

Overview and Scrutiny Committee Agenda



Reigate & Banstead
BOROUGH COUNCIL
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Contact: Democratic Services (01737 276182)

Email: Democratic@reigate-banstead.gov.uk

29 May 2019

To the Members of the OVERVIEW AND SCRUTINY COMMITTEE

Councillors:

R. Absalom	J. King
M. Blacker	C. Neame
G. Buttironi	S. Parnall
J. Essex	J. Philpott
R. Feeney	S. Sinden
N. Harrison	R. Turner
J. Hudson	S. Walsh
F. Kelly	

Substitutes

Councillors:

Conservatives:

D. Allcard, R. Michalowski, N. Moses, K. Sachdeva, C. Stevens

Residents' Association:

G. Adamson, J. Bray, C. Whinney

Green Party:

H. Brown, S. Fenton, S. McKenna, R. Ritter

Liberal Democrats:

S. Kulka

For a meeting of the **OVERVIEW AND SCRUTINY COMMITTEE** to be held on
THURSDAY, 6 JUNE 2019 at 7.30 pm in the New Council Chamber - Town Hall, Reigate.

John Jory
Chief Executive

1. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

To receive any apologies for absence and notification of any substitute Members in accordance with the Constitution.

2. ELECTION OF CHAIR

To elect a Chair for this Committee for the Municipal Year 2019/20.

3. ELECTION OF VICE-CHAIR

To elect a Vice-Chair for this Committee for the Municipal Year 2019/20.

4. MINUTES

(Pages 5 - 10)

To approve the Minutes of the previous meeting held on 10 April 2019.

5. DECLARATIONS OF INTEREST

To receive any Declarations of Interest (including the existence and nature of any Party Whip).

6. ANNUAL INTERNAL AUDIT REPORT 2018/19

(Pages 11 - 30)

To note the Annual Internal Audit Report & Opinion 2018/19 and provide any observations to the Leader of Council and the Chief Executive.

7. PROVISIONAL OUTTURN REPORT 2018/19

(Pages 31 - 64)

To consider the provisional 2018/19 outturn report for Revenue, Capital and Treasury Management, to be reported to the Executive on 20 June 2019.

8. QUARTERLY PERFORMANCE REPORT (Q4 2018/19)

(Pages 65 - 78)

To consider the key service performance indicators for the fourth quarter of 2018/19.

9. FUTURE WORK PROGRAMME

(Pages 79 - 94)

To confirm the Work Programme for the Overview and Scrutiny Committee for 2019/20.

10. EXECUTIVE

To consider any items arising from the Executive which might be subject to the 'call-in' procedure in accordance with the provisions of the Overview and Scrutiny Procedure Rules set out in the Constitution.

11. 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: Under the Committee and Sub-Committee Procedure Rules set out in the Constitution, items of urgent business must be submitted in writing but may be supplemented by an oral report.)

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BOROUGH OF REIGATE AND BANSTEAD

OVERVIEW AND SCRUTINY COMMITTEE

Minutes of a meeting of the Overview and Scrutiny Committee held at the New Council Chamber - Town Hall, Reigate on Wednesday, 10 April 2019 at 7.30 pm.

Present: Councillors B. A. Stead (Chairman), T. Archer, M. S. Blacker, R. W. Coad, G. R. Curry, J. C. S. Essex, N. D. Harrison, R. Michalowski, J. M. Stephenson, Mrs. R. S. Turner, J. F. White and Mrs. R. Absalom (Substitute)

Also present: Councillors R. Biggs, M.A. Brunt, and T. Schofield

75. MINUTES

RESOLVED that the minutes of the meeting held on 14 March 2019 be approved, subject to the following clarification:

- That the minute of the discussion regarding Item 4: Internal Audit Plan 2019/20 include a note to clarify that the members of the Committee supported the prioritisation of future reviews with regard to risks identified in recent and ongoing reviews.

76. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Committee Members: Mr J. Godden, Mr J. King, Mr D. Powell, and Mr A. Tarrant.

Others: None.

77. DECLARATIONS OF INTEREST

No declarations of interest were made.

