives around promoting active travel (e.g. walking and cycling) and reducing gas consumption will improve air quality and overall well-being.

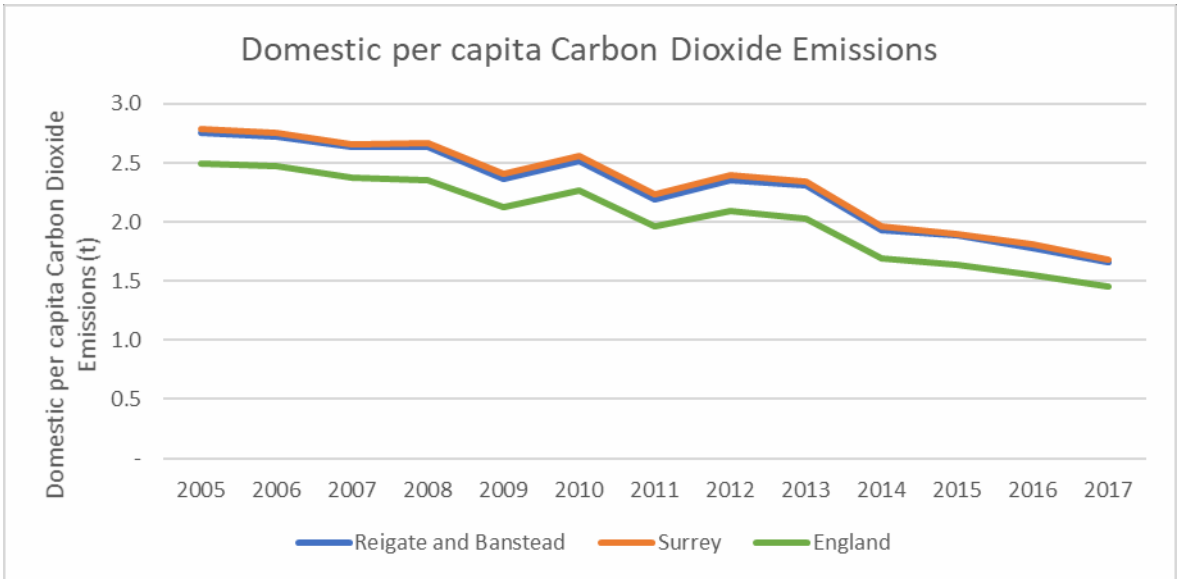


Figure 5 – Domestic per capita Carbon Dioxide Emissions (tCO_2)
Source: Department for Business, Energy & Industrial Strategy 2005 to 2017 UK local and regional CO_2 emissions – data table

[3] RBBC Environment and Sustainability Monitor Data Report 31 March 2019 http://www.reigate-banstead.gov.uk/info/20280/plan_monitoring/681/environment_and_sustainability_monitor

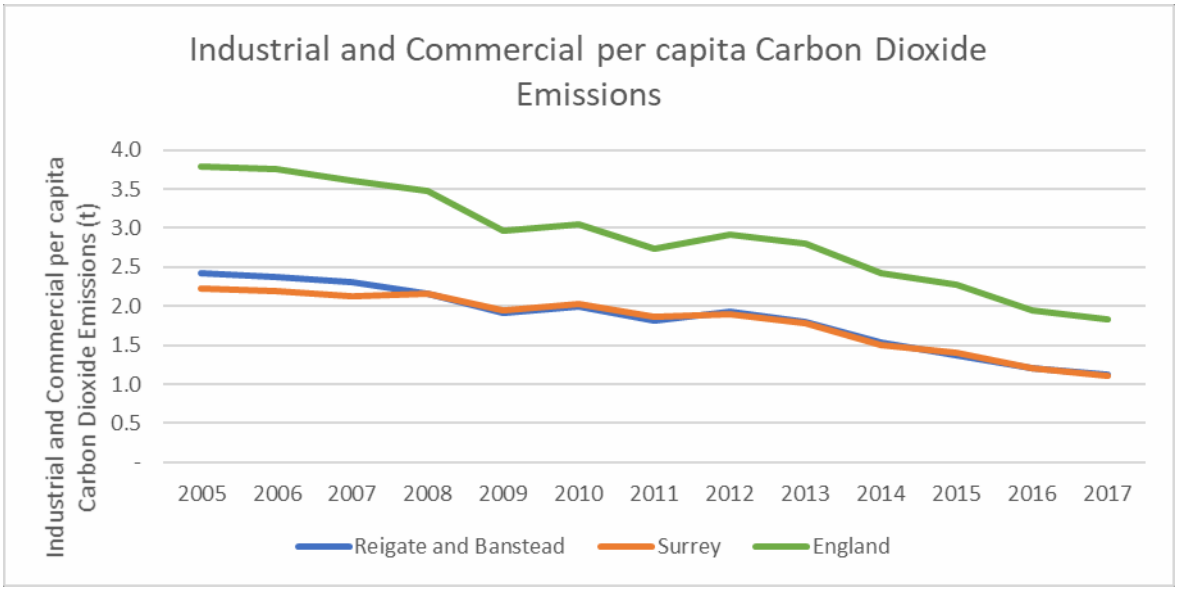


Figure 4: Industrial and Commercial per capita Carbon Dioxide Emissions (tCO_2)
Source: Department for Business, Energy & Industrial Strategy 2005 to 2017 UK local and regional CO_2 emissions – data table

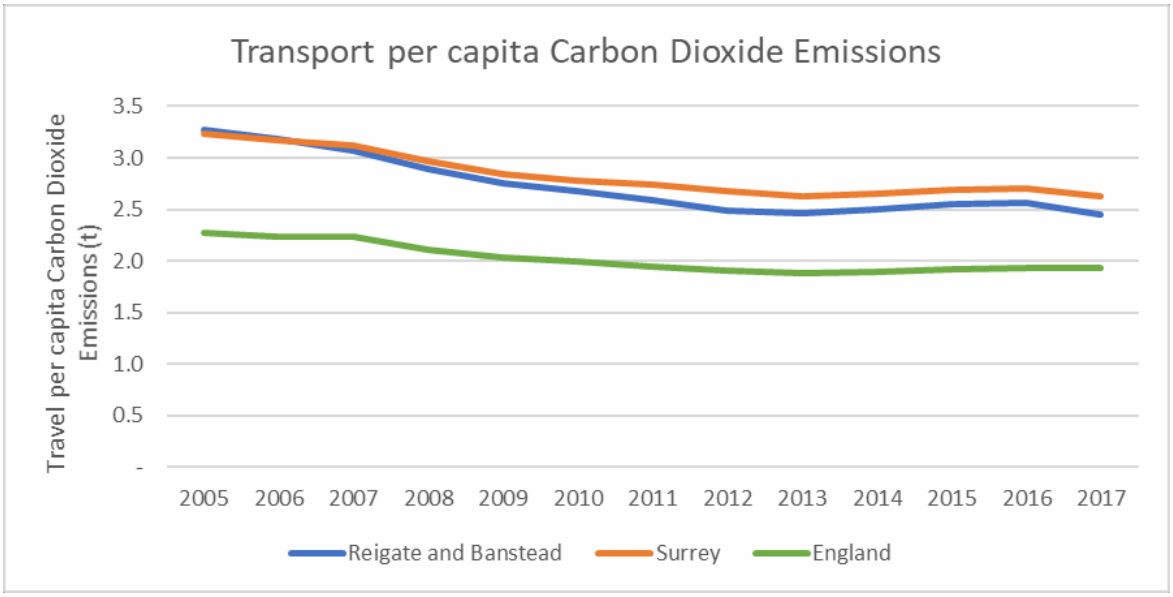


Figure 5:Transport per capita Carbon Dioxide Emissions (t)
Source: Department for Business, Energy & Industrial Strategy 2005 to 2017 UK local and regional CO2 emissions – data table

4. Low impact consumption

Overview

Living by consuming a fair share of the earth's resources is key to reduce environmental and social impacts associated with over-consumption. It requires us to reflect on our habits to make more informed decisions in our day to day activities with a view to consume more responsibly.

We currently deplete natural resources at an alarming rate, much faster than our ecosystems can replenish them. Studies show that an average UK resident requires 5.4gha of biologically productive land and water[6] to support its lifestyle. This means that if everyone on earth consumed as much as the average person in the UK, we would need the equivalent of three planets to support us.[7]

The Council recognises its role in demonstrating leadership on this issue. As part of the review of its activities the Council has considered measures to reduce its impacts through the more efficient management of its own estate and the set-up of a responsible procurement process. The Council also proposes to support initiatives to see improvements on a Borough wide scale.

- **Homes and energy** (27%) includes gas and electricity consumption, and the building and maintenance of our homes.
- **Transport** (17%) includes fuel consumption, car ownership, public transport and flying.
- **Food** (23%) includes food and drink consumed at home and out at restaurants.
- **Goods** (14%) includes any products we purchase, such as large household objects like furniture and appliances, plus smaller products such as newspapers, clothing, and electronics.
- **Services** (9%) includes any services that we use such as recreation, financial, telephone, insurance, private schools and private medical care.
- **Government** (7%) includes central and local government activities, the NHS, schools, universities and social services.
- **Capital assets** (4%) includes the investment in capital assets such as factories, machinery and other buildings and structures that isn't covered in the sectors above.

Figure 6 - UK resident ecological footprint breakdown. Source: Bioregional

[6] Biologically productive land and water is the required area to produce the goods we consume and to assimilate the wastes we generate. There are six categories: cropland, grazing land, fishing grounds, built-up land, forest area, and carbon demand on land.
[7] http://calculator.bioregional.com/findoutmore.php

2050 Vision

- The Borough operates as part of a closed-loop system where residents consume only their fair share of the earth's resources.
- Circular economy principles underpin our manufacturing and industrial processes: waste is transformed into valuable resources and pollution is prevented.
- Residents and businesses recycle or compost as much as possible of their waste, and processing takes place as locally as possible.
- Water is viewed as a precious resource and it is kept as close to its source as possible

Priorities

Under the low impact consumption section, we have set a number of objectives under three key priorities:

Waste reduction: Minimisation of waste arisings through better procurement choices (e.g. longer-lasting or better quality products) and recycling unavoidable waste in local treatment facilities.

Water efficiency: Reduction of water consumption by promoting water efficiency to alleviate water scarcity issues.

Responsible sourcing: Use of materials and products produced responsibly (i.e. not causing any environmental or social harm).

At the Council level, RBBC will actively reduce its waste and single use plastics will be eliminated. As part of any planned refurbishment or upgrade of the Council's assets, avenues to reduce water and energy consumption will be actively pursued. In parallel, the Council will look to ensure that responsible sourcing is considered in all purchasing decisions. Relevant sustainability opportunities will be identified and incorporated into specifications and relevant tender documents.

At Borough level, in excess of 50,000 tonnes of waste is produced annually of which 53.8%[8] is recycled or composted/anaerobically digested. Implementing the waste hierarchy with reuse and recycling at the top will be a priority, with a number of actions having been identified to increase the reuse and recycling of a wide range of products including food waste and currently difficult to recycle products. There is also a role for the Council to collaborate closely with local businesses in relation minimising waste and increasing reuse and recycling; and to use its planning powers to encourage developers to reduce material consumption as part of their design and facilitate waste reduction during construction and to increase water and energy efficiency levels.

[8] Based on 2018/19 figures 51,854 tonnes was produced of which 53.8% was recycled

Kerbside dry recycling | Kerbside residual waste | Performance indicators

Overall benchmark comparisons - kerbside dry recycling 2017/18 (2017 for Scottish authorities)

The table below displays the kerbside dry recycling yield for each of the main materials collected (paper, card, cans, glass, plastic bottles, mixed plastic packaging and textiles). Where all five widely recycled, on-pack recycling label materials are collected (paper, card, cans, glass, plastic bottles), a total yield for these materials is also listed.

The yield for each material is compared against benchmark tables to show in which quartile it resides. These tables relate to the UK, local authority region, Office for National Statistics (ONS) area group and Urban-Rural Index of Multiple Deprivation (IMD) classification. Clicking on the category heading will take you to the relevant benchmark table.

Key

Authority is in bottom 25% of LAs. | Authority is in bottom 50% of LAs | Authority is in top 50% of LAs | Authority is in top 25% of LAs

Category	Detail	Paper	Card	Cans	Glass	Plastic bottles	Mixed plastic packaging	Plastic film	Textiles	All 5 'Widely Recycled' materials
Reigate and Banstead Borough Council	Yield (kg/hhd/yr)	76.4	35.9	12.8	59.6	14.2	5.4	4.8	n/a	198.9
How you compare against other UK Authorities									n/a	
How you compare against other authorities in the same region	South East								n/a	
How you compare against other authorities with similar characteristics - ONS area classification	Rural-Urban Fringe								n/a	
How you compare against other authorities in the same rurality	4) Mixed urban/rural, lower deprivation								n/a	

Figure 7 – Reigate and Banstead Borough - Overall benchmark comparisons – kerbside dry recycling 2017/18. Source: LA portal WRAP

Kerbside dry recycling | Kerbside residual waste | Performance indicators

Overall benchmark comparisons - kerbside residual waste 2017/18 (2017 for Scottish authorities)

The table below displays the kerbside residual yield. The residual yield is compared against benchmark tables to show in which quartile it resides. These tables relate to the UK, local authority region, ONS area group and Urban-Rural IMD classification. Clicking on the category heading e.g. in the same region, will take you to the relevant benchmark table.

Key

Authority is in bottom 25% of LAs. | Authority is in bottom 50% of LAs | Authority is in top 50% of LAs | Authority is in top 25% of LAs

Category	Detail	Household Residual Waste collected at kerbside (kg/hhd/yr)
Reigate and Banstead Borough Council	Yield (kg/hhd/yr)	355.0
How you compare against other UK Authorities		
How you compare against other authorities in the same region	South East	
How you compare against other authorities with similar characteristics - ONS area classification	Rural-Urban Fringe	
How you compare against other authorities in the same rurality	4) Mixed urban/rural, lower deprivation	

The ONS Area Classification assigns authorities into groups which have key population characteristics in common such as housing type and age distribution.

Rurality Classification is a 6-part classification combining rural nature and deprivation level.

Local authority	Detail	Household Residual Waste collected at kerbside (kg/hhd/yr)
Reigate and Banstead Borough Council	Yield (kg/hhd/yr)	355.0
1st - Mid Sussex District Council	Yield (kg/hhd/yr)	408.4
2nd - Tandridge District Council	Yield (kg/hhd/yr)	308.1
3rd - Tunbridge Wells Borough Council	Yield (kg/hhd/yr)	441.2
4th - Epsom and Ewell Borough Council	Yield (kg/hhd/yr)	398.1

Figure 8 - Reigate and Banstead Borough - Overall benchmark comparisons – residual waste 2017/18. Source: LA portal

5. Natural environment and biodiversity

Overview

The natural environment is essential for human existence and for maintaining a good quality of life. It provides crucial ecosystem services which deliver fundamental requirements such as clean water, food, resources and services such as pollination, carbon storage, climate regulation, and natural protection from hazards such as flooding and erosion[9].

Over recent decades impact from human activity through pollution, habitat loss and fragmentation have caused stress to the natural environment. This presents a substantial risk to the future of the UK's native wildlife and also to the crucial ecosystem services they provide. Future climate change is only likely to accelerate current rates of decline and loss of ecosystem function [10] as the natural ability of species and ecosystems to adjust and adapt is reduced.

In addition to the delivery of essential ecosystem services' access to greenspaces, parks and gardens play an important role in our health and well-being. A recent government report has stated that across the UK the average number of visits taken per person per week to the natural environment is 1.7[11]. The importance of maintaining a healthy natural environment cannot therefore be understated.

The borough of Reigate & Banstead is fortunate to benefit from a rich and varied natural environment. This includes a number of Sites of Special Scientific Interest, Sites of Nature Conservation Importance and Areas of Outstanding Natural Beauty with 69% of the borough designated as metropolitan Green Belt.[12]

2050 Vision

- Nature forms an integral part of our urban environment.
- New developments include parks or recreational spaces that have been designed to benefit wildlife and contribute to residents' overall well-being.
- Our drainage systems are designed to respect the natural water cycle, provide valuable habitat to wildlife and deliver amenity benefits where possible.
- Permeable paving solutions have replaced hard surfaces wherever possible.
- Harmful products that have a detrimental impact on our ecosystems or our health are not used.

Priorities

[9] IPBES (2019): Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services https://ipbes.net/system/tdf/ipbes_global_assessment_report_summary_for_policymakers.pdf?file=1&type=node&id=35329&mc_cid=4df044f04d&mc_eid=%5bUNIQID%5d&mc_cid=4df044f04d&mc_eid=2754a8280b
[10] UK Climate Change Risk Assessment 2017: Evidence Report, Chapter 3: Natural environment and natural assets
[11] Monitor of Engagement with the Natural Environment – The national survey on people and the natural environment. Headline report 2019, September 2019, Natural England.
[12] RBBC Environment and Sustainability Monitor Data Report 31 March 2019

Under the natural environment and biodiversity section we have set a number of objectives under three key priorities:

Ecological enhancement: Improvement of the tree soft landscaping cover to create habitats that are of benefit to wildlife.

Sustainable drainage system: Installation of sustainable drainage systems (SuDS) to reduce embodied carbon of drainage infrastructure and provide biodiversity and amenity benefits.

Environmental impact and pollution prevention: Avoidance of negative impacts to the wider environment i.e. air, water, ground, habitat loss resulting from Council's activities (including procurement).

At Council level the importance of the natural assets within the borough and the need to protect and enhance these assets has been recognised. As part of this work the Council has developed a 'Green Infrastructure Strategy'[13] which seeks to make the most of the green infrastructure network that runs through the borough and beyond. The Strategy acknowledges the threat to the green infrastructure network from the competing needs to provide housing and employment land.

The priorities focus on maintaining and improving the most significant elements of the existing green infrastructure network in the borough and exploring ways to increase the size and connectivity of the network through new development and regeneration projects.

As part of the Environmental Sustainability Strategy the Council is committed to ensuring the realisation and delivery of the 'Green Infrastructure Strategy' but has also looked closely at what additional measures can be implemented to protect the borough's natural environment and enhance biodiversity.

At Borough level measures to increase soft landscaping and tree cover can have wide ranging environmental benefits which will also contribute to the achievement of other objectives within this strategy, including:

- A reduction in carbon emissions (one large tree consumes circa 20.3 kgCO_2e in a year)
- A reduction in air pollution (trees can remove pollutants such as nitrous oxide and particulate matter from the atmosphere)
- A reduction in water scarcity
- Flood alleviation
- A reduction in urban heat island effect

[13] Reigate and Banstead Borough Council 'Green Infrastructure Strategy', August 2017 http://www.reigate-banstead.gov.uk/downloads/file/3600/green_infrastructure_strategy_and_action_plan

6. Effective implementation

A series of overarching and supporting measures will have to be rolled out to achieve the objectives set out in this strategy. These are essential to implement the action plan.

6.1 Planning policies

When considering the UK Government's target of achieving net zero carbon by 2050 it is clear that planning policy will have a crucial role in supporting the transition towards achieving this. In light of the UK target, the Council recognises the impracticalities of continuing to grant planning permission for developments which are planned and built in a way that will require retrofitting in the near future.

As part of the Council's strategy to address climate change and improve sustainability at a borough wide level there is an intention to focus on how the current planning policies and processes can be used to help deliver environmental sustainability across Reigate & Banstead, within the framework provided by national legislation and policy.

Measures will include:

- Review of the Local Plan policies and alignment with RBBC's action plan objectives as part of the next review process.
- Introduction of Supplementary Planning Documents (SPDs) and/or Planning Position Statements (PPSs) to provide further guidance to developers on topics such as energy and carbon and the incorporation of sustainable urban drainage.
- Introduction of templates to standardise the information received in relation to energy and sustainability for use by planning applicants. To be incorporated as part of the planning validation checklist.
- Training for planning staff and councillors on the planning committee to better understand RBBC environmental objectives within the Local Plan. This will better enable the Council to engage with developers when developments are not meeting policy requirements to determine if anything can be done to help address this.

6.2 Procurement

A number of objectives across all overarching environmental themes of the strategy relate to products and services being supplied to the Council by third party providers/suppliers. In order to ensure that RBBC selects suppliers/providers with the right level of products and expertise to deliver this strategy changes to the internal procurement procedures will be required to be implemented.

As part of the procurement process, the Council will look to update their Pre-Qualification Questionnaires (PQQs) and Invitations to Tender (ITTs). These documents will be updated to reflect the objectives of the action plan relative to the service which is being tendered.

For relevant procurement exercises tendering companies/suppliers will then be assessed on their ability to contribute to the delivery of RBBC's overarching sustainability objectives. As part of the evaluation process, tendering Companies'/Supplier's responses will be assessed via a balanced scorecard approach where a certain percentage score is allocated to sustainability. The evaluation will consider aspects such as past demonstrable experiences and/or practical measures / goods to deliver RBBC's strategy.

In parallel, it is advised that RBBC develop general implementation guidance on key topics (e.g. embodied carbon) to facilitate uptake and ensure consistency in terms of implementation across different

companies/suppliers.

6.3 Communication

The Council realises that it has an important role in encouraging businesses and residents within the Borough to support actions which address climate change and environmental sustainability. Recognising the importance of providing easily accessible and digestible information as part of this process, it is proposed that an online central information resource will be developed.

It is therefore intended that the Council will look to create an easily navigable webpage on the current RBBC website, acting as a 'one-stop' page for all sustainability related matters. The webpage will aim to centralise information on measures to promote sustainable travel, provide advice on lowering an individual's impact on the environment and where applicable flag where access to further funding and grants are available.

The success of the objectives outlined within the Action Plan will be reliant on support from communication campaigns to help aid the understanding of the issue across the borough. The Council will therefore ensure that, where applicable, actions are supported by the dissemination of appropriate materials at a borough level e.g. inclusion of relevant information within Council newsletters and promotion via social media.

6.4 Resources

The appointment of a dedicated sustainability resource will be significant in ensuring the successful delivery of the action plan. It will not be the sole responsibility of this individual to implement the relevant measures within the action plan rather their role would be to guide and support the relevant Council departments in delivering their sustainability objectives in conjunction with other key stakeholders where applicable.

6.5 Monitoring and reporting

As part of the implementation of the Environmental Sustainability Strategy it will be crucial to ensure that all objectives of the associated Action Plan are monitored. This will assist in understanding where measures have successful and to identify where improvements to the implementation approach may be required.

The monitoring and reporting frequency will depend on the objective, associated action and timescale for delivery. Periodic sustainability forums will provide an opportunity to discuss where progress is being made and to flag any arising issues. It will also provide an opportunity to periodically audit performance against the plan and identify where further resources/ attention needs to be focussed. The strategy will need to be kept under review to ensure that the council's activities continue to take account of national policies, commitments and technological changes.

Reigate & Banstead Environmental Sustainability Strategy: Action Plan

Please note that the timeframes within this Action Plan are indicative and will be kept under review. Delivery of actions may be impacted by the continuing diversion of staff and/or financial resources to the Covid-19 response and recovery. A number of actions will also be dependent on decisions taken national or locally about ongoing Covid-19 response and recovery.

Progress in delivering these actions will be reported annually. Where resources allow, actions may be delivered in advance of the identified timeframes.

Section 1: Energy and carbon

Priority	Objective	Action	Timeframe
Energy minimisation	Reduce operational energy consumption through fabric improvements and installing energy efficient equipment and fittings.	Implement measures identified as part of the Display Energy Certificates (DEC) recommendation report for key three assets (i.e. Harlequin Theatre, Town Hall and Earlswood Depot) as part of scheduled renewal/upgrade programme.	2020 and ongoing[1]
		Use whole life cycle analysis as a decision tool during plant renewal programme upgrades and maintenance programmes to select the most efficient M&E systems for heating, cooling and ventilation. Avoid 'like for like' replacements (e.g. more efficient boiler) unless it's been demonstrated that this is a futureproofed technology.	2020 and ongoing[1]
		Improve loft insulation and wall insulation with a focus on top three key assets as part of scheduled renewal/upgrade programme.	2020 and ongoing[1]
		Continue to install LEDs throughout the Council assets on top 10 assets or in conjunction with any scheduled renewal/upgrade programme.	2020 and ongoing[1]
		Introduce variable speed drives (VSD) for fans, pumps and compressors as part of scheduled renewal/upgrade programmes where viable.	2020 and ongoing[1]
		Investigate and where appropriate implement opportunities to reduce energy consumption from our leased assets, subject to lease agreements.	2020 and ongoing[1]
		Undertake life cycle cost analysis of installing intuitive accessible zoning control mechanisms and/or retrofit PIR sensors (movement/ time/ lux) and or timer on key Council's assets.	2021/22
	Promote behaviour changes to reduce operational energy consumption.	Provide better information on finance/grants available to businesses and residents to implement energy efficiency measures.	2020/21
		Create an awareness campaign to encourage staff to reduce energy consumption. Provide tips on the intranet and through poster display in key locations	2021/22[2]
		Investigate opportunities to run an annual low energy consumption award open to residents/businesses across the borough.	2021/22
		Set up a mechanism to monitor and display energy consumption across the different Council's assets on a monthly basis.	2021/22[2]
Renewable energy	Promote the use of renewable energy through on/off-site generation and	Include information on renewable energy tariffs on the Council sustainability section of the website and via Borough News, email newsletters etc to encourage residents and businesses to sign-up	2020/21
		Procure renewable energy across RBBC assets	2020/21

	renewable tariff procurement.	Investigate the potential for the installation of photovoltaic panels and solar storage on Council operated assets (e.g. Earlswood Depot), and land. Implement where economically and technically viable.	2021/22
		Investigate and where appropriate implement opportunities to generate renewable energy from our leased assets, subject to lease agreements.	2021/22
		Investigate potential to negotiate preferential tariffs for residents and businesses by setting up a dedicated renewable energy company to provide renewable and affordable energy in conjunction with SCC.	2022/23
		Encourage businesses to generate renewable energy within their assets.	2022/23
		Consider innovative funding mechanisms to create renewable energy infrastructure within the Borough.	2023/24 onwards
Low carbon transport	Reduce carbon emissions associated with transport through minimising travel and reliance on personal car	Use planning conditions and S106 agreements to secure car club provisions at new large scale developments.	2020 and ongoing
		Engage with Local Transport Authority (SCC) and private transport provider to improve frequency/reliance of public transport to increase overall uptake of public transport	2020 and ongoing[3]
		Highlight the reduced price membership offer to Surrey residents for the Enterprise Car Club which is currently outlined on the Surrey website.	2020/21
		Encourage uptake of car-pooling from residents and staff through better communicating available car sharing platforms: • https://liftshare.com/uk/community/surrey. • https://faxi.co.uk/corp/en/ • https://www.blablacar.co.uk	2020/21
		Liaise with Surrey County Council to investigate the suitability of expanding the network of car clubs and increasing the number of electric vehicles available (e.g. Enterprise Car Club) across the Borough.	2021/22
		Investigate the set-up of a Mobility as a Service (MaaS) platform alongside the transport authority (SCC) to facilitate all **LT2 & LT6.**	2023/24 onwards[3]
	Improve the uptake of electric vehicles across the Borough	Continue to transition the Council's fleet to be fully electric, measures to include: • Procuring fully electric cars, vans and other vehicles • Procuring electric sit on mowers • Procuring electric refuse lorries. Alternatively, existing vehicles could be retrofitted with an electric motor	2020 and ongoing
		Ensure that the provision of electric vehicle charging points are secured for new developments as per the DMP TAP 1 'Access, parking and servicing' policy and SCC's 'Vehicular and Cycle Parking Guidance' January 2018 and OLEV (when implemented)	2020 and ongoing
		Update/upgrade existing charging points (e.g. Wray Lane) when it needs replacing.	2020 and ongoing
		Install charging points in Council's car parks and across the Council's owned assets.	2020 and ongoing
		Work with SCC to implement their 'Electrical Vehicle Strategy'.	2020 and ongoing
		Explore options to encourage fully electric taxis via Council's licencing policies and potentially incentivise their take up through subsidising of the licence fee.	2020/21

		Work with local business networks such as the Local Enterprise Partnership (LEP) to encourage private landowners to invest in charging infrastructure for visitors and staff.	2021/22
	Encourage the uptake of walking and cycling	Collaborate with Surrey CC to develop a Local Cycling and Walking Plan and implement pedestrian and cycling-friendly measures, for example: • Providing shade and shelter on busy streets • Making pavements wider and smoother • Making streets easier to cross (i.e. more crossing points/crossing islands) • Provide places to stop and rest (e.g. parklets, benches) • Connected and off-road cycle paths • Encourage local primary schools to organise a "Walking Bus" for pupils walking to/from school	2020 and ongoing
		Improve information available to residents and local businesses advising on the location of cycle storage, cycle hire, and cycle routes within the borough.	2020/21
		Liaise with community rail partnerships to investigate the number of cycle spaces available at key railway stations within the Borough and where viable promote the installation of further spaces.	2021/22[3]
		Investigate measures for incentivising Council employees to walk, cycle, or use other lower emission modes of travel for their commute.	2021/22[3]
		Install additional cycle parking spaces at key Council assets and across the Borough in strategic locations	2021/22
		Investigate the possibility to trial within the borough measures to reduce congestion and private vehicle use (e.g. car free zones; road charging; changes to parking charges). These measures need to be assessed holistically to ensure road-congestion and other traffic-related issues are not displaced elsewhere.	2023/24 onwards
Embodied carbon	Reduce embodied carbon in new infrastructure or building projects	Request developers as part of the planning application to provide a whole life carbon assessment to demonstrate embodied carbon reduction in building fabric through lean design and construction solutions[4].	2023/24 onwards

2. Low Impact Consumption

Priority	Objective	Action	Timeframe
Waste reduction	Reduce waste through avoiding it in the first place and promoting reuse opportunities	Eliminate single use plastic (SUP) within the Council's operated assets	2020 and ongoing[2]
		Continue to locate clothes and textile banks in strategic locations across the Borough prioritising the re-use of the items collected.	2020 and ongoing
		Continue to purchase IT equipment from a specific brand and stick to the same models to allow for the use of spare parts from units which no longer work to be used in other units to prolong their life.	2020 and ongoing
		Work with cafes, restaurants and takeaways to reduce their SUP consumption i.e. targeting zero Styrofoam, preferring compostable options and gradually moving towards reusable take-away box scheme.	2020 and ongoing

		Publicise better the water re-fill network within the Borough and sign-up additional businesses as refill stations across the Borough	2020/21
		Update waste section on the dedicated sustainability page of the Council's website to bring together information about the various waste reduction initiatives.	2020/21
		Investigate the potential remanufacturing options for furniture when renewing furniture.	2021 and ongoing[2]
		Signpost to or facilitate borrowing and renting one-off purchases (e.g. DIY, gardening equipment etc...) e.g. through incorporation of available services on the Council's sustainability page.	2021/22
		Investigate the potential to subscribe to a scheme to donate unwanted furniture	2021/22
		Investigate the potential to use a scheme to donate unwanted IT equipment to be reused rather than recycling it as it is currently practiced.	2022/23
		Investigate the commercial waste service collection streams available with the aim of increasing the recyclable collection service provision.	2022/23
		Procure re-manufactured printer ink and toner cartridges once current supplier contract has expired.	2023/24
		Coordinate with local construction businesses the set-up of a Construction Building Material exchange schemes (or promote the use of a suitable existing platform)	2023/24 onwards
		Require contractors through Local Plan requirement to apply a life cycle approach to any construction projects to ensure that they can be easily disassembled or repurposed at the end of their service life.	2023/24 onwards [5]
	Facilitate recycling to maximise value of non-avoidable waste.	Continue to roll out recycling to all flats within the borough to improve the recyclable waste collection service provided compared to the service historically delivered (paper and card only).	2020 and ongoing
		Continue to compile and report recycling rate for the Borough collections to disseminate performance to residents and encourage positive behaviour change.	2020 and ongoing
		Work with Surrey Environment Partnership (SEP) in exploring the potential for implementation of services to reuse or recycle difficult products: e.g. nappies, sanitary pads, paint	2020 and ongoing
		Trial the provision of additional recycling bins alongside general waste bins in public spaces to facilitate waste segregation e.g. Earlswood Lakes where 'big belly bins' for general refuse have recently been installed. If successful, look to extend the use of recycling bins. As part of the trial ensure that appropriate communication is disseminated to ensure that it is clear what can be recycled.	2020/21
		Subscribe to Nespresso coffee capsules close-loop recycling scheme	2021/22[2]
		Provide adequately labelled bins within centralised areas across the office and posters to encourage recycling and avoid cross-contamination. Reflect the waste currently collected across the borough: 1. paper and card 2. plastic, cans/aluminium and glass; 3. food; 4. Non-recyclables	2021/22[2]
		Monthly progress reports (Council wide) displayed in strategic location across the offices (subject to data availability).	2021/22[2]
		Lead a session on industrial symbiosis for local business to attend to encourage companies to seek opportunities at Borough or County level.	2022/23[6]
		Investigate options to implement collection for difficult to recycle product (e.g. stationary) across Council assets with a view to extend to the Borough.	2022/23[2]

	Promote anaerobic digestion and composting	Work with the Surrey Environment Partnership to investigate preferable options for the disposal f organic waste and improve communication to residents around food waste with the aim of increasing the volume of food waste collected across the borough.	2020 and ongoing
		Investigate the viability of providing commercial food waste collection services across the borough following the release of the UK Gov waste consultation in2020	2021/22
		Work with Surrey Environment Partnership to investigate the potential for establishing waste cooking oil collection for businesses and residents within the borough to produce biodiesel	2021/22
	Encourage waste treatment locally to minimise transport emissions	Endeavour to keep waste streams treated as locally as possible or at least within the UK/Europe	2020 and ongoing
		Work alongside Surrey County Council and the Surrey Environment Partnership to identify new waste treatment sites through the SCC Waste Local Planning review process.	2024 and beyond[7]
Water efficiency	Reduce potable water consumption through a combination of efficiency and potable water substitution measures	Work in partnership with SES to provide residents with easy to use water saving measures to install: hippo cistern displacer; flow restrictors; garden water butts	2020 and ongoing
		Engage with SESW to support them where possible in achieving their industry wide leak reduction targets.	2020 and ongoing
		Investigate the installation of low flow fixtures and fittings for sanitaryware (including toilets, wash hand basins, showers and kitchen taps) for key Council assets (Harlequin, Town Hall and Earlswood) as part of any upgrade works	2020 and ongoing[1]
		Consider rainwater harvesting or greywater recycling as part of any key upgrades undertaken by the Council to their assets.	2020 and ongoing[1]
		Advise residents (via Council's website) on minimum water efficiency standards to achieve when considering home refurbishment projects (e.g. changing kitchens/bathrooms).	2020/21
		Request as part of the planning requirements to incorporate greywater recycling and/or rainwater harvesting measures for all major planning applications.	2021/22
Responsible sourcing	Maximise the use of materials and products that are produced responsibly (i.e. environmentally and socially)	Prefer products that incorporate recycled content for key purchases (e.g. furniture, stationary, paper, paint)	2020 and ongoing
		Ensure that all timber products procured across the Council (inc. paper products such as files, books, pads and envelopes) are FSC certified.	2020/21
		Encourage developers of major projects, through the use of planning guidance, to incorporate materials with recycled content. This could be tracked as part of a relevant section in a sustainability statement to be submitted as part of the planning process.	2021/22
		Encourage developers through use of an informative to procure 100% FSC or PEFC certified timber or timber based products (i.e. shuttering, carcassing, plywood, raised access floor, worktop, partitions etc...).	2021/22
		Introduce consideration of material toxicity as part of the procurement process (i.e. ITT and PQQ questions)	2021/22
		Switch to cleaning products that do not contain toxic ingredients and preferably use recycled containers	2021/22[2]
	Encouraging healthy food products manufactured	Include healthier options within the vending machines located in assets operated by the Council.	2020 and ongoing[2]
		Procure Fairtrade products for key office consumables (coffee, tea, sugar, hot chocolate)	2020/21[2]

	under adequate social and environmental standards	Procure organic milk.	2022/23[2]

3. Natural Environment

Priority	Objective	Action	Timeframe
Ecological enhancement	Improve tree cover across the borough	Increase the tree cover within the Borough: • Plant more trees with a focus on those with a native/wildlife value. • Improve management of existing woodland in council ownership to promote healthy regeneration and new tree growth • Review the grant/funding options available and if possible, establish a partnership with the Woodland Trust to help implement any tree planting on land identified as suitable. • Any trees that have to be uprooted to accommodate new developments to be relocated elsewhere in the Borough • Integrate tree planting initiatives as part of the RBBC 'Green Infrastructure Strategy Action Plan' for restoring habitats at Council-owned strategic countryside assets where environmentally appropriate • Explore options for, and support, community tree planting initiatives • Investigate options for providing local carbon offsetting for third parties through tree planting or other measures.	2020 and ongoing
		Investigate the requirement for new developments to provide tree canopy cover (and associated guidance) within the next update of the Local Plan.	2023/24 onwards[5]
	Increase the area of soft landscape valuable to wildlife across the Borough	Identify areas of disused land which can be utilised for greening projects and implement projects where appropriate (viable and deliverable).	2020 and ongoing
		Encourage developers to increase soft landscape area as part of their proposals through provision of planning guidance or advice. Consider the introduction of an urban greening factor and biodiversity net-gain metric to facilitate monitoring it.	2021/22
		Investigate the potential to install green roofs / walls on council assets and implement projects where appropriate (viable and deliverable).	2021/22[1]
	Increase the amount of native species that attract pollinators	Plant pollinator friendly species in areas managed by the Council e.g. by managing a series of verges as 'late-cut' verges allowing the flowers to set seed before being cut or introducing pollinator-friendly seed mixes in areas of grassland around new developments.	2020 and ongoing
		Encourage developers to incorporate native/pollinator-friendly species through provision of planning guidance and advice and consider new local plan policy to formalise requirements	2021/22
		Organise annual contest for best wildlife garden of the Borough or local community challenge	2022/23
		Provide a guide to residents to plant species to attract pollinators and landscape their front and back gardens.	2022/23
		Encourage residents to put up bug hotels, bird feeders and water fountains to attract wildlife (with measures to discourage rodents where needed)	2022/23

Sustainable drainage systems	Mimic the natural water cycle to reduce surface water run off	Collaborate with Surrey County Council as part of their 'Surrey Local Flood Risk Management Strategy - Objective Action Plan, February 2017' to increase the uptake of SuDS on infrastructure projects.	2020 and ongoing
		Minimise hard impermeable surfaces, alternatively install or retrofit permeable surfaces across the Council's owned assets as part of planned renewal and upgrades e.g. the use of permeable paving at Council owned and run car parks.	2020 and ongoing[1]
		Install or retrofit soft SuDS as part of planned renewal and upgrades across the Council's owned assets e.g. bioretention area, swales etc…	2020 and ongoing[1]
		Request through planning advice and guidance that newly created hard surfaces (e.g. pavement, internal roads, carpark etc…) are permeable.	2021/22
		Update planning requirements via planning advice or guidance to set requirements around achieving greenfield run off rates and ensuring that surface water run-off is managed close to its source following the drainage hierarchy.	2021/22
		Explore partnership with SES water to support residents to soft landscape their front gardens.	2023/24
Environmental impact and pollution prevention	Limit negative impacts to the wider environment i.e. air, water, ground, habitat loss	Continue to minimise the use of glyphosate by: • Employing the use of hand removal in public spaces such as playgrounds, schools and town centres • Investigating the use of hot foam or steam as alternatives • Liaising with other authorities who have already implemented measures to go glyphosate free	2020 and ongoing
		Work alongside SCC to investigate the suitability of implementing measures to limit unnecessary acceleration and deceleration and reduce engine idling.	2020 and ongoing
		Use alternative to peat based composts	2022/23

4. Effective Implementation

Priority	Objective	Action	Timeframe
Communications	Provide informative accessible material for staff, residents and businesses on how to reduce energy and increase renewable energy at the Borough level and explain what the Council is doing itself.	Develop a campaign around our sustainability plan to inform and encourage behaviour change in staff, residents, businesses and partners. A number of key messages and calls to action will be created	2020/21
		Set up on the Council's webpage a dedicated sustainability section which will provide tangible solutions to enable residents and businesses to reduce their environmental impacts.	2020/21
		Use of case studies to demonstrate how local businesses and communities have improved their sustainability credentials (e.g. EV charging, installation of PV panels)	2020/21
Partnership working	Work with partner agencies to identify shared objectives and opportunities for cooperation.	Communication and coordination with other public sector agencies, and relevant private and/or voluntary/community sector elements to address joint environmental sustainability objectives.	2020 and ongoing

Planning	Update planning documents and planning application submission documents requirements to drive the low carbon agenda	Produce planning statements, guidance or SPD encouraging low carbon development, including giving consideration of: • Opportunities for carbon and energy performance to go beyond Building Regulations to meet the government target of zero emissions by 2050. • Encouraging a minimum percentage of renewable energy on-site (Merton Rule) • Options for off-site renewable energy solutions as a route to achieving zero carbon where on-site generation is not feasible • Encourage the use of embodied carbon analysis as a decision-making tool to mitigate design and construction solutions. • Consideration of monitoring and reporting energy performance of new developments for first years of operation • Sustainable transport initiatives such as electric vehicle charging; incorporation of sustainable transport routes and travel plan requirements	2021/22
		Introduce templates to standardise the information received in relation to energy and sustainability for use by planning applicants. Update planning validation checklist requiring the submission of these completed template documents as part of the planning application process.	2021/22
		Provide more in depth training to planning staff to interpret and review planning application energy and sustainability statements to better identify where improvements can be made.	2021/22
		Explore possibility of establishing a carbon off-set fund via the planning process to collect payments where developments are not meeting the Council policies for energy to meet any carbon shortfall from the development over the lifetime of the building.	2023/24 onwards[5]
Procurement	Ensure sustainability is taken into consideration as part of the procurement process	Prepare sustainability opportunities section to be incorporated into specifications that are then incorporated into tender documentations.	2020/21
		Devise sustainable procurement tools to assess tenders. This will include sustainability questionnaires as part of the PQQ and ITT and the use of a balanced scorecard.	2020/21
Resources	Ensure effective implementation and reporting of Council progress against specified targets and KPI's	Appoint a dedicated staff member/resource to implement the actions identified and monitor and record the progress on a quarterly basis	2020/21
		Keep track of cost/benefit of actions to ensure the most adequate opportunities are pursued in line with technological changes.	2020 and ongoing

Notes:

1. The Council's scheduled facilities renewal/upgrade programme has been impacted by Covid. Identified actions will be incorporated as this programme is reinstated. Note also that work is currently underway to determine how Council facilities can be made Covid-safe, which may impact on proposals.

2. Note that work is currently underway to determine how Council facilities can be made Covid-safe, which may impact on proposals.

3. Note that actions in relation to public transport will be subject to current and future Government guidance on the safe use of public transport.

4. That is, Minimising material consumption; Incorporating low carbon materials; Using materials with low(er) wastage rate; Selecting materials that are easier to install (i.e. generate less energy during the construction phase); Selecting materials that are more durable (i.e. requires less maintenance/replacement); Selecting products/construction methods that reduce end-of-life emissions.

5. Timeframe for Local Plan review remains to be determined.

6. Industrial symbiosis being an association between two or more industrial companies in which the wastes or by-products of one become the raw materials for another.

7. Timeframe for subsequent rounds of Surrey County Council's Local Waste Plan review remains to be determined.

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Reigate & Banstead Environmental Sustainability Strategy: Performance indicators

Progress will be reported annually.

Section 1: Energy and carbon

Priority	Objective	Performance indicator	Target/ direction of travel	Responsibility for implementation
Overarching	RBBC carbon neutral (scope 1 and 2) by 2030	Net organisational carbon emissions	Reduction to zero by 2030	RBBC
Energy minimisation	Reduce operational energy consumption through fabric improvements and installing energy efficient equipment and fittings.	Operational energy use (kWh) for each of the key Council assets broken into: • Electricity (kWh & kWh/capita) • Gas (kWh & kWh/capita)	Year on year reduction	RBBC
	Promote behaviour changes to reduce operational energy consumption	CO2 reduction across the borough	Year on year reduction	RBBC, SCC, Residents, Businesses
		Number of businesses and households undertaking energy efficiency improvement measures	Year on year increase	Residents, businesses
Renewable energy	Promote the use of renewable energy through on/off-site generation and renewable tariff procurement.	Percentage of businesses and households on a renewable energy tariff	Year on year increase	Residents, businesses
		Percentage of gas and electricity procured from renewable sources	Electricity: 100% by 2021 Gas: TBC	RBBC
		Amount of renewable energy generated from RBBC assets	Increase on baseline	RBBC
		Amount of renewable energy generated at borough level	Increase on baseline	Property and landowners
Low carbon transport	Reduce carbon emissions associated with transport through minimising travel and reliance on personal car	Proportion of Council employees regularly working from home	Increase on baseline	RBBC
		Proportion of Council employees using car pooling or public transport to get to work	Year on year increase	RBBC
		Levels of car pooling and public transport usage at borough level	Year on year increase	Residents, businesses
	Improve the uptake of electric vehicles across the Borough	Proportion of the Council's fleet that is fully electric	100% by 2035	RBBC
		Proportion of electric taxis	100% by 2035	RBBC, taxi operators
		Number of electric vehicle charging points (Council owned assets)	Year on year increase	RBBC
		Number of electric charging points (borough-wide)	Year on year increase	Property and land owners
	Encourage the uptake of walking and cycling	Proportion of Council employee walking or cycling to work	Year on year increase	RBBC

		Proportion of residents walking/cycling to work or to run local errands	Year on year increase	Residents
		Number of public cycle storage spaces across the borough	Year on year increase	RBBC, SCC, other public sector organisations
Embodied carbon	Reduce embodied carbon in new infrastructure or building projects	Embodied carbon in new developments	Year on year decrease	Developers; infrastructure providers

2. Low Impact Consumption

Priority	Objective	Performance indicator	Target/direction of travel	Responsibility for implementation
Waste reduction	Reduce waste through avoiding it in the first place and promoting reuse opportunities	Total waste arisings (tonnage) generated by the Council	Year on year decrease	RBBC
		Total municipal waste arisings at borough level	Year on year decrease	Residents
	Facilitate recycling to maximise value of non-avoidable waste.	Proportion of waste recycled (Council-level)	65% by 2035	RBBC
		Proportion of municipal waste recycled (borough-level)	65% by 2035	Residents
	Promote anaerobic digestion and composting	Proportion of organic waste composted or anaerobically digested	Year on year increase	Residents, businesses
	Encourage waste treatment locally to minimise transport emissions	Proportion of waste collected treated within the UK	Increase on baseline	RBBC, SCC
Water efficiency	Reduce potable water consumption through a combination of efficiency and potable water substitution measures	Water consumption (Council level)	Year on year reduction	RBBC
		Water consumption per capita (borough-wide)	Year on year reduction	Residents, Sutton and East Surrey Water
Responsible sourcing	Maximise the use of materials and products that are produced responsibly (i.e. environmentally and socially)	Proportion of Council-procured goods with recycled content	Increase on baseline	RBBC
		Proportion of procured goods with recycled content associated with construction	Increase on baseline	Developers
		Proportion of Council-procured goods including materials toxic to health	Reduction towards 0%	RBBC
		Proportion of timber products procured that are FSC or PEFC certified (Council level)	100%	RBBC
		Proportion of timber products procured that are FSC or PEFC certified associated with construction (Borough level)	Increase towards 100%	Developers

	Encouraging healthy food products manufactured under adequate social and environmental standards	Proportion of Fairtrade and/or organic products for specified items (tea, coffee, sugar, hot chocolate and milk)	Increase towards 100%	RBBC
		Proportion (by product numbers) of healthier options provided	Increase on baseline	RBBC

3. Natural Environment

Priority	Objective	Performance indicator	Target/direction of travel	Responsibility for implementation
Ecological enhancement	Improve tree cover across the borough	Tree cover percentage	Increase on baseline	RBBC, SCC, land owners and managers, developers
		New trees planted	Annual contribution to county-wide target	RBBC, SCC, local councils and community groups
	Increase the area of soft landscape valuable to wildlife across the Borough	Area of soft landscaping created or improved (by Council) (excl. SuDS)	Increase on baseline	RBBC
		Areas of soft landscaping created or improved (as part of new development) (excl..SuDS)	Increase on baseline	Developers
	Increase the amount of native species that attract pollinators	Proportion of planting that is native/pollinator friendly (by Council)	Increase on baseline	RBBC
		Proportion of planting that is native/pollinator friendly (as part of new development)	Increase on baseline	Developers
		Proportion of residents that have incorporated measures to attract biodiversity	Year on year increase	Residents
Sustainable drainage systems	Mimic the natural water cycle to reduce surface water run off	Area of permeable surfaces created (by Council)	Increase on baseline	RBBC
		Area of permeable surfaces created (as part of new development and infrastructure)	Increase on baseline	Developers, infrastructure providers
		Area of soft SuDS created (by Council)	Increase on baseline	RBBC
		Area of soft SuDS created (as part of new development and infrastructure)	Increase on baseline	Developers, infrastructure providers
Environmental impact and pollution prevention	Limit negative impacts to the wider environment ie air, water, ground, habitat loss	Annual air quality monitoring results for monitoring stations located within built up areas	Year on year improvement	Residents, businesses (wider than borough)
		Annual volume of glyphosate used	Reduction towards 0	RBBC
		Amount of peat based composts used	Reduction towards 0	RBBC

Equality Impact Assessment Form

Part 1: Screening

Reigate & Banstead BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

Name of Strategy/Policy/Project/Function:	Environmental Sustainability Strategy
Completing Officer's Name:	Cath Rose
Completing Officer's Telephone Number:	01737 276766
Date Completed:	13 February 2020

Please send a copy of the completed form to the Equalities Group at equalities@reigate-banstead.gov.uk.

Section One: Identify Your Aims and Objectives

The purpose of an Equality Impact Assessment is to improve the work of the Council by making sure that we promote equality and do not discriminate. This method is used to ensure that individuals and teams consider the likely impact of their work on residents and take action to improve strategies, procedures, projects and functions where necessary.

What is the main purpose of this strategy?

To set out the Council's approach to reducing the Council's environmental impact (including carbon emissions) and supporting local residents and businesses to do the same

List the main activities & objectives or main policy areas of this strategy

The strategy contains four main sections or themes:

- Energy and carbon (energy minimisation, renewable energy, low carbon transport)
- Low impact consumption (waste reduction, water efficiency, responsible sourcing)
- Natural environment and biodiversity (ecological enhancement, sustainable urban drainage systems, environmental impact and pollution prevention); and
- Effective implementation (planning polices, procurement, communication, resources, partnership working, monitoring and reporting)

For each section a number of objectives and actions are identified for the Council to carry out to achieve its overall objective (as set out in Reigate & Banstead 2025, the Council's new corporate plan)

Who are the main beneficiaries of this strategy?

In a very general sense, all residents, businesses, staff and councillors should benefit from the agreement and subsequent implementation of this strategy, as it will help to protect and enhance the local environment, encourage healthier lifestyles and make a contribution to global sustainability and climate objectives.

In what way are the main beneficiaries affected by this strategy?

Specific projects identified within the strategy will benefit particular groups, for example:

- Physical and mental health benefits for residents and staff associated with easier (and increased) walking and cycling.

- Mental health benefits for users of council greenspaces
- Physical health benefits for residents associated with a reduction in air pollution
- Physical health benefits for staff associated with healthier food products offered at Council offices

Section Two: Consider Data and Research

Exploring available data and conducting research will help to give an indication as to what impact the strategy will have on equality and diversity.

Where data is limited or unavailable, managers should identify this as a limitation and identify ways to overcome this. This may include contacting specialist or other external organisations, or by conducting further research of existing regional and national data.

What data is available to help direct the EIA?

Information about borough equality characteristics
Information about Council workforce equality characteristics
Information from external sources about the impacts of air pollution; uptake of sustainable travel opportunities; the health benefits of greenspaces

Are there any gaps in data that may require further research or consultation?

None identified

Section Three: Assess The Impact on Equality Target Groups

Assess where you think the strategy could have a negative impact on any of the equality target groups i.e. where it could disadvantage them. Also consider where the strategy could have a positive impact or could contribute to promoting equality, equal opportunities or improving relations with equality target groups.

Consider the following:

- *Publicity, including design, distribution and accessible communications issues*
- *Physical access*
- *Location, geography*
- *Poverty, deprivation and social exclusion issues*
- *Employment*
- *Safety*
- *Direct discrimination: does the strategy intentionally exclude a particular equality group? If so, is this exclusion justified? Are the strategy and its outcomes likely to be equally accessed by all (are there barriers that might inhibit access to the service for some people)?*

Lack of data may make completing this section difficult, but is not be a reason to halt the process. Please continue to complete this form.

Completing the table below will predict the likely impact on the target groups. You are not required to complete each box, only those that are relevant. Relevant boxes are those where there is a disproportionate or greater impact either way.

		Positive Impact	Neutral	Negative Impact	Reason
Age	Older people	☑	☐	Low ☐ ☐ High	Activities to encourage the uptake of walking – as well as the health benefits arising from increasing activity - will also provide benefits for older people. It is recognised that older people may be more reliant on private cars than other demographics but the strategy provides for this.
	Younger people & children	☑	☐	Low ☐ ☐ High	Activities to encourage the uptake of walking and cycling are likely to particularly benefit younger people
Disability *Long-term health impairment includes mental health problems, asthma, heart conditions, chronic fatigue etc*	Physical	☑	☐	Low ☐ ☐ High	Activities to encourage the uptake of walking – as well as the health benefits arising from increasing activity – may also provide benefits for those with disabilities or longer term health impairments. It is recognised that older people may be more reliant on private cars than other demographics but the strategy provides for this.
	Sensory	☑	☐	Low ☐ ☐ High	
	Learning	☐	☑	Low ☐ ☐ High	
	Long-term Health Impairment	☑	☐	Low ☐ ☐ High	
Gender	Women	☐	☑	Low ☐ ☐ High	No specific or differential impact on different genders has been identified
	Men	☐	☑	Low ☐ ☐ High	
Gender reassignment	Trans-men and -women	☐	☑	Low ☐ ☐ High	
Marriage and civil partnership	People who are married or in a civil partnership	☐	☑	Low ☐ ☐ High	No specific or differential impact on people who are married or in a civil partnership has been identified.
Pregnancy and maternity	Mothers or women who are pregnant	☑	☐	Low ☐ ☐ High	Activities to encourage the uptake of walking may also provide benefits for pregnant women and women with young children.
Race *These categories are those used in the 2001 census*	Asian	☐	☑	Low ☐ ☐ High	No specific or differential impact on different racial or ethnic groups has been identified
	Black	☐	☑	Low ☐ ☐ High	
	Mixed race	☐	☑	Low ☐ ☐ High	
	White	☐	☑	Low ☐ ☐ High	
	Chinese	☐	☑	Low ☐ ☐ High	

	Other racial or ethnic groups (specify)	☐	☑	Low ☐ ☐ High	
Religion or belief *Consider faith groups individually and collectively*	Faith groups	☐	☑	Low ☐ ☐ High	No specific or differential impact on different faith groups has been identified
Sexual orientation	Heterosexuals, lesbians, gay men and bisexuals	☐	☑	Low ☐ ☐ High	No specific or differential impact on people of differing sexual orientations has been identified.

If you have indicated that there is a potential negative impact on any target group, are these Intentional and/or of a High Impact?

Intended?	i.e. can be justified in terms of legislation e.g. concessionary fares older people	Yes ☐	No ☐
High Impact?	i.e. it is or may be discriminatory against one or more groups	Yes ☐	No ☐

*Is the negative impact **NOT INTENDED** and/or of **HIGH IMPACT**?*

- *If **YES**, a full assessment is required. Please complete the **Equality Impact Assessment Form Part 2: Full Assessment**.*
- *If **NO**, complete the rest of this form. Do not ignore low impacts- these could help you to develop services in the future.*

Section Four: Improvement Planning

It is important to consider any influence that the strategy is having, or could potentially have, on the individual strands of equality. The strategy should be examined for its effectiveness in:

- *Promoting equality*
- *Eliminating discrimination*
- *Achieving equality*

Could negative impacts be removed or minimised? Could positive impacts be improved and if so, how?

Analysis must be undertaken with the strategic objectives of the Council in mind and the questions should reflect legal requirements, the emerging Local Development Framework and population needs.

Use the table below to record how you could minimise or remove any low negative impact or improve the positive impact of the strategy.

Issue	Action
Ensuring that communications activity is accessible to all	The ES Strategy focuses on the creation of a web portal to promote behavioural change. Consideration should also be given to the use of other communications channels to avoid dis-benefitting those who cannot easily use websites or for whom English is not a first language

If there is no evidence that the strategy promotes equality, equal opportunities or improved relations, could it be adapted so that it does? If so, how?

See above

Section Five: Monitoring and Reviewing

What data do you have that monitors the impact of the strategy on protected groups?

None

How is this data used?

n/a

If there is no data, explain how you intend to continue monitoring the impact of this strategy:

The equality impact of individual projects to delivery the ES Strategy will be considered through the Council's established project management framework, and where potential equality implications are identified, consideration will need to be give to how to monitor this. In more general terms there is the potential to seek views on the implementation of the ES Strategy by the Council as part of the annual residents' survey and/or other resident insight and engagement activities

Please send a copy of the completed form to the Equalities Group at equalities@reigate-banstead.gov.uk.

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Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

SIGNED OFF BY	Interim Head of Finance
AUTHOR	Helen Stocker, Finance Manager
TELEPHONE	Tel: 01737 276568
EMAIL	helen.stocker@reigate-banstead.gov.uk
TO	Executive Overview & Scrutiny Council
DATE	Tuesday, 28 July 2020 Thursday, 10 September 2020 Thursday, 24 September 2020
EXECUTIVE MEMBER	Portfolio holder for Finance

KEY DECISION REQUIRED	No
WARDS AFFECTED	(All Wards);

SUBJECT	Treasury Management Outturn Report 2019/20

RECOMMENDATIONS

RECOMMENDATIONS:

That Executive recommend to Council:

(i) To note the Treasury Management Performance for 2019/20;

(ii) To approve the outturn against the 2019/20 Prudential and Treasury Management Indicators and the Annual Treasury Management Report (Annex 1).

REASONS FOR RECOMMENDATIONS

This report confirms compliance with the requirements of the regulatory framework for treasury management.

The Council is required to receive and approve, as a minimum, three treasury reports each year, which incorporate relevant policies, estimates and actuals:

(i) **Prudential and Treasury Indicators and Treasury Strategy** – sets the framework for treasury management activities in the following financial year. The Strategy for 2019/20 was received by Executive on 18 March 2019 and subsequently reported to Council for approval on 11 April 2019.

(ii) **Mid-Year Treasury Management Report** – updates Members on the current borrowing and investment position, whilst amending prudential indicators and revising policies where necessary.
The mid-year report for 2019/20 was reported to Executive on 8 November 2019 and approved by Council on 16 January 2020.

(iii) **Annual Treasury Management Outturn Report** – a backward-looking review focussing on the previous year's performance.
This report.

EXECUTIVE SUMMARY

This report sets out treasury management performance for 2019/20 including performance against the Prudential and Treasury Management Indicators.

It will be presented to the 28 July 2020 Executive and full Council on 24 September will be asked to approve the recommendations. It will also be considered by Overview & Scrutiny Committee on 10 September. [Committee reporting timescales have been amended for this cycle in response to the COVID-19 pandemic].

Recommendations (i) and (ii) are subject to approval by full Council.

STATUTORY POWERS

1. The Council operates its Treasury Management activity as an integral part of its statutory obligation to effectively manage the Council's finances under the Local Government Act 2003 and associated regulations.

2. Treasury Management activities are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management, the CIPFA Prudential Code for Capital Finance in Local Authorities and the Government's Investment Regulations.

BACKGROUND

3. Regulations issued under the Local Government Act 2003 require local authorities to produce an annual review of its treasury management activities for the previous year, including performance against the Prudential and Treasury Management Indicators.

4. The Treasury Management Strategy and Performance Indicators for 2019/20 were previously reported to the Executive on 18 March 2019 and approved by full Council on 11 April 2019

KEY INFORMATION

Treasury Management Strategy

5. Performance during 2019.20 is reported at Annex 1.

6. No prudential limits were breached and, with the exception of compliance with the maximum exposure per institution (details below), all decisions were taken in accordance with the Treasury Management Strategy.

COVID-19 Pandemic - Extraordinary Circumstances

7. One of the most significant challenges from a treasury management perspective was the revised timescales for receipt of planned and emergency Government funding. While these are generally 2020/21 considerations there were some impacts in the final couple of weeks of March 2020 when Government funding was received sooner than originally scheduled.

8. The Treasury Management Strategy specifies the maximum sums that can be invested with any one organisation. There was a period of time spanning year-end when the Council breached its limit on the maximum sum to be invested in a single institution, as specified in the 2019/20 Treasury Management Strategy. This was due to the receipt of significant emergency funding at short notice from the Government. The breach was subsequently addressed by opening additional investment accounts with new institutions to spread the risk.

9. The extended deadline for publication of the Statement of Accounts for 2019/20 as a consequence of the COVID-19 pandemic also means that a small number of 2019/20 figures were not available at the time of preparing this report. The final position will be reported later this year.

OPTIONS

Executive has three options:

Option 1 – note the report and recommend its approval by Council.

Option 2 – note the report but ask officers to provide more detail on specific issues contained in the report before it can be submitted to Council for approval.

Option 3 – reject the report. This would result in non-compliance with the Treasury Management Code of practice and associated regulations.

Executive is asked to approve Option 1.

LEGAL IMPLICATIONS

10. There are no direct legal implications arising from this report

FINANCIAL IMPLICATIONS

11. The financial implications of the Treasury Outturn 2019/20 were reflected in the budget section of the Quarter 4 Performance Report to Executive on 24 June 2020. There are no additional direct financial implications that arise from this report.

EQUALITIES IMPLICATIONS

12. There are no equalities implications arising from this report.

COMMUNICATION IMPLICATIONS

13. There are no communications implications arising from this report.

RISK MANAGEMENT CONSIDERATIONS

14. Key risks are managed in accordance with Prudential Code indicators, including ensuring Security, Liquidity and Yield for investments. Further details are provided at Annex 1.

OTHER IMPLICATIONS

15. There are no other implications relating to this report.

CONSULTATION

16. Executive will consider this report at its meeting on 28 July 2020. It will also be presented to the Overview & Scrutiny Committee on 10 September 2020.

POLICY FRAMEWORK

17. This report is submitted in accordance with the Council's Treasury Management Policy.

BACKGROUND PAPERS

- Executive 18 March 2019 – *Treasury Management Strategy 2019/20*
- Executive 7 November 2019 – *Half Year Treasury Management Report for 2019/20*
- Executive 24 June 2020 – *Quarter 4 Performance Report 2019/20*

ANNEX 1

ANNUAL TREASURY MANAGEMENT OUTTURN REPORT 2019/20

APPENDICES

1. Purpose

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for the previous financial year. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2019/20 the minimum reporting requirements were that full Council should receive the following reports:

- an annual Treasury Management Strategy in advance of the year (reported to Council on 11 April 2019)
- a mid-year, (minimum), Treasury Update report (reported to Council on 16 January 2020)
- an Annual Review following the end of the year (this report).

The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is important in that regard, as it provides details of the outturn position for treasury activities and highlights compliance with the policies previously-approved by full Council. It will be presented to the Overview and Scrutiny Committee for any questions or comments before being reported to the Executive and full Council. [Committee reporting timescales have been amended for this cycle in response to the COVID-19 pandemic].

Member training on treasury management issues was undertaken on 15 October 2019 and 11 March 2020 in order to support Members' in this scrutiny and oversight role.

Link Asset Management continued to provide services as the Council's treasury advisors. Their latest commentary is attached at Appendix 2

2. Summary

During 2019/20, the Council complied with legislative and regulatory requirements. The key prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are set out below:

Table 1: PRUDENTIAL AND TREASURY INDICATORS	**2018/19 Actual £000**	**2019/20 Original Budget £000**	**2019/20 Revised Budget £000**	**2019/20 Actual £000**
Capital Expenditure:				
General Fund (see Table 2)	39,235	45,927	20,827	18,888
Total	**39,235**	**45,927**	**20,827**	**18,888**

Table 1: PRUDENTIAL AND TREASURY INDICATORS	2018/19 Actual £000	2019/20 Original Budget £000	2019/20 Revised Budget £000	2019/20 Actual £000
Capital Financing Requirement: In year change				
General Fund	15,046	39,869	14,769	15,857
Total	**15,046**	**39,869**	**14,769**	**15,857**
Gross Borrowing:				
Long Term credit arrangements	-	-	-	-
External Debt	12,000	40,000	14,900	14,000
Total	**12,000**	**40,000**	**14,900**	**14,000**
Investments:				
Longer than 1 year	25,000	13,000	13,000	13,000
Under 1 year	23,000	35,000	35,000	35,000
Total	**48,000**	**48,000**	**48,000**	**48,000**
Net Borrowing / (Net Investment)	**(36,000)**	**(8,000)**	**(33,100)**	**(34,000)**

The Chief Finance Officer confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit, (the Authorised Limit), was not breached.

The challenging investment environment of previous years was amplified in 2019/20, resulting in low investment returns

COVID-19 Pandemic - Extraordinary Circumstances

The treasury and investment impacts of the COVID-19 pandemic which started in late 2019/20 include:

- Less predictable cashflows due to receipt of planned and additional Government funding at short notice and taking on new responsibilities for paying grant funding to businesses on behalf of Government;
- Incurring unplanned expenses as the authority's emergency response plan was implemented;
- A reduction in income receipts across all services and the Collection Fund.

One of the more significant challenges faced from a treasury management perspective was the revised timescales for receipt of planned and emergency Government funding. While these are generally 2020/21 considerations there were some impacts in the final couple of weeks of March 2020 when Government funding was received sooner than originally scheduled.

The Treasury Management Strategy specifies the maximum sums that can be

invested with any one organisation. There was a period of time spanning year-end when the Council breached its limit on the maximum sum to be invested in a single institution, as specified in the 2019/20 Treasury Management Strategy. This was due to the receipt of significant emergency funding at short notice from the Government. The breach was subsequently addressed by opening additional investment accounts with new institutions to spread the risk.

The extended deadline for publication of the Statement of Accounts for 2019/20 as a consequence of the COVID-19 pandemic also means that a small number of 2019/20 figures were not available at the time of preparing this report. The final position will be reported later this year.

3. Introduction and Background

This report provides a summary of the Council's treasury management position for the year with regard to borrowing and investments, including:

- Capital investment activity and the impact of this activity on the Council's underlying indebtedness (the 'Capital Financing Requirement');
- Performance against Prudential and Treasury Management indicators;

4. Capital Expenditure and Financing

The Council undertakes capital expenditure to acquire or create long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing requirement.

The table below sets out the capital expenditure during 2019/20 and how it was financed.

Table 2: CAPITAL FINANCING	**2018/19 Actual £000**	**2019/20 Original Budget £000**	**2019/20 Revised Budget £000**	**2019/20 Actual £000**
Capital Programme Expenditure	39,235	45,927	20,827	18,962
Less: amounts not defined as Capital by statute	-	-	-	(74)
Total Capital Expenditure				**18,888**
Financed By:				
Capital Grants	3,966	3,048	3,048	(17)

Table 2: CAPITAL FINANCING	2018/19 Actual	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Actual
Capital Receipts	20,133	462	462	2,122
Revenue Contribution	90	-	-	759
Capital Reserves	-	2,417	2,417	
Total Finance	**24,189**	**5,927**	**5,927**	**2,864**
Borrowing in Year	**15,046**	**40,000**	**14,900**	**16,024**

5. Overall Borrowing Need

The underlying need to borrow for capital expenditure is the 'Capital Financing Requirement' (CFR). The Council's CFR for the year is set out below and represents a key prudential indicator.

Table 3: CAPITAL FINANCING REQUIREMENT (CFR)	2018/19 Actual £000	2019/20 Original Budget £000	2019/20 Revised Budget £000	2019/20 Outturn £000
Opening balance	3,781	18,827	18,827	18,827
Add unfinanced capital expenditure (Table 2 above)	15,046	40,000	14,900	16,024
Less MRP/VRP	-	(131)	(131)	(167)
Less PFI & finance lease repayments	-	-	-	-
In year change in CFR	15,046	39,869	14,769	15,857
Cumulative Capital Financing Requirement (CFR)	**18,827**	**58,696**	**33,596**	**34,684**

The Council's treasury team ensures that sufficient cash is available to meet capital expenditure plans and cash flow requirements. This may be sourced through borrowing from external bodies, such as the Government's Public Works Loan Board (PWLB) or private sector lenders, or by utilising available cash balances on a temporary basis.

Reducing the CFR – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that the costs of borrowing to fund capital assets are charged to the revenue budget over the life of the asset. In order to achieve this the Council is required to make an annual

charge to the revenue budget, the Minimum Revenue Provision (MRP) to reduce its CFR. This is effectively repayment of the associated borrowing.

The CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2019/20 MRP Policy (as required by MHCLG Guidance) was approved as part of the Treasury Management Strategy for 2019/20 on 11 April 2019.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and that borrowing is only used for a capital purpose, the Council has to ensure that its gross external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year (2018/19) plus the estimates of any additional capital financing requirement for the current (2019/20) and next two financial years. This confirms that the Council is not borrowing to support revenue expenditure. The table below sets out the Council's gross borrowing position against its CFR and confirms that the Council has complied with this prudential indicator.

Table 4: GROSS BORROWING POSITION	**2018/19 Actual £000**	**2019/20 Original Budget £000**	**2019/20 Revised Budget £000**	**31 March 2020 (2019/20) Actual £000**
Gross External Borrowing Position (Table 1)	**12,000**	**40,000**	**14,900**	**14,000**
Cumulative CFR (Table 3)	18,827	58,696	33,596	34,684
(Under) / Over Funding of CFR	**(6,827)**	**(18,696)**	**(18,696)**	**(20,684)**

The Authorised Limit - the Authorised Limit is the 'affordable borrowing limit' required by s3 of the Local Government Act 2003. Once this has been approved, the Council does not have authority to borrow above this level without formal adoption of a revised Limit. The table below confirms that the Council has maintained gross borrowing within its Authorised Limit during 2019/20

The Operational Boundary – the Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary are acceptable subject to the Authorised Limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator confirms the trend in the cost of capital (borrowing and other long-term obligation

costs net of investment income) against the 'Net Revenue Stream' (the Council's revenue budget).

TABLE 5: COST of CAPITAL AGAINST NET REVENUE STREAM	2019/20
Authorised Limit	£80m
Maximum gross borrowing position during the year	£14m
Operational Boundary	£70m
Average gross borrowing position	£12.5m
Net financing costs as a proportion of Net Revenue Stream	7.87%

6. Treasury Position at 31 March 2020

The Council's debt and investment position is organised by the treasury management team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks across all treasury management activities. Procedures and controls to achieve these objectives are well established both through officer and Member reporting and through officer activity as set out in the Council's Treasury Management Practices. At the end of 2019/20 the Council's treasury position was as follows:

Table 6: DEBT PORTFOLIO	31 March 2019 Principal £000	Rate / Return %	Average Life (years)	31 March 2020 Principal £000	Rate / Return %	Average Life (years)
Fixed rate funding:						
PWLB	-	-	-	-	-	-
Market Loans:						
Northern Ireland Housing	5,000	0.90%	3 months	-	-	-
Portsmouth City Council	7,000	1.00%	3 months	-	-	-
Portsmouth City Council	-	-	-	3,000	1.00%	1 year
Portsmouth City Council	-	-	-	5,000	1.20%	1.5 years
Lincolnshire County Council	-	-	-	6,000	1.00%	1 year
Total	**12,000**	**0.96%**		**14,000**	**1.07%**	
Variable Rate Funding:						
PWLB	-	-	-	-	-	-
Market Loans	-	-	-	-	-	-
Total Debt	**12,000**	**0.96%**	**3 months**	**14,000**	**1.07%**	**1.2 years**

Table 6: DEBT PORTFOLIO	31 March 2019 Principal £000	Rate / Return %	Average Life (years)	31 March 2020 Principal £000	Rate / Return %	Average Life (years)
CFR (Table 3)	18,827			34,684		
Over / (Under) Borrowing	**(6,827)**			**(20,684)**		

Table 7: INVESTMENT PORTFOLIO	31 March 2019 Principal £000	Rate/ Return %	Average Life (years)	31 March 2020 Principal £000	Rate/ Return %	Average Life (years)
Investments:						
- In-House	48,000	1.27%	1.6 years	35,000	0.50%	1 year
- With Brokers	0	-	-	13,000	1.56%	2.5 years
Total Investments	**48,000**	**1.27%**	**1.6 years**	**48,000**	**0.90%**	**1.67 years**

The maturity structure of the debt portfolio is set out below:

Table 8: INVESTMENT PORTFOLIO	31 March 2019 Actual	2018/19 Original Limits	31 March 2020 Actual
Under 12 months	100%	100%	64%
12 months and within 24 months	0%	100%	36%
24 months and within 5 years	0%	100%	0%
5 years and within 10 years	0%	100%	0%
10 years and within 20 years	0%	100%	0%
20 years and within 30 years	0%	100%	0%
30 years and within 40 years	0%	100%	0%
40 years and within 50 years	0%	100%	0%

The limit for maturity structure of the debt portfolio at 100% reflects the fact that the Council has little external borrowing at present.

Table 9: INVESTMENT PORTFOLIO	Actual 31 March 2019 £000	Actual 31 March 2019 %	Actual 31 March 2020 £000	Actual 31 March 2020 %
Treasury investments				
Banks	8,000	17%	5,000	10%
Building Societies - rated	40,000	83%	18,000	38%
Local authorities	0	0%	0	0%
Money Market Funds	0	0%	25,000	52%
Total	**48,000**	**-**	**48,000**	**-**

Table 9: INVESTMENT PORTFOLIO	Actual 31 March 2019 £000	Actual 31 March 2019 %	Actual 31 March 2020 £000	Actual 31 March 2020 %
Bond funds	-	-	-	-
Property funds	-	-	-	-
Total managed externally	**-**	**-**	**-**	**-**
TOTAL TREASURY INVESTMENTS	**48,000**	**100%**	**23,000**	**100%**

Table 10: INVESTMENT PORTFOLIO	Actual 31 March 2019 £000	Actual 31 March 2019 %	Actual 31 March 2020 £000	Actual 31 March 2020 %
Non-Treasury Investments				
Third party loans & share capital:	-	-	-	-
Subsidiaries – Greensand Property Holdings Ltd	2,321	2%	TBC[2]	TBC[2]
Companies – Horley Business Park Development LLP	734	1%		
Associate – Pathway for Care Ltd [1]	912	1%		
Investment Property	98,445	96%		
TOTAL NON-TREASURY INVESTMENTS	**102,412**	**100%**	TBC[2]	TBC[2]
Treasury investments	48,000	32%	48,000	TBC[2]
Non-Treasury investments	102,412	68%	TBC[2]	
TOTAL – ALL INVESTMENTS	**150,412**	**100%**	TBC[2]	

Note 1: Third party loan and share capital information includes expected credit loss.

Note 2: Values to be confirmed. The Council is in the process of reviewing asset categories during closedown of the 2019/20 financial year. This will result in some investment property assets being reclassified as assets to support initiatives for the wellbeing of the community. At the time of preparing this report the review was not complete due to the extended deadline for closedown as part of the response to the COVID-19 Pandemic. The updated tables will be reported later in the year.

The maturity structure of the investment portfolio is set out below:

Table 11: ALL TREASURY INVESTMENTS	2018/19 Actual £000	2019/20 Budget £000	2019/20 Actual £000
Investments:			
Longer than 1 year	25,000	13,000	13,000
Up to 1 year	23,000	35,000	35,000
Total	**48,000**	**48,000**	**48,000**

7. Borrowing Outturn 2019/20

Loans were drawn during the year to fund the net unfinanced capital expenditure.

Table 12: LOANS						
Lender	**Principal**	**Type**	**Interest Rate**	**Start date**	**Maturity Date**	**Duration**
Short-term Market Loan	£6m	Fixed interest rate	1.00%	18/12/2019	18/12/2020	12 months
Short-term Market Loan	£3m	Fixed interest rate	1.00%	18/12/2019	18/12/2020	12 months
Long-term Market Loan	£5m	Fixed interest rate	1.20%	18/12/2019	18/06/2021	18 months

This compares well with the 2019/20 budget assumption that long term borrowing would be at an interest rate of 2.54%.

Borrowing in advance of need - the Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

8. Investment Outturn 2019/20

Investment Policy – the Council's investment policy is governed by MHCLG investment guidance and was implemented in the Treasury Management Strategy approved by the Council on 11 April 2019. The Policy sets out the approach for choosing investment counterparties based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, such as rating outlooks, credit default swaps and bank share prices etc.

Investment activity during the year conformed to the approved Policy and the Council experienced no liquidity difficulties.

Resources – the Council's cash balances comprise revenue and capital resources and cash flow monies. Core cash resources comprised usable reserves as follows:

Table 13: USABLE RESERVES	2018/19 Actual £000	2019/20 Actual £000
General Fund Balance	**12,547**	7,963
Earmarked Reserves	**25,042**	33,902
Usable Capital Receipts	**627**	**TBC[1]**
Capital Grants Unapplied	**16,038**	
Total	**54,254**	**TBC[1]**

Note 1: Values to be confirmed. At the time of preparing this report the review was not complete due to the extended deadline for closedown as part of the response to the COVID-19 Pandemic. The updated tables will be reported later in the year.

Investments - the Council maintained an average balance of £48m of investments in 2019/20 which earned an average rate of return of 0.95%. This compares with a budget assumption of £48m investment balances earning an average rate of 1.0%. The comparable external performance indicator is the average 12-month LIBID uncompounded rate, which was 0.5445%. Total investment income was £1.271 million compared to a budget of £0.607 million

9. Other Treasury Management Matters

Pooled Investment Funds. The Council had no pooled investment funds during the year.

Non-treasury management investments. The Council's current approach to making property investment decisions is set out in its Capital Investment Strategy which explains how investment decisions are made, how delivery is approached and how risks are managed. In order to support investment decisions, the Council relies on the principles established in its evolving Commercial Investment Strategy and powers under the Localism Act 2011. This forms the framework for maximisation of new and existing income streams to secure financial sustainability.

APPENDIX 1

PRUDENTIAL AND TREASURY INDICATORS

1.1 PRUDENTIAL INDICATORS	2018/19 Actual £000	2019/20 Original Budget £000	2019/20 Revised Budget £000	2019/20 Actual £000
Capital Expenditure				
General Fund (Table 2)	39,235	45,927	20,827	18,888
Ratio of net financing costs to net revenue stream				
General Fund	(4.98%)	(2.37%)	(2.37%)	(7.87%)
Gross Debt				
Brought forward 1 April	-	12,000	12,000	12,000
Carried forward 31 March	12,000	16,400	14,000	14,000
In year borrowing requirement	12,000	4,400	2,000	2,000
Capital Financing Requirement				
Opening CFR (Table 3)	3,781	18,827	18,827	18,827
In year CFR change (Table 3)	15,046	39,869	14,769	15,857
Closing CFR (Table 3)	18,827	58,696	33,596	34,684
Annual change in Capital Financing Requirement				
General Fund	15,046	39,869	14,769	15,857

1.2 TREASURY MANAGEMENT INDICATORS	2018/19	2019/20	2019/20	2019/20
	Actual	Original Budget	Revised Budget	Actual
	£000	£000	£000	£000
Authorised Limit for External Debt				
Borrowing	80,000	80,000	80,000	80,000
Other long-term liabilities	-	-	-	-
Total	80,000	80,000	80,000	80,000
Operational Boundary for External Debt				
Borrowing	70,000	70,000	70,000	70,000
Other long-term liabilities	-	-	-	-
Total	**70,000**	**70,000**	**70,000**	**70,000**
Actual External Debt	12,000	40,000	14,900	14,000

1.3 MATURITY STRUCTURE OF FIXED RATE BORROWING DURING 2019/20	Target upper limit	Target lower limit	Actual
Under 12 months	100%	0%	64%
12 months and within 24 months	100%	0%	36%
24 months and within 5 years	100%	0%	0%
5 years and within 10 years	100%	0%	0%
10 years and within 20 years	100%	0%	0%
20 years and within 30 years	100%	0%	0%
30 years and within 40 years	100%	0%	0%
40 years and within 50 years	100%	0%	0%
Maturity structure of Investments during 2019/20	upper limit	lower limit	
Longer than 1 year	£20m	£0m	£13m
Up to 1 year	-	-	£35m
Total	£20m	£0m	£48m

APPENDIX 2

LINK ASSET SERVICES COMMENTARY – APRIL 2020

The Economy and Interest Rates

***UK. Brexit**. The main issue in 2019 was the repeated battles in the House of Commons to agree on one way forward for the UK over the issue of Brexit. This resulted in the resignation of Teresa May as the leader of the Conservative minority Government and the election of Boris Johnson as the new leader, on a platform of taking the UK out of the EU on 31 October 2019. The House of Commons duly frustrated that renewed effort and so a general election in December settled the matter once and for all by a decisive victory for the Conservative Party: that then enabled the UK to leave the EU on 31 January 2020. However, this still leaves much uncertainty as to whether there will be a reasonable trade deal achieved by the target deadline of the end of 2020. It is also unclear as to whether the coronavirus outbreak may yet impact on this deadline; however, the second and third rounds of negotiations have already had to be cancelled due to the virus.*

***Economic growth** in 2019 has been very volatile with quarter 1 unexpectedly strong at 0.5%, quarter 2 dire at -0.2%, quarter 3 bouncing back up to +0.5% and quarter 4 flat at 0.0%, +1.1% y/y. 2020 started with optimistic business surveys pointing to an upswing in growth after the ending of political uncertainty as a result of the decisive result of the general election in December settled the Brexit issue. However, the three monthly GDP statistics in January were disappointing, being stuck at 0.0% growth. Since then, the whole world has changed as a result of the coronavirus outbreak. It now looks likely that the closedown of whole sections of the economy will result in a fall in GDP of at least 15% in quarter two. What is uncertain, however, is the extent of the damage that will be done to businesses by the end of the lock down period, when the end of the lock down will occur, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover.*

*After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, Brexit uncertainty caused the MPC to sit on its hands and to do nothing until March 2020; at this point it was abundantly clear that the coronavirus outbreak posed a huge threat to the economy of the UK. Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in **quantitative easing** (QE), essentially the purchases of gilts (mainly) by the Bank of England of £200bn. The Government and the Bank were also very concerned to stop people losing their jobs during this lock down period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country is locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lock down period when some firms may have little or no income. However, at the time of writing, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. At the time of writing, this is a rapidly evolving situation so there may be further measures to come from the Bank and the Government in April and beyond. The measures to support jobs and businesses already taken by the Government will result in a huge increase in the annual budget deficit in 2020/21 from 2%, to nearly 11%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lock down is ended. Provided the coronavirus outbreak is brought under control relatively swiftly, and the lock down is eased, then it is hoped that there would be a sharp recovery, but one that would take a prolonged time to fully recover previous lost momentum.*

***Inflation** has posed little concern for the MPC during the last year, being mainly between 1.5 – 2.0%. It is also not going to be an issue for the near future as the world economy will be heading into a recession which is already causing a glut in the supply of oil which has fallen sharply in price. Other prices will also be under downward pressure while wage inflation has also been on a downward path over the last half year and is likely to continue that trend in the current environment. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.*

Employment *had been growing healthily through the last year but it is obviously heading for a big hit in March – April 2020. The good news over the last year is that wage inflation has been significantly higher than CPI inflation which means that consumer real spending power had been increasing and so will have provided support to GDP growth. However, while people cannot leave their homes to do non-food shopping, retail sales will also take a big hit.*

USA*. Growth in quarter 1 of 2019 was strong at 3.1% but growth fell back to 2.0% in quarter 2 and 2.1% in quarters 3 and 4. The slowdown in economic growth resulted in the Fed cutting rates from 2.25-2.50% by 0.25% in each of July, September and October. Once coronavirus started to impact the US in a big way, the Fed took decisive action by cutting rates twice by 0.50%, and then 1.00%, in March, all the way down to 0.00 – 0.25%. Near the end of March, Congress agreed a $2trn stimulus package (worth about 10% of GDP) and new lending facilities announced by the Fed which could channel up to $6trn in temporary financing to consumers and firms over the coming months. Nearly half of the first figure is made up of permanent fiscal transfers to households and firms, including cash payments of $1,200 to individuals.*

The loans for small businesses, which convert into grants if firms use them to maintain their payroll, will cost $367bn and 100% of the cost of lost wages for four months will also be covered. In addition there will be $500bn of funding from the Treasury's Exchange Stabilization Fund which will provide loans for hard-hit industries, including $50bn for airlines.

However, all this will not stop the US falling into a sharp recession in quarter 2 of 2020; some estimates are that growth could fall by as much as 40%. The first two weeks in March of initial jobless claims have already hit a total of 10 million and look headed for a total of 15 million by the end of March.
EUROZONE. The annual rate of GDP growth has been steadily falling, from 1.8% in 2018 to only 0.9% y/y in quarter 4 in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), prompted the ECB to take new measures to stimulate growth. At its March 2019 meeting it announced a third round of TLTROs; this provided banks with cheap two year maturity borrowing every three months from September 2019 until March 2021. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting in September 2019, it cut its deposit rate further into negative territory, from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt to start in November at €20bn per month, a relatively small amount, plus more TLTRO measures. Once coronavirus started having a major impact in Europe, the ECB took action in March 2020 to expand its QE operations and other measures to help promote expansion of credit and economic growth. What is currently missing is a coordinated EU response of fiscal action by all national governments to protect jobs, support businesses directly and promote economic growth by expanding government expenditure on e.g. infrastructure; action is therefore likely to be patchy.

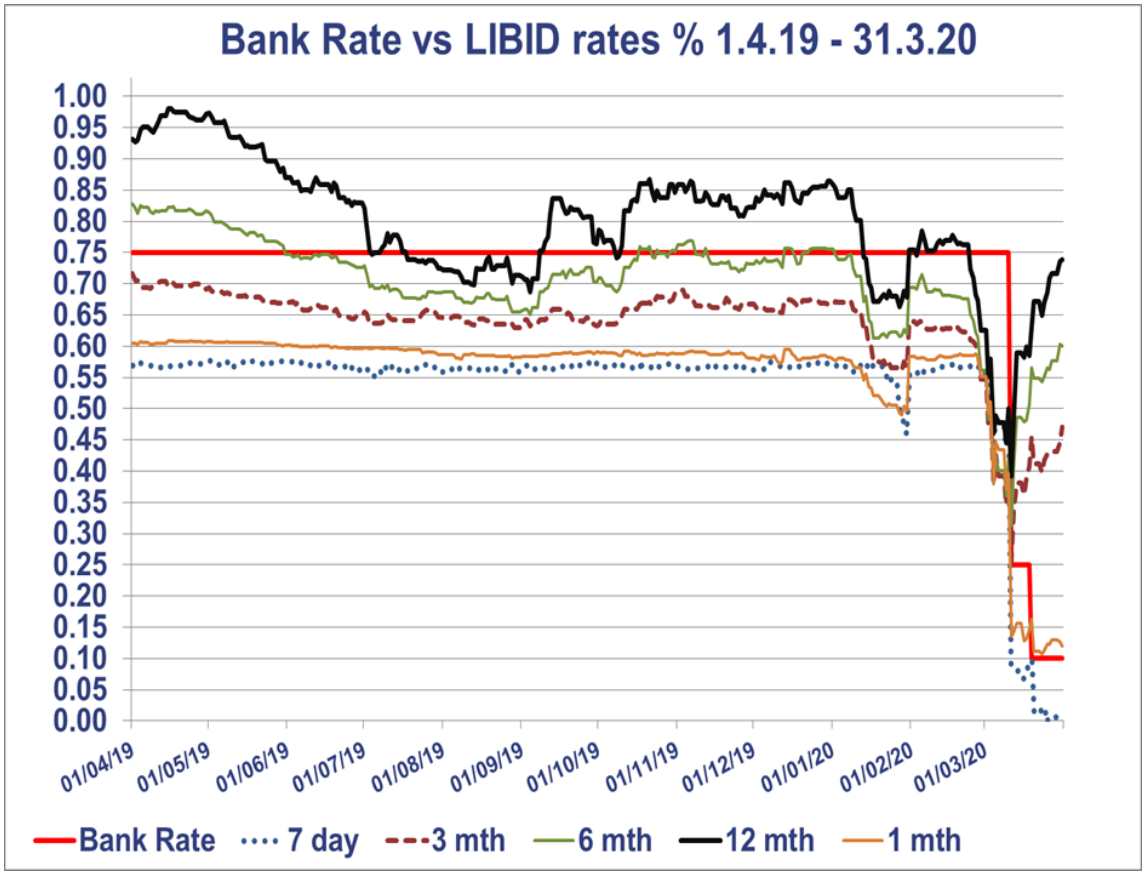
CHINA*. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium-term risks have also been increasing. The major feature of 2019 was the trade war with the US. However, this has been eclipsed by being the first country to be hit by the coronavirus outbreak; this resulted in a lock down of the country and a major contraction of economic activity in February-March 2020. While it appears that China has put a lid on the virus by the end of March, these are still early days to be confident and it is clear that the economy is going to take some time to recover its previous rate of growth. Ongoing economic issues remain, in needing to make major progress to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs to address the level of non-performing loans in the banking and credit systems.*

JAPAN *has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It appears to have missed much of the domestic impact from coronavirus in 2019-20 but the virus is at an early stage there.*

WORLD GROWTH*. The trade war between the US and China on tariffs was a major concern to*

financial markets and was depressing worldwide growth during 2019, as any downturn in China would spill over into impacting countries supplying raw materials to China. Concerns were particularly focused on the synchronised general weakening of growth in the major economies of the world. These concerns resulted in government bond yields in the developed world falling significantly during 2019. In 2020, coronavirus is the big issue which is going to sweep around the world and have a major impact in causing a world recession in growth in 2020

Investment Strategy and Control of Interest Rate Risk



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.75	0.58	0.61	0.72	0.83	0.98
High Date	01/04/2019	09/05/2019	15/04/2019	01/04/2019	01/04/2019	15/04/2019
Low	0.10	0.00	0.11	0.26	0.31	0.39
Low Date	19/03/2020	25/03/2020	23/03/2020	11/03/2020	11/03/2020	11/03/2020
Average	0.72	0.53	0.56	0.63	0.70	0.80
Spread	0.65	0.58	0.50	0.46	0.52	0.59

Link Asset Services Interest Rate View 31.3.20								
	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month LIBID	0.45	0.40	0.35	0.30	0.30	0.30	0.30	0.30
6 Month LIBID	0.60	0.55	0.50	0.45	0.40	0.40	0.40	0.40
12 Month LIBID	0.75	0.70	0.65	0.60	0.55	0.55	0.55	0.55
5yr PWLB Rate	1.90	1.90	1.90	2.00	2.00	2.00	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50

Rising concerns over the possibility that the UK could leave the EU at the end of October 2019 caused longer term investment rates to be on a falling trend for most of April to September. They then rose after the end of October deadline was rejected by the Commons but fell back again in January before recovering again after the 31 January departure of the UK from the EU. When the coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets. As longer-term rates were significantly higher than shorter term rates during the year, value was therefore sought by placing longer term investments where cash balances were sufficient to allow this.

While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

The 2019/20 capital programme expenditure was delayed due to a combination of £29.74 million slippage and £0.412 million underspends, as reported to the June 2020 cycle of committees, in section 3 of the Quarterly Performance Report (Q4 – January to March 2020). This delay resulted in the Council having cash surpluses to invest, which put the Council in the flexible and strong position of being able to support the community, as the COVID-19 pandemic emerged. Additional Money Market Funds have been used to maintain cash flexibility in the pandemic. This approach has provided benefits in terms of reducing the counterparty risk exposure, by having investments placed in a larger number of institutions in the financial markets.

Borrowing Strategy and Control of Interest Rate Risk

During 2019-20, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

The policy of avoiding new borrowing by running down spare cash balances, is expected to continue, although slowed in 2019/20 due to the impact of the COVID-19 pandemic. However, the policy of running down spare cash balances is being kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Head of Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks.

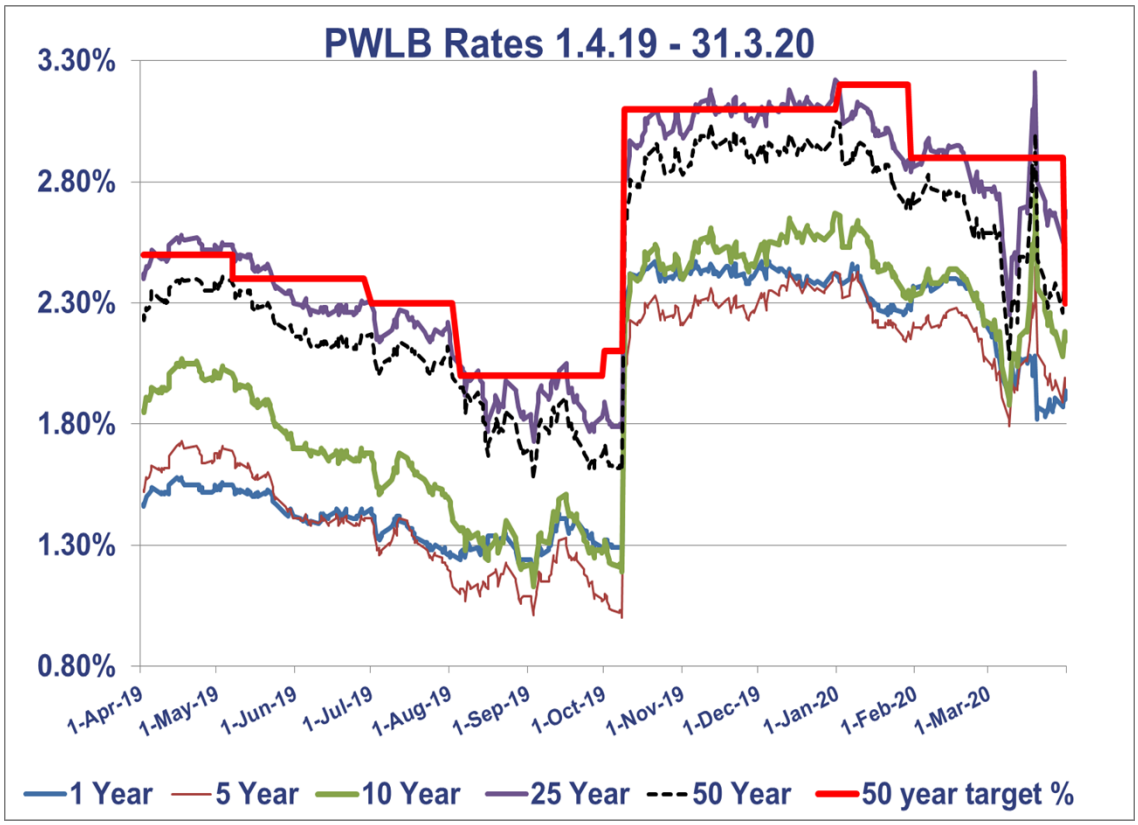
During emerging stage of COVID-19 the Head of Finance received daily treasury reports.

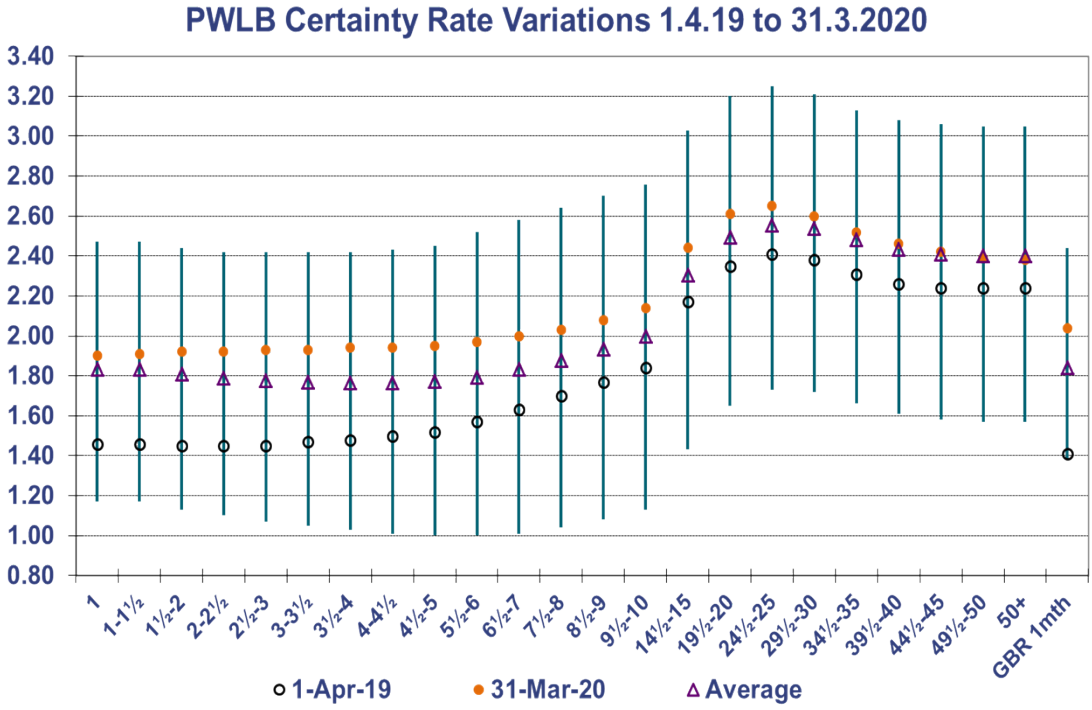
It was felt that there was a risk of a FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), so long term borrowings were postponed, in favour of short-term borrowing.

Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2019/20 and the two subsequent financial years.

Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period

Link Asset Services Interest Rate View 31.3.20								
	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month LIBID	0.45	0.40	0.35	0.30	0.30	0.30	0.30	0.30
6 Month LIBID	0.60	0.55	0.50	0.45	0.40	0.40	0.40	0.40
12 Month LIBID	0.75	0.70	0.65	0.60	0.55	0.55	0.55	0.55
5yr PWLB Rate	1.90	1.90	1.90	2.00	2.00	2.00	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50





	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2019	1.46%	1.52%	1.84%	2.41%	2.24%
31/03/2020	1.90%	1.95%	2.14%	2.65%	2.39%
Low	1.17%	1.00%	1.13%	1.73%	1.57%
Date	03/09/2019	08/10/2019	03/09/2019	03/09/2019	03/09/2019
High	2.47%	2.45%	2.76%	3.25%	3.05%
Date	21/10/2019	19/03/2020	19/03/2020	19/03/2020	31/12/2019
Average	1.83%	1.77%	2.00%	2.56%	2.40%

PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields.

There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels.

The context for that was heightened expectations that the US could have been heading for a recession in 2020, and a general background of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued; these conditions were conducive to very low bond yields.

While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have therefore seen, over the last year, many bond yields up to 10 years in the Eurozone turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields were on a generally falling trend during the last year up until the coronavirus crisis hit western economies. Since then, gilt yields have fallen sharply to unprecedented lows as investors

have panicked in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks also started quantitative easing purchases of government bonds which will act to maintain downward pressure on government bond yields at a time when there is going to be a huge and quick expansion of government expenditure financed by issuing government bonds; (this would normally cause bond yields to rise). At the close of the day on 31 March, all gilt yields from 1 to 5 years were between 0.12 – 0.20% while even 25-year yields were at only 0.83%.

However, HM Treasury has imposed two changes in the margins over gilt yields for PWLB rates in 2019-20 without any prior warning; the first on 9 October 2019, added an additional 1% margin over gilts to all PWLB rates. That increase was then partially reversed for some forms of borrowing on 11 March 2020, at the same time as the Government announced in the Budget a programme of increased spending on infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this ends on 4 June. It is clear that the Treasury intends to put a stop to local authorities borrowing money from the PWLB to purchase commercial property if the aim is solely to generate an income stream.

Following the changes on 11 March 2020 in margins over gilt yields, the current situation is as follows:

- *PWLB Standard Rate is gilt plus 200 basis points (G+200bps)*
- *PWLB Certainty Rate is gilt plus 180 basis points (G+180bps)*
- *PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)*
- *PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)*
- *Local Infrastructure Rate is gilt plus 60bps (G+60bps)*

There is likely to be little upward movement in PWLB rates over the next two years as it will take national economies a prolonged period to recover all the momentum they will lose in the sharp recession that will be caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020-21.

Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

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TO	Executive Overview & Scrutiny
DATE	Tuesday 28 July 2020 Thursday, 10 September 2020
EXECUTIVE MEMBER	Councillor Tony Schofield, Portfolioholder for Finance

KEY DECISION REQUIRED	Yes
WARDS AFFECTED	(All Wards);

SUBJECT	Medium-Term Financial Plan 2021/22 to 2025/26

RECOMMENDATIONS

(i) That the Medium-Term Financial Plan be adopted as the framework for the budget elements of service and financial planning for 2021/22 onwards.

REASONS FOR RECOMMENDATIONS

The Council is required to set a budget by 11 March each year. This report and the associated documents will support this obligation for 2021/22.

EXECUTIVE SUMMARY

The purpose of this report is to set out the background and context for the budget elements of service and financial planning for 2021/22 onwards. It provides an early opportunity for Executive to consider the factors that will be taken into account when preparing draft budget estimates that are scheduled to be reported in November.

The report will be considered at the meeting of the Overview & Scrutiny Committee on 10 September 2020 and their feedback and questions will be taken into consideration when preparing draft budget proposals.

Executive has authority to approve the above recommendations.

STATUTORY POWERS

1. The Local Government Act 1992 places a requirement on Councils to set the following year's Council Tax by 11 March each year. The Local Government Act 1972, as part of proper financial management, requires a Council to set the associated annual budget requirement. This report is part of that process.

2. Section 65 of the Local Government Finance Act 1992 requires the Council to consult representatives of those subject to non-domestic rates in the Borough about its proposals for expenditure for each financial year

3. Regulations on levying council tax on empty properties are set out in the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

BACKGROUND

4. The Council has a well-established service and financial planning process that details the approach and timescales for development of budget proposals for the following financial year.

5. The process is subject to regular review to ensure that it continues to meet requirements.

6. The attached Medium-Term Financial Plan (MTFP) document has been prepared in response to Members' requests for sight of key budget information earlier in the budget-setting process.

KEY INFORMATION

MTFP Details

7. The MTFP provides an update on the Council's budget position. It follows on from the Budget Report 2020/21 to Executive in January and the Council Tax recommendations to Full Council in February.

8. It covers the following:

   - Objectives and priorities for the 2021/22 budget;
   - Context to budget-setting, including updates on the national economic forecast, local government funding, Corporate Plan priorities and specific factors to be taken into account when developing budget proposals for 2021/22;
   - Key budget information, including the 2019/20 budget outturn position, current year budgets and forecast new budget pressures and saving opportunities;
   - Updates on the capital programme and treasury management;

- Reserves and Fees & Charges policies
- Council tax policies (empty properties)
- Information about the service and financial process and budget-setting timetables;
- A summary of budget risks and sensitivities and how they will be managed.

9. It also includes early forecasts on the financial implications for this Council of the COVID-19 pandemic.

OPTIONS

10. The Executive can accept, amend or reject any or all of the MTFP information and request that other factors are taken into account when preparing 2021/22 budgets.

LEGAL IMPLICATIONS

11. It is a legal requirement that the Council set a balanced budget which it can deliver.

FINANCIAL IMPLICATIONS

12. These are addressed throughout the report and Annex.

EQUALITIES IMPLICATIONS

13. This report provides background and context for the budget elements of service and financial planning activities of the Council. There are no equalities issues arising directly from the MTFP or accompanying policy documents. Where individual changes, projects or policies are developed, equalities impact assessments will be carried out by the responsible officer(s).

COMMUNICATION IMPLICATIONS

14. There are no communications implications arising directly from this report. The budget proposals will be communicated with key stakeholders as they are developed.

HUMAN RESOURCES IMPLICATIONS

15. There are no human resources implications arising directly from this report. Council employees and their representatives will be consulted on budget proposals that have staffing implications.

RISK MANAGEMENT CONSIDERATIONS

16. These are addressed throughout the report and in Annex 1.

OTHER IMPLICATIONS

17. None

CONSULTATION

18. As part of the budget setting process, budget proposals will be circulated to the business community via the monthly Business e-bulletin (which has in excess of

1,500 recipients).

19. Savings and growth proposals will be considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in December 2020. The conclusions and recommendations of the Panel and the Committee are reported to the Executive.

POLICY FRAMEWORK

20. Approval of the annual Revenue Budget, determination of the Council Tax and approval of the Capital Programme are functions of the full Council under the Council's constitution (Article 4.12).

21. The budget reflects the priorities in the Council's Corporate Plan and puts in place resources to deliver these priorities.

22. The recommendations in this report are a key decision because they form part of the annual service and financial planning process that lead to recommendation of the annual budget and council tax to full Council.

BACKGROUND PAPERS

- *Budget 2020/21 & Capital Programme 2020 to 2025*, *report to Executive, 30 January 2020*
- *Treasury Management Strategy 2020/21, approved under delegated authority, April 2020*
- *Capital Investment Strategy 2021/22,* Report to Executive, 28 July 2020

ANNEX 1

MEDIUM TERM FINANCIAL PLAN
2021/22 to 2025/26
July 2020

APPENDICES

Introduction

This Medium-Term Financial Plan (MTFP) is a summary of the Council's key financial information, including the budget challenges faced, over the period 2021/22 to 2025/26 and our approach to addressing them.

It sets out the approach to establishing a sustainable financial base to support delivery of Council policies and priorities. It also highlights the financial risks and issues which have to be tackled, including ongoing reductions in Government funding.

In January 2020 the Executive approved the previous version of the MTFP which was based on the objectives of the new Corporate Plan 2025. It set out the latest resource projections and estimates of expenditure. This document refreshes and updates MTFP forecasts in anticipation of service & financial planning for 2021/22.

The draft budget report later this year will set out the detailed actions required to deliver a balanced budget for 2021/22 onwards that is consistent with the direction and objectives set out in this MTFP.

1. Medium Term Financial Plan Objectives

The objectives of this MTFP are to help us:

- Provide a robust financial framework to assist decision-making processes
- Manage council finances within the context of a forward-looking service & financial planning framework
- Prioritise resources to align spending plans with our vision and strategic objectives and resident priorities
- Recognise the ongoing funding challenges that will need to be addressed through changes to how services are delivered, realising new sources of income and delivery of cashable budget savings, or a combination of all three
- Maintain council tax resource levels
- Maintain a balanced budget and continue to strengthen that position
- Maintain the General Fund reserve at a minimum of 15% of the annual net Revenue Budget to cover significant unforeseen expenditure
- Maintain Earmarked Revenue Reserves for specific purposes, consistent with achieving our priorities and managing risks. The use of Earmarked Revenue Reserves will be in line with the Reserves Policy at Appendix 4.1 and will be reviewed annually
- Help confirm the affordable level of capital investment required to support our strategic and financial priorities while remaining within prudential borrowing limits
- Ensure that fees and charges are set at an appropriate level and that they take into account comparative levels of charge and ability to pay, in line with the Policy at Appendix 5

- Demonstrate probity, prudence and strong financial control
- Manage financial risks
- Continually review budgets to ensure resources are targeted on key objectives
- Continue to improve our approach to commissioning and procurement to ensure value for money for local taxpayers
- Support new ways to ensure financial sustainability and maximise income to deliver our priorities. This includes the development of commercial projects to capture both revenue income and capital growth opportunities.
- Pursue opportunities for securing external funding
- Support opportunities for working in collaboration with partners where this will support our priorities and improve service value for money.

2. Medium Term Financial Plan Priorities

In considering future budget projections, it is recognised that there are unknowns which could impact upon forecasts. The MTFP is not a static document but rather one that is constantly evolving as the environment around it changes. Some of the key risks and sensitivities which need to be monitored are set out below.

- **Economic conditions**. The impact of the economic cycle will need to be considered particularly in relation to business growth, inflationary pressures and interest rate movements. The impact of changes and any impact on public finances will need to be fully evaluated on the financial model.

- Impact of **Brexit**. While the Government has underwritten EU funding agreed prior to the 2016 Autumn Statement, the impact of the UK's departure from the EU is one that remains unclear and may impact both politically and economically.

- Impact of the **COVID-19 Pandemic**. The latest assessment of the potential financial impacts for this Council is set out at Appendix 8.

- Government **Finance Legislation**. There are key pieces of Government legislation which will impact upon the future financial position of the Council. In particular the impact of the localisation of business rates and any additional responsibilities will need to be fully evaluated as well as the Governments current Fair Funding Review of local Government finance which is due to be introduced in 2021.

- Other **Government Legislation**. There are a significant number of political initiatives particularly in relation to localisation and the role of local Government. These will need to be assessed for their relevance to Reigate and Banstead and the impact on future finances.

- Buoyancy of **Income Streams**. These will be sensitive to changes in consumer confidence and the economy so will need to be closely monitored.

- **Strategic Investments**: The Council is looking to continue to pursue developments that produce financial returns while at the same time supporting the delivery of housing and regeneration priorities.

- **Commercial Ventures**: The Council will seek to take advantage of commercial opportunities wherever possible to cover costs and to review our fees and charges in order to maximise income in line with corporate objectives.

- A **Financial Review** of the historic budget outturn position and of our base budget to ensure maximum value is obtained from those resources already allocated – effectively to ensure financial discipline and good housekeeping are maintained.

- Using **Reserves** in a sustainable and prudent manner to support the Council's strategies and priorities. This will be supported by the Reserves Policy which is set out at Appendix 4.1. It is recognised that reserves can only be used on a 'one off' basis. However, they can play an important part in supporting initiatives or investments which can deliver future benefits.

- To maintain the Council's financial standing it is important that it continues its proactive approach to **Service & Financial Planning** and ensures that budget plans are deliverable and that investments are focussed on securing our financial health.

3. Medium Term Financial Plan Context

Service & financial planning takes place within the context of the national economic and public expenditure plans; this MTFP has been formulated within the context of the current UK economic position, continued reductions on local government funding and political uncertainty surrounding the shape of Brexit and the impacts of COVID-19 on council finances and the wider economy .

In response to this financial challenge, local government has innovated, streamlined services and increased productivity. The Government's plans to devolve more responsibilities through the localisation of business rates has been delayed to April 2021, however the detail as to whether councils will be required to take on additional responsibilities remains unclear. The devolution of business rates is intended to be fiscally neutral but how this will work in practice is currently being developed alongside the Fair Funding Review. These changes will bring both risks and opportunities and are now intended to be implemented for the 2022/23 financial year

The Economy and Public Spending
There is now considerable uncertainty in financial and economic forecasts. In July 2020 the Office for Budget Responsibility (OBR) reported

- *The UK is on track to record the largest decline in annual GDP for 300 years, with output falling by more than 10 per cent in 2020 in all three scenarios (and contracting by a quarter between February and April). This delivers an unprecedented peacetime rise in borrowing this year to between 13 and 21 per cent of GDP, lifting debt above 100 per cent of GDP in all but the upside scenario. As the economy recovers, the budget deficit falls back. But public debt remains elevated, continuing to rise in the central and downside scenarios.*

- *That said, the outlook would have been much worse without the measures the Government has taken. These have provided additional financial support to individuals and businesses through the lockdown. They should also help to limit any long-term economic 'scarring', by keeping workers attached to firms and helping otherwise viable firms stay in business.*

- *Our upside scenario assumes that long-term scarring is avoided, but in the central and downside scenarios it reduces output in the medium term by 3 and 6 per cent respectively. By 2024-25 the budget deficit falls back to close to our March forecast of 2.2 per cent of GDP in the upside scenario, but it remains higher – at 4.6 and 6.8 per cent – in our central and downside scenarios. This would represent structural fiscal damage of 2.4 and 4.7 per cent of GDP relative to our March forecast. None of the scenarios assume persistently lower growth*

in potential GDP, as was the case after the financial crisis and which would result in the loss of output and fiscal damage increasing over time. And they all assume that very low interest rates persist in line with market pricing, cushioning the fiscal blow. This helps stabilise public debt as a share of GDP after it has risen to a six-decade high.

Interest Rates

The base rate remains at 0.1% (June 2020). Uncertainty over Brexit caused the Monetary Policy Committee (MPC) to leave Bank Rate unchanged during 2019 and at its January 2020 meeting. However, since then the coronavirus outbreak has transformed the economic landscape: in March, the MPC took emergency action twice to cut Bank Rate first to 0.25%, and then to 0.10%. It is now unlikely to rise for the next two years pending a protracted recovery of the economy from this huge set back.

Table 1: FORECAST INTEREST RATES	**June 2020 %**	**Dec 2020 %**	**June 2021 %**	**Dec 2021 %**
Forecast Bank Rate	0.10	0.10	0.10	0.10

Source: *Link Asset Management June 2020*

Inflation

The rate of inflation (as measured by the Consumer Price Index - CPI) currently falls well within the Bank of England target of 2%. The COVID-19 lockdown has prevented the Office for National Statistics from collecting the prices of many items, but it is clear that inflation has fallen. CPI inflation dropped to a four-year low of 0.5% in May and will probably stay close to 0.5% for the next year. Even when the economy recovers low wage growth will mean inflation is unlikely to climb much above 1.0%.

Table 2: FORECAST INFLATION (CPI)	**2020/21 %**	**2021/22 %**	**2022/23 %**	**2023/24 %**	**2024/25 £%**
Forecast CPI	0.5	0.5	1.0	1.0	1.0

Source: *Link Asset Management June 2020*

Economic Growth

Economic growth – as measured by Gross Domestic Product (GDP) - fell by 20.4% in April 2020, after the closedown of whole sections of the economy, the biggest monthly fall since the series began in 1997.

What remains uncertain is the extent of the damage that will have been done to businesses by the end of the lockdown period, how consumer confidence and behaviour may be impacted afterwards, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover to what was formerly regarded as normality. However, some changes during lockdown are likely to be long lasting e.g. a shift to online purchasing, working from home, etc. The lockdown has also had a sharp effect in depressing expenditure by consumers which means their level of savings have increased and debt has fallen. This could provide fuel for a potential surge in consumer expenditure once some degree of normality returns.

Source: *Link Asset Management June 2020*

Context: Potential implications of the COVID-19 economic situation for local government

- It may be harder to collect sums due, for example for council tax and business rates. Despite these increasing pressures, to date our performance on income collection remains consistently strong.
- Increased demand for services to assist residents falling into hardship.
- Suppliers and contractors being at risk of liquidation, potentially affecting delivery of services.
- Cost inflation pressures may be greater than assumed.
- Impacts on our supply chain eg. price increases, impacts on operational delivery of capital schemes, supplier workforce impacts.

Local Government Funding

The local government sector has been one of the areas hardest hit by the Government's deficit reduction plan. For Reigate and Banstead Government Revenue Support Grant reduced from £1.6 million in 2014/15 to nil by 2017/18.

Over recent years the framework for local government funding has been subject to a sustained period of change and uncertainty:

- April 2011 – New Homes Bonus introduced
- April 2013 - Business Rates Retention introduced
- October 2015 – 100% BRR and Funding Review announced
- April 2016 – Government and LGA working groups set up and start meeting
- Early 2017 - Call for evidence on Fair Funding and Business Rates Retention consultation
- April 2017 – New Homes Bonus scheme changes
- May 2017 election – Business Rates Retention primary legislation falls; Fair Funding Review to continue
- Summer 2017 – announcement of move to 75% Business Rates Retention; confirmation of new Business Rates Baseline and continuation of Fair Funding Review – all for 2021/22
- July 2018 – new simplified Business Rates Reset first suggested
- December 2018 – no figures beyond 2020/21 available; indications that 'Negative Revenue Support Grant' will result in significant funding reductions for councils like Reigate & Banstead
- December 2018 – new consultations on Fair Funding Review, Business Rates Retention and confirmation of a full Reset of Business Rates growth
- Spending Round19 – one-year settlement for 2020/21 only

- Spending Review20 – delayed to autumn 2020 due to Government's COVID-19 pandemic response.

Consultations and announcements over recent months have covered the following aspects of local government funding:

Fair Funding Review

- Intended to be introduced in 2021/22, but now delayed to 2022/23 as a consequence of the COVID-19 pandemic, the Review will set new funding baselines and confirm any transitional arrangements.

Business Rates Growth: Reset and 'Alternative' System

- The Government's stated aim is to balance risk and reward through a system of *Resets, Safety Nets, Levies, Tier Splits* and *Pooling*. Also to simplify the system by looking again at appeals, while addressing income volatility and introducing more simplification. This too has been put back to 2022/23.

Business Rates Revaluation

- Delayed to 2022 as a consequence of the COVID-19 pandemic.

New Homes Bonus:

- Alongside the single-year allocation in 2020/21 the Government stated that there will be further changes to the system, for example further changes to the methodology based on a reduced funding allocation and/or the allocation of higher amounts to fewer authorities (or lower amounts to many). Further information on the future of New Homes Bonus may be announced as part of Spending Review20.

Specific Grants:

- There is still an expectation that these will be rolled into the funding system when 75% business rates retention is introduced (now expected 2022/23)

Negative RSG Grant

- It has not been confirmed whether this has also been deferred to 2022/23. Further information may be announced as part of Spending Review20.

Council Tax:

- There is a possibility of increased freedoms (primarily for social care precepting authorities). Further information may be announced as part of Spending Review20.

Local Government Funding – Current Position

The last three-year Spending Review was in 2015, covering the financial years 2016/17, 2017/18 and 2018/9. The anticipated 2018 Spending Review never took place and departmental budgets were instead 'rolled over' into 2019/20, while the Spending Review in 2019 was also cancelled and replaced by an interim Spending Round that set out current spending by departments for one financial year (2020/21) and capital investment plans for two financial years (2020/21 and 2021/22).

The Chancellor announced on 24 March 2020 that the planned Spending Review 2020 would be delayed beyond July to enable the Government to remain focused on responding to the COVID-19 pandemic.

This was followed by the Chancellor's 'Summer Economic Update' on 9 July in response to the coronavirus pandemic, which he called a 'Plan for Jobs'. The Chancellor highlighted:

- The Office for National Statistics (ONS) estimates that Gross Domestic Product (GDP) in April was around 25% below the level recorded in February;
- Over 9m jobs have been furloughed through the Coronavirus Job Retention Scheme – more than a quarter of the UK workforce;
- Universal Credit claims have also been elevated, with 3.4m individual declarations made from 1 March to 23 June; and
- Real time data shows the number of paid employees falling by 612,000 over April and May.

The Chancellor also confirmed that he would introduce a Budget and Spending Review20 in the autumn.

At that stage the Office of Budget Responsibility did not provide an 'economic and fiscal outlook', as is customary at the Budget and Spring Statement. This followed on 14 July.

Service & Financial Planning: Government Funding Assumptions
For the purposes of preparing this MTFP and the draft 2021/22 budget the following has been assumed:

- No changes to total local government funding as a result of Spending Review20.
- The most far-reaching funding changes will be delayed to 2022/23
- When implemented, the funding changes will reduce this Council's Government funding by £0.200 million in year one followed by a further £1.3 million and £0.4 million in each of the two subsequent years (£2.3 million in total). This is as a consequence of the removal of 'Negative RSG' grant and the Business Rates reset.
- No other transitional funding arrangements for these changes
- Council taxbase growth of 1.0% per annum and council tax increases continue to be capped at a maximum of 1.99% or £5
- Funding from New Homes Bonus to cease in 2021/22 (no new allocations).

4. Corporate Plan Priorities

The Council's Corporate Plan 2025 sets out our priorities for the next five years, and explains how the Council will focus its resources and deliver services to those living, working and spending time in Reigate & Banstead.

This MTFP has been developed to align with the Plan vision and priorities.

The Corporate Plan includes objectives in relation to Housing, Vulnerable People, Communities & Community Safety, Leisure & Wellbeing, Towns & Villages, Economic Prosperity, Shaping our Places, Clean & Green Spaces, Environmental Sustainability, Financial Sustainability, Commercial Activities, Operational Assets and Skills & Great People.

The Plan includes:

- A new set of 'cross-cutting commitments' describing how the Council will deliver services, covering aspects such as communications, customer contact, partnership working and environmental sustainability

- A new 'housing' objective to do more to secure the delivery of homes that are more affordable for local people.

- Expanded objectives about communities and vulnerable people, reflecting the Council's proactive housing, family support and community development activities

- A new objective that recognises the need for the Council to support towns and villages in the borough to thrive and an updated objective on Shaping our Places recognising the future focus of our work in this area

To achieve our financial sustainability objective, our Corporate Plan 2025 explains that the Council will:

- Ensure that our budget setting process is transparent and well-managed to deliver a balanced budget outcome each year

- Run an effective collection team to recover money owed to us

- Operate in an efficient and rigorous way across all our day-to-day financial Operations

- Publish and keep up-to-date our Capital Investment Strategy; and

- Need to increase Council Tax every year to reflect increasing costs, but the Council will review this position annually.

5. Budget-Setting Priorities 2021/22

The Priorities that will be taken into account when preparing the draft Budget for 2022/23 are set out below:

- To ensure resources are aligned with the emerging **Corporate Plan priorities**

- To maintain a **balanced budget** such that expenditure matches income from council tax, fees and charges, and government and other grants and to maintain that position

- To set a rate for **council tax** which maximises income necessary to deliver our strategic objectives while ensuring that Government referendum limits are not exceeded. The percentage increase will be reviewed annually and be approved by Full Council

- To **maximise other income** by setting fees and charges, where we have the discretion and need to do so, at a level to ensure at least full cost recovery, promptly raising all monies due and minimising the levels of arrears and debt write offs

- To ensure a long-term sustainable view is taken of our **investments** and that appropriate risk analyses are used when considering new investments

- To consider and take advantage of **commercial opportunities** as they arise to deliver new income streams

- To maintain an adequate and prudent level of **reserves** and regularly review their planned use and allocation to support delivery of our priorities.

- To address the legacy financial challenges forecast as a consequence of the **COVID-19 pandemic**.

Value for Money
The Council will assess and challenge the value for money (economy, efficiency and effectiveness) provided by each service through the service & financial planning process.

Information about our performance compared to other councils across a range of published measures is published on the LGA website at https://lginform.local.gov.uk/

6. The Revenue Budget

The Revenue Budget comprises five 'building blocks' as follows:

- **Net Cost of Services**: These are the direct costs incurred in delivering services through the three Directorates, net of specific income generated by them.

- **Central Budgets**: These are costs incurred and income received that are not service-specific, eg. Pension Fund deficit contributions and treasury management costs and income.
  Also included in this block is the Headroom Contingency budget.
  For 2020/21 this include the one-off advance payment of the employer's three-year secondary pension contribution of £6.204 million.

- **Sources of Funding**: These income budgets are general, non-service specific income sources. They include other grant funding from Central Government and our share of Non-Domestic Rate income.
  For 2020/21 it includes the continued impact (benefit) of the one-off elimination of 'Negative Revenue Support Grant' that was announced by the Government in September 2019.

- **Council Tax**: After the budget requirement has been established for the other blocks then the amount required by this Council from council tax can be calculated; known as the 'Demand on the Collection Fund'.

- **Contributions (to)/from Reserves**: This relates to use of Earmarked Revenue Reserves, which have been allocated to fund specific purposes. For example, the use of Reserves to fund the one-off advance pension contribution. The impact of the use of Reserves is a reduction in the total income demand on council taxpayers. It also refers to the use of funds from the General Fund Balance to support the annual revenue budget (£1.256 million in 2020/21).

Revenue Budget Outturn 2019/20
In February 2019 the Council set a net Revenue Budget for 2019/20 of £16.3 million. Transfers from the Corporate Plan Delivery Fund and other grants received during the year resulted in a net increase to £17.5 million.

The provisional outturn for Service budgets at the end of Period 12 was £0.470 million (3.5%) higher than the management budget however, the overall provisional outturn, including Central Items, was £2.09 million (11.9%) lower than budget.

Table 3: REVENUE BUDGET OUTTURN 2019/20	**Original Budget**	**Revised Budget**	**Year End Outturn**	**Year End Variance**
	£m	**£m**	**£m**	**£m**
Service Budget	12.148	13.606	14.076	0.470
Central Budgets	4.147	3.870	1.313	(2.557)
Total	**16.295**	**17.476**	**15.389**	**(2.087)**

The most significant Revenue Budget variances for the year are summarised below:

- Finance: £0.640m over budget as a result of additional work required during the 2018/19 audit of the Statement of Accounts, additional work relating to major projects including the Horley Business Park land purchase, Marketfield Way and Baseball, and the use of interim staff to both cover vacancies and to improve finance processes.
- Benefits Team and Benefits Paid/Subsidy Received: £0.573m over budget due to reduced DWP grant, additional consultancy and printing costs, increased Bed & Breakfast placement costs, additional statutory costs and income shortfall due to suspension/cessation of Court recovery as a result of COVID 19 at year-end.

- Harlequin Theatre: £0.221m over budget due to delay in cinema opening and staff costs higher than budget.
- Development Services: £0.200m lower than budget due to underspends on Consultancy.
- Fleet: £0.219m above budget due to expenditure on spare parts to keep the ageing Fleet running.
- Projects & Assurance: £0.105m lower than budget due to vacant posts
- Headroom Contingency: £0.737m lower than budget because funds have not been required during the year.
- Interest on borrowing: £0.086m lower than budget.
- Senior Management Team: £0.202m lower than budget due to vacant Director post.
- Property and Facilities: £0.322m lower than budget due to new rental income from Salfords Industrial Units offset by lower income from Warwick Quadrant and Marketfield Way.
- Refuse and Recycling: £0.341m lower than budget net (income is £0.703m higher than budget, offset by overtime and temporary staff costs to cover sickness and additional staff costs for recycling service to flats and extra expenditure on new bins).

Executive agreed that the underspend would be transferred to Reserves, initially to fund the Council's response to the COVID-19 pandemic with any remaining balance used to help rebuild the Pensions Reserve ready for the next revaluation in 2022.

The service & financial planning process for 2021/22 will include an assessment of whether any budgets require realignment to reflect historic outturn trends.

Revenue Budget 2020/21
The Revenue Budget for 2020/21 was approved in February 2020. In summary it comprises:

Table 4: BUDGET SUMMARY 2020/21	Budget 2020/21 £m
1. Net Cost of Services	14.276
2. Central Budgets	3.980
3. Advance Payment of Employer's Pension Contribution	6.204
NET EXPENDITURE 2020/21 including ADVANCE PENSION CONTRIBUTION	**24.460**
4. Council Tax	14.100
5. National Non-Domestic Rates	2.900
6. New Homes Bonus – 2020/21 allocation from Central Government	1.789

Table 4: BUDGET SUMMARY 2020/21	Budget 2020/21 £m
7. Net Contribution (to)/from Reserves: • New Homes Bonus – 2020/21 allocation paid into Reserves – (£1.789m) • Use of funds from the General Fund Balance and Pension Reserve to fund the advance Employer's Pension Contribution of £6.204m • Use of funds from the General Fund Balance to support the 2020/21 Revenue Budget £1.256m[1]	5.671
NET SOURCES OF INCOME 2020/21	**24.460**

1. The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2020/21. Over recent years the budget outturn has been an underspend position with no requirement to call on Reserves.

Central Budgets

Central budgets are summarised in the table below. They comprise those budget items that are corporate in nature and are not associated with delivery of specific services.

1. Budget to be transferred to services to reflect 2020/21 allocation virements.

Table 5: CENTRAL BUDGETS	Original Budget 2019/20 £m	Approved Budget 2020/21 £m	Net Budget Increase / (Decrease) £m
Budget Contingencies	1.431	1.941	0.511
New Posts Budget	0.250	0.159	(0.091)
Insurance	0.452	0.482	0.030
External Audit Fees	0.050	0.050	0.000
Treasury Management	(0.404)	0.340	0.744
Minimum Revenue Provision	0.000	0.528	0.528
Employer Secondary Pension Contribution	2.338	0.375	(1.963)
Apprenticeship Levy	0.064	0.069	0.005
Trust Funds	0.036	0.036	0.000
Central Budgets	**4.217**	**3.980**	**(0.237)**
Advance Payment of Employer's Pension Contribution	0.000	6.204	6.204
Total	**4.217**	**10.184**	**5.967**

Further details are provided at Appendix 1.

'Headroom' Contingency Budget

The Headroom Contingency Budget was originally established during budget setting in 2012/13 to '*mitigate the reduction in Central Government revenue funding*'.

It is appropriate to retain an adequate level of contingency in the Revenue Budget as well as holding reserves. When assessing the level of contingency required the following are examples of the factors that need to be considered:

- Budget risks (eg. delays or non-delivery of new income streams)
- Unexpected pressures on relatively volatile and/or demand led budgets
- Likelihood of incurring unexpected costs (eg. an uninsured loss, litigation costs)
- New pressures as a consequence of the uncertain economic climate

A Headroom Contingency Budget of £1.0 million was approved during the 2020/21 budget setting process.

Table 6: CHANGES IN THE HEADROOM CONTINGENCY BUDGET 2019/20 to 2020/21	£m
Headroom Contingency Budget 2019/20	**0.836**
Increase approved during 2020/21 service & financial planning	0.164
Headroom Contingency Budget 2020/21 onwards	**1.000**

The level of Headroom Contingency will be reviewed and reported each year as part of the service & financial planning process.

7. Revenue Budget Funding 2020/21

The sources of funding for the revenue budget are set out in the table below.

Table 7: REVENUE BUDGET FUNDING	Budget 2020/21 £m
National Non-Domestic Rates	2.900
Council Tax	14.100
New Homes Bonus – these funds are transferred to a Reserve	1.789
Net Contribution (to)/from Reserves: • New Homes Bonus – 2020/21 allocation paid into Reserves – (£1.789m) • Use of funds from the General Fund Balance and Pension Reserve to fund the advance Employer's Pension Contribution £6.204m • Use of funds from the General Fund Balance to support the 2020/21 Revenue Budget £1.256m	5.671
TOTAL	**24.460**

Factors taken into account include:

Retained Business Rates Income and Negative RSG Grant	• This Council's share of retained business rates will be £2.3 million in 2021/22 (including £1.5m Negative RSG Grant). • In 2022/23, the Council will see a further decline in Government funding support as retained business rates receipts are cut due to the planned reset. • In addition, the 'Negative RSG Grant' of £1.500 million will end. It is not yet clear how these reductions will be implemented but are assuming this will be clearer when the outcome of the delayed Fair Funding Review and Business Rates Reset are announced during 2021.
Council Tax	• The forecast level of Council Tax income for 2020/21 based on a £5.00 Band D equivalent increase and the forecast tax base.
New Homes Bonus	• Includes updated forecasts for New Homes Bonus in 2020/21 based on the December 2019 Provisional Settlement announcement. These funds (£1.789m) are transferred to a Reserve.
Contributions (To)/From Reserves	• Includes the net contribution of £1.256 million that will be required from the General Fund Balance to address the forecast remaining Revenue Budget gap in 2020/21 and the £6.204 million advance payment of the employer secondary pension contribution. Also, the transfer to Reserves of the 2020/21 New Homes Bonus Allocation.

8. Council Tax

Decisions around the annual council tax increase and taxbase growth are two key variables in the MTFP.

Although this is a significant funding source, it remains subject to restrictions by Government. The Localism Act included a requirement to hold a local referendum if any council tax increase is deemed 'excessive' and the limit for increases is set each year.

The forecast amount of council tax to be collected takes into account local decisions on discounts, exemptions and reliefs and the local council tax support scheme.

Council Tax 2020/21
The referendum cap was confirmed with the Provisional Local Government Funding Settlement Announcement in December 2019, being the higher of 1.99% or £5.00 for district councils. £5.00 (2.20%) is to this Council's advantage as it yields a higher level of income. This was the approved recommended increase

The Council Tax increase of £5.00 increased a Band D charge from £227.46 to £232.46, an increase of 10 pence per week. The total income from council tax for this council therefore increased from £13.700 million to £14.100 million

As reported to Executive in December 2019, the impacts of the forecast increase in the taxbase and collection performance for 2020/21 was 885.8 Band D equivalent properties, an increase of 1.5% compared to 2019/20. This yielded an additional £0.201 million increase in this Council's share of the sums collected.

COVID-19 Impacts
It is still early in the 2020/21 financial year to forecast with any accuracy how the pandemic will impact council tax collection performance. The latest assessment of the potential impacts is set out at Appendix 8.

Council Tax Policy
Changes to council charges on empty homes were also approved during 2019/20 and came into effect in 2020/21:

- Homes that have been empty and substantially unfurnished for more than two years and less than five years will be charged a Council Tax long term empty premium equivalent to 100% of the Council Tax in addition to their current Council Tax.
- Homes that have been empty and substantially unfurnished for five years and more will be charged a Council Tax long term empty premium equivalent to 200% of the Council Tax.

As these changes help deliver a county-wide initiative to reduce the number of empty properties throughout Surrey, the County Council is proposing to reallocate its share of the increased funding that results from changes in Empty Homes policies. Under this commitment the Boroughs and Districts will receive reallocated funding where agreed conditions are met. The Country council has stated that it plans to agree details of the distribution arrangement during 2020/21.

An increase of the empty homes premium to 300% for properties that are empty for 10+ years will be considered as part of the Council Tax setting process for 2021/22.

Council Tax Precepts 2020/21

Table 8: ANALYSIS OF COUNCIL TAX BY PRECEPTOR 2020/21		
Authority	£000	% share
Surrey County Council	92,393.7	74.94
Surrey Police & Crime Commissioner	16,245.6	13.18
Reigate & Banstead BC	14,210.0	11.53
Horley Town Council	404.7	0.33
Salfords & Sidlow Parish Council	38.5	0.03
	123,292.5	**100**

Table 9: ANALYSIS OF COUNCIL TAX CHANGES BY PRECEPTOR 2020/21				
			Increase	
Authority	**2020/21**	**2019/20**	**£**	**%**
Surrey County Council	1,511.46	1,453.50	57.96	3.99
Surrey Police & Crime Commissioner	265.76	260.57	5.19	1.99
Reigate & Banstead Borough Council	232.46	227.46	5.00	2.20
Horley Town Council	39.71	37.86	1.84	4.85
Salfords & Sidlow Parish Council	27.18	22.18	5.00	22.54

Local Council Tax Support Scheme
The Council funds 10% of council tax for eligible claimants. This reduction in income is taken into account when the taxbase is calculated as part of budget-setting. No Government funding is provided; the costs fall on the General Fund.

Council Tax Collection Performance 2019/20
This Council's collection performance for council tax in 2019/20 was 98.65%; 28th highest performance compared to all English local authorities

Council Tax Options 2021/22
Each 1% increase in Council Tax generates £0.141 million additional income for this borough. A 1.99% increase would yield £0.281 million additional income; a £5 increase would yield £0.303 million.

Council Tax Forecasts
For MTFP modelling purposes, based on a 1.99% increase and a 1% increase in the taxbase, the Council Tax income forecast at June 2020 is set out below:

Table 10: COUNCIL TAX FORECAST	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m

Table 10: COUNCIL TAX FORECAST	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Forecast Resources	13.700	14.100	14.520	14.960	15.410	15.880
Annual Increase in Income	-	0.400	0.420	0.440	0.450	0.460
Cumulative Increase in Income		0.400	0.820	1.260	1.710	2.170
Band D	£227.46	£232.46	£237.09	£241.80	£246.62	£251.52
Band D Increase	-	£5.00	£4.63	£4.71	£4.82	£4.90

9. Business Rates (National Non-Domestic Rates)

In 2013, the Government introduced a scheme through which local authorities retain a proportion of any business rates growth above a set 'baseline'. The purpose was to give authorities a financial incentive to encourage and foster economic growth within their area and to work collaboratively with other authorities and business organisations to achieve that growth.

While this scheme was broadly welcomed by the sector, there remain concerns over the potential volatility of this income stream due to the level of appeals; even a small variation in the overall revenue generated can result in a significant financial impact.

The Government is currently undertaking a review of how business rates will operate going forward and has stated its intentions to achieve 75% localisation of business rates from 2022. The full impact of this will only become clear later during 2021/22 as proposals are developed

Appeals
The provision for business rates appeals in the Collection Fund has been reviewed and the outcome is a requirement to plan to increase the provision to bring it in line with the level of income expected and likelihood of successful appeals. The Council's share of the provision will be funded through drawing on the earmarked reserve that has been set aside for this purpose and making provision in the Medium-Term Financial Plan for future years' contributions.

Business Rates Collection Performance 2019/20
Collection performance for business rates in 2019/20 was 99.94%; this was the highest performance in the country compared to all English local authorities

Business Rates Forecast at June 2020

Table 11 : NNDR FORECAST	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Forecast NNDR Resources	2.500	2.300	2.300	1.700	1.600	1.400
Less 'Negative RSG Grant'	-	-	-	(0.700)	(1.000)	(1.200)
Net Forecast	**2.500**	**2.300**	**2.300**	**1.000**	**0.600**	**0.200**
Annual Reduction	-	(0.200)	-	(1.300)	(0.400)	(0.400)

Table 11 : NNDR FORECAST	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Cumulative Reduction	-	(0.200)	(0.200)	(1.500)	(1.900)	(2.300)

COVID-19 Impacts
It is still early in the 2020/21 financial year to forecast with any accuracy how the pandemic will impact business rates collection performance. The latest assessment of the potential impacts is set out at Appendix 8.

The extended deadline for publication of the Statement of Accounts for 2019/20 as a consequence of the COVID-19 pandemic also means that a small number of 2019/20 figures were not available at the time of preparing this report. The final position will be reported later this year.

10. New Homes Bonus

The New Homes Bonus was introduced in 2011/12. Authorities are rewarded with a financial bonus, equal to the national average council tax on each additional property built which is paid for a number of years as a non-ring-fenced Government grant. 80% of the Bonus is paid to the district council and 20% to the county council. here is an enhanced payment for new affordable homes.

New Homes Bonus was revised for the 2017/18 financial year with the length of time it is paid reducing from six to five years (for the 2017/18 award) and to four years from 2020/21 onwards. A new 'baseline' of +0.4% growth was also introduced before any Bonus is paid. The retained funds were used by the Government to support authorities with adult social care responsibilities.

The Government originally set out its intention to end New Homes Bonus as part of the Fair Funding Review. The Objective is to replace this mechanism with a different means of incentivising and rewarding housing growth. The detail and timing remains unclear due to the delay in the Fair Funding review.

In previous years this funding was set aside in an Earmarked Reserve for general use. During budget-setting 2020/21 the funds were allocated to support implementation of the Housing Delivery Strategy. Details at Appendix 4.2.

11. Revenue Reserves

The Council holds Reserves to provide protection against financial risks. Our current level of reserves provides a relatively secure financial base compared to many authorities; it is important to ensure an appropriate balance between securing the financial position of the Council and investing in delivery of services.

Reserves can be held for four reasons:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.

- A contingency to cushion the impact of unexpected events or emergencies.
- A means of building up funds to meet known or predicted liabilities.
- A means of setting aside sums for future identified uses and / or investments

There is an opportunity cost of holding reserves in terms of restricting capacity to invest in current service delivery but this is offset by the additional flexibility that reserves provide when manage budget risks and adverse variations.

Our Reserves Policy is set out at Appendix 4.1 with details of revenue reserve balances held at 31 March 2020 at Appendix 4.2. The level of Reserves be reviewed during service & financial planning over the summer with the aim of presenting the recommended use of reserves in 2022/23 onwards as part of the November budget report. This will include an assessment of the adequacy and allocation of current reserves and the associated risks and opportunities.

General Fund Balance
The General Fund Balance Reserve is held to manage the impact of any unexpected events/emergencies. The Section 151 Officer is required to review the level of the General Fund Balance annually in relation to the overall financial position of the Council. CIPFA guidance on Local Authority Reserves and Balances (2003) and the Local Government Act of 2003 do not recommend a specific value or budget %.

The Council's Section 151 Officer advised in the January 2020 budget report that a working balance of £3.0 million is considered the minimum level required. This represents just over 15% of the net budget for 2020/21. This minimum level will be reviewed again as part of 2021/22 service & financial planning.

Earmarked Revenue Reserves
Earmarked Revenue Reserves may be used as part of a planned process to balance the budget in order to avoid short term actions which may not be in the best interests of the Council. They also allow funds to be set aside for specific purposes, often spanning more than one financial year.

Useable Revenue Reserves
Revenue Reserves have increased steadily over recent years.

Table 12 : USEABLE REVENUE RESERVES	**2013/14 £m**	**2014/15 £m**	**2015/16 £m**	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
General Fund Balance	6.075	6.717	8.737	5.912	12.547	12.547	8.949
Earmarked Reserves	9.526	10.963	13.485	19.075	21.703	25.042	32.646
Total Reserves	**15.601**	**17.680**	**22.222**	**24.987**	**34.250**	**37.589**	**41.595**
Reserves as a % of the Net Revenue Budget	119.14%	135.01%	169.70%	190.81%	261.55%	287.05%	255.26%

Opportunity Cost of Holding Reserves

The opportunity cost of holding reserves has to be considered. Unused balances are used to either reduce temporary borrowing or are invested to generate income. In measuring the opportunity cost of holding reserves, consideration needs to be taken of the interest earned. The opportunity cost of holding reserves is therefore a judgment whether the 'worth' of expenditure foregone is more than the income generated. Given the current economic climate it is a balanced judgement as to whether to invest / spend reserves or to retain them.

Assessing the Adequacy of Reserves

The Chartered Institute of Public Finance and Accountancy (CIPFA) state that the Institute 'does not accept a case for introducing a statutory minimum level of reserves, even in exceptional circumstances'. It does however confirm that authorities should make their own judgment on such matters, taking into account all relevant local circumstances on the advice of their Chief Finance Officer.

The Local Government Act 2003 requires the Chief Finance Officer to formally report on the adequacy of the proposed financial reserves. To arrive at assessing the adequacy of reserves a number of issues need to be addressed:

- What are the strategic, operational and financial risks facing the Council?
- Does the Council comply with the requirements to ensure that there is an adequate system of internal control?
- Are the key financial assumptions in formulating the Council's budget robust and reasonable?
- Does the Council have adequate financial management and cash flow arrangements?

In addition there are a number of questions an authority can ask to demonstrate that it is managing its affairs satisfactorily:

- What is the track record of the Council in its budgetary and financial management?
- What is the Council's record regarding council tax collection?
- What is the Council's capacity to manage in-year budgetary pressures?
- What is the strength of the Council's financial reporting?
- What are the procedures to deal with under and over spends during and at the year end?
- In the case of Earmarked Revenue Reserves, will there be expected calls on the reserves that prompted the setting up of the reserves in the first place?

Finally, there is a need to look at the assumptions made in setting the budget, not just for the coming year but also under the MTFP. The budgetary assumptions cover:

- Inflation and interest rate projections.
- Estimate and timings of capital receipts.

- Treatment of planned efficiency savings.
- Financial risks involved in major funding arrangements.

It is likely that the current allocation of funds to Reserves will have to be reviewed as part of the Council's response to any ongoing financial impacts of the COVID-19 pandemic.

12. Medium Term Financial Plan Forecast 2021/22 onwards

An early review of Medium-Term Financial Plan budget forecasts has identified a number of new budget pressures that will need to be addressed through service & financial planning in 2021/22 onwards.

They include:

- Making budget provision for future pay and pensions increases
- Budgeting for the costs of approved borrowing to fund planned Capital Programme commitments
- The impacts on available resources of Government funding reductions in 2022/23, including the loss of Negative RSHG Grant, the Fair Funding Review and Business Rates Reset
- Revenue and capital budget growth to deliver priorities in the new Corporate Plan – details to be confirmed during service & financial planning
- The ongoing financial impacts of the COVID-19 pandemic; for example continued reductions in income forecasts.

The service & financial planning process over the summer will focus on quantifying the impacts of these potential pressures as the details are confirmed; also identifying the new sources of income that are to be delivered to help address them. The outcome will be reported in November.

Revenue Budget-Setting Assumptions 2021/22
The following assumptions will be used during service & financial planning over coming months when preparing the draft Budget estimates for 2021/22:

Council Tax	• To increase by the referendum limit – assumed to be £1.99% • Plus an increase due to growth in the taxbase of 1% per annum • The impacts of local discounts, exemptions and the local council tax support scheme will be taken into account when preparing income forecasts.
Government Funding	• Fair Funding Review and loss of Negative RSG Grant delayed to 2022/23

Retained Business Rates Income	• Reset of Business Rates delayed to 2022/23
Fees & Charges	• The Fees & Charges Policy is attached at Appendix 5. For budgeting purposes it is assumed that fees and charges will increase in line with the Policy and that all fees and charged will be reviewed to ensure they comply.
Investment Income and Borrowing	• Investments and borrowing will be forecast in line with forecast balances (reserves) and capital investment plans
Pay Inflation	• An allowance for a pay award will be included in the draft Budget, in addition to forecast contractual pay increases. • This provides the option for pay rises but the specific rate of increase will be subject to established consultation processes.
Employer Pension Costs	• The approach will be consistent with the actions agreed following the latest actuarial review of the Surrey Local Government Pension Fund at 31 March 2019; the outcome has been profiled into the budget for the three years to 2022/23. • The 2019 valuation confirmed that the Fund's total assets, which at 31 March 2019 were valued at £4.483 million, were sufficient to meet 96% of liabilities (ie. the present value of promised retirement benefits) accrued up to that date. The resulting total Fund deficit at the 2019 valuation was £196 million. • Each employer has a contribution requirement set at the valuation, with the aim of achieving full funding within an agreed time horizon and probability measure, as set out in the Fund's Funding Strategy Statement. Individual employers' contributions for April 2020 to March 2023 have been set in accordance with this requirement. • For Reigate & Banstead this is based on a 15% payroll oncost charge plus a £2.2 million lump sum annual deficit payment with the option to pay this in 'Year 1' at a discount. • The next actuarial review will be at 31 March 2022 and any budget implications will be built into budgets for 2023/24 onwards. • National consultation is currently in progress regarding moving to a four-year revaluation cycle going forward.

- For 2020/21 this budget has been updated to reflect the outcome of the 2019 Pension Fund Revaluation and the funding options offered to employers by the Fund.
- As part of budget-setting 2020/21 The approved approach was:
  - To maintain the primary employer contribution rate at 15% of salaries. This has been factored into the 2020/21 base budget.
  - To pay the secondary employer rate as an advance lump sum of £6.204 million in April 2020 funded from the earmarked reserve set aside for this purpose plus a contribution from General Fund Reserves at the beginning of 2020/21. This represents a saving of £0.397 million compared to payment in three annual instalments from 2020/21 to 2023/24.
  - To plan to rebuild the Pensions Reserve ready for the next revaluation in 2022
- Subsequent to budget-setting Surrey Pension Fund confirmed that it is no longer necessary to budget for £0.400 million each year for historic pension costs because they have been taken into account in the 2019 fund revaluation and reflected in updated employer contribution rates for 2020/21 onwards). This budget will therefore be deleted in 2021/22 onwards.

Price Inflation

- The general assumption is that services should first seek to cover price inflation from their existing budgets, unless tied contractually to significant cost increases that warrant additional funding.

Forecast Budget Gap

The forecast budget gap over the next five years is set out below. Further details are provided at Appendix 2

Table 13: MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2020/21 £m	Forecast Budget 2021/22 £m	Forecast Budget 2022/23 £m	Forecast Budget 2023/34 £m	Forecast Budget 2024/25 £m	Forecast Budget 2025/26 £m
FORECAST GAP	**nil**	**1.866**	**3.956**	**4.626**	**5.286**	**5.536**
Annual Increase in Gap	-	1.866	2.090	0.670	0.660	0.250
Gap as % of 2020/21 budget requirement	-	10.1%	21.5%	25.1%	28.7%	30.1%

The key factors that will influence the forecast gap include:

Service Expenditure	• No significant budget pressures have been identified to date but this will be subject to further review as part of the service and financial planning process • Legacy impacts of the COVID-19 pandemic on service income budgets
Central Budgets	• Treasury Management costs will rise significantly over the MTFP period as a consequence of the borrowing requirement to fund the approved Capital programme • A one-off pension budget reduction
Council Tax	• Council tax setting assumptions • Legacy impacts on recovery performance of the COVID-19 pandemic
NNDR	• Removal of Negative RSG Grant and the Business Rates reset • Legacy impacts on recovery performance of the COVID-19 pandemic
Use of Reserves	• Funding for the 2019/20 budget includes drawing £1.256 million from the General Fund Reserve. If equivalent savings, efficiencies or new sources of income are not identified for 2021/22 this requirement to call on Reserves will continue to increase and further reduce available balances. • In previous years the budget outturn position has been a revenue budget underspend of at least £1.0 million. If this were to continue the net impact on reserves would not be significant, however the COVID-19 pandemic means that there is a reduced likelihood of an underspend on this scale in 2020/21.

13. Capital Investment Strategy

The latest Capital Investment Strategy is reported to Executive in July 2020 and sets out a framework for funding and investment decisions in respect of capital assets, in the context of our vision and priorities and available financial resources.

The Capital Investment Strategy demonstrates that we take capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. It sets out the long-term context in which capital expenditure and investment decisions are made, and takes into account to both risk and reward and impact on the achievement of priority outcomes.

When setting its capital programme, each authority must have regard to:

- Service objectives – the capital spending plans should be consistent with the Corporate Plan
- Stewardship of assets – as demonstrated by our asset management planning approach
- The value for money offered by investment plans – as demonstrated by the appraisal of the options
- The prudence and sustainability of investment plans – their implications for external borrowing
- The affordability of capital investment plans – the implications for the council tax; and
- The practicality of capital expenditure plans – whether the forward plan is achievable.

Decisions on the Capital Programme have an impact on the Revenue Budget, in relation to:

- The revenue costs of financing capital, including prudential borrowing; and
- The ongoing running costs and/or income generated by new capital assets such as buildings.

Capital investment decisions therefore have implications for the Revenue Budget. The revenue costs over the lifetime of each proposed capital project are considered when the project is being developed to ensure that the impact can be incorporated within our financial plans and to demonstrate that the capital investment is affordable.

Our revenue and capital budgets are integrated with the financial impact of the proposed Capital Programme, being reflected in the Revenue Budget estimates.

The Council will only invest where capital spending plans are affordable, prudent and sustainable. The key constraint on capital investment is the scope to afford the financial implications in terms of acceptable council tax levels.

As supported by the Capital Investment Strategy, the Council's capital investment plans over the next 5 years are set out in the Capital Programme. The efficient and effective use of capital resources, including sound asset management, is fundamental to achieving our long- and medium-term aims and objectives. It is also critical to achieving the delivery of the required savings and income across the Council to secure a balanced budget.

Medium Term Capital Programme

While Revenue Budget expenditure is concerned with the day-to-day running of services our Capital Programme is concerned with investment in the assets required to deliver services or delivery new income streams. The Medium-Term Capital

Programme sets out how capital resources will be used to achieve our vision and corporate priorities.

The Council must have an affordable Capital Programme; affordability is assessed against business cases taking into account the level of future resources required to support project delivery and ongoing asset maintenance.

The strategic objectives of our Capital Programme can be summarised as follows:

- To maintain a five-year rolling Capital Programme which remains within the approved affordable, sustainable and prudential limits.
- To ensure capital resources are aligned with our strategic vision and corporate priorities by ensuring all schemes are prioritised according to the Council's prioritisation methodology
- To identify opportunities for investment in new schemes that result in capital growth and/or new revenue income streams
- To maximise available resources by actively seeking external funding to support Council priorities and disposing of surplus assets.
- To use internal resources alongside external resources where appropriate to support the Capital Programme and minimise any borrowing costs.

Capital Programme 2020/21 to 2024/25
The Council forecasts its Capital Programme over a 5-year period and the latest position is set out in the report to Executive in January 2020.

Table 14: CAPITAL PROGRAMME 2020/21 to 2024/25	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	
	Projected	**Projected**	**Projected**	**Projected**	**Projected**	**TOTAL**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
ORGANISATION SERVICES:						
Strategic Property	4.385	1.332	1.658	1.374	1.258	**10.007**
IT Services	0.225	0.425	0.375	0.385	0.325	**1.735**
Organisational Development	0.280	0.260	0.260	0.260	0.260	**1.320**
PEOPLE SERVICES:						
Housing	16.990	11.405	11.334	1.334	1.334	**42.400**
Wellbeing & Intervention	0.140	0.040	0.040	0.040	0.040	**0.300**
Community Partnerships	0.030	0.030	0.030	0.030	0.030	**0.150**
PLACE SERVICES:						
Neighbourhood Operations	3.927	2.822	1.202	1.202	1.202	**10.353**
Place Delivery	20.021	24.442	15.100	0.000	0.000	**59.563**
Economic Prosperity	0.100	0.100	0.100	0.100	0.100	**0.500**
CORPORATE:						

Table 14: CAPITAL PROGRAMME 2020/21 to 2024/25	2020/21	2021/22	2022/23	2023/24	2024/25	
	Projected	Projected	Projected	Projected	Projected	TOTAL
	£m	£m	£m	£m	£m	£m
Commercial Investment Strategy	50.000	0.000	0.000	0.000	0.000	**50.000**
TOTAL CAPITAL EXPENDITURE	**96.100**	**40.856**	**30.099**	**4.725**	**4.549**	**176.328**

Capital Programme Funding

Sources of funding for the 2020/21 to 2024/25 Capital Programme are summarised below:

Table 15: CAPITAL PROGRAMME FUNDING 2020/21 to 2024/25	2020/21 Projected £m	2021/22 Projected £m	2022/23 Projected £m	2023/24 Projected £m	2024/25 Projected £m	Total £m
TOTAL CAPITAL EXPENDITURE 2020/21 - 2024/25	**96.100**	**40.855**	**30.099**	**4.725**	**4.549**	**176.328**
FUNDED BY:						
Capital Grants & Contributions	1.843	1.600	1.187	1.187	1.187	7.006
Capital Receipts	8.805	24.488	26.778	0.000	0.000	60.072
Funding equivalent to historic New Homes Bonus allocation - to support implementation of the Housing Delivery Strategy[1]	10.000	7.000	-	-	-	17.000
Prudential Borrowing	75.451	7.767	2.133	3.537	3.361	92.250
TOTAL CAPITAL FUNDING 2020/21 to 2024/25	**96.100**	**40.855**	**30.099**	**4.725**	**4.549**	**176.328**

Sources of funding for the 2020/21 to 2024/25 Capital Programme are explained below:

Table 16: CAPITAL FUNDING	
Capital Reserves	• Previously the Council benefitted from access to significant capital reserves following the sale of its housing stock. Over recent years these reserves have been utilised to invest in the capital programme. The remaining balance was less than £0.700 million at March 2019.

Table 16: CAPITAL FUNDING	
Capital Receipts	• Sale of capital assets results in a capital receipt that can be used to invest in new capital assets or to repay prudential borrowing. • The main source of capital receipts over the duration of this Capital programme relate to delivery of major schemes including Marketfield Way redevelopment, Pitwood Park and the Cromwell Road Housing developments. These capital receipts have been factored into forecast funding requirements.
Capital Grants & Contributions	• Forecasts of the future grant funding allocation for Disabled Facilities works have been updated to reflect forecast allocations. • They also include the Council's share of Section 106 and CIL funding. A review of historic allocations of Section 106 funds to the Capital Programme is planned during year-end closedown for 2019/20 to confirm that the funds allocated reconcile to Planning team records. • Funding equivalent to the historic New Homes Bonus grant allocation is to be allocated to support implementation of the Housing Delivery Strategy
Prudential Borrowing	• The primary source of long-term funding for the Capital Programme is now prudential borrowing, mainly from the Public Works Loans Board (PWLB). • Loans are managed through the approved Treasury Management Strategy and policies. • Interest on borrowing is paid to the PWLB and charged to the annual revenue budget along with the Minimum Revenue Provision that is necessary to set aside funds for eventual repayment of the loan principal. These costs have to be taken into account when setting a balanced Revenue Budget. • There are increasing restrictions on the type of capital expenditure that is eligible for prudential borrowing. Borrowing to fund investment solely for commercial gain is not permitted. <u>Example Investment Returns</u> • Following the significant increase in PWLB borrowing costs, that was announced in October 2019, in order to generate (for example) £2.0 million additional net income to the revenue budget would require borrowing and re-investment in income-generating assets of circa £93.5 million [based on prevailing PWLB rates at the time of preparing this report].
Revenue Budget Contributions	• There is no expectation that significant capital expenditure will be funded from the revenue budget in 2021/22.

Capital Programme – Revenue Budget Implications

As explained above, with the exception of earmarked s106 funds, the Council no longer has significant capital reserves, therefore, while a small number of schemes

will be continued to be funded from capital grants and other contributions, the majority of the approved Capital Programme must be funded through prudential borrowing. The costs of repaying this borrowing fall on the revenue budget as treasury management costs in Central budgets.

Treasury management budgets have been updated to reflect the costs of borrowing for the approved Capital Programme for 2020/21 onwards net of interest on forecast balances. Details are set out in the Treasury Management Strategy for 2020/21 that was approved in April 2020.

14. Treasury Management & The Prudential Code

CIPFA defines treasury management as:
"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management function is to ensure that this cash flow is adequately planned, with cash being available when needed. Surplus monies are invested with low risk counterparties in line with our risk appetite, ensuring adequate security and liquidity before considering investment return.

The second main function of treasury management is funding our Capital Programme. Our capital investment plans provide a guide to borrowing need, essentially for longer-term cash flow planning purposes, to ensure that the Council can meet our capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. We anticipate taking on long-term borrowing for the first time during 2020/21.

The contribution that the treasury management function makes is important, as the balance of debt and investment operations ensure liquidity and/or ability to meet budget commitments as they fall due, both on day-to-day revenue-funded activity and for larger capital projects. The treasury function balances interest costs of debt and investment income arising from cash deposits which in turn affect available resources. Cash balances generally result from our reserves and balances, therefore it is important to ensure adequate security of the sums invested, as a loss of principal will in effect result in a call on the General Fund Balance.

Our company investments are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

The Prudential Code
CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the 'Prudential Code') provides the framework for councils' capital investments. The key feature of the prudential system is that councils should determine the level of their capital

investment – and how much they borrow to finance that investment – based on their own assessment of what they can afford, not just for the current year but also for future years.

The statutory basis for the prudential system is set out in the Local Government Act 2003, which:

- Confirms councils' power to borrow – which in the medium term must only be for capital purposes, while short-term borrowing can be for cash flow purposes
- Makes it clear that, as previously, councils may not mortgage assets
- Places a duty on councils not to exceed their prudential borrowing limits, or any national limits imposed by central government
- Places a duty on councils to determine – and review – their own borrowing limits in accordance with the Prudential Code
- Gives the Government a reserve power to impose borrowing limits that would override councils' own borrowing limits for national economic reasons
- Makes it clear that credit arrangements should be treated as borrowing under the prudential system
- Confirms that councils may invest both for the prudential management of their financial affairs and for purposes relevant to their functions.

Following two consultations intended to take into account the changing landscape for local government following the sustained period of reduced public spending and the developing localism agenda, the Prudential Code was updated in December 2017. One of the main changes was to introduce the requirement to publish a Capital Investment Strategy.

15. Medium Term Financial Plan Risks & Sensitivities

The Council's Strategic Risk Register contains the following risk:

SR2: Financial sustainability

The Council is now operating in a uniquely challenging and uncertain financial context.

- *In the wake of the COVID-19 pandemic and likely recession which will follow, the Council faces a period of unprecedented financial uncertainty.*

- *The ongoing financial settlement with the Government also remains unclear with the Fair Funding Review and Business Rate Reset and Revaluation being delayed.*

- *There most significant risks relate to the extent to which the Government will fund the unplanned expenditure that is being incurred to deliver the Council's COVID-19 responsibilities at the same time as experiencing material reductions in income from fees and charges and local taxes. If this substantial financial burden is not mitigated through direct*

Government support these unplanned financial pressures will have an adverse impact on the Council's capacity to deliver against its Corporate Plan ambitions in future years.

Details of the mitigating actions are set out at Appendix 6.

Operational Risk Register – Budget-Setting

The principles and assumptions contained within this MPFP are aimed at ensuring that the Council is financially sustainable and continues to deliver high quality services.

Individual revenue and capital budget proposals will be subject to risk assessment as part of the service & financial planning process.

The Council, in common with most local authorities, continues to be at risk from a range of financial risks. They include:

Perceived Risk	Impact	Likelihood	Preventative Action
Failure to remain up to date with changes in relevant legislation, regulations and guidance	High	Low	Ensure that all relevant information is taken into account when producing MTFP and budget forecasts.
Changes in legislation affecting the scope of services and the cost of carrying them out	Medium	Medium	Maintain regular contact with Heads of Service regarding developments that have potential financial implications.
Local Government Financial Settlement worse than forecast	High	Medium	Model a range of MTFP and budget scenarios and strategies.
Outdated MTFP assumptions Significant variations due to economic factors	High	Low	Regularly review and update assumptions.
Inaccurate budget assumptions	High	Medium	Regularly review and update assumptions.
Unexpected financial events	High	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Deliverability of new income streams against forecast timescales	High	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Demographic and demand-led pressures	Medium	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.

Perceived Risk	Impact	Likelihood	Preventative Action
Reduction in existing fees & charges income	Medium	Low	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Contract risks e.g. contractor viability, non-delivery	Medium	Low	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks. Maintain regular contact with Heads of Service regarding developments that have potential financial implications.
COVID-19 risks	High	High	Legacy impacts of the pandemic include ongoing cost pressures and income reductions. These are discussed in more detail at Annex 8.

Sensitivity Analysis
A small change in key underlying assumptions can produce a significant change in the budget.

Table 17: SENSITIVITY	Change	Estimated Annual Impact £000
Business Rates Income	+/- 1%	£8
Staff Costs		£285
Non-Pay Costs		£140
Fees & Charges		(£160)
Council Tax/Taxbase		£141

Budget Uncertainties & Risks
While the approved budget for 2020/21 is robust, there remain, a number of uncertainties and risks to be addressed over the medium-term which are set out below.

The Economy:

- There is still uncertainty and a lack of confidence about the future of the economy as consequence of the planned exit from the European Union.
- Preparations for exit continue and may affect investor confidence, whilst the lower value of the Pound may increase inflationary pressures.
- Any future economic slowdown nationally or globally - could result in lower income (through - for example - reduced discretionary spending or lower than anticipated recyclate prices) and increases in demand (benefits and statutory duties such as homelessness).

- Any reduction in the number of employers in the Borough could also have an impact on our retained Business Rates income.

Future Government Funding:

- The outcome of the Fair Funding Review and Business Rates reset along with the end of Negative RSG Grant
- The end of New Homes Bonus payments over the coming years will have an impact on reserves, but no direct budget impact.
- The Homelessness Reduction Act requires Councils to provide more support to homeless people and people at risk of becoming homeless. The Government has committed ring-fenced funding towards this duty but there remains a question mark over the longer term.
- Funding reductions to County Councils are having an impact on boroughs and districts. Significant income streams received from upper-tier councils are being reviewed, with potential ongoing impacts on local residents.

Revenue Budget Savings:

- following the significant budget reductions in recent years, it has become increasingly difficult to generate additional ongoing savings. If the Council is to deliver financial sustainability then we will need to continue our efforts to become a more commercial organisation and fully explore income generating opportunities involving, for example, property investment, partnership working and providing services for other organisations. Government and CIPFA guidance on 'borrowing in advance of need' is likely to limit some of the options that may otherwise have been considered to deliver new commercial income streams.

Corporate Plan 2025:

- The Corporate Plan sets out the Council's vision and objectives over the medium term and will enable it to target its resources in the most efficient and effective way.
- The main challenge, as ever, will be balancing our ambitions as a high performing council with our ability to resource those ambitions. The prioritisation of services like Housing Delivery and Environmental Sustainability will place new demands on existing resources. A combination of careful stewardship and an innovative approach to service delivery will be required to ensure that we achieve our goals.

Budget Risks:

- Given the uncertainty over future economic conditions and the business rates regime, it is prudent to maintain our capacity to protect services from unforeseen financial pressures. Once used, however, it may prove difficult to replenish reserves.

- Despite significant improvements in recent years the Pension Fund remains a risk over the longer term as the future economic downturns may impact on the value of Fund investments and liabilities.

COVID-19 Pandemic

- The potential financial risks and uncertainties arising from the COVID-19 pandemic are set out at Appendix 8. It is likely to be some time before the full impacts are confirmed.

MTFP and Budget Monitoring and Review

The updated MTFP position will be reported as part of the draft Budget report in November.

The processes and procedures relating to the monitoring of the Revenue Budget and Capital Programme are set out in the Council's Financial Procedure Rules.

16. Budget Equalities Impact Assessments

The annual service & financial planning reports include information about the implications of budget proposals. Where new service changes, projects or policies are proposed, equalities impact assessments will be carried out by the responsible officers. Changes that affect Council staff will be discussed directly with individuals affected and with their representatives.

17. Budget Scrutiny

The annual draft budget proposals are considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in December and the conclusions and recommendations of the Panel and the Committee are reported to the Executive for consideration when the final budget proposals are presented to them in January.

18. Consultation

The MTFP is published on the Council's website.

The annual budget proposals are circulated to the business community via the Business e-bulletin (which has in excess of 1,500 recipients).

19. Service & Financial Planning Process and Timetable 2021/22

As explained above, this MTFP represents an overarching view of our finances and looks to anticipate future demands and pressures so that we can take timely decisions to secure financial sustainability.

The MTFP is supported by a number of key documents which contribute to management of the overall financial position. These are:

Revenue Budget Report	Produced on an annual basis – draft in November and final in the following January. It sets out the plan for setting and managing a balanced budget for the following financial year. It is here the detailed decisions on revenue and capital expenditure are presented, including proposed budget savings and growth. The recommended Budget is supported by operational budget detail that forms the basis for in-year budget monitoring and management.
Capital Programme	Sets out capital expenditure plans over the medium term. This is aligned with the Revenue Budget where it results in costs of borrowing and income streams.
Capital Investment Strategy	Updated on an annual basis and sets out the framework for investing in capital assets over the medium term. Objectives: • Ensure capital expenditure contributes to the achievement of the Council's organisational strategy • Set a Capital Programme which is affordable and sustainable • Maximise the use of assets • Provide a clear framework for decision making and prioritisation relating to capital expenditure • Establish a corporate approach to the review of asset utilisation
Treasury Management Investment Strategy.	Sets out the approach to managing the cash available to the Council and how to maximise its value. Also sets out the Council's investment and borrowing arrangements and controls.

Reserves Policy	Sets out the reasons for holding reserves and how they will be used, including financial limits where appropriate. The Policy is attached at Appendix 4.1.
Fees & Charges Policy.	Sets out a corporate view of the fees and charges levied by the Council for consideration each year. The Policy is attached at Appendix 5.
Annual Council Tax Report	Approved by Full Council in February each year

Service & Financial Planning Objectives
The objectives for service & financial planning each year are to:

- Help Members determine budget priorities and their timing
- Forecast the changes in demand for services and match demand with likely resources
- Assess the likely implications of changes in legislation on resources
- Model the future costs of alternative policies; and
- Provide a framework for programming activities by individual services.

Service & Financial Planning Timetable
The timetable for Service & Financial Planning 2021/22 is set out at Appendix 7.

20. CIPFA Financial Management (FM) Code

Local government finance in the UK is governed by primary legislation, regulation and professional standards as supported by statutory provision. The general financial management of a local authority, however, has not until now been supported by a professional code.

The CIPFA FM Code was therefore introduced in October 2019 and will be applicable from 1 April 2020. Work will be undertaken as part of 2020/21 budget-setting to review compliance with the Principles and Standards in the Code and to identify any actions required to address any gaps identified.

CIPFA explain that reasons for introducing the Code include: '… *the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. There is much good practice across the sector, but the failures of a small number threatens stakeholders' confidence in local government as a whole. Most importantly, the*

financial failure of just one local authority is one too many because it brings with it a risk to the services on which local people rely….'.

The Code has several components, comprising:

- An introduction explaining how the FM Code applies, a principles-based approach and how it relates to other statutory and good practice guidance on the subject.
- The CIPFA Statement of Principles of Good Financial Management, the benchmarks against which financial management should be judged. CIPFA's view is that all financial management practices should comply with these principles.
- The FM Code then translates these principles into financial management standards which will have different practical applications according to the circumstances of each authority and their use should therefore reflect this. The principle of proportionality is embedded within the code, reflecting the non-prescriptive approach adopted by CIPFA.

The Principles focus determining whether, in applying standards of financial management, a local authority is financially sustainable. They cover:

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The supporting financial management Standards are summarised in the table below:

Table 18: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	
Section 1: The responsibilities of the chief finance officer and leadership team	
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.
B	The authority complies with the CIPFA *Statement on the Role of the Chief Finance Officer in Local Government.*

Table 18: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	
Section 2: Governance and financial management style	
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).
E	The financial management style of the authority supports financial sustainability.
Section 3: Long to medium-term financial management	
F	The authority has carried out a credible and transparent financial resilience assessment.
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.
Section 4: The annual budget	
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.
J	The authority complies with its statutory obligations in respect of the budget setting process.
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.
Section 5: Stakeholder engagement and business plans	
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.
Section 6: Monitoring financial performance	
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.
Section 7: External financial reporting	
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.

Table 18: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

21. CIPFA Resilience Index

As part of the service and financial planning process officers undertake a financial resilience assessment by that considers principally whether the authority has in place a credible plan and planning process that gives confidence that it can deliver a sustainable budget over the medium term. The scope of this assessment includes:

- the authority's current financial position
- an assessment of its future financial prospects
- the extent to which the authority has embraced the financial resilience factors set out below
- the key financial risks facing the authority, drawing on potential future scenarios including 'best' and 'worst' case scenarios – for the environment in which the authority operates and for the services that it provides
- the use of independent, objective measures wherever possible to assess the risks to the authority's financial resilience and sustainability
- the authority's understanding of the risks associated with all resources used for service delivery, including its workforce, its physical assets, its strategic business partners (including 'group' entities such as its companies), its information technology infrastructure, etc
- the robustness of the plans that the authority has put in place to address these risks
- the capacity and capability of the authority, its leadership team and its officers to manage the authority's finances in a sustainable manner.

The assessment makes reference to the following:

- Medium-Term Financial Plan
- Capital Investment Strategy
- Treasury Management Strategy
- Planned medium-term use of Reserves
- the most recent Budget Report
- approach to the service & financial planning process
- Budget monitoring reports and out-turn reports and Accounts
- Asset Management Plan
- key governance documents, eg annual governance statement, risk register, etc

The Council's position at March 2020 against a range of financial measures compared to similar councils is available online through the CIPFA Financial Resilience Index at https://www.cipfa.org/services/financial-resilience-index/financial-resilience.

Table 19: CIPFA RESILIENCE INDEX INDICATORS	**This Council's Relative Risk Compared to Similar Councils**	**This Council's Prospects over the Medium Term**
Reserves Sustainability – increase in reserves over recent years	Medium	Planned use of previously un-allocated reserves (for example for investment in Housing) means that this position will be harder to maintain
Level of Reserves – compared to the annual revenue budget	Low	
Changes in reserves over recent years	Low	
Interest payable compared to recent budget	Low	Planned growth in the Capital Programme and associated borrowing means that this position will not be maintained.
Gross external debt	Low	
Fees & Charges - as % of service budgets	Higher than Average	Implementation of the new Fees & Charges Policy and planned review should improve the Council's position against this indicator if it results in new and/or increased sources of income.
Ratio of Council tax contribution to revenue budget	Low	Risk may increase if budget increases without the ability to levy a proportionate increase in council tax.
Funding growth - compared to Government baseline	Medium	This risk is expected to increase as Government funding reduces.

22. Conclusion

This MTFP presents a summary of the key financial processes and policies that help us forecast the likely financial position that Council will be facing over coming years.

It is the Council's primary financial planning tool and will form the basis for ongoing discussions throughout service & financial planning for 2021/22.

APPENDICES

1. Revenue Budget 2020/21

2. Medium Term Revenue Budget Forecast 2021/22 to 2025/26

3.1 Capital Programme 2020/21 to 2024/25

4.1 Reserves Policy

4.2 Revenue Reserve Balances at 31 March 2019

5. Fees & Charges Policy

6. Strategic Financial Risks

7. Service & Financial Planning Timetable 2021/22

8. COVID-19 Pandemic – Financial Implications

APPENDIX 1

REVENUE BUDGET 2020/21

REVENUE BUDGET 2020/21	Approved Budget 2020/21 £m
ORGANISATION	
Organisational Development	0.852
Finance	1.123
Projects & Performance	1.859
Legal & Governance (including Assets)	0.232
IT	1.784
PLACE	
Planning	0.755
Economic Prosperity	0.398
Place Delivery	0.275
Neighbourhood Operations	3.110
PEOPLE	
Community Partnerships	1.583
Communications & Customer Contact	0.851
Wellbeing & Intervention	0.443
Housing, Revenues, Benefits & Fraud	1.012
TOTAL NET SERVICE EXPENDITURE	**14.276**
Central Budgets	3.980
Advance Payment of Employer's Pension Contribution	6.204
NET EXPENDITURE 2020/21 including ADVANCE PENSION CONTRIBUTION	**24.460**
Council Tax	(14.100)
National Non-Domestic Rates	(2.900)
New Homes Bonus – 2020/21 allocation from Central Government	(1.789)
8. Net Contribution (to)/from Reserves: • New Homes Bonus – 2020/21 allocation paid into Reserves – (£1.789m) • Use of funds from the General Fund Balance and Pension Reserve to fund the advance Employer's Pension Contribution of £6.204m • Use of funds from the General Fund Balance to support the 2020/21 Revenue Budget £1.256m[1]	(5.671)
NET SOURCES OF INCOME 2020/21	**(24.460)**
BUDGET GAP	**Nil**

NOTE

1. The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2020/21. Over recent years the budget outturn has been an underspend position with no requirement to call on Reserves.

APPENDIX 2

MEDIUM TERM REVENUE BUDGET FORECAST 2021/22 to 2025/26

MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2020/21 £m	Cumulative Impact 2021/22 £m	Cumulative Impact 2022/23 £m	Cumulative Impact 2023/24 £m	Cumulative Impact 2024/25 £m	Cumulative Impact 2025/26 £m
20/21 Budget Requirement	**24.600**					
LESS: one off pension payment in 20/21	(6.200)					
20/21 Adjusted Budget Requirement	**18.400**					
Pressure • Reversal of one-off use of Reserves in 2020/21		1.256	1.256	1.256	1.256	1.256
Pressure • Pay cost inflation/contractual increases		0.710	1.420	2.130	2.840	3.550
Pressure • Additional borrowing costs for previously-approved Capital Programme commitments		0.500	1.000	1.000	1.000	1.000
Pressures • Service budget growth • Investment in new Corporate Plan priorities and COVID-19 Recovery • COVID-19 ongoing impacts on income budgets		*To be confirmed as part of service & financial planning*				
Opportunities • Employer Pension Contribution - one-off reduction in 2021/22		(0.400)	(0.400)	(0.400)	(0.400)	(0.400)
Opportunities • Service efficiencies and other budget savings • Commercial Strategy - new income streams		*To be confirmed as part of service & financial planning*				
Council Tax • Assumed 1.99% pa. increase plus 1.0% taxbase growth		(0.400)	(0.820)	(1.260)	(1.710)	(2.170)
NNDR • Reflects loss of 'Negative RSG' grant in 2021/22 and Business Rates Reset in 2022/23		0.200	1.500	1.900	2.300	2.300
Forecast Gap Compared to 2020/21 Budget	**0.000**	**1.866**	**3.956**	**4.626**	**5.286**	**5.536**
Annual Increase in Gap		1.866	2.090	0.670	0.660	0.250
Gap as % of 2020/21 budget requirement		10.1%	21.5%	25.1%	28.7%	30.1%

APPENDIX 3

CAPITAL PROGRAMME 2020/21 to 2024/25

CAPITAL PROGRAMME 2020 to 2025 - DETAILS						
	2020/21 (Yr 1)	2021/22 (Yr 2)	2022/23 (Yr 3)	2023/24 (Yr 4)	2024/25 (Yr 5)	Total
	£000	£000	£000	£000	£000	£000
ORGANISATION SERVICES						
PROPERTY SERVICES						
Rolling Property Maintenance Programmes:						
Beech House, London Road, Reigate	3,000.0	0.0	0.0	0.0	0.0	**3,000.0**
Forum House, Brighton Road, Redhill	70.0	100.0	100.0	150.0	150.0	**570.0**
Unit 61E, Albert Road North	55.0	11.5	200.0	11.5	11.5	**289.5**
Regent House	25.0	50.0	100.0	90.0	90.0	**355.0**
Linden House , 51b High Street, Reigate	17.3	11.3	28.8	11.5	11.5	**80.3**
Units 1-5 Redhill Distribution Centre. Salfords	40.3	17.3	57.5	17.3	17.3	**149.5**
Crown House	75.0	135.0	75.0	75.0	75.0	**435.0**
Tenanted properties - occupied by third-parties - planned building maintenance	100.0	100.0	100.0	100.0	100.0	**500.0**
Commercial Investment Properties	50.0	76.0	76.0	76.0	76.0	**354.0**
Operational Buildings	115.0	145.0	110.0	95.0	80.0	**545.0**
Priory Park Maintenance	198.0	10.0	10.0	10.0	30.0	**258.0**
Public Conveniences	5.0	4.0	4.0	4.0	20.0	**37.0**
Infrastructure (Walls etc.)	55.0	10.0	60.0	10.0	60.0	**195.0**
Allotments	14.0	12.0	12.0	12.0	22.0	**72.0**
Cemeteries & Chapels	40.0	20.0	20.0	20.0	40.0	**140.0**
Leisure Centres	30.0	30.0	210.0	190.0	30.0	**490.0**
Pavilions	90.0	110.0	50.0	50.0	50.0	**350.0**
Car Parks Capital Works	190.0	195.0	190.0	195.0	170.0	**940.0**
Earlswood Depot/Park Farm Depot	50.0	20.0	20.0	20.0	20.0	**130.0**

CAPITAL PROGRAMME 2020 to 2025 - DETAILS

	2020/21 (Yr 1)	2021/22 (Yr 2)	2022/23 (Yr 3)	2023/24 (Yr 4)	2024/25 (Yr 5)	Total
	£000	£000	£000	£000	£000	£000
Day Centres	75.0	85.0	75.0	67.0	65.0	**367.0**
Harlequin Property Maintenance	40.0	140.0	110.0	120.0	100.0	**510.0**
Building Maintenance – consultancy/capitalised staff costs.	50.0	50.0	50.0	50.0	40.0	**240.0**
	4,384.5	**1,332.0**	**1,658.3**	**1,374.3**	**1,258.3**	**10,007.3**
IT SERVICES						
Rolling Investment Programmes:						
ICT Replacement Programme	225.0	425.0	325.0	325.0	325.0	**1,625.0**
Disaster Recovery Systems Upgrade	0.0	0.0	50.0	0.0	0.0	**50.0**
Replacement Photocopiers/ Printers	0.0	0.0	0.0	60.0	0.0	**60.0**
	225.0	**425.0**	**375.0**	**385.0**	**325.0**	**1,735.0**
ORGANISATIONAL DEVELOPMENT						
Workplace Facilities: Estate/Asset Development	250.0	250.0	250.0	250.0	250.0	**1,250.0**
Workplace Facilities: additional IT requirement for increase in workforce.	30.0	10.0	10.0	10.0	10.0	**70.0**
	280.0	**260.0**	**260.0**	**260.0**	**260.0**	**1,320.0**
COMMERCIAL SERVICES						
COMMERCIAL INVESTMENT						
Commercial Investment	50,000.0	0.0	0.0	0.0	0.0	**50,000.0**

CAPITAL PROGRAMME 2020 to 2025 - DETAILS

	2020/21 (Yr 1)	2021/22 (Yr 2)	2022/23 (Yr 3)	2023/24 (Yr 4)	2024/25 (Yr 5)	Total
	£000	£000	£000	£000	£000	£000
PEOPLE SERVICES						
HOUSING						
Grant-Funded Schemes						
Disabled Facilities Grant	1,134.0	1,134.0	1,134.0	1,134.0	1,134.0	**5,669.8**
Home Improvement Agency (Part Grant Funded)	120.0	120.0	120.0	120.0	120.0	**600.0**
Handy Person Scheme (Housing Assistance Programme)	50.0	50.0	50.0	50.0	50.0	**250.0**
Repossession Prevention Fund	30.0	30.0	30.0	30.0	30.0	**150.0**
Housing Development						
Lee Street Bungalows	234.0	0.0	0.0	0.0	0.0	**234.0**
Cromwell Road Redevelopment	3,680.0	0.0	0.0	0.0	0.0	**3,680.0**
Pitwood Park	1,745.0	71.0	0.0	0.0	0.0	**1,816.0**
Housing Delivery Strategy						
Housing Delivery	10,000.0	10,000.0	10,000.0	0.0	0.0	**30,000.0**
	16,993.0	**11,405.0**	**11,334.0**	**1,334.0**	**1,334.0**	**42,399.8**
WELLBEING & INTERVENTION						
Rolling Maintenance Programmes:						
Harlequin Facilities Maintenance	40.0	40.0	40.0	40.0	40.0	**200.0**
Harlequin - Service Development	100.0	0.0	0.0	0.0	0.0	**100.0**
	140.0	**40.0**	**40.0**	**40.0**	**40.0**	**300.0**
COMMUNITY PARTNERSHIPS						

CAPITAL PROGRAMME 2020 to 2025 - DETAILS

	2020/21 (Yr 1)	2021/22 (Yr 2)	2022/23 (Yr 3)	2023/24 (Yr 4)	2024/25 (Yr 5)	Total
	£000	£000	£000	£000	£000	£000
Rolling Maintenance/Investment Programmes:						
CCTV	30.0	30.0	30.0	30.0	30.0	**150.0**
	30.0	**30.0**	**30.0**	**30.0**	**30.0**	**150.0**
PLACE SERVICES						
PLACE DELIVERY						
Marketfield Way Redevelopment	18,858.6	23,212.0	15,100.0	0.0	0.0	**57,170.6**
Preston Regeneration	362.1	0.0	0.0	0.0	0.0	**362.1**
Horley Public Realm Improvements - Phase 4	100.0	500.0	0.0	0.0	0.0	**600.0**
Merstham Recreation Ground	700.0	700.0	0.0	0.0	0.0	**1,400.0**
Redhill Public Realm Improvements	0.0	30.0	0.0	0.0	0.0	**30.0**
	20,020.7	**24,442.0**	**15,100.0**	**0.0**	**0.0**	**59,562.7**
Economic Prosperity - Vibrant towns & villages	100.0	100.0	100.0	100.0	100.0	**500.0**
TOTAL APPROVED CAPITAL PROGRAMME	**96,100**	**40,855**	**30,099**	**4,725**	**4,549**	**176,328**

APPENDIX 4.1

RESERVES POLICY

Introduction
The establishment, monitoring and review of the levels of reserves and balances are an important element of the Council's financial management systems and financial standing.

The Chief Finance Officer (Section 151 Officer) is required by law to formally report to the Council their opinion on the adequacy of the Council's reserves. Irrespective of this, a well-managed authority is clear about the reserves it needs now and in the future to support its service aspirations, while at the same time delivering value for money within a climate of significant resource pressure and economic/social risk.

This Policy does not cover non-distributable reserves required to support financial accounting transactions e.g. the Revaluation Reserve, Capital Adjustment Account and Pension Reserve. (Non-distributable reserves are those that cannot be used for revenue or capital purposes.)

Reserves can be held for four reasons:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- A contingency to cushion the impact of unexpected events or emergencies.
- A means of building up funds to meet known or predicted liabilities.
- A means of setting aside sums for future identified uses and / or investments

Such reserves are generally referred to as Earmarked Revenue Reserves.

What are Reserves?
There is no clear definition of reserves even though reference is made to reserves in legislation. The Chartered Institute of Public Finance and Accountancy (CIPFA) states 'amounts set aside for purposes falling outside the definition of provisions should be considered as reserves.' Provisions are required for any liabilities of uncertain timing or amount that have been incurred.

Generally there are two types of reserves, those that are available to meet revenue or in some cases capital expenditure (Usable) and those that are not available to finance revenue or capital expenditure (Unusable). Useable reserves result from events that have allowed monies to be set aside, surpluses or decisions causing anticipated expenditure to have been postponed or cancelled. They can be spent or earmarked at the discretion of the Council.

The Council must manage its reserves in accordance with its strategic longer-term planning process.

Policy principles:

- The General Fund Balance will be maintained at a minimum of 15% of the net Revenue Budget to cover any major unforeseen expenditure.
- Earmarked revenue reserves will be maintained for specific purposes that are consistent with achieving Corporate Plan priorities and/or where they are required to account separately for Government funding streams.
- Reserves must only be used to fund one-off expenditure.
- Recurring expenses may only be funded from reserves if plans are in place to fund the ongoing costs and replenish the reserve within 12 months.
- Unplanned revenue income receipts will be held in a reserve pending future decisions as to their use.
- We aim to balance the Revenue Budget over the period of the MTFP without reliance on the use of reserves

July 2020

APPENDIX 4.2

REVENUE RESERVE BALANCES AT 31 MARCH 2020

	Balance at 1.4.20 £m	Purpose
General Fund Balance	**£7.693m**	Acts as a buffer against unpredicted budget pressures. The minimum level required is £2.6m

Earmarked Revenue Reserves	Balance at 1.4.20 £m	Purpose
Housing Delivery Strategy Reserve	18.581	Established as part of budget-setting 2020/21 – to support delivery of the Council's Housing Delivery Strategy. Funded from the equivalent of the balance on previous years' New Homes Bonus grant allocations plus the 2020/21 allocation.
Government Funding Reduction Risks Reserve	3.688	Reviewed as part of budget-setting 2020/21 – earmarked for the purpose of mitigating the planned reduction in Government funding pending delivery of new sustainable income streams.
Commercial Risks & Volatility Reserve	4.000	New reserve created as part of budget-setting 2020/21 - earmarked for the purpose of mitigating the impacts of delays in delivery of new sustainable commercial income streams.
Pension Reserve	1.507	Established to manage increases in employer pension contributions. Previous balance has been used to fund the advance payment of the employer's secondary pension contribution for 2020 to 2023. Reserve to be re-built over the medium term ready for the next Pension Fund revaluation in 2022.
Corporate Plan Delivery Fund (CPDF)	1.000	Provides time-limited funding to deliver key priorities, Corporate Plan objectives and invest–to–save initiatives, including investment in new technology.
Insurance Reserve	0.250	Provides cover against uninsured losses.
New Posts Reserve	0.750	Established to provide initial funding for new permanent posts created during the year to support delivery of new corporate initiatives. Thereafter the intention is to build these posts into the approved budget in the following year.
Homelessness Prevention	0.915	Established to account separately for the funding set aside for homelessness prevention.
Feasibility Studies (Commercial Ventures) Reserve	1.934	Established to ensure that funding is available to prepare business cases and obtain external professional advice for new initiatives designed to deliver new sustainable commercial income streams. To be managed by the Commercial Ventures Sub-Committee.

Earmarked Revenue Reserves	Balance at 1.4.20 £m	Purpose
Feasibility Studies (Infrastructure Initiatives) Reserve	0.250	Established as part of budget-setting 2020/21 – to fund the Council's contribution to councils in Surrey collectively funding the development of infrastructure feasibility studies so that bids can be made for full project funding when bidding rounds become available.
Environmental Sustainability	0.250	Established at the end of 2019/20 to fund Investment in delivery of the Environmental Sustainability Strategy.
Economic Development Initiatives Reserve	0.777	Established as part of budget-setting 2020/21 – to fund initiatives to raise awareness amongst local people of quality local employment opportunities.
Total Earmarked Revenue Reserves:	**£33.902m**[1]	

Total Revenue Reserves:	**£41.595m**

Note1: During April 2020 £6.2m was drawn from Reserves to fund the Employers Pension Contribution for 2020/21 to 2022/23, comprising £1.507m from the Pension Reserve and £4.693m from the General Fund Balance.

APPENDIX 5

FEES & CHARGES POLICY

The Council's Medium-Term Financial Plan (MTFP) sets out our financial objectives to support delivery of the Corporate Plan. These plans remain challenging in the context of an uncertain economic future, on-going austerity measures, significant reductions in funding from Government and the move towards more locally-generated income streams.

In the future we will need to be financially self-sufficient and less reliant on central government funding. Maximising the potential for increased income will be integral to supporting delivery of the MTFP.

Seeking opportunities for income generation is a priority for the Council, alongside broader proposals for the trading and commercialisation of some services.

This Fees & Charges Policy outlines the key principles to be considered in charging for Council services in a transparent and consistent manner.

Scope
This Policy applies to the setting and reviewing of all fees and charges for Council services, where the Council has discretion to apply a charge and discretion over the level of charge applied.

The Policy excludes:

- Charges that are determined by Central Government
- Council Tax
- Business Rates
- Property rents
- Any charges where there are legal or contractual reasons for exclusion
- Any charges levied by Trading Companies or other third parties delivering services on behalf of the Council.

Application
Directorates should refer to this Policy when reviewing current charges or proposing new charges as part of the service & financial planning process for the forthcoming financial year, and for any other in-year consideration of service charging.

Understanding the relationship between cost and charges is vital when determining charges for services and support and advice should be sought from the Finance team when applying this Policy.

Aims and Objectives

The overarching aim of the Policy is to embed a commercial approach to setting fees and charges. An aim of commercialism is to ensure the Council thinks consistently in a business-like manner and clearly articulates the costs and benefits associated with the activities it carries out.

The objectives of the Fees & Charges Policy are:

- To promote efficiency and support the commercialisation of our business in order to support the MTFP and deliver the Corporate Plan
- To minimise the draw on local taxpayers of discretionary services and promote fairness by fostering a culture where discretionary services are supported largely by users rather than the council tax payer
- To set a clear, flexible and equitable framework of standards and procedures for applying charges and fees to relevant Council services for both individuals and organisations. The level of charge will reflect the cost plus a return where this is permissible/appropriate.
- To meet the aim of being 'business like' through service areas understanding and reviewing the costs and charges for their service areas.

Charging and Trading Legislation
The legislation and case law that governs Councils' ability to charge and generate income is complex. Specific powers to charge for services are contained in a variety of local government statutes.

These include:

- Local Authorities (Goods and Services) Act 1970 – introduced powers for councils to enter into agreement with other Local Authorities and public bodies for the supply of goods and services. Any agreement may contain such terms as to payment or otherwise as the parties consider appropriate.
- Local Government Act 2003 – added further opportunities to the above. This act enables council's to trade in activities related to their functions on a commercial basis and make a profit, which may be reinvested in services, through a trading company.
- Localism Act 2011 – the General Power of Competence (GPC) introduced a power to allow councils to do anything that an individual may do. However, for the purposes of charging, this should not exceed the cost of provision of the service in question, as operating for a commercial purpose (i.e. to make a profit) must be done through a trading company.

Standard Charging Principles
Standard principles will be applied to all fees and charges (within the scope of this Policy) set by the Council. Where a service plans deviate from these principles, the basis and reason for variation will be clearly documented and approved in accordance with the Council's Constitution/scheme of delegation.

Services that have discretion over charging are encouraged to operate more commercially in order to maximise efficiency and reduce dependence on corporate funding support. The ability of services to operate in this way is dependent on services being able to set and amend their charges with a level of flexibility, including consideration of current market rates and demand for the service. The Policy will also make decision making simpler and more timely.

This Policy enables us to apply differential charging, discounting and alternative pricing structures in order to maximise commercial benefit and target service take-up. Individual service areas can vary charge rates on a case by case basis, taking into account relevant market rates and the need to maximise income and operate efficiently.

All fees and charges will:

- Demonstrate how they contribute to the achievement of corporate and service objectives
- Maximise potential income, to achieve financial objectives, unless there is an explicit policy decision to subsidise a service
- Be subject to equality impact assessment screening and consultation where appropriate
- Minimise the costs of collection
- As a minimum be increased annually from 1 April each year in line with Consumer Price Index (CPI) inflation increases (rate published for the preceding September each year)
- Be subject to a scheduled review at least every 3-5 years.

Charging Models
When introducing or reviewing a charge the Council will follow one of three models:

Charge	Definition	Application
Full Cost recovery	Full Cost Recovery is defined in this Policy as the Chartered Institute of Public Finance and Accounts' (CIPFA's) 'total cost' model. When charging 'total cost' the Council is aiming to charge the user the full cost to the Council of providing that service. The 'total cost' to the Council is calculated following CIPFA methodology. The cost of the charge will include, in addition to the direct cost of providing the service, costs such as fair and appropriate proportion of the cost of	This is the Council's 'default' charging principle.

Charge	Definition	Application
	premises, central services and other overheads	
Direct Cost Plus	As a minimum the Council would recover the direct cost of providing the service plus wherever possible, a contribution to overheads. The level of overhead contribution is an operational decision, and will be dependent upon the particular circumstances and objectives.	This allows flexible pricing decisions to take account of external market conditions. For instance, there are circumstances where setting changes at a level more than full cost recovery may be appropriate (e.g. when trading with other local authorities or public bodies the Council is not limited in the amounts it can charge). This charging model also allows charges to be set below full cost recovery to achieve a particular objective – for example entering into a new market or attracting new business. However, in line with the Standard Charging Principles, the aim will always be to recover the full cost of a service over time.
Subsidised	A subsidised charge requires the Council to contribute to the direct cost of the service. Where the Council is not covering the direct costs of the service, it will require a contribution from the Council. All subsidies will be subject to the approval of the Executive.	This model provides the Council with the option to provide a service with full or partial subsidy. The level of subsidy will be determined by reference to the nature of the service and the rationale for any subsidy for example: • providing a public good • encouraging service take up • the user group's ability to pay. The financial impact of subsidy decisions on the budget will be identified both individually and collectively, and actively managed and reviewed.

Authority to Set and Vary Charges

The decision on charging levels will be based on the relevant charging method: full cost recovery, direct cost plus or subsidised.

All charging decisions must be made in accordance with the Council's Constitution (Budget and Policy Framework, Scheme of Delegation and Financial Procedure Rules) and be able to demonstrate consistency with our strategic priorities, policies and statutory obligations.

The decision to vary charges for existing chargeable services which are not subsidised is an operational decision, which will be taken by the appropriate Director/Head of Service in consultation with the Chief Finance Officer.

Policy Review
This Policy will be reviewed periodically, taking into account developing Council policies and priorities and any changes in legislation.

July 2020

APPENDIX 6

EXTRACT: STRATEGIC RISK REGISTER
STRATEGIC FINANCIAL RISKS

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
SR2	**Financial sustainability** The Council is now operating in a uniquely challenging and uncertain financial context. In the wake of the COVID-19 pandemic and likely recession which will follow, the Council faces a period of unprecedented financial uncertainty. The ongoing financial settlement with the Government also remains unclear with the Fair Funding Review and Business Rate Reset and Revaluation being delayed. There most significant risks relate to the extent to which the Government will fund the unplanned expenditure that is being incurred to deliver the Council's COVID-19 responsibilities at the same time as experiencing material reductions in income from fees and charges and local taxes. If this substantial financial burden is not mitigated through direct	PM Portfolio Holder: Cllr Schofield	Updated Medium-Term Financial Plan (MTFP) revenue budget forecasts are being prepared to set the scene for service & financial planning 2021/22. These will be used to confirm the extent of the financial challenges faced and support strategic service and financial planning decisions. We will continue to implement the actions detailed in the Capital Investment Strategy that was approved by Executive in January 2020. This too is being updated in Q1 to form the basis for development of the updated Capital Programme. This will help ensure that capital investment decisions support delivery of the Council's strategic and financial objectives.	We will continue to ensure that strong financial management arrangements are in place and continue to invest in skills and expertise to support delivery of the council's financial and commercial objectives while managing associated risks. The Council's Medium-Term Financial Plan was reported to the Executive in January 2020. This sets out the forecast budget challenges over the coming five years. It will form the basis for service & financial planning for 2021/22 onwards. The specific outcomes of the Fair Funding Review and Business Rates Reset remain unknown; however it is expected to result in significantly reduced funding. COVID-19 has resulted in material new financial risks,	**R**			

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
	Government support these unplanned financial pressures will have an adverse impact on the Council's capacity to deliver against its Corporate Plan ambitions in future years.		We prepared the Treasury Management Strategy 2020/21 for approval (under COVID-19 delegation powers) in April 2020. This will ensure that treasury investments achieve target returns within approved security and liquidity limits and that the financial impacts of borrowing requirements are taken into account during budget-setting.	both in 2020/21 and potentially over the medium term. Additional unbudgeted expenditure has been incurred to deliver the authority's response and budgeted sources of income have been impacted by reduced demand during lockdown. Government funding received to date is likely to address a significant proportion of the one-off cost pressures but there remains uncertainty about funding support for lost income from fees & charges and local taxes in 2020/21 as well as about whether income levels will return to pre-COVID levels in the remainder of the year and beyond.				
SR4	**Partner public sector funding decisions** The public sector is experiencing significant funding pressures. Budgetary decisions made by other public service providers will impact this borough's residents and businesses as well as the Council itself. The COVID-19 pandemic has increased pressure on public	PM Portfolio Holder: Cllr Schofield	We will continue to maintain relationships with key partners across the public sector. This supports good information sharing, including future service and financial information	We expect to continue to hold meetings to discuss priorities and funding between the Leader, Executive and key partners such as SCC, Police and Raven Housing Trust. We will seek to align Council and partner priorities around the new Corporate Plan wherever possible, to ensure that all services are meeting	**A**			

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
	services. These pressures will result in reduced partner capacity which may require the Council to increase services and support provided. This could have negative funding and resource implications.			the needs of our residents and businesses. We will seek to understand the funding decisions taken by partners at the earliest opportunity and engage with them to consider the implications and avoid/minimise any negative impact on the borough.				

APPENDIX 7

Service & Financial Planning Timetable 2021/22

Date	Event	Purpose
July 2020	Management Team away day	Consider service position and initial forecasts
	Executive away day	Discuss budget setting priorities and 'direction of travel'
28 July 2020	Executive	Medium Term Financial Plan Update Capital Strategy Update
10 September 2020	Overview and Scrutiny	
September 2020	Management Team away day	Consider draft Budget proposals
October 2020	Executive away day	Agree draft Budget proposals
19 November 2020	Executive	Agree draft Budget
3 December 2020 9 December 2020	Budget Scrutiny Panel Overview and Scrutiny	Review of draft Budget
17 December 2020	Executive	Receive Scrutiny Panel Feedback
28 January 2021	Executive	Final Budget and Council Tax proposals
11 February 2021	Full Council	Approve Budget and Council Tax

APPENDIX 8

COVID-19 Pandemic – Financial Implications

at June 2020

The Revenue Budget for 2020/21 that was approved in February 2020, was agreed before the impacts of the COVID-19 pandemic on the UK became apparent. It does not therefore consider the significant additional financial impacts that are now faced during 2020/21 on service income and expenditure budgets and on Collection Fund income forecasts for council tax and business rates.

Government Funding

The Government originally indicated an intention to fully-compensate councils for the financial impacts of COVID-19, however it remains unclear whether this commitment is just in relation to the additional costs incurred or whether it will also cover loss of income.

To date, relative to the scale of forecast financial impacts, the Council has received fairly limited financial support from Government to offset the impacts on its budget.

Emergency Grant allocation 1 - £42k.

- Equates to 64p per household.

Emergency Grant allocation 2 - £1.481m

- Equates to £22.70 per household.

Emergency Grant allocation 3 - £0.203m

- The Government announced a further round of £500m on 2 July
- Equates to 3.09p per household.

Funding support for Council income losses

- The Government also announced proposals to fund 75% of specified income losses after the first 5% on 2 July.
- This council's share of that funding had not been confirmed at the time of preparing this report

Rough Sleepers accommodation funding - £2k.

- In addition, £40k has been received from Surrey County Council from their Emergency Grant allocation to contribute to the cost of temporary accommodation for rough sleepers.

The total COVID-19 Emergency funding allocated so far to this Council to cover expenditure incurred and lost income is therefore £1.726m. However, as set out below, the forecast costs and loss of income forecast are potentially significantly in excess of the grants awarded to date.

Through the Local Government Association, Surrey Leaders, the Society of District Council Treasurers and the Surrey Treasurers' Association we have continued to make clear to the MHCLG and HM Treasury the scale of the financial impact and the case for additional funding.

While the Government has now published 'Our Plan to Rebuild' it is remains uncertain as to how long the lockdown restrictions are likely to last and when the Recovery phase will end. This means that accurate forecasting of the full financial impacts for this Council is not possible at this time and other updates will be provided through in year financial monitoring reports.

Other COVID-19 Funding
The Council has also received the following funding from Government:

Council Tax Hardship funding - Round 1 - £0.754m

Business Grants funding - Round 1 - £23.m

Business Grants funding – Discretionary Scheme - £1.2m

Business rates – extended retail relief funding - £18.4m

Business rates – nursery/local newspapers relief funding - £0.718m

How they have been utilised is explained in the sections on the Collection Fund and Business Grants below.

Expenditure Pressures
Since the outset of the pandemic the Finance Team has been tracking the financial impacts of the Council's COVID-19 response. New cost codes have been established to identify expenditure and an income and expenditure impacts model has been set up.

These detailed records are being maintained so that the impacts are readily identifiable to facilitate reimbursement wherever possible either from the Government or from Surrey County Council. For example, the costs incurred when providing support to residents in Category A (shielded) which is the responsibility of the County Council.

To date the financial impacts have been modelled based on lockdown restrictions lasting for four months from April to July 2020 in line with the parameters specified in the MHCLG's monthly COVID-19 financial impacts monitoring return. These assumptions are subject to regular review. The next return to MHCLG was due to be submitted on 31 July. The figures quoted in this report for cost and income pressures are based on actual figures and forecast at the time of preparing the 19 June MHCLG return.

The forecast additional expenditure for April to July 2020 is summarised in the table below which follows the categories specified by MHCLG for the monthly financial data return:

Table 8.1: MHCLG Expenditure Category	Full Year £M	Type of Expenditure Incurred

Table 8.1: MHCLG Expenditure Category	Full Year £M	Type of Expenditure Incurred
Housing Rough Sleepers	0.179	Temporary accommodation for Rough Sleepers and additional demand for B&B accommodation
Environment & regulatory – waste Management	0.031	Garden Waste changes – admin costs Vehicle Hire – cemetery
Finance & Corporate	0.026	Staff remote working – IT systems and support
Finance & Corporate	0.063	Staff and Volunteer Training and Professional Support
Other - PPE (non-Adult Social Care) April 2020	0.088	Purchase of PPE for staff and volunteers
Other	1.004	Publicity materials – e.g. social distancing banners Support for Shielded Residents – including welfare calls, visits, foodbank and meals Support for Leisure Services provision Funding support - Voluntary Sector contributions
Total	**1.391**	

Income Reduction Pressures

In addition to incurring additional expenditure, the Council is also impacted by a significant reduction in budgeted income streams.

Overall, COVID-19 financial impacts are forecast to be more significant for the Council's income budgets compared to the additional expenditure incurred. This is in line with other district and borough councils, which tend to rely on fees and charges income as a greater portion of their budget.

Table 8.2: MHCLG Income Category	Full Year £M	Type of Income Loss
Cultural & Related SFC losses	0.659	Harlequin – income reduction Leisure Services Provider - reduced Management Fee
Planning & Development	0.329	Reduction in Planning Fee income
Other Sales, Fees & Charges income losses	1.883	Reduction in Car Parking income
Commercial Income losses	0.263	Commercial Rents – income reduction (including Redhill Market)
Other income losses	0.477	Garden Waste - income reduction
Other SFC income losses	0.171	Reduction in Rev and Bens Income from 3rd Party Clients
Total	**3.782**	

The main areas impacted include:

- Car parks usage and income from season tickets has fallen significantly following closure of council car parks on 30 March and the announcement that councils were required to make parking free for key workers. Income from Pay and Display until the end of July is forecast to reduce by £490k compared to budget. whilst the bulk of expenditure associated with car parks, such as business rates and insurance, will still be incurred. The Council's policy with regard to residents who have paid for annual parking permits has been reviewed and an extension has been agreed, reducing forecast income by £200k. A further impact is the reduction on forecast parking ticket revenue: the predicted loss of income until the end of July is £36k

- It is anticipated that across a range of other services including Planning, Building Control, Local Land Charges and Redhill Market income will fall significantly below budget in 2020/21 and there has been a temporary waiver of the monthly management fee received from the Leisure services provider - £88k.

- The increased risk to recovery of commercial rental income is estimated to be £116k

- The Revenues, Benefits and Fraud team are forecasting a reduction in recovery costs of £127k while magistrates courts are closed. Their income from contracted work for other councils has also reduced due to decisions by client authorities to pause recovery action.

- Pausing the garden waste collection service from March to June 2020 has resulted in a £470k reduction in income.

It is important to note that the Council's income budgets are not all based on an assumption of a 100% collection rate. Where appropriate, a level of arrears is assumed and a provision is made for bad debts. It is currently too early in the financial year and the pandemic to forecast whether the existing bad debt provisions will be sufficient to address all non-recovery as a consequence of COVID-19. An increase in the provision would require a call on revenue Reserves.

Property Rental Income

The Council has actively engaged with its tenants to support the transition back to normal trading and where appropriate has had discussions on repayment plans for the March and June quarters over the next 12 months.

Table 8.3: Commercial Rental Income - Forecast by Business Type at June 2020

Business Type	No. of Tenants	Budget	Forecast	Shortfall
Hotel	1	0.317	0	(0.317)
Catering	11	0.214	0.214	-
Retail	2	0.245	0.245	-
Industrial	7	0.861	0.861	-

Table 8.3: Commercial Rental Income - Forecast by Business Type at June 2020				
Other Commercial	3	0.039	0.039	-
Leisure	2	0.139	0.139	-
Nursery	2	0.030	0.030	-
Third Sector	5	0.052	0.028	(0.024)
TOTAL	**33**	**1.897**	**1.556**	**(0.340)**

The effect of COVID-19 will become clearer at the June quarter-end where we should be in a better position to understand the transition back to 'normal' trading and assess public confidence as the easement of the lockdown progresses. This in turn will ultimately influence decision-making process on how we support our commercial tenants and confirm the financial impact this may have.

The most significant risk relates to Travelodge which has applied for a Company Voluntary Arrangement (CVA), a legally binding agreement with the company's creditors to allow a proportion of the debts to be paid back over time, and some to be written off, typically lasting between two and five years. The creditors of Travelodge including the Council are opposing the application. If it is successful it could result in a shortfall in the region of £0.317m.

The forecast shortfall of £24k for the Third Sector relates to a combination of two Charity Properties where rent free periods have been agreed until the re-opening of the centres.

Capital Programme Impacts

The Capital Programme 2020/21 to 2024/25 was approved in February 2020. Work is in progress to review the detailed impacts of the pandemic on individual schemes but to date no material changes to forecast expenditure or capital receipts have been identified. The main impacts are likely to be in terms of the timing of expenditure and income as some delays (slippage) may arise. The latest forecasts will be reported as part of the regular capital programme monitoring reports and where necessary reports will be presented on specific schemes if any significant impacts are identified.

In June all authorities received a letter from the Secretary of State on local growth programmes and potential funding. It stated that the Government is keen to explore how the acceleration of central government funding could be used to support the delivery of capital projects in order to stimulate the economy. LEPs are being encouraged to share their ideas with MHCLG, alongside any '*exceptional, additional shovel-ready capital projects*' which can be delivered within 18 months, meet value for money standards and deliver on two overarching objectives: driving up economic growth & jobs and supporting green recovery. This could include projects around town and city centre modernisation, investment in innovation and improvements to digital connectivity. Deadline for submissions was 18 June. At the time of preparing this report the LEP had indicated that funding would be made available to support delivery of the Marketfield Way development.

COVID-19 Pandemic: Summary Financial Implications

Overall the pandemic represents a material financial risk to the Council's budget and financial position. The information presented in this report represents the forecast at

May 2020 based on the impacts during the first four months of 2020/21 and is likely to increase as more information becomes available. The financial impacts of a deficit on the Collection Fund (further details below) will add to these pressures.

The current estimate of the net adverse financial impact in 2020/21 is at least £1.0m after taking account of COVID-19 grant funding. In principle this can be funded through the Headroom Contingency sum that is included in the 2020/21 budget, however that would leave no remaining capacity to address other in- year budget risks without having to call on the Council's Reserves.

The Net Budget requirement for 2020/21 is £18.26m. As a percentage of the net budget requirement therefore, the potential combined loss of income and additional costs could be more than 5.5%.

An alternative measure (to allow comparison with other councils) is to calculate the impacts in relation to the Council's 'Core Spending Power', the Government's standard measure which takes into account the authority's annual local government settlement funding assessment, forecast council tax income and its new homes bonus allocation. This Council's core spending power for 2020/21 is £18.43m therefore the impact of the COVID-19 pandemic ranges is 5.4% of its Core Spending Power.

Options for Mitigation of The Financial Impacts

The main options for mitigating the financial impacts of COVID-19 include:

- Continue to lobby Central Government for additional funding in recognition of the impacts on district Councils and their ability to deliver services. The Council is actively working with other councils and networks on this.

- Look to make offsetting savings and efficiencies where possible before calling on the Headroom Contingency Budget of £1.0m that is built into the 2020/21 Revenue Budget. This in turn would require a call on the General Fund Balance to release the resources to do so.

- Make use of Earmarked Revenue Reserves to close the gap. This has implications for the projects and services that were intended to be funded from these resources.

- Potentially apply capitalisation to some of the costs and financial impacts to enable the Council to borrow and fund them on a long-term basis. Local authorities are lobbying for greater flexibility from Government in this area. This may include using capitalisation flexibilities to cover costs from forecast future capital receipts and this may include making targeted asset sales to support this.

Further updates on the forecast costs and income and how they might be funded will be included in the Quarterly budget monitoring reports and the draft 2020/21 budget report.

Longer-Term Outlook

The preceding sections have focused on the short-term financial impacts for the Council in 2020/21. Of potentially greater concern is the impact of the projected economic downturn on public expenditure and local government finances and what that means for public sector funding over the longer term. UK public debt at the end of May 2020 was £1,950.1 billion, an increase of £173.2 billion (20.5%) compared with May 2019, the largest year-on-year increase in debt as a percentage of GDP on record (monthly records began in March 1993).

Once the immediate crisis is over and lockdowns have ended, the IMF have indicated that governments will have to raise taxes and put the brakes on public spending to bring their books closer to balance.

This need to bring down public debt is going to come into play alongside an economic contraction unprecedented in modern times. This will not only place additional pressure on Government funding but is also likely to have considerable impact on the Council's ability to raise additional income.

In recent years, local government has been increasingly relying on business rates as a source of income, which will in future years be less buoyant. In addition to the medium-term impact of the economic effects of COVID-19, in January 2021 the UK's transition period with the EU comes to an end, and it is not yet clear what the nature of the final exit agreement will be and what impact that will have on the economy.

In the labour market it is estimated 8.7 m people are furloughed and classed as economically inactive. It is uncertain how the long-term effects on unemployment rates will work through the economy, however the Bank of England expected unemployment to double by the end of June to 9%. The latter figure may increase as the payments from Government are reduced from 80% to 70% in September and 60% in October. The scheme closed to all new entrants from 10 June. Any increase in unemployment and / or furloughing of employees will also affect the sums the Council has to pay in Council Tax support, the amount collected in Council Tax and may have further knock-on effects to the business rates base and income from all sources – including car parking, planning and commercial rents.

Collection Fund Impacts

The in-year cash flow impact of business rate and council tax income shortfalls will be accounted for through the Collection Fund and eventually impact on the budgets of all precepting authorities (the County Council, the Police & Crime Commissioner, town and parish councils and the Government), as well as this Council.

The latest forecast for Collection Fund impacts were set out in the June financial return to MHCLG

Table 8.4: Forecast Collection Fund Impacts	**Forecast Total Impact**
MHCLG Category:	**£m**
Business Rates Losses- COVID-19 (after reliefs)	3.400
Council Tax receipt losses	6.200

Collection Fund Losses	9.600
Total	**9.600**

The precepting authorities have a legal right to expect the billing authority to pay over their full precept when it becomes due, regardless of actual collection rate performance or take-up of Council tax support.

In response to COVID-19 the Government has rescheduled the dates when its 2020/21 share of business rates income from the Collection Fund is payable to help ease the initial cashflow impacts on billing authorities. This means that we can defer the payments which were due to have been paid over in April, May and June by six months.

Council Tax Collection
The two main risks to council tax income are:

- An increase in households claiming council tax support

  At the time of preparing this report the number of working age support claimants has increased from 2,442 to 2,667 (3.83%). Pensioner claimants are broadly the same

- If the collection rate falls below 99% due to non-payment.

  At 14 July the impacts on recovery were as follows:
  - 2019/20 debt: at end of June 2020 was 29.28%, monthly target 29.80%.
  - 2020/21 debt: at end of June 2020 was 28.43%, down by 0.85% or £1.05m.
  - 2,142 payers have requested to defer payments – representing 3.47% of households
  - 73% of households pay by direct debit. Reminders will be issued from June to non-payers. 142 DDs were returned as unpaid on 1 July 2020, compared to 174 on 1 June 2019.

The full picture will take some time to confirm however it is forecast that. Despite current string performance, the council tax Collection Fund will be in a deficit position by year-end 2020/21 as households and businesses find it increasingly difficult to pay as the recession deepens and Government support reduces. This deficit will have to be recovered from the precepting authorities. On 2 July the Government announced that 2020/21 Collection Fund losses may be recovered over three years rather than one; the details of how this will be implemented have not yet been confirmed.

A further risk to this Council, as the billing authority, is the Collection Fund cash flow risk; if council tax support takes up increases and collection rates fall, then the sums paid to the Government and precepting authorities would be higher than the cash collected. The Government has provided some support by rescheduling the dates when its 2020/21 share of business rates income from the Collection Fund is payable

to help ease the initial cashflow impacts on billing authorities however the precepting authorities have confirmed that they expect sums due (based on the original forecasts) to be paid on time and in full.

Local Council Tax Support Scheme (LCTS)
The Government has allocated a hardship fund for those households that are struggling financially as a result of COVID-19 and this Council has been allocated additional funding of £0.754m. Those households that are already on LCTS but still pay a contribution towards their Council Tax are being credited with an additional £150 of support. These LCTS credits were processed in April and revised bills are being sent to individual households reflecting the lower amounts due.

In addition, Government funding has also been provided to make short term discretionary payments to those that are affected by the LCTS and are struggling financially. This funding is being distributed on a case by case basis as people contact the Council to discuss their situation.

Business Rates
Business rates are collected by this council with the majority of income received being paid over to the Government along with a share to the County Council.

In May 2020 the Government extended 100% rate relief to all businesses in the leisure and hospitality sector, regardless of size. This has reduced the sums to be collected during 2020/21 from £54m to £36m.

- The majority of businesses have now received the 100% Expanded Retail, for retail, hospitality and leisure, which totals £18,701,391 (974 businesses) .
- Nurseries have now received relief which totals £659,152 (24 nurseries).

The details on how local authorities are to be compensated for this income reduction are still to be confirmed by Government, but at this stage it is expected that the Government will reimburse the 19.4 million reduction in full.

It is currently unclear how businesses will clear any arrears of business rates due, but it is currently assumed that cash collected will fall and arrears will increase. An assessment will therefore need to be made about the provision for bad debt which may arise in 2020/21 and beyond and any changes to the appeals provision going back to 2010 in some cases. This will influence the level of income to the General Fund in 2020/21 to 2022/23.

To help mitigate this type of risk the council has already established a ‘Government Funding Reduction Risks‘ reserve which currently has a balance of £3.4m (Appendix 4.2). In principle this Reserve is available to help offset fluctuations to income paid from the Collection Fund to the General Fund as well as the impacts of other funding changes including ‘Negative RSG’, the Business Rates reset and the planned Fair Funding Review. However, the scale of COVID-19 risks was not taken into account when the Reserve was created and it will be necessary to review its adequacy as part of the next Medium-Term Financial Plan review.

Surrey Chief Finance Officers are also discussing options to manage this cashflow impact using a collective cashflow support arrangement. Local government finance

consultants have been commissioned to provide analyses of the risks to Surrey councils of reductions in business rates income and have modelled a range of scenarios.

Unlike Council Tax where all income losses relating to the borough's income share fall on this council, as part of the local government funding system, the Government sets a 'floor' below which an authority's business rates income will not drop as a result of a national 'safety net' mechanism.

NNDR Recovery
At 6 July the impacts on recovery were as follows:

- 2019/20 debt: at the end of June 2020 collection performance was 31.76% recovered compared to a monthly target of 32.00%
- 2020/21 debt: at end of June 2020 collection performance was 33.07%, up by 1.31% compared to June 2019.

Cash Management.
At the end of May 2020, unlike some authorities which are facing a severe cashflow crisis, this Council remains in a good position to fund service provision without resorting to short-term borrowing.

Business Support Grants
In April 2020 the Government paid £23.8 million to the Council to administer the business support grant scheme. To date over £22.05 million has been paid to local businesses. This first round of grants was only available to companies on the rating list at mid-March 2020.

The Government subsequently announced an extension to the scheme for those businesses who may pay rent to a landlord, which includes rent and a contribution to rates. For that reason, they would not appear on the rating list. These businesses include:

- Businesses in shared office premises
- Permanent market traders with fixed asset costs
- Charities in small properties
- Bed and breakfast businesses that pay council tax

Funding of £1.156 million was made available for these grants and at 14 July £0.733 million had been paid out.

Other COVID-19 Financial Implications
On 28 April the Government announced that implementation of the Fair Funding Review and the move to 75% Business Rates Retention planned for 2021/22 has been deferred for at least a year. Both changes had been identified in the Council's MTFP as potentially adding to the authority's budget pressures in future years.

Clarification is outstanding regarding whether this means the loss of Negative Revenue Support Grant (worth £1.5m for this Council) is also being pushed back a

year; this will probably only become clear when the outcome of the Spending Review 2020 is announced in the Autumn.

GLOSSARY OF TERMS

Actuarial Valuation
An independent report of the financial position of the Surrey Local Government Pension Fund carried out by an actuary every three years. The actuary reviews the pension fund assets and liabilities as at the date of the valuation and makes recommendations such as, employer's contribution rates and deficit recovery period, to the Council.

Baseline Funding Level
The amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate at the outset of the scheme as forecast by the Government. It forms the baseline against which tariffs and top- ups are calculated.

Billing Authority
Reigate & Banstead Council is the Billing Authority with responsibility for calculating the amount to be raised through the council tax in this borough after taking into account the precepts levied by the major precepting authorities.

Budget Requirement
The Council's Revenue Budget after deducting funding streams such as fees and charges and any funding from reserves (excludes council tax and business rates income).

Capital Expenditure
Spend on assets that have a lasting value, for example, commercial investments including land and buildings and large items of equipment such as vehicles. This can also include indirect expenditure in the form of grants or loans to other persons or bodies.

Capital Programme
The Council's plan for future spending on capital projects such as buying land, buildings, vehicles and equipment.

Capital Receipts
Proceeds from the disposal of land or other assets and can be used to finance new capital expenditure; but cannot be used to finance revenue expenditure.

Capping
This is the power under which the Government may limit the maximum level of local authority spending or increases in the level of spending year on year, which it considers excessive. It is a tool used by the Government to restrain increases in council tax.

CIPFA
The Chartered Institute of Public Finance and Accountancy is one of the UK accountancy institutes. Uniquely, CIPFA specialises in the public sector. Consequently, CIPFA holds the responsibility for setting accounting standards for local government.

Collection Fund
A statutory account maintained by the Council recording the amounts collected from council tax and business rates and from which it pays precepts to Surrey County Council, the Police & Crime Commissioner, Towns, Parishes and the Ministry for Housing, Communities and Local Government for business rates.

Collection Fund Surplus (or Deficit)
If the Council collects more or less than it expected at the start of the financial year, the surplus or deficit is shared with the major precepting authorities, Surrey County Council and the Police & Crime Commissioner, in proportion to the respective council taxes. These surpluses or deficits have to be returned to the council taxpayer in the following year through lower or higher council taxes. If, for example, the number of properties or the allowance for discounts, exemptions or appeals vary from those used in the council tax base, a surplus or deficit will arise. From 2013/14 onwards the collection fund has included business rates income. The business rates surplus or deficit is shared with the Ministry for Housing, Communities and Local Government.

Headroom Contingency
This is money held centrally in the base budget to meet the cost of unbudgeted items of expenditure.

Council Tax Base
The council tax base for a Council is used in the calculation of council tax and is equal to the number of Band D equivalent properties. To calculate this, we count the number of properties in each band and work out an equivalent number of Band D equivalent properties. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992. They are: A 6/9, B 7/9, C 8/9, D 9/9, E 11/9, F 13/9, G 15/9 and H 18/9, so that Band A is six ninths of the 'standard' Band D, and so on.

The Council Tax Calculation
The formal calculation of council tax as presented in the Council Tax Resolution to Full Council in February each year.

CPI and RPI
The main inflation rate used in the UK is the CPI (Consumer Price Index); the Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is currently set at 2%. The CPI differs from the RPI (Retail Price Index) in that CPI excludes housing costs. Also used is RPIX, which is a variation on RPI, which excludes mortgage interest payments.

Earmarked Revenue Reserves
These balances are not a general resource but earmarked by the Council for specific purposes.

Financial Procedure Rules
These are a written code of procedures in the Council's Constitution, which provide a framework for the proper financial management of the authority. They cover rules for accounting and audit procedures, and set out administrative controls over the authorisation of payments, etc.

Financial Year
The local authority financial year commences on 1 April and finishes on the following 31 March.

General Fund
This is the main revenue fund of the local authority; day-to-day revenue budget spending on services is met from this fund.

General Fund Balance
This is the main unallocated reserve that is held to meet any unforeseen budget pressures.

Gross Domestic Product (GDP)
GDP is defined as the value of all goods and services produced within the UK economy.

Gross Expenditure
The total cost of providing Council services, before deducting income from Government or fees and charges for services.

Housing Benefit Subsidy
Local authorities determine and pay applications for housing benefit in accordance with the national scheme and receive a Subsidy grant from Government to fund the costs. The Government is moving to a national scheme of universal credit which includes an element of housing benefit.

Individual Authority Business Rates Baseline
This is derived by apportioning the billing authority business rates baseline between billing and major precepting authorities on the basis of major precepting authority shares.

'Local Share'
From April 2013, local councils have been allowed to keep a proportion of the business rates they collect from businesses in their area. In most areas, half of business rates will have to be paid over to central government (the 50% scheme), with some piloting 100% business rates retention. Billing

authorities continue to collect all of the business rates in their area on behalf of the major precepting authorities and central government. Reigate & Banstead's share of the 50% retained is 40%.

Net Expenditure
This is gross expenditure less service income, but before deduction of government grant.

National Non-Domestic Rates
Also known as 'Business Rates', National Non-Domestic Rates are collected by billing authorities including Reigate & Banstead and, up until 31 March 2013 were all paid into a central national pool, then redistributed to authorities according to resident population. From 2013/14 local authorities have retained a 'Local Share', see above, the aim of which is to provide an incentive for councils to help local businesses set up and grow.

New Homes Bonus
Under this scheme councils receive a New Homes Bonus per each new property built in the borough for the first four years following completion. Payments are based on match-funding the council tax raised on each property with an additional amount for affordable homes. It is paid in the form of an un-ring-fenced grant. Since 2017/18 the scheme excludes the first 0.4% of growth to 'sharpen the incentive'.

Prudential Borrowing
Set of rules governing local authority borrowing for funding capital projects under a professional code of practice developed by CIPFA to ensure that capital investment plans are affordable, prudent and sustainable. Local authorities generally borrow from the National Loans Fund via the Public Works Loan Board (PWLB), a statutory body operating within the UK Debt Management Office, an executive agency of the Treasury.

Reserves
We set aside resources to provide protection against difficult economic times. The level of reserves helps ensure a relatively secure financial base. It is important to carry out regular reviews to ensure an appropriate balance between securing the future financial position of the Council and investing in current delivery of services.

Revenue Expenditure
The day-to-day running cost of services provided by Council.

Safety Net
In order to prevent local authorities having to drastically cut services as a result of a significant fall in business rate income and to provide some protection against major economic shocks, the government introduced a safety net mechanism to ensure that no local authority will experience a fall in business rate income of more than 7.5% in any one year under the 50% scheme. This safety net is paid for by a Levy on what the government deems to be 'excessive growth'.

Section 151 Officer
Legally councils must appoint under section 151 of the Local Government Act 1972 a named Chief Finance Officer to provide professional financial advice. In Reigate & Banstead this is the post of Head of Finance.

Service & Financial Planning
The annual process for reviewing service priorities and preparing budget forecasts.

Settlement Funding Assessment (SFA)
A local authority's share of the local government spending control total which comprises its baseline funding level (in 2013/14 this was called the 'start-up funding allocation').

Specific Grants
As the name suggests, funding through a specific grant is provided for a specific purpose and cannot be spent on anything else e.g. Homelessness Prevention.

Spending Review

The Spending Review is an internal Government process through which the Treasury negotiates budgets for each Government department. The 2015 Spending Review set Government spending for the four financial years up to 2020/21. Spending Review20 is expected this year ready for implementation in 2021.

Tariffs and Top-Ups
Because the amount of business rates an individual authority is able to collect will vary enormously depending upon location and the characteristics of the authority, the government introduced a system of top-ups and tariffs to redistribute business rates around the country. Local councils with a relatively high level of business rates pay a tariff into a national pot which is used to pay top-ups to those local authorities with relatively low levels of business rates. Reigate & Banstead is a 'tariff' authority.

Treasury Management
The process of managing cash flows, borrowing and cash investments to support our finances. Details are set out in the Treasury Management Strategy which is approved by Executive and Full Council each year.

Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

SIGNED OFF BY	Interim Head of Finance
AUTHOR	Pat Main, Interim Head of Finance and Assets
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TO	Executive Overview & Scrutiny
DATE	Tuesday 28 July 2020 Thursday, 10 September 2020
EXECUTIVE MEMBER	Councillor Tony Schofield, Portfolio Holder for Finance

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT:	**CAPITAL INVESTMENT STRATEGY 2021/22**

RECOMMENDATIONS:

(i) That the Capital Investment Strategy be adopted as the framework for the capital programme elements of service and financial planning for 2021/22 onwards.

REASONS FOR RECOMMENDATIONS:

The Council is required to set a budget by 11 March each year. This report and the associated documents will support this obligation for 2021/22.

EXECUTIVE SUMMARY:

This Strategy sets out the approach to capital investment. It forms a key part of the Council's governance arrangements and provides a mechanism by which investment and financing plans can be prioritised, ensuring that capital decisions take account of stewardship, value for money, prudence, sustainability, affordability and risks.

Executive has authority to approve the above recommendation.

STATUTORY POWERS

1. The Council operates its capital investment activity as an integral part of its statutory obligation to effectively manage the Council's finances under the *Local Government Act 2003* and associated regulations.
2. Investments are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities, and the Government's Investment Regulations.

BACKGROUND

3. The Capital Investment Strategy for 2020/21 was approved by Executive in January and Council in February 2020. This was a new report in line with updated guidance, providing a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services.

4. This latest Capital Investment Strategy (the 'Strategy') reflects the outcome of further work to develop our approach in this area over recent months in anticipation of service and financial planning for 2021/22.

KEY INFORMATION

5. The purpose of the Strategy is to:
   - Demonstrate how the Council's capital expenditure plans contribute to the achievement of corporate priorities
   - Confirm how the Council will ensure that the Capital Programme is affordable and sustainable
   - Describe the framework for decision-making and prioritisation relating to capital expenditure
   - Set out the approach to evaluating and monitoring asset utilisation

   It is intended to be read in combination with the Treasury Management Strategy 2020/21 that was approved in April 2020 under delegated authority by the Chief Executive in consultation with the Leader, Portfolio Holder for Finance and Chair of Overview & Scrutiny (under COVID-19 emergency decision making powers).

6. The Strategy covers:
   - How the Council's capital investment plans will support delivery of corporate priorities and key strategies – including the Corporate Plan and Housing Delivery Strategy
   - How capital investment options are evaluated – to demonstrate effective governance, robust decision-making and compliance with new regulations and guidance
   - How the Council plans to achieve a balance between capital investment to support service delivery and investments that deliver a financial return to support the budget

- How the capital programme will be funded and how the Council will ensure it is affordable over the medium term
- How capital investment risks are managed

7. The Strategy is reviewed on an annual basis as part of service and financial planning.

Guidance

8. The requirement to prepare a Capital Investment Strategy was introduced as a consequence of revisions of the Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance, MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

OPTIONS

9. The Executive can accept, amend or reject any or all of the Capital Strategy and request that other factors are taken into account when preparing 2021/22 budgets.

LEGAL IMPLICATIONS

10. There are no direct legal implications arising from this report.

FINANCIAL IMPLICATIONS

11. The financial impacts of the Capital Investment Strategy will be reflected in the Council's 2021/22 Budget proposals. There are no additional direct financial implications that arise from this report.

12. The Chief Finance Officer confirmed in the 2020/21 budget report that they were satisfied that the proposed Capital Programme is prudent, affordable and sustainable.

EQUALITIES IMPLICATIONS

13. There are no equality implications arising directly from this report. An equalities impact assessment will be prepared as part of the Service and Financial Planning report to Executive in November when the full implications of all budget proposals, including any arising from the Capital Investment Strategy and Capital Programme, can be assessed.

COMMUNICATION IMPLICATIONS

14. There are no communication implications arising from this report. A copy of the Strategy will be published on the Council's website.

RISK MANAGEMENT CONSIDERATIONS

15. These are detailed in Annex 1

OTHER IMPLICATIONS

16. There are no other implications arising from this report

CONSULTATION

17. There are no communication implications arising from this report. Budget proposals arising from service & financial planning for 2021/22 will follow established consultation procedures.

POLICY FRAMEWORK

18. The recommendations in this report are a key decision because they form part of the annual service and financial planning process that lead to recommendation of the annual budget and council tax to full Council.

Background Papers:

- Budget 2020/21 & Capital Programme 2020 to 2025, *report to Executive, 24 January 2020*
- Treasury Management Strategy 2020/21, approved under delegated authority (COVID-19 emergency decision-making arrangements), April 2020
- Medium Term Financial Plan 2021/22 to 2025/26, *report to Executive 28 July 2020*

ANNEX 1

CAPITAL INVESTMENT STRATEGY SUMMARY
2021/22 to 2025/26
JULY 2020

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APPENDICES

1. Introduction

Capital expenditure mainly relates to buying, constructing or improving physical assets such as buildings, land and vehicles, plant and machinery. It may also include grants and loans made to private or public sector organisation for capital purposes. In order to count as capital expenditure assets must have a life of more than one year.

All capital expenditure must be financed, either from external sources (grants and other contributions), from the Council's own resources (revenue, reserves and capital receipts) or through debt (borrowing or leasing).

The CIPFA Prudential Code for Capital Finance in Local Authorities ('the Code') was updated in 2018 and requires all local authorities to prepare a 'Capital Strategy'. The Council's first Capital Strategy was reported in 2019. This latest version reflects the development work that has been undertaken over the past year.

The intention of the Code is that the Capital Strategy should provide an overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of council services and how associated risk is managed.

This Capital Strategy ('the Strategy') therefore builds upon the Council's emerging Commercial Strategy and Treasury Management Strategy in order to:

- Set the **long-term context** in which capital expenditure and investment decisions are made in a sustainable way.

- Set the basis upon which **risk and reward** and **priority outcomes** are considered as part of capital decisions.

- Set the context within which capital decision making is consistent with the concepts of **value for money, public stewardship and prudence**.

- Report explicitly on the deliverability, affordability and risk associated with Capital Strategy.

This Strategy tells the story of how this Council prioritises capital expenditure, sets capital budgets, decides on how much it can afford to spend (and borrow) and how it manages risk - through robust governance and performance monitoring.

It is intended to provide a framework for ongoing decisions and provide a useful strategic link to other interrelated Council strategies which are impacted by capital decision making - including the Corporate Plan, Medium Term Financial Plan and Treasury Management Strategy. The period covered is aligned with these interrelated Strategies.

This Strategy covers the following:

- **Section 2: Baseline Capital Asset Position**

- **Section 3: Strategic Direction** - sets out in summary terms the Council's long-term strategic context, in terms of its Corporate Plan 2025. It sets out how these translate to

priorities when making capital decisions. It also sets out the Council's objectives in terms of debt levels and asset management.

- **Section 4: Capital Expenditure** - sets out the Council's priorities and principles when making capital investment decisions. It also sets out the control framework, the current Capital Programme and how this impacts upon the Council's revenue budget.

- **Section 5: Debt and Borrowing & Treasury Management** - sets out the impact of the Capital Strategy on the Council's debt and borrowing position.

- **Section 6: Deliverability, Affordability & Risk** - the Code requires the Council's Chief Finance Officer (Head of Finance) to explicitly report on these matters.

- **Sections 7, 8 and 9**: cover arrangements for equalities, scrutiny and consultation

COVID-19 Pandemic – Extraordinary Circumstances

The extended deadline for publication of the Statement of Accounts for 2019/20 as a consequence of the COVID-19 pandemic also means that a small number of 2019/20 figures were not available at the time of preparing this report. The final position will be reported later this year.

2. Baseline Capital Asset Position

This section sets out the Council's baseline capital asset position in terms of:

- The value of its Capital assets at 31 March 2019 as reported in the Council's accounts
- The Council's commercial assets and other assets which generate a return and the projected income they generate per annum.
- How the condition of the assets is assessed
- How current assets have been funded.

Analysis of Capital Assets (source: Draft Statement of Accounts 2019/20)

The tables below summarise the Council's asset position in terms of the 'book value' in the latest draft of the Council's 2019/20 accounts.

Table 1: Council Assets by Accounting Classification

Description	Value at 31.3.2020 £m
Property Plant & Equipment	129.287
Heritage Assets	0.948
Investment Property	44.917
Total	**175.152**

Source: Valuation for 2019/20 Statement of Accounts

Table 2: Significant Assets at March 2020

Asset Name	Asset Type	Valuation 2019/20 Accounts £m
Redhill Distribution Centre, Salfords	Commercial	15.882
Offices, Regent House, Redhill	Commercial	15.298
Donyngs Sports Centre	Leisure	22.870
Land & Premises, Marketfield Way, Redhill	Under Construction	12.656[1]
Banstead Sports Centre	Leisure	19.057
Horley Sports Centre	Leisure	13.500
Supermarket / library / theatre, Warwick Quadrant, Redhill	Commercial	6.315
Offices, Beech House, Reigate	Commercial	5.709
Offices, Forum House	Commercial	5.472
Hotel, Redhill	Commercial	6.336
Retail/Gym, Linden House, 51b High Street, Reigate	Commercial	4.783
Harlequin Theatre, Redhill	Cultural	7.997
Priory Park, Reigate	Other Land & Buildings	2.924
Offices, Gloucester Road, Redhill	Commercial	2.382
Madeira Walk, Sandpit	Other Land & Buildings	2.061
Industrial, Reading Arch Road, Redhill	Commercial	1.850

Asset Name	Asset Type	Valuation 2019/20 Accounts £m
Town Hall Main Building	Other Land & Buildings	3.863
Gloucester Road Car Park, Redhill	Other Land & Buildings	1.828
Bell Street Car Park, Reigate	Other Land & Buildings	1.445
Vitoria Road Horley	Commercial/Other	1.280
Retail/Residential, 1-4 Quarrydene Parade, 1-10 Hearthstone, Merstham	Commercial/Residential	1.147
Bancroft Road Car Park. Reigate	Other Land & Buildings	2.211
61E, Albert Road North	Commercial	0.959

Source: Valuation for 2019/20 Statement of Accounts
Note 1: Historic valuation – redevelopment in progress

Property Assets

The property asset base is categorised in accordance with CIPFA guidelines:

- Operational property
- Non-operational property
- Investment property
- Community assets
- Properties held for disposal.

The full list of assets is published annually, in accordance with the Local Government Transparency Code, on the Council's website
http://www.reigate-banstead.gov.uk/downloads/download/582/assetregisterdataset

Operational Assets
The strategic objectives for operational assets are that they should be:

- Able to allow customers to access the service and any other related services of partners (where co-located) and suitable for staff to deliver these services;
- In good condition to the extent that services can be provided from them in a comfortable environment for both staff and customers without interruption;
- Suitable and fit for the purpose for which they are being used in terms of size, type and layout of accommodation – including accessible to people with disabilities;
- Flexible to the extent that they can be adapted economically to adjust to changing service needs, including sharing with partners in service delivery;
- Able to achieve a balance between efficiency in operation, running costs and long-term sustainability;
- Able to contribute positively to the immediate environment, particularly where there is a need for physical regeneration of the locality; and
- Maintained in such a way so as to minimise reactive maintenance and risk by improving planned maintenance arrangements.

The Council aims to deliver the best financial value from its portfolio by using property to deliver service efficiencies and reduce running costs.

Non-Operational Assets

The strategic objectives for non-operational assets are that they should be:

- Able to make the maximum contribution to service revenue budgets in terms of rental income at the minimum risk and expenditure; or
- Able to make a positive contribution to the social wellbeing of the community either through its presence as a heritage asset or through use by others such as voluntary groups, charity organisations or small businesses; or
- Acquired, disposed of or developed for reasons of strategic importance, such as to influence the physical and economic regeneration of the Borough.

Lettings & Disposals

S123 of the Local Government Act 1972 is a statutory requirement that requires the Council, except in limited circumstances, to obtain best consideration for lettings or disposals. Accordingly, all third-party lettings are on market terms. If financial assistance is provided it is done so through the Council's rental grant subsidy system and is therefore a transparent means of supporting qualifying organisations.

Investment Property

These assets are generally let on full repairing and insuring terms with the Council collecting the income, but either having no liability for repairs and maintenance, or recovering the expenditure via a service charge.

Table 3: Council Assets: Commercial Returns 2019/20

Asset Name	Asset Type	Price Paid £m/Year	Valuation 2019/20 Accounts £m	Rent £m	Gross Yield (Inc/Val)
Units 1-5 Redhill Distribution Centre, Salfords	Industrial / warehousing	£15m (2018)	15.8	0.833	5.27%
Regent House, Redhill	Offices	£15.35m (2018)	15.3	0.950	6.21%
Travelodge, Redhill	Hotel	£5.0m (2017)	6.3	0.317	5.03%
Warwick Quadrant, Redhill	Retail / Library / Theatre	£2.4m for other half-share of freehold (2005)	6.3	0.300	4.76%
Beech House, Reigate	Offices	£6m (2017)	5.7	0.400	7.02%
Forum House, Redhill	Offices	£5.53m (2017)	5.5	0.415	7.55%
Linden House, Reigate	Retail / gym	£4.7m (2014)	4.8	0.334	6.96%
*Crown House, Gloucester Road, Redhill	Offices	£2.15m (2017)	2.4	0.175	7.29%
1,3,4,6,14-16 and 20 Reading Arch Road, Redhill	Industrial	£0.045m for larger site including these properties (1972)	1.8	0.097	5.39%
1-4 Quarrydene Parade/Hearthstone, Merstham	Retail / residential	£0.017mk for larger site including this property (1950)	1.2	0.086	7.17%
55-63 Victoria Road, Horley	Restaurant / library / retail	Leaseback from TVHA following sale in 2013 of former Council-owned office building (2015)	1.3	0.100	7.69%
61E Albert Road North	Industrial / warehousing	£0.950m (2018)	0.9	0.097	10.78%

*held by Greensand Holdings Limited

Community Assets

These include community centres, parks/open spaces and pavilions. Some are let to community groups such as scouts or football clubs. The net income received from these assets is minimal and the Council often has responsibility for repair and maintenance of the building or land.

Properties Held for Disposal

These assets are held for disposal because they are surplus to operational or community requirements. In being held for disposal they will be assessed for realising the best capital receipt whether that is for example from a straight disposal, disposal with conditions or disposal with overage conditions. Prior to disposal the asset will be assessed for opportunities around capital receipt for example obtaining a relevant planning consent or resolution.

Asset Performance/Condition

The Council's approach to condition assessment is summarised at Appendix 10.

Land & Buildings
The most recent survey was carried out in 2017/18 and forms the basis of the rolling capital programme for property maintenance that was approved in February 2020. The survey focussed on the main operational and commercial assets.

Generally, the assets surveyed at that time were found to be in reasonable condition with no health & safety or structural issues. The priority areas for attention related to mechanical and engineering works such as boiler replacements and lift refurbishments, and civil engineering works to Council car parks. Examples of works that are scheduled include replacing the boilers in the main building at the Town Hall (£0.090m) in 2020/21 and refurbishing the Town Hall Middle Block roof (£0.240m) in 2021/22. Work is also underway in 2020/21 to replace a lift at Bancroft Road Car Park (£0.190m) and Clarendon Road lifts will be completed in 2021/22 (£0.190m).

Vehicles
During 2018, existing and future fleet vehicle requirements were reviewed. The outcome of this review was included in a capital growth bid during the service & financial planning 2020/21 process. Procurement and delivery are now underway.

Table 4: Vehicles & Plant

Description	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Refuse Vehicle Replacement	1.620	1.620	-	-	-	**3.240**
Vehicles & Plant	1.542	0.846	0.846	0.846	0.846	**4.926**

Capital Asset Funding at 31 March 2020

Assets have historically been funded through use of capital receipts, capital grants and drawing on available balances (internal borrowing). At 31 March 2020, the Council still had no long-term external borrowing.

The Treasury Management Strategy for 2020/21 was approved in April 2020 and includes authority to borrow up to £161.5m (Authorised Limit) to fund delivery of the approved Capital Programme 2020/21 to 2024/25.

3. Strategic Direction: Corporate Plan 2025

This section sets out in summary the Council's long-term strategic context - in terms of its Corporate Plan and Commercial Strategy. It explains how these translate to priorities when making capital decisions. It also sets out the Council's objectives in terms of debt levels and asset management.

Reigate & Banstead 2025 is the Council's Corporate Plan for the period 2020-2025. It sets out the Council's priorities and explains how we will focus resources and deliver services to those living, working and spending time in Reigate & Banstead.

The plan sets a vision that the Council will:

- deliver quality services and support;
- provide value for money;
- make the borough a great place to live, work in, do business and visit;
- be proactive about tackling climate change and reducing our environmental impact; and
- be flexible and sustainable, responding to the needs and demands of our borough, residents and businesses.

It includes objectives in relation to Housing, Vulnerable Residents, Communities & Community Safety, Leisure & Wellbeing, Towns & Villages, Economic Prosperity, Shaping our Places, Clean & Green Spaces, Environmental Sustainability, Financial Sustainability, Funding our Services, Operational Assets and Skills & Great People.

It also includes a set of 'cross-cutting commitments' describing how the Council will deliver services, covering aspects such as communications, customer contact, partnership working and financial efficiency.

This Capital Investment Strategy has been developed to align with the Plan vision and priorities.

Partnership Working

The Council has a strong track record of working in partnership with others to benefit the residents of the borough. The Council will continue to identify joint working opportunities if they contribute to overall council priorities. Such partnerships may relate to delivery of individual capital schemes or be more strategic and long term in nature.

Priority Areas

The Capital Strategy aims to deliver against the vision as set out in the Corporate Plan and emerging Commercial Strategy. Specifically, the Council's priorities in terms of its capital spend can be summarised as follows:

- The prosperity of the borough: investment that will stimulate **economic growth**.

- Income and efficiency: investment which promotes the **financial stability** of the Council.

- Supporting delivery of **core Council services**: investment that will empower our staff to deliver and improve the efficient and effective delivery of services to our community.

- Building Community assets: investment that will benefit our **communities**.

- Ensuring the **environmental quality and sustainability** of the borough: investment that will make the borough a more attractive place to live, work and visit or deliver wider environmental benefits.

Medium Term Financial Plan

The Medium-Term Financial Plan (MTFP) is summarised at Appendix 2. Costs of financing assets (borrowing) are reflected in MTFP budget forecasts.

Asset Funding

The Council has not historically had any need to borrow to fund its capital expenditure.

However, going forward it is recognised that significant capital expenditure (including commercial acquisition opportunities) will be necessary to meet Corporate Plan objectives, generate income and stimulate the local economy; and that this will require the Council to borrow.

The Council aims to balance risks and rewards when making decisions regarding the development of its Capital Programmes such that its levels of borrowing remain affordable, prudent and sustainable - both over the medium and the long-term.

Policies and procedures are in place to ensure that capital decisions are sound and overall debt levels remain proportionate and affordable.

This is under-pinned by the Treasury Management Strategy which helps ensure that annual borrowing limits that are affordable, prudent and sustainable.

Asset Management

Effective asset management is important to the Council. The condition of the Council's asset base will be monitored and maintained. Asset disposals will be considered in light of Council priorities, finances and risk.

Commercial Strategy
The Commercial Strategy is currently in development and will set out what commercialisation means to this Council, including:

- Income generation for reinvestment into Council frontline services;

- Creating a culture that encourages skills that support an enhanced approach to commercial work, including a positive culture and behaviours;

- Providing a response to reduction of Government grant and the increased need to be financially self-sustaining, whilst creating opportunity to change and supplement existing activities;

- Allowing optimisation of income and identifying new revenue opportunities that fit the remit and ambition of this Council;

- Using resources in an agile fashion to meet changing needs of residents; and

- Promoting internal efficiency and effectiveness when approaching commercial activities;

The Commercial Strategy will set out key deliverables and performance indicators for commercial projects and activities including:

- financial and time targets
- officer and Member engagement; and
- positive public perception.

Summary

The Capital Strategy aims to deliver against the Council's vision as set out in its Corporate Plan and Commercial Strategy

All capital decisions are considered in light of this vision and the Council sets priorities for capital spend accordingly.

The Council recognises that capital expenditure (including commercial acquisition opportunities) that meet its objectives, generate income and stimulate the local economy should be considered and that this will require the Council to borrow to fund it.

The Council aims to balance the risks and rewards when making decisions regarding the development of its Capital Programmes such that its levels of borrowing remain affordable, prudent and sustainable - both over the medium and the long term.

The condition of the Council's asset base will be monitored and maintained. Asset disposals will be considered in light of Council priorities, finances and risk.

4. Capital Expenditure Plans

This section sets out the Council's priorities and principles when making capital decisions. It covers the control framework, the current Capital Programme and how this impacts on the Council's revenue budget.

Capital Expenditure

Capital expenditure mainly relates to buying, constructing or improving physical assets such as buildings, land and vehicles, plant and machinery. It may also include grants and loans made to private or public sector organisation for capital purposes. In order to count as capital expenditure assets must have a life of more than one year.

All capital expenditure must be financed, either from external sources (grants and other contributions), from the Council's own resources (revenue, reserves and capital receipts) or through debt (borrowing or leasing).

Priority Areas for Investment 2020/21 to 2024/25

The Council's priorities in terms of its capital spend can be summarised as follows:

- The prosperity of the borough: investment that will stimulate **economic growth**.
- Income and efficiency: investment which promotes the **financial stability** of the Council.
- Supporting delivery of **core Council services**: investment that will empower our staff to deliver and improve the efficient and effective delivery of services to our community.
- Building Community assets: investment that will benefit our **communities**.
- Ensuring the **environmental quality and sustainability** of the borough: investment that will make the borough a more attractive place to live, work and visit or deliver wider environmental benefits.

Principles

In order to deliver against these priorities, capital decisions will apply the following principles:

- A clear business case is in place which is affordable and links to Council priorities. The Council's Commercial Governance Framework is set out at Appendix 1.
- Revenue consequences of capital decisions are identified and accounted for and must be affordable. The Medium-Term Financial Plan is summarised at Appendix 2; it reflects forecast borrowing costs.
- Sound asset management planning is applied to ensure maintenance of appropriate asset condition.

- Taking steps to maximise and leverage external funding wherever possible.

- Ensuring that decisions to invest in assets that generate a return consider relative risk and reward and are taken in line with the Council's Commercial Strategy, including the associated due diligence and governance checks (Appendices 1 and 5).

- Ensuring that all capital investment decisions are proportionate and risks are robustly managed. This may include spreading the risk by working in partnership with partners.

- Considering current condition, cost of maintenance and sustainability considerations when making asset disposal decisions along with capital receipt achievability and the opportunity cost of continued investment in the asset (as opposed to investing funds elsewhere).

- The contribution the asset makes to delivery of Council priorities.

- Broader risk management considerations - including any benefits/disbenefits associated with increasing/decreasing the Council's asset base in any particular area or sector.

Capital Investment Business Cases

Service Teams bid to include projects in the Capital Programme as part of the service & financial planning process in preparation for setting the Revenue Budget and Capital Programme and Medium-Term Financial Plan each year.

The Corporate Management Team appraises all bids and makes recommendations to the Executive. The recommended Capital Programme is then presented to Executive in January and to Council for approval in February each year.

Additional capital requirements and opportunities identified through the year are considered on their merits in line with the above governance controls. Any in year changes to the capital budget will be made in accordance with the constitution, including appropriate approval by Executive and/or Council.

Policies and Classification Controls

The Council sets aside prudent provision for the repayment of debt where borrowing or credit arrangements have been used to finance capital expenditure. This is known as the Minimum Revenue Provision (MRP). Business cases for capital investment therefore include not only the interest costs of any associated borrowing but also the costs of repayment of any debt. In order to ensure that borrowing levels are affordable over the long term a prudent assessment of asset life is made within the MRP thereby ensuring that any borrowing is fully provided for and repaid over the life of the asset.

The definition of which expenditure is classified as capital (as opposed to revenue) expenditure is subject to robust control via the Finance Team.

Further detail on capitalisation policies is set out at Appendix 4.

Commercial Assets and Due Diligence

The Council may target asset acquisitions that benefit, improve and/or develop the area and also generate new ongoing income streams.

The approach is explained at Appendix 3 which sets out the control framework around decisions on acquisition of assets which generate a return.

These controls include the role of the Commercial Ventures Executive Sub-Committee which approves new investment opportunities.

Other controls include adopting a robust approach to due diligence and financial appraisal, further details of which are set out at Appendix 5.

Governance

The Capital Programme is monitored by the Finance Team, the Corporate Governance Group (comprising the Chief Executive, Directors and Statutory Officers) and through quarterly financial monitoring reports that are presented to the Executive after review by the Overview & Scrutiny Committee.

The Commercial Ventures Executive Sub-Committee provides a check and challenge for proposals relating to acquisitions or disposal of land and property and commercial development opportunities on new or existing sites.

Reporting

Going forward a Capital Strategy - Annual Outturn Report will be produced every year as part of the quarter 4 performance report and will assess how the Capital Strategy has been implemented over the previous financial year - and how capital expenditure and capital financing has contributed to the provision of council services. It will also summarise how associated risks has been managed, identifying any key issues to be considered over both the medium and the longer term.

An outline template for this report is set out at Appendix 6.

The 2020/21 to 2024/25 Capital Programme:

The current projected Capital Programme and financing is explained below. The planned use of resources is in line with the Medium-Term Financial Plan.

Capital Expenditure

Capital expenditure forecasts to 2024/25 were approved by Council in February 2020 and are included in detail at Appendix 7. They are summarised in the table below:

Table 5: Capital Programme 2020/21 to 2024/25

CAPITAL PROGRAMME 2020/21 to 2024/25 by SERVICE	2020/21 Projected £m	2021/22 Projected £m	2022/23 Projected £m	2023/24 Projected £m	2024/25 Projected £m	TOTAL £m
ORGANISATION SERVICES:						
Strategic Property	4.385	1.332	1.658	1.374	1.258	**10.007**
IT Services	0.225	0.425	0.375	0.385	0.325	**1.735**
Organisational Development	0.280	0.260	0.260	0.260	0.260	**1.320**
PEOPLE SERVICES:						
Housing	16.990	11.405	11.334	1.334	1.334	**42.400**
Wellbeing & Intervention	0.140	0.040	0.040	0.040	0.040	**0.300**
Community Partnerships	0.030	0.030	0.030	0.030	0.030	**0.150**
PLACE SERVICES:						
Neighbourhood Operations	3.927	2.822	1.202	1.202	1.202	**10.353**
Place Delivery	20.021	24.442	15.100	0.000	0.000	**59.563**
Economic Prosperity	0.100	0.100	0.100	0.100	0.100	**0.500**
CORPORATE:						
Commercial Investment Strategy	50.000	0.000	0.000	0.000	0.000	**50.000**
TOTAL CAPITAL EXPENDITURE	**96.100**	**40.856**	**30.099**	**4.725**	**4.549**	**176.328**

CAPITAL PROGRAMME 2020/21 to 2024/25 by INVESTMENT TYPE	2020/21 Projected £m	2021/22 Projected £m	2022/23 Projected £m	2023/24 Projected £m	2024/25 Projected £m	TOTAL £m
Regeneration Schemes	20.021	24.442	15.100	-	-	59.563
Commercial Assets	53.333	401	0.637	0.431	0.431	55.233
Housing Delivery	15.689	10.101	10.030	0.030	0.030	35.880
Vehicles & Plant	3.512	2.466	0.846	0.846	0.846	8.516
Disabled Facilities	1.304	1.304	1.304	1.304	1.304	6.520
Operational Assets	0.750	0.740	0.665	0.652	0.605	3.412
Community Assets	0.703	0.471	0.461	0.411	0.527	2.573
ICT Assets	0.225	0.425	0.375	0.385	0.325	1.735
Car Parks	0.190	0.195	0.190	0.195	0.170	0.940
Tenanted Properties	0.100	0.100	0.100	0.100	0.100	0.500
Economic Prosperity	0.100	0.100	0.100	0.100	0.100	0.500
Leisure Centres	0.030	0.030	0.210	0.190	0.030	0.490
Other	0.144	0.081	0.081	0.081	0.081	0.466
TOTAL CAPITAL EXPENDITURE	**96.100**	**40.856**	**30.099**	**4.725**	**4.549**	**176.328**

The approved Capital Programme includes significant growth:

Table 6: Capital Growth 2020/21 to 2024/25

Service Area	Capital Growth
ORGANISATION	
Strategic Property	• Investment in building maintenance for the Council's tenanted and commercial properties including leisure centres, pavilions and infrastructure assets – scheme details to be confirmed following condition surveys that are being commissioned • Re-profiling of some elements of the November 2019 growth proposals following further assessments of priorities
Organisational Development	• Investment in IT facilities to support the development and adaptability of the Council's workforce to meet changing service needs
Commercial Investment Strategy	• Allocation of capital funding for future investment in new development and commercial assets and activities that, in addition to local regeneration and place-shaping benefits, deliver a sustainable net income stream to the revenue budget. • Following the allocation of £25m in the 2019/20 Capital Programme a further £50m is recommended for investment in 2020/21 onwards, funded through prudential borrowing.
PEOPLE SERVICES:	
Wellbeing & Intervention	• Initial capital funding allocation of £0.100m to support future development of facilities at the Harlequin theatre over the next five years – this is a provisional figure, details to be articulated through more detailed Business Cases following agreement of new Vision and Objectives for the facility
Housing Delivery Strategy	• Investment of £30 million over the three years 2020/21 to 2022/23, funded in part through the allocation of resources equivalent to the value of New Homes Bonus receipts. • Updated funding allocation for the Lee Street Bungalows scheme to reflect the updated specification.
PLACE SERVICES:	
Place Delivery	• Preston Regeneration – confirmation of ongoing capital investment requirements – to be funded through a CIL allocation as part of the Strategic Infrastructure Plan (SIP).
CORPORATE:	
Commercial Investment Strategy	• Allocation of capital funding for investment in corporate priorities that also realise new income-generating opportunities. • Following the allocation of £25m in the 2019/20 Capital Programme a further £50m is recommended for investment in 2020/21 onwards, funded through prudential borrowing.

This results in an underlying total borrowing requirement of £151.5 million which (after applying internally available funding) translates to an estimated £137.7 million in external borrowing by 2024/25. Further details of capital financing and borrowing are set out in section 5.

Revenue Budget Impact of Capital Spending

The revenue budget impact of capital decisions is subject to ongoing review as part of the service & financial planning cycle.

It is important that the Council continues to model and monitor the revenue implications of its capital decisions. This will also form part of the annual reporting outlined above.

Further details are set out in Section 5 below.

Modelling the Impact of Additional Capital Spend

The approved Capital Programme (as set out above) is subject to change and amendment in line with the priorities set out above and an assessment of risk and reward.

The risk and rewards of new investment opportunities will be fully-assessed. The revenue impact of these and any other options/opportunities will be considered, as will the implications for Council borrowing limits and affordability.

Summary

The Council has set its priorities for capital spend and principles which will be applied when making capital decisions.

The Council has robust controls in place to manage capital spend which include capital bids and business cases, clear policies and classification controls, a Commercial Asset Strategy, due diligence, governance and reporting arrangements.

The approved Capital Programme (as modelled above) is subject to change and amendment in line with the priorities set out above and an assessment of risk and reward.

5. Debt, Borrowing and Treasury Management

This section sets out the impact of the Capital Strategy on the Council's debt and borrowing position.

Methods of Funding Capital Expenditure

There are a range of methods of funding capital expenditure as follows:

- **Government grants** and non-government contributions. Where there is a requirement to make an application to an external agency for external funding and, when appropriate, to commit Council resources as matched funding to any bid for external resources, a business case must be presented to the Executive (and full Council if insufficient capital budget exists) for approval.

- **Prudential borrowing**. The Council will investigate opportunities to resource capital projects using prudential borrowing where plans are sustainable, affordable and prudent. Full appraisal will take place to ensure that, where appropriate, sufficient revenue returns are generated to cover the cost of borrowing.

- **Capital receipts**. Where the sale of an asset leads to the requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and provided for, capital receipts will be available to support the Capital Programme as a corporate resource. Commercial asset capital receipts here will be used to support the sustainability of the Council's Commercial Asset Strategy.

- **Revenue contributions**. Revenue budgets or reserves could be used to support the financing of a capital project.

- Use of **Leasing**. Some of the assets used by the Council are financed by a lease arrangement, for example vehicles. There may be instances where leasing could offer value for money and it will remain a consideration when options are being appraised.

- **Section 106 Agreements** (Town and Country Planning Act 1990). In considering an application for planning permission, the Council may seek to secure benefits to an area or restrict uses or activities related to a proposed development through the negotiation of a 'planning obligation' with the developer.

Treasury Management

CIPFA defines treasury management as:
"*The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*"

One of the main functions of treasury management (the other being cash-flow management) is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations.

The Capital Strategy and Treasury Management strategy are therefore closely linked as the Capital Programme determines the borrowing need of the Council.

The Council is required to annually approve a Treasury Management Strategy that, in light of the Council's approved budget, establishes investment and borrowing policies for the Council for the current and future financial years.

In compliance with the requirements of the Prudential and Treasury Codes, the following section looks at the Council's capital financing and treasury management activity.

The Capital Financing Requirement

The table below sets out the Council's Capital Financing Requirement (CFR). The CFR represents total historic outstanding capital expenditure which has not yet been financed from either revenue or capital resources.

Capital Financing. The table below summarises the capital expenditure plans and how they are to be financed through use of existing capital or revenue resources. Any shortfall of resources results in a borrowing requirement.

Table 7: Capital Financing

CAPITAL FINANCING	2018/19	2019/20	2020/21	2021/22	2022/23	2023/2024	2024/25
	Actual £m	Budget £m	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m
Capital Grants[1]	3.966	1.679	1.843	1.600	1.187	1.187	1.187
Capital Receipts	20.133	-	8.806	24.489	26.778	-	-
Revenue Contributions	0.090	0.213	-	-	-	-	-
New Homes Bonus	-	-	10.000	7.000	-	-	-
Local Enterprise Partnership (LEP) Funding	-	2.570	-	-	-	-	-
Total Financing	24.189	4.462	20.649	33.089	27.965	1.187	1.187
Net Borrowing Requirement	15.046	43.090	75.890	7.768	2.134	3.538	3.362
Total Expenditure	39.235	47.552	96.539	40.857	30.099	4.725	4.549

NOTE 1: A review of historic allocations of Section 106 funds to the Capital Programme is planned during year-end closedown for 2019/20 to confirm that the funds allocated reconcile to Planning team records. The outcome will be reported in the Statement of Accounts for 2019/20 and the Mid-Year Treasury Management Report 2020/21.

Table 8: Cumulative Projected Capital Financing Requirement

CAPITAL FINANCING REQUIREMENT	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual £m	Budget £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Brought Forward CFR	3.953	18.999	61.922	137.493	144.769	146.155	148.731
Carried forward CFR	18.999	61.922	137.493	144.769	146.155	148.731	151.204
Movement in CFR	**15.046**	**42.923**	**75.571**	**7.276**	**1.386**	**2.576**	**2.473**

Assessment of External Borrowing

The table below analyses the need to borrow externally (being the difference between the Council's CFR and its internally available funds).

Table 9: Cumulative External Debt

CUMULATIVE EXTERNAL DEBT	2018/19 Actual £m	2019/20 Budget £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Gross Debt at 1 April	**-**	**12.000**	**55.090**	**130.980**	**133.748**	**133.748**	**134.420**
Expected Change in Debt	15.046	43.090	75.452	2.768	-	0.672	3.362
Other Long-Term Liabilities	-	-	-	-	-	-	-
Expected Change in Other Long-Term Liabilities	-	-	0.438	-	-	-	-
Sub Total	**15.046**	**43.090**	**75.890**	**2.768**	**-**	**0.672**	**3.362**
Gross Debt at 31 March	**12.000**	**55.090**	**130.980**	**133.748**	**133.748**	**134.420**	**137.782**
The Capital Financing Requirement	18.999	61.922	137.493	144.769	146.155	148.731	151.204
Under/ (Over) Borrowing	**6.999**	**6.832**	**6.513**	**11.021**	**12.407**	**14.311**	**13.423**

The above table shows that the Council is forecast (based on its current Capital Programme) to borrow up to £137.7 million by 2024/25. This is within the Operational Limit of £151.5 million and the Authorised Borrowing limit of £161.5 million in the approved Treasury Management Strategy.

Ratio of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

It is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

The financing costs are the interest payable on borrowing, finance lease or other long-term liabilities and the amount defined by statute which needs to be charged to revenue to reflect the repayment of the principal element of borrowing. Any additional payments in excess of the statutory amount or the cost of early repayment or rescheduling of debt would be included within the financing cost. Financing costs are expressed net of investment income.

The net revenue stream is defined as the amount required to be funded from Government Grants and local taxpayers, in effect the budget requirement. Estimates of the ratio of financing costs to net revenue (or budget requirement) are as follows:

Table 10: Financing Cost as Percentage of Net Revenue Stream

FINANCING COSTS AS % OF NET REVENUE STREAM	2018/19 Actual £m	2019/20 Budget £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Net Revenue stream	21.403	16.294	25.438	20.003	20.803	21.636	28.829
Net Financing costs	(0.851)	(0.413)	0.021	0.550	1.009	1.013	1.013
%	(3.98%)	(2.53%)	0.08%	2.75%	4.85%	4.68%	3.51%

The estimates of financing costs include current commitments and the proposals in the 2019/20 Budget Report.

Flexible Use of Capital Receipts

As part of the Local Government Finance Settlement in March 2016, the Secretary of State for Housing, Communities and Local Government provided Local Authorities with the opportunity to use capital receipts to fund the revenue costs of transformation. This flexibility was then extended to 2021/22.

The Council's Flexible Use of Capital Receipts Strategy is included at Appendix 8.

Monitoring Borrowing Limits

The Council monitors cashflows and borrowing to ensure it complies with the limits set out by the Treasuring Management Strategy.

Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through mid-year or annual Treasury Management reporting.

PWLB Consultation 2020
The Government is currently consulting on intervention to address the issue of 'debt-for-yield'. It proposes:

- Requiring authorities that wish to access the Public Works Loans Board (PWLB) for funding to confirm that they do not plan to buy investment assets primarily for yield;
- Publishing guidance defining the activity that the PWLB will no longer support, with clear protections for service delivery, regeneration, housing, and the refinancing of existing debt;
- Standardising the information currently gathered through the application process for the PWLB Certainty Rate and using this as the primary way to confirm with authorities that their plans conform with the guidance. Authorities that wish to buy investment assets primarily for yield would remain free to do so but would not be able to take out new loans from the PWLB in the year in which they have bought the asset.

Governance

The Overview & Scrutiny Committee is responsible for scrutiny and governance of Treasury Management within the Council. It reviews the Treasury Management policy and procedures and all Treasury Management reports.

The Capital Programme is monitored by Executive who also review all Treasury Management reports. Council approve the Treasury Management Strategy each year along with the half-year performance report.

Throughout the year, the Overview & Scrutiny Committee receives Treasury Management updates and an Annual Treasury Management Outturn Report is reported to Executive and Council.

The Treasury Management function is subject to regular internal and external audit reviews.

Further detail can be found in the Treasury Management Strategy 2020/21 – 2024/25.

6. Affordability, Delivery & Risks

The Prudential Code states that it is the responsibility of the Council's Chief Finance Officer (Head of Finance) to explicitly report on the affordability, delivery and the risks associated with this Strategy. This section reports on these matters.

Affordability (and Proportionality)

As set out in Section 4, affordability is a key criterion when considering whether a project should be approved for inclusion within the Capital Programme. Before any decisions are made, new schemes are considered by the relevant officer Boards and Member meetings which consider business cases and capital bids.

All projects must also have a clearly identified capital funding source with a definite commitment of financial support if external funding, such as an external grant, is to be used. On-going revenue costs associated with a capital asset must be provided for within the revenue budget.

Where borrowing is to be used, interest and repayment costs (the MRP charge) are accounted for within revenue budgets. MRP is matched to a prudent asset life. Any income streams put forward to fund an asset must be sustainable.

In terms of assets which generate a return, due diligence arrangements are in place to stress test key assumptions and demonstrate affordability.

Annual borrowing costs (interest costs and MRP) are monitored in the context of the Council's overall budget and the income generated from assets. These measures are set out in section 4 and remain affordable.

In accordance with MHCLG guidance the Council's processes highlighted above ensure that the Council's level of debt and aggregate risk remains proportionate.

Return on Investment
This is a business case measure of the expected percentage return after taking account of original acquisition costs plus the cost of construction or other enhancement and all associated fees. It will take account of whether the proposal would be attractive in the marketplace and whether it secures value for money.

Impact of Investment
Capital investment will be undertaken primarily to secure change; to make a positive difference to the Borough, its residents, businesses and visitors. This cannot only be evaluated in financial terms therefore outcomes will be determined that are to be achieved by the investment and also the degree of certainty attached to them. Outcomes for this purpose will vary depending on the nature of the investment.

Delivery

Capital Programme delivery is monitored on a monthly basis at officer level and quarterly by Executive and Overview & Scrutiny.

The Capital Strategy - Annual Outturn report (referenced in Section 4) will assess how the Capital Strategy has been implemented over the previous financial year - and how capital expenditure and capital financing has contributed to the provision of council services.

Risk Management

The Council is exposed to a range of risks with regard to the continued affordability and delivery of it's the Capital Programme including:

- Financial risks related to the investment of the Council's assets, cash flow and market volatility;
- Macroeconomic risks related to the growth or decline of the local economy, interest rates, inflation and the wider national and global economy;
- Reputational risks related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception; and
- Governance risks related to ensuring that prudence and careful consideration are prominent in the Council's decision-making.

It is important to recognise that there are always risks associated with a large Capital Programme and associated borrowing, but these can be mitigated and indeed are mitigated. A summary of key risks is set out at Appendix 9.

Governance is addressed through transparent reporting and the oversight provided by Executive, Overview & Scrutiny and the Commercial Ventures Executive Sub-Committee.

Due diligence is undertaken on acquisitions and external advice is sought wherever necessary.

There are clear links from the Capital Strategy to the Treasury Management Strategy, prudential indicators, authorised borrowing limits and the revenue budget. These are also subject to review and oversight by Members Audit and Risk Committee, Executive and Council.

New borrowing will increase the Council's annual level of fixed interest and repayment costs which is subject to ongoing review within budgetary reporting and quarterly Treasury Management updates reports.

The Council makes 'prudent' provision for debt repayment which broadly reduces indebtedness in line with each asset's life and so charges the economic consumption of capital assets as they are used.

Investment properties carry a different type and level of risk relating to variations in income streams (tenant non-renewal etc.) and from asset values (impact of economic conditions and sector trends etc.). The Council has established a clear strategy, criteria and a governance process around such investment purchases to minimise the risk and to balance risk and reward.

When making decisions - particularly around assets which generate a return - due diligence processes include second opinion on asset values, site visits, surveys and market intelligence. They also include risk analysis and sensitivity analysis in order to model how affordability is impacted by stress testing key underlying assumptions. Consideration is also made to the profile of the Council's asset base - and how effectively risk is spread across different asset types and sectors. Further detail on the management of this specific risk is set out at Appendix 9.

COVID-19

The COVID-19 pandemic has resulted in significant new risks and uncertainties for local authorities many of which cannot yet be quantified over the medium to long term. These include potential delays to capital programme delivery due to lockdown and supply chain disruption. Also impacts of a downturn in the economy resulting in reduced asset values, lower capital receipts and lower than forecast income streams from assets. To date there has not been any significant disruption to delivery of schemes that are currently in progress. The ongoing impacts on the Council's capital investment plans will be subject to review over the course of the year.

Knowledge & Skills

The Finance Team has responsibility for preparing and on-going management of the capital and treasury management strategies and Capital Programme. The team is staffed by professionally qualified accountants with extensive local government finance experience. Team members attend all relevant training courses, workshops and events to ensure that their knowledge and skills are up to date and the Council is in a position to address all new technical developments. The overall responsibility for capital and treasury activities lies with the Council's Chief Finance Officer (Head of Finance) who, in accordance with statue, is professionally qualified and is suitably experienced to hold the post.

The Council provides training to Members on an annual basis, which is delivered by Council Officers and external advisors. Members are updated on developments and any issues of significance throughout the year with information presented to the Audit Committee, Overview & Scrutiny Committee, Executive (responsible for the Capital Programme), Member Panels and at Member briefings.

The Council uses Link Asset Services, Treasury Solutions as its external Treasury Management advisors and recognises that that it is essential to engage with external providers of expertise in order to acquire access to specialist skills and resources.

When looking at commercial activity transactions, officers from relevant professional disciplines from across the Council are involved in conducting due diligence exercises. Alongside the internal teams the Council also uses where appropriate external advisors to complete the due diligence process.

Internal Audit

Independent assurance as to the effectiveness of controls in this area is also provided as part of the Council's risk-based Internal Audit Plan.

Summary

The Council's Chief Finance Officer (Head of Finance) has reported explicitly on the deliverability, affordability and risk associated with Capital Strategy as set out above.

7. Equalities Impact Assessments

The annual service & financial planning reports include information about the implications of budget proposals, including capital investment plans. Where new service changes, projects or policies are proposed, equalities impact assessments will be carried out by the responsible officers.

8. Scrutiny

The annual draft budget proposals are considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in December and the conclusions and recommendations of the Panel and the Committee are reported to the Executive for consideration when the final budget proposals are presented to them in January.

Treasury Management reports are considered by the Overview & Scrutiny Committee and their feedback and questions are reported to Executive.

9. Consultation

The Capital Investment Strategy is published on the Council's website.

The annual budget proposals, including the Capital Programme, are circulated to the business community via the Business e-bulletin (which has in excess of 1,500 recipients).

Appendices

1. Commercial Governance Framework
2. Medium Term Financial Plan 2021/22 to 2025/26
3. Commercial Asset Strategy
4. Accounting Policies
5. 5.1 Framework for Investment Decisions

   5.2 Property Investment Decisions Checklist
6. Capital Investment Strategy - Annual Report Template
7. Capital Programme 2020/21 to 2024/25
8. Flexible Use of Capital Receipts Strategy
9. Risk Management
10. Asset Condition Assessment

APPENDIX 1

Commercial Governance Framework 2019

Background

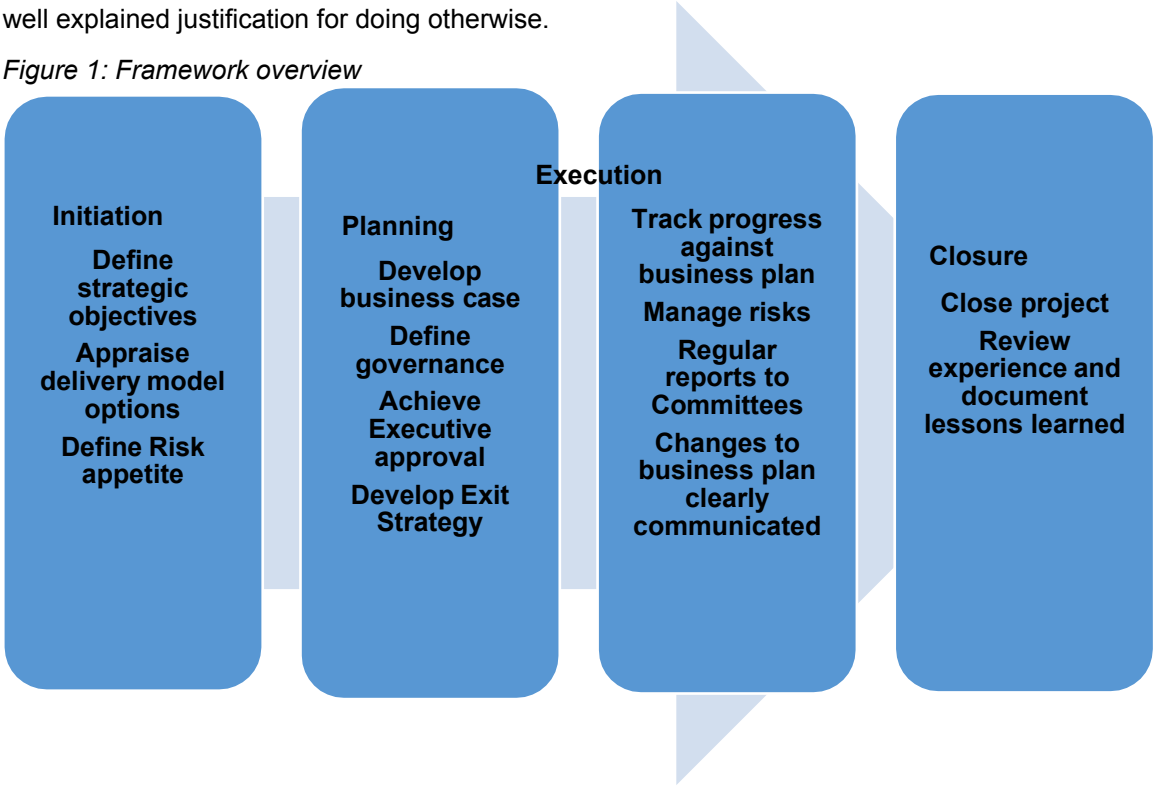
1. This Framework is the distillation of lessons learnt from a review of commercial governance arrangements undertaken by a Member Task Group in 2018-19. The objective of this Framework is to set out a best practice template for the set up and delivery of commercial ventures and companies by the Council in future.

Approach

2. The Framework is structured to follow the lifecycle stages of a commercial venture, with elements applying to each stage – initiation: planning: execution: closure.

3. The Framework provides a structured approach against which individual proposals can be assessed on a "**comply or explain" basis** – ie. each element must be followed, unless there is a sound and well explained justification for doing otherwise.

Figure 1: Framework overview



Scope

4. This Framework applies to any commercial venture (eg limited company or LLP in which the Council is a shareholder), or another internal or external structure whose impact on the Council is potentially similar to a commercial entity, where the Council's actual cumulative exposure (by combination of nominal value of ordinary or preference share capital, loan commitments, payments/remuneration to partners and other exposures) exceeds £100,000 (net of projected income).

5. For as long as the venture is of smaller scale than this threshold (which may be a result of the Council being a minority shareholder) or in a trial phase, discretion can be applied in how the Framework is applied.

Framework: Golden Rules

6. A number of key principles inform the Council's approach to the set up and delivery of commercial ventures. These principles (known as Golden Rules) should be applied before any such ventures are approved on a "comply or explain" basis. Explanations for any non-compliance should be recorded and scrutinised before the venture is approved.

   (i) The shareholder function for all ventures will be exercised by a single, properly constituted Commercial Ventures Executive Sub-Committee. This may be supported by Member/Officer advisory group(s) where appropriate, for specific ventures, but the Sub-Committee will be the route for all formal reporting and decision making (except where items are taken directly to the Executive or to Full Council).

   (ii) The structure chosen and related elements (eg shareholdings, employment contracts, other incentives, lines of accountability) must be considered as a whole by the Executive to ensure that there is alignment between incentives of the commercial venture /company and the Council's objectives.

   (iii) The allocation of Council resources to a venture by the Executive will only occur on the basis of a report containing a completed version of the Initiation and Planning Checklist (Figure 2), with supporting documents as appropriate. Such resources will then only be transferred following execution of appropriate agreements (eg loan agreements).

   (iv) The Sub-Committee will receive updates from ventures, based on the Execution and Closure Checklist (Figure 3) on a quarterly basis (the level of detail of such updates being proportionate to the scale of each venture). Reporting should capture reasons for decisions and the underlying supporting evidence relied upon.

   (v) Internal financial reporting (ie. to the Council's finance function) will be undertaken monthly, with reconciliation of cross charges and intragroup balances.

   (vi) Any material changes to the business plan for any venture will be reported to and agreed by the Executive Sub-Committee.

   (vii) There will be strong controls over, and transparency relating to, potential conflicts of interest and related party transactions – covering officers, members, other shareholders, customers and suppliers. The highest risk applies to s151 Officer, Monitoring Officer, Head of Paid Service and Executive members and therefore there is a presumption against the appointment of any of these postholders to a Director role.

   (viii) Business plans will require the early appointment of a Non-Executive Director (or

equivalent independent member).

(ix) Appointment to all roles will be skills led, informed by a documented skills audit.

(x) The Local Authorities (Companies) Order 1995 sets out the rights for an authority and individual member to receive company specific information. In applying the reasonableness test the Council will apply a presumption in favour of sharing relevant information with individual members. The presumption (to be confirmed as part of the initial business case/approval) should be that companies should file full accounts to the Council and publicly (on a voluntary basis if other criteria require a lesser form of reporting).

Commercial Governance Checklist

7. A practical checklist is set out below, which is based on the suite of Key Lines of Enquiry (KLOE) which were used in the Task Group's review of past commercial ventures and is therefore grounded in the Council's practical experience. For each line of enquiry it records evidence of compliance (or the rationale for non- compliance).

8. The Checklist has two parts, covering different stages of the lifecycle and therefore to be used at different stages and, most likely, to different governance bodies:

- **Initiation and Planning**: to be presented to the Executive when a request is made to approve the venture, and hence provides a reference point against which the operation of the venture can be measured.

- **Execution and Closure:** to be presented to the Executive Sub-Committee on a regular (at least annual) basis, to enable it to discharge its role in monitoring delivery of the venture against the business plan.

Figure 2: Checklist - Initiation and Planning

Requirement	Evidence of compliance (or explanation for non-compliance)
Initiation	
a. How does the project fit with the Council's vision?	
b. What are the objectives of the venture?	
c. What is the Council's appetite for each of the risks involved with the venture? Do we understand the risks?	
d. What are the pros and cons of potential delivery vehicles? Why do we need a corporate entity (if that is what is recommended)?	
e. Why is this the preferred delivery vehicle?	
f. What is the structure of the proposed corporate entity? i. Structure (limited company, LLP, other). ii. Other shareholders/partners involved. iii. Capital structure (equity, debt, other).	
g. What actions have been taken to obtain Member buy in?"	
h. What actions have been taken to obtain officer buy in?"	
i. Is the Council's role in commercial decision-making clear?	
Planning	
a. Does the assessment cover relevant criteria including costs, complexity, risks, return on investment?	

Requirement	Evidence of compliance (or explanation for non-compliance)
b. Is there a robust business case (to a comparable standard to that which an external investor would require)? Does the business case adequately cover?: i. Projected income and expenditure, over a reasonable time horizon. ii. A clear view of the amount of financing required from the Council, and other parties, over the same time horizon. iii. A range of scenarios covering both optimistic and pessimistic outcomes, showing the financial impact on the Council in each. iv. Success/outcome measures, translated into KPIs which will be reported regularly to the Executive Sub-Committee. v. Any other requirements on the Council, eg staff time, office space, or use of other Council assets. vi. Potential tax (corporation tax, VAT, other) and other liabilities arising. vii. How any unexpected losses would be absorbed. viii. Market and other research on which the financial forecasts are based. ix. Any Intellectual Property already possessed or expected to be developed as part of the venture, and clarity over its ownership. x. Resolution/shutdown plans/exit strategy in the event of a significant adverse event.	
c. What is the proposed governance model? i. Role of Chairman of the Board (or equivalent). ii. Composition of the Board (or equivalent), including Non-Executive Director(s). iii. The proposed measures for training and evaluation of performance of the Board. iv. Arrangements for reporting back to the Council: i. To officers. ii. To the Commercial Ventures Executive Sub-Committee. iii. To the Overview & Scrutiny Committee. v. Potential constraints on sharing of information with the Council, and ways of addressing them (eg if there is to be a minority shareholder, ensuring that the Articles of Association and/or other documentation allow for full information flow to the Council). vi. Any other governance mechanisms proposed, eg advisory board, stakeholder committee.	

Requirement	Evidence of compliance (or explanation for non-compliance)
d. Who are the key people involved and how have we satisfied ourselves that their skills and experience are relevant and sufficient? i. Identities, skills and experience of key personnel (covering people management, leadership, financial and commercial skillsets). ii. Results of due diligence on key personnel. iii. Assessment of potential conflicts of interest – including any current or expected involvement of related parties/companies.	
e. What controls will be in place to minimise/mitigate risk? i. Procurement and fraud controls. ii. Financial controls (within the Council) to ensure funds advanced are in line with approved limits. iii. Financial controls (within the company/venture) including authorisation of expenditure. iv. Controls relating to other risks arising from the venture.	

Figure 3: Checklist – Execution and Closure

Requirement	Evidence of compliance (or explanation for non-compliance)
Execution	
a. Is performance, resource and financial information being adequately tracked?	
b. Is the delivery of the project being tracked and monitored and early action being taken to address risks?	
c. What business management reporting processes are in place?	
d. What processes are in place to manage income/sales and to confirm compliance with the agreed business case?	
e. Is financial forecasting reviewed and managed to ensure adequate funding and cashflow available to confirm compliance with the business case? Is there a clear separation between the reports from the company/venture and the covering analysis by the Council's officers?	
f. What financial controls are in place to ensure expenditure complied with the agreed business case? Have the directors attested that these controls have been complied with during the previous reporting period?	
g. Are processes in place for agreeing changes to the business case (services delivered/sold/finances and resources required)?	
h. Is there assurance that no project creep is occurring? What change control processes are in place?	
i. Have all contracts entered into (since the previous review) been checked for any conflicts of interest, and if any such conflicts arise, have these been resolved and/or made transparent?	

j. What corporate actions/filings have been reported to Companies House since the previous report?	
k. What are the results of the most recent evaluation of Board performance?	
Closure	
a. Was the agreed exit strategy (as set out in the Planning stage) followed? If not, why not?	
b. Has there been a review of the venture, appropriate to the scale of the venture and involving all relevant stakeholders?	
c. Are lessons learnt being captured and implemented?	

Review

9. The Framework and its implementation shall be reviewed regularly and initially no later than 12 months after its adoption to ensure that it is meeting its objective and that lessons learnt drive improvement.

MEDIUM TERM REVENUE BUDGET FORECAST 2021/22 to 2025/26

MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2020/21 £m	Cumulative Impact 2021/22 £m	Cumulative Impact 2022/23 £m	Cumulative Impact 2023/24 £m	Cumulative Impact 2024/25 £m	Cumulative Impact 2025/26 £m
20/21 Budget Requirement	**24.600**					
LESS: one off pension payment in 20/21	(6.200)					
20/21 Adjusted Budget Requirement	**18.400**					
Pressure • Reversal of one-off use of Reserves in 2020/21		1.256	1.256	1.256	1.256	1.256
Pressure • Pay cost inflation/contractual increases		0.710	1.420	2.130	2.840	3.550
Pressure • Additional borrowing costs for previously approved Capital Programme commitments		0.500	1.000	1.000	1.000	1.000
Pressures • Service budget growth • Investment in new Corporate Plan priorities and COVID-19 Recovery • COVID-19 ongoing impacts on income budgets		*To be confirmed as part of service & financial planning*				
Opportunities • Employer Pension Contribution - one-off reduction in 2021/22		(0.400)	(0.400)	(0.400)	(0.400)	(0.400)
Opportunities • Service efficiencies and other budget savings • Commercial Strategy - new income streams		*To be confirmed as part of service & financial planning*				
Council Tax • Assumed 1.99% pa. increase plus 1.0% taxbase growth		(0.400)	(0.820)	(1.260)	(1.710)	(2.170)
NNDR • Reflects loss of 'Negative RSG' grant in 2021/22 and Business Rates Reset in 2022/23		0.200	1.500	1.900	2.300	2.300
Forecast Gap Compared to 2020/21 Budget	**0.000**	**1.866**	**3.956**	**4.626**	**5.286**	**5.536**
Annual Increase in Gap		1.866	2.090	0.670	0.660	0.250
Gap as % of 2020/21 budget requirement	-	10.1%	21.5%	25.1%	28.7%	30.1%

APPENDIX 3

Commercial Asset Investment Strategy

Introduction
The Council has for several years had a Strategy, targeted towards investment in assets that generate new ongoing income streams in support of achieving the Council's ambition of being financially self-sufficient.

Strategic Context
The Council's Corporate Plan 2025 sets out our priorities for the next five years and explains how we will focus our resources and deliver services to those living, working and spending time in Reigate & Banstead. This includes aims to achieve financial sustainability by maximising income and efficiency opportunities. This includes developing our existing land, commercial properties and acquisitions that generate new additional income that will contribute to the local economy.

The Council recognises that asset management and investment is critical to the delivery of efficient and effective services. The effective use of Council-owned property and assets can contribute to the local economy and act as a catalyst for investment and strengthen the prosperity of the borough.

This Commercial Asset Investment Strategy focuses on investment acquisitions and development and underpins the framework for how the Council will manage use of its assets into the future. It sets out the organisational arrangements for implementing and developing the Strategy.

Aims and Objectives
The aim of this strategy is to realise the benefits of the effective management of investments, which include:

- Creating a balanced portfolio of assets that minimises management costs and resources.
- Increasing returns and creating new revenue income streams.
- Adopting an approach of balancing risk and reward.
- Supporting delivery of the Council's objective to ensure financial self-sufficiency
- Supporting the local economy.

Governance
This strategy will form the basis on which any investment decisions are made; the summary below sets out the decision-making process.

Stage 1	Initial assessment of investment opportunity by officers overseen by Commercial Ventures Officer Board.
Stage 2	Recommendation for decision to proceed to offer to Commercial Ventures Executive Sub-Committee.
Stage 3	Negotiation and full due diligence.
Stage 4	Final recommendation to Commercial Ventures Executive Sub-Committee.

The Commercial Ventures (officer) Board will carry out an initial high-level assessment and desk top valuations of any investment opportunity. Key criteria for the assessment will include:

- The investment will help deliver against the Council Plan objectives;
- Acquisition type: Good quality commercial property in traditional sectors, i.e. retail office and industrial, to ensure a mixed portfolio is achieved. Also, housing where it supports Corporate Plan objectives and delivers the target return.
- Location: priority to investments within the boundary of the borough or within the surrounding areas of economic benefit.

The assessment will cover an initial financial appraisal, any legal constraints and use of any market intelligence available.

The Commercial Ventures Board will receive proposals and act as a catalyst for making recommendations to proceed to offer to the Commercial Ventures Executive Sub-Committee.

Following a positive decision, an offer will be made to the property owners/agents subject to checks being carried out e.g. disclosure of freehold title, the property being clear of any onerous restrictions, full structural, mechanical and electrical surveys.

Strategic alignment with other Council policies
As with any strategy, there is a need to be mindful of other work-streams and Council priorities. These include:

- Medium Term Financial Plan, Revenue Budget and Capital Programme
- Treasury Management Strategy - will ensure compliance with approved borrowing levels.
- Capital Strategy - will set the long-term context in which capital expenditure and investment decisions are made in a sustainable way.
- Commercial Strategy
- Housing Delivery Strategy
- Environmental Sustainability Strategy

Scope
This strategy will apply to all acquisitions of land and property. An acquisition is defined as acquiring a legal interest in land and property by the taking of a freehold, leasehold or license in land and property for investment purposes.

Performance
The Council is committed to understanding how the performance of its assets contributes to satisfaction levels of its customers. It will use this information to ensure that assets remain fit for purpose and continue to deliver accessible services that meet the needs of the community. This is against a background of changing service requirements and rising levels of public expectation.

Value for Money
The Council will ensure that any acquisitions deliver value for money in terms of service benefit, operating costs and financial return from its assets. The Council will continually challenge whether its assets are required, are fit for purpose, and contribute to the delivery of the Council's priorities.

Innovation
The creative use of Council assets can act as an effective driver for change. The Council has an excellent track record of delivering through a partnership approach and continues to seek new opportunities for collaboration with other public authorities, third sector and private sector.

By attracting private sector financing and sharing some of the risks, these innovative ways of working may allow the Council to progress ambitious, large scale plans that were previously considered unaffordable or too long-term.

Data Management
In all cases where an acquisition occurs, arrangement will be made to ensure that details are recorded in the Council's asset management and financial records. Where appropriate the Council's business rate liabilities and insurance requirements will be updated.

Compliance
The Council will ensure that all acquisitions are safe and they fully comply with all statutory obligations, e.g. health and safety (including asbestos and water safety).

The Council will endeavour to ensure that it complies with its leasehold obligations, including building repairs. It will be pragmatic in its approach and seek to ensure value for money in all the work undertaken.

Environmental Sustainability

The Council is keen to minimise the adverse impact, and maximise the positive impact, that its activities may have on the environment. It is committed to reducing energy consumption and carbon emissions from acquisitions and any developments adopting sustainable forms of construction.

Disposal
Linked to the acquisitions is the potential for disposal of assets, the key drivers include:

- Obtaining capital receipts, which can be reinvested in new acquisitions.
- Clearly defining surplus and under-used property and asset rationalisation.
- Identification of potential development and disposal opportunities that may deliver wider redevelopment benefits and/or capital receipts or revenue. This may include working in partnership with a developer partner.
- Pro-active disposal of small landholdings that may be a maintenance liability, provided that the proposed uses are in line with the Local Plan.

Summary
This Strategy reflects the latest guidance and past performance on delivering against the Council's Asset Strategy. Going forward the Strategy will focus on acquisitions, development of existing assets and reviewing the long-term future of legacy assets and provide a framework for managing the use of Council assets into the future. It will be subject to regular review to ensure it remains current.

APPENDIX 4

Accounting Policies

The Accounting Policies which inform the Financial Statements of the Council are in accordance with statutory provisions and the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which adopts relevant International Financial Reporting Standards (IFRS).

The key accounting policies applicable to this authority, and any specific policies adopted where local discretion can be applied are subject to approval by Audit Committee.

The full accounting policies are contained within the notes to the Core Financial Statements to the Final Accounts. Those polices related to the recording and financing of capital expenditure are reproduced from the 2018/19 Accounts below.

Capital Grants and Contributions

Where no grant conditions exist or conditions have been met, capital grants and contributions are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Capital Grants Unapplied Account via the Movement in Reserves Statement. The amount of the grant or contribution that has been used to finance expenditure is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account when they have been applied to fund capital expenditure.

Where grant conditions exist and have not initially been met, the grant is recognised in the Capital Grants Receipts in Advance Account. When grant conditions have been met, the grant is then recognised in the Comprehensive Income and Expenditure Statement and transferred via the Movement in Reserves Statement to the Capital Adjustment Account. If the grant conditions are not and/or are unlikely to be met then the grant will be repaid.

Grants and Contributions Attributable to Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Heritage Assets

The Council's heritage assets consist of paintings (oil and watercolour) and marble sculptures which have been donated to the Council and are held in the Town Hall, and the mayor's regalia.

These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an annual basis. The collection is relatively static with donations being rare. Where they do occur, donations are recognised at valuation.

The Council also hold land and historical structures such as the Reigate Heath Windmill and the caves in the castle grounds.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the

carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts which is credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

De-Recognition of Property, Plant and Equipment

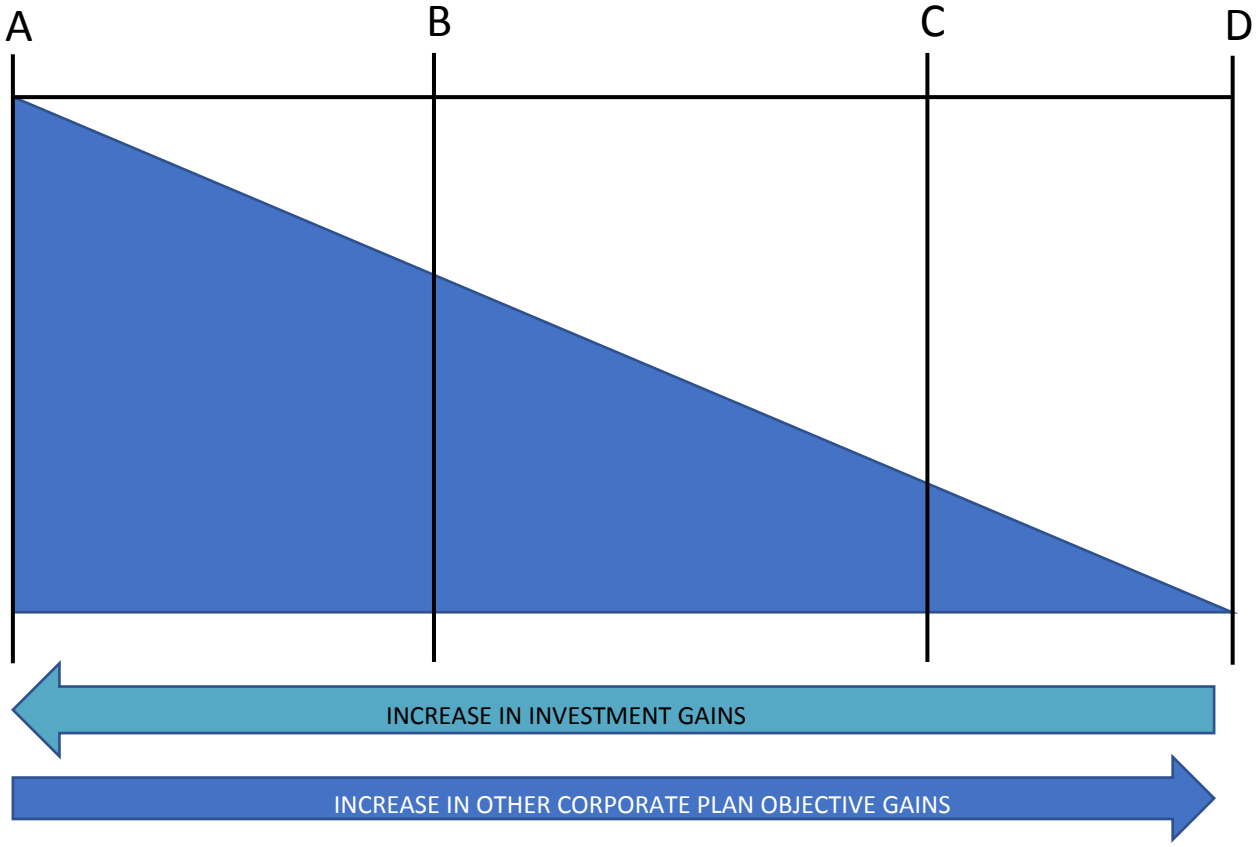
An item of property, plant or equipment is derecognised by disposal or when no future economic benefit or service potential is expected from its use. The carrying amount of the asset in the balance sheet is written off to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Sale proceeds from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains on the Revaluation Reserve, for assets disposed of or decommissioned, are transferred to the Capital Adjustment Account.

Income from asset disposals in excess of £10,000 is classed as capital receipts. The balance of capital receipts is credited to the Capital Receipts Reserve and used to fund new capital expenditure or repay debt. The written off value of disposals is reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a long-term asset on the balance sheet. These are generally grants and expenditure on property not owned by the Council. Expenditure is charged to the surplus/deficit on the Provision of Services as the expenditure is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

FRAMEWORK FOR INVESTMENT DECISIONS



What's the primary purpose?
A - Shorter-term financial benefits
B - Longer-term overall financial benefits
C - Mainly other Corporate Plan objective benefits/some financial benefits
D - Only other Corporate Plan benefits

Property Investment Decisions - Checklist

Criteria	Measure		
Financial			
Price	Comparison with Red Book value		
Purchase Costs	Within industry norm		
Financial return on total investment cost	>5%	>2.5% and strongly supports corporate plan objectives	<2.5%
Return over short to medium term	Negative inflow (net income stream)	Positive inflow (net cost)	
Net Present Value	>3.5% above cost of capital	<3.5% over cost of capital + significant contribution to corporate objectives	<3.5% over cost of capital
Internal Rate of Return (over the long-term life of the asset)	<10 years	10-20 years	>20 years
Payback	<15 years	15-20 years	>20 years
Stress test/tipping point	>50% value of covenant	<50% but >30%	<30%
Impact on MTFP (£)	Annual impact on MTFP funding gap (net cost or income)		
Financial Standing/appraisal of company financial health	>60% 50-60% with >12m covenant	50-60% with <12m+ covenant	<50%
Credit Score	No significant issues identified (Dun & Bradstreet or equivalent)		
Treasury Management			
Complies with 'Borrowing in Advance of Need' test	Complies		
Impact on Corporate Cash Flows			
Within Operational Boundary	Complies		
Within authorised limit	Complies		
Liquidity concerns	None		
Exit Strategy	Does not add new risks to MTFP forecasts		
Lease accounting classification	Operating Lease (not Finance lease)		
Opted to Tax	VAT on acquisition is recoverable and no adverse impact on the Council's Partial Exemption status	VAT on acquisition is not recoverable with adverse impact on the Council's Partial Exemption status	
Property Characteristics			
Location	In borough or clearly supports local economy		
Category	Supports balanced but diverse portfolio which may comprise: • Shops - Class A1 • Offices – Class A2/B1 • Industrial - Class B2 • Distribution & Storage - Class B8 • Hotels & Hostels - Class C1 • Residential Institutions - Class C2 • Dwellings, Houses, Flats & Apartments - Class C3		

Criteria	Measure		
	• Non-Residential Institutions - Class D1 • Assembly & Leisure - Class D2 • Other – not included above		
Type	Prime/secondary/tertiary Established office/industrial		
Tenure	Freehold or long leasehold(s)		
Occupation	Single occupier with good covenant	Multi-let	Vacant
Condition	Good condition; or Price reflects works required	Significant concerns about life, value or potential returns	
Environmental	Flood risk, conservation area, etc		
Planning	Use conforms to planning consents		
Energy Performance	> D	< D with details provided of works required to achieve D	< D
Title	Transfer required		
Legal	Any issues identified (including permitted use) Tenant check (company and directors)		
Rent	At or above market rent		
Income Flow	5+ years to lease renewal/tenant break option		
Rent Review	Upward only, preferably at market standard frequency		
Repairs	Full repairing and insuring lease (property policies arranged through the Council's insurers)		
Corporate Plan Priorities			
Strategic significance	Has significant strategic value Supports delivery of key corporate objectives		

Key

Exceeds minimum criteria for investment – recommended for consideration
Does not fully meet criteria - may be considered if issues can be addressed
Does not meet criteria – not recommended for consideration

APPENDIX 6

Capital Investment Strategy
Annual Report Template

Asset Base Update

- *updated analysis of the Council's capital asset base.*

Expenditure in year v planned (link to priorities)

- *summary of capital expenditure in year, explaining key variances of actuals v budget.*
- *summary of how capital expenditure links to the Council's priorities.*
- *identify any key issues.*

Commercial Assets

- *analysis of the Council's commercial assets, valuations and income streams.*

Commercial Acquisition Decisions During the Year

- *overview of acquisition decisions.*

Asset	Type	Cost	Return	Decision Date	Comments

Commercial Asset Performance

Asset	Income	Expenditure	Net Return	Target Return on Acquisition	Void Rate	Comments

Commercial Asset Condition

Asset	Condition	Issues & Actions

Asset Funding

- *summary of borrowing costs (interest and MRP).*

	Actual	Planned	Variance	Comments
Borrowing				
Interest				
MRP				

Risk management

- *summary of key risk management actions during the year.*

Conclusions

- *recommendations regarding future investment and funding.*
- *recommendations regarding potential disposals.*

Capital Programme 2020/21 to 2024/25

CAPITAL PROGRAMME 2020 to 2025 - DETAILS						
	2020/21 (Yr. 1)	2021/22 (Yr. 2)	2022/23 (Yr. 3)	2023/24 (Yr. 4)	2024/25 (Yr. 5)	Total
	£000	£000	£000	£000	£000	£000
ORGANISATION SERVICES						
PROPERTY SERVICES						
Rolling Property Maintenance Programmes:						
Beech House, London Road, Reigate	3,000.0	0.0	0.0	0.0	0.0	**3,000.0**
Forum House, Brighton Road, Redhill	70.0	100.0	100.0	150.0	150.0	**570.0**
Unit 61E, Albert Road North	55.0	11.5	200.0	11.5	11.5	**289.5**
Regent House	25.0	50.0	100.0	90.0	90.0	**355.0**
Linden House, 51b High Street, Reigate	17.3	11.3	28.8	11.5	11.5	**80.3**
Units 1-5 Redhill Distribution Centre. Salfords	40.3	17.3	57.5	17.3	17.3	**149.5**
Crown House	75.0	135.0	75.0	75.0	75.0	**435.0**
Tenanted properties - occupied by third parties - planned building maintenance	100.0	100.0	100.0	100.0	100.0	**500.0**
Commercial Investment Properties	50.0	76.0	76.0	76.0	76.0	**354.0**
Operational Buildings	115.0	145.0	110.0	95.0	80.0	**545.0**
Priory Park Maintenance	198.0	10.0	10.0	10.0	30.0	**258.0**
Public Conveniences	5.0	4.0	4.0	4.0	20.0	**37.0**
Infrastructure (Walls etc.)	55.0	10.0	60.0	10.0	60.0	**195.0**
Allotments	14.0	12.0	12.0	12.0	22.0	**72.0**
Cemeteries & Chapels	40.0	20.0	20.0	20.0	40.0	**140.0**

CAPITAL PROGRAMME 2020 to 2025 - DETAILS						
	2020/21 (Yr. 1)	2021/22 (Yr. 2)	2022/23 (Yr. 3)	2023/24 (Yr. 4)	2024/25 (Yr. 5)	Total
	£000	£000	£000	£000	£000	£000
Leisure Centres	30.0	30.0	210.0	190.0	30.0	**490.0**
Pavilions	90.0	110.0	50.0	50.0	50.0	**350.0**
Car Parks Capital Works	190.0	195.0	190.0	195.0	170.0	**940.0**
Earlswood Depot/Park Farm Depot	50.0	20.0	20.0	20.0	20.0	**130.0**
Day Centres	75.0	85.0	75.0	67.0	65.0	**367.0**
Harlequin Property Maintenance	40.0	140.0	110.0	120.0	100.0	**510.0**
Building Maintenance – consultancy/capitalised staff costs.	50.0	50.0	50.0	50.0	40.0	**240.0**
	4,384.5	**1,332.0**	**1,658.3**	**1,374.3**	**1,258.3**	**10,007.3**
IT SERVICES						
Rolling Investment Programmes:						
ICT Replacement Programme	225.0	425.0	325.0	325.0	325.0	**1,625.0**
Disaster Recovery Systems Upgrade	0.0	0.0	50.0	0.0	0.0	**50.0**
Replacement Photocopiers/ Printers	0.0	0.0	0.0	60.0	0.0	**60.0**
	225.0	**425.0**	**375.0**	**385.0**	**325.0**	**1,735.0**
ORGANISATIONAL DEVELOPMENT						
Workplace Facilities: Estate/Asset Development	250.0	250.0	250.0	250.0	250.0	**1,250.0**
Workplace Facilities: additional IT requirement for increase in workforce.	30.0	10.0	10.0	10.0	10.0	**70.0**
	280.0	**260.0**	**260.0**	**260.0**	**260.0**	**1,320.0**

CAPITAL PROGRAMME 2020 to 2025 - DETAILS						
	2020/21 (Yr. 1)	2021/22 (Yr. 2)	2022/23 (Yr. 3)	2023/24 (Yr. 4)	2024/25 (Yr. 5)	Total
	£000	£000	£000	£000	£000	£000
COMMERCIAL SERVICES						
COMMERCIAL INVESTMENT						
Commercial Investment	50,000.0	0.0	0.0	0.0	0.0	**50,000.0**
PEOPLE SERVICES						
HOUSING						
Grant-Funded Schemes						
Disabled Facilities Grant	1,134.0	1,134.0	1,134.0	1,134.0	1,134.0	**5,669.8**
Home Improvement Agency (Part Grant Funded)	120.0	120.0	120.0	120.0	120.0	**600.0**
Handy Person Scheme (Housing Assistance Programme)	50.0	50.0	50.0	50.0	50.0	**250.0**
Repossession Prevention Fund	30.0	30.0	30.0	30.0	30.0	**150.0**
Housing Development						
Lee Street Bungalows	234.0	0.0	0.0	0.0	0.0	**234.0**
Cromwell Road Redevelopment	3,680.0	0.0	0.0	0.0	0.0	**3,680.0**
Pitwood Park	1,745.0	71.0	0.0	0.0	0.0	**1,816.0**
Housing Delivery Strategy						
Housing Delivery	10,000.0	10,000.0	10,000.0	0.0	0.0	**30,000.0**
	16,993.0	**11,405.0**	**11,334.0**	**1,334.0**	**1,334.0**	**42,399.8**

CAPITAL PROGRAMME 2020 to 2025 - DETAILS						
	2020/21 (Yr. 1)	2021/22 (Yr. 2)	2022/23 (Yr. 3)	2023/24 (Yr. 4)	2024/25 (Yr. 5)	Total
	£000	£000	£000	£000	£000	£000
WELLBEING & INTERVENTION						
Rolling Maintenance Programmes:						
Harlequin Facilities Maintenance	40.0	40.0	40.0	40.0	40.0	**200.0**
Harlequin - Service Development	100.0	0.0	0.0	0.0	0.0	**100.0**
	140.0	**40.0**	**40.0**	**40.0**	**40.0**	**300.0**
COMMUNITY PARTNERSHIPS						
Rolling Maintenance/Investment Programmes:						
CCTV	30.0	30.0	30.0	30.0	30.0	**150.0**
PLACE SERVICES						
NEIGHBOURHOOD OPERATIONS						
Rolling Maintenance/Investment Programmes:						
Refuse Vehicle Replacement	1,620.0	1,620.0	0.0	0.0	0.0	**3,240.0**
Vehicles & Plant	1,542.0	846.0	846.0	846.0	846.0	**4,926.0**
Fleet Vehicle Wash-Bay Replacement	350.0	0.0	0.0	0.0	0.0	**350.0**
Play Areas Improvement	226.0	230.0	230.0	230.0	230.0	**1,146.0**
Air Quality Monitoring Equipment	109.0	40.0	40.0	40.0	40.0	**268.0**
Park & Countryside – Infrastructure & Fencing	45.0	45.0	45.0	45.0	45.0	**225.0**
Contaminated Land – Investigation Work	30.0	30.0	30.0	30.0	30.0	**150.0**
Land Flood Prevention	6.0	10.5	10.5	10.5	10.5	**48.0**
	3,927.0	**2,821.5**	**1,201.5**	**1,201.5**	**1,201.5**	**10,353.0**

CAPITAL PROGRAMME 2020 to 2025 - DETAILS						
	2020/21 (Yr. 1)	2021/22 (Yr. 2)	2022/23 (Yr. 3)	2023/24 (Yr. 4)	2024/25 (Yr. 5)	Total
	£000	£000	£000	£000	£000	£000
PLACE DELIVERY						
Marketfield Way Redevelopment	18,858.6	23,212.0	15,100.0	0.0	0.0	**57,170.6**
Preston Regeneration	362.1	0.0	0.0	0.0	0.0	**362.1**
Horley Public Realm Improvements - Phase 4	100.0	500.0	0.0	0.0	0.0	**600.0**
Merstham Recreation Ground	700.0	700.0	0.0	0.0	0.0	**1,400.0**
Redhill Public Realm Improvements	0.0	30.0	0.0	0.0	0.0	**30.0**
	20,020.7	**24,442.0**	**15,100.0**	**0.0**	**0.0**	**59,562.7**
Economic Prosperity: Vibrant towns & villages	100.0	100.0	100.0	100.0	100.0	**500.0**
TOTAL APPROVED CAPITAL PROGRAMME	**96,100**	**40,855**	**30,099**	**4,725**	**4,549**	**176,328**

APPENDIX 8

Flexible Use of Capital Receipts Strategy

As part of the Local Government Finance Settlement (LGFS) in March 2016, the Secretary of State for Housing, Communities and Local Government provided Local Authorities with the opportunity to use capital receipts to fund the revenue costs of transformation. This flexibility was then extended to 2021/22 as part of the 2018/19 LGFS.

The flexible use of capital receipts is designed to offset the revenue cost of transformational projects which are expected to deliver future ongoing revenue savings for either the Council or other public sector delivery partners.

In order to take advantage of the change of use to capital receipts, the Council must act in accordance with the statutory guidance issued by the Secretary of State. This guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy.

Qualifying expenditure
Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

Projects
There are currently no projects in place that plan to make use of the capital receipts flexibility.

Should this change, details of the expected savings/service transformation will be provided to full Council alongside the impact on the Council's Prudential Indicators.

APPENDIX 9

Risk Assessment

Ref	Risk	Impact	Likelihood	Mitigation	Residual Risk
CIS1	Financial risks where the costs of maintaining an asset are understated.	M	M	Agency, legal costs, management costs, debt repayment and insurance costs are included in the financial assessment as are any other known commitments. The condition of the property is also considered.	Unknown costs may materialise that exceed budget forecasts.
CIS2	Financial risks where income streams associated with an asset are overstated and/or void periods are understated.	M	M	Individual decisions are informed by a detailed financial assessment which includes a review of income projections based on current contractual terms. The length of contracts is also considered, and a judgement is made as to a reasonable void period which is flexed depending on the number and type of rental agreements in place. The strength of the market demand for the property is also considered, as is the credit rating status of sitting tenants. The assessment of decisions includes consideration of the Council's exit strategy.	There are no guarantees that tenants will remain solvent and/or fulfil their agreements. The market may change (potentially as a result of wider economic issues) which may impact on market rental values. The life of the asset and the period of the financial model typically extends beyond any leases that are in place and there is no guarantee that premises will remain let over the period of the financial model/borrowing.
CIS3	Financial risks where the (resale) value of the asset is overstated and/or reduces. Or the life of the asset is overstated.	M	M	An independent valuation of the property is commissioned as part of the decision-making process. The Council also receives advice and market intelligence from its property advisors. The financial assessment includes both interest and repayment of borrowing.	Resale valuations cannot be guaranteed to increase/remain static. While the cost of loan repayment is modelled within the financial assessment, any desire to sell the asset within the payback period could result in a capital shortfall should the market valuation decline.

Ref	Risk	Impact	Likelihood	Mitigation	Residual Risk
CIS4	Strategic risks where the benefits, improvements and development potential of an asset are overstated	M	M	Individual acquisition decisions consider the benefit, improvement and development of the area as well as income generation for the authority.	The actual long-term economic impact of acquisitions may be less than anticipated.
CIS5	Reputational risks related to dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.	H	L	Individual acquisition decisions consider the benefit, improvement and development of the area and contribution to agreed corporate objectives that were subject to stakeholder consultation.	The acquisition and development of individual assets may result in negative opinion.
CIS6	Environmental sustainability risks related to delivery of the Strategy	M	L	Individual acquisition decisions consider the benefit, improvement and development of the area and contribution to agreed corporate objectives that were subject to stakeholder consultation. Environmental sustainability considerations are taken into account when making individual investment decisions.	The acquisition and development of individual assets may result in negative opinion.
CIS7	Risks relating to the profile of the Council's asset base - and how effectively risk is spread across different asset types and sectors	H	L	Individual acquisition decisions consider the asset class and the extent to which it will help ensure a balanced portfolio.	The risk associated with individual asset classes will be influenced by a range of factors that may change over time.
CIS8	Risks relating to the COVID-19 pandemic	H	M	Deliverability of approved schemes and funding forecasts will be subject to review as the medium/long term impacts are confirmed. Income from commercial rents is likely to be at higher risk of non-payment due to a downturn in the economy and changes in how tenants operate resulting in reduced demand for office space.	It may be necessary to re-assess deliverability and/or affordability of some schemes and update capital investment plans in response. Discussions with tenants have taken place since the start of the pandemic to assess their ability to pay and future requirements. It is still too early to form a clear picture of what the medium to long term implications may be.

Key:

IMPACT						
Grave	5		CIS5			
Significant	4			CIS8		
Moderate	3		CIS6	CIS1 CIS2 CIS3 CIS4		
Minor	2					
Almost none	1					
		1	2	3	4	5
LIKELIHOOD		Rare	Unlikely	Possible	More Than Likely	Almost Certain

APPENDIX 10

Asset Condition Assessment

Programmed Planned and Reactive Maintenance

Management of the Council's property maintenance programme, condition surveys and project management of small to medium size construction projects is carried out by the Property Services team. This team incorporates Facilities Management, with responsibility for the day to day running of the buildings to support and enable ongoing service delivery. The team is augmented by external consultants when specialist advice or additional resources are required.

Compliance with numerous statutory requirements relating to maintenance and management of properties are dealt with in-house, augmented by external consultants when specialist advice is required. The main legislative areas covered are:

- Disability Discrimination Act;
- Control of Asbestos Regulations;
- Health and Safety at Work Act;
- Environment Protection Act (contaminated land);
- Control of Substances Hazardous to Health Regulations (Legionella);
- The Regulatory Reform (Fire Safety) Orders;
- Gas safety and fixed wire testing;
- Fire risk assessments; and
- Lifts and Lifting Operations Lifting Equipment Regulations (LOLER).

Health and Safety schedules have been checked and updated, with all due inspections and certifications in hand.

A rolling five-year programme of condition surveys, regular inspection of the properties and liaison with service managers determines the revenue and capital budgets required over the medium term.

The objective is to reduce reliance on capital to fund planned and reactive maintenance, through continued aggregation of planned maintenance contracts and efficient re tendering of services that the Council purchases from external contractors.

Budgets for, and the cost of, repairs and maintenance are split between planned maintenance and reactive maintenance in order to monitor and measure the progress of improving the proportion of expenditure on the former at the expense of the latter.

All procurements are undertaken in accordance with the Council's Contract Procedure Rules and making use of the Council's E-Procurement system. This approach ensures both compliance with legislation governing public sector procurement and an open and competitive process for securing the most economically advantageous terms.

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