78. EXTERNAL AUDIT PLAN 2018/19

The Committee considered the plan for the 2018/19 External Audit of the Council, as provided by the Council's External Auditors. It was identified that the external auditors had received information on previous external audits from the preceding external audit provider. It was identified that the audit would include consideration of potential risks including the completeness of expenditure, property valuation, management override of controls, pensions liability valuation, and value for money, and would be conducted in accordance with international standards on auditing.

The Committee considered and discussed the plan. There were a number of questions and comments relating to the following topics:

Agenda Item 4

- **Materiality.** It was confirmed that the identified materiality level was assessed to be appropriate for the audit being undertaken, in line with established auditing standards and professional practices. In response to Member concerns regarding the level, it was also confirmed that all misstatements in excess of £110k would be reported, that all misstatements below this threshold considered to be material would be reported, and that the Council would be requested to correct any identified errors. It was identified that multiple related items below the threshold would commonly be aggregated with regard to consideration of materiality.
- **Group considerations and significance.** It was confirmed that, for the purposes of the audit, the subsidiaries and ventures of the Council were not considered to be significant as the values of each of the entities were all well below the standard 10% significance threshold. It was confirmed that any significant issues arising would be considered.
- **Completeness of Expenditure.** It was identified that plan identified that any significant downward movements in year on year accruals would be investigated, based on the significance of the assessed risks, but that the audit would consider any unusual movements in any direction.
- **Bank Balances and Trading Companies.** It was confirmed that a written response could be provided by the auditors, providing additional information on the detailed testing of bank balances and trading companies.
- **Management Override.** It was confirmed that management override of controls was considered to be a significant risk by auditing standards, and thus would be considered on this basis as part of the audit. It was confirmed that there were no identified reasons to believe that there was any greater risk of override in the case of the Council than in any other case.
- **Pension Liability.** It was confirmed that the identified pension liability was with direct regard to the Council.
- **Scope of the External Audit process.** It was confirmed that the planned audit would cover all relevant external audit matters, in line with auditing standards, and that the limitations of the scope of the audit identified in the plan were to clarify that the audit would not identify all issues outside of these matters.
- **Internal Controls.** It was confirmed that the audit would both consider management representations regarding internal controls, and consider risk areas directly, in line with standard audit procedures and assessed risks.

The Committee thanked the External Auditors, and supporting Members and officers, for the presentation of the plan for the 2018/19 External Audit of the Council.

RESOLVED that the plan for the 2018/19 External Audit of the Council be noted.

79. PORTFOLIO HOLDER BRIEFING

The Committee received a presentation from Councillor K. Foreman, Executive Member for Planning Policy, on the Planning Policy Portfolio, including information on the distinction between planning policy and planning applications, the development of local plans, and the Council's role in advising and consulting on other plans affecting the local area. Attention was drawn to the roles of evidence gathering, strategic planning, and consultation in developing local plans, along with the current status of the developing Development Management Plan.

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The Committee considered and discussed the presentation. There were a number of questions and comments relating to the following topics:

- **Housing Targets and National Planning Policy.** A number of Members expressed concern at the new national approach to housing needs, which indicated a figure of over 1100 homes per year for the Borough, up from the current figure of 460. It was confirmed that the timings of the expected new National Planning Policy Framework were such that it would not initially be possible to have a new Core Strategy in place with regard to this issue. It was identified that guidance indicated both a requirement to meeting minimum housing needs, and to protect local considerations such as the greenbelt, and that it was as yet unclear how these requirements were expected to be balanced. Attention was drawn to the wider implications of significant increases to housing numbers, including effects on parking, traffic, and general infrastructure requirements, which did not appear to be addressed in corresponding national strategy. It was confirmed that the Executive Member for Planning Policy was also concerned regarding the indicated housing figure, and that the Council would be working to identify and agree the most appropriate available option for the Borough. It was identified that discussions were being undertaken with local MPs regarding discussion of the national policy.
- **The Development Management Plan – Main Modifications.** It was identified that the most significant modifications to the draft plan proposed by the inspector were judged to be the removal of the Redhill aerodrome site from safeguarding for development, the requirement for additional sites for accommodation of Gypsies, Travellers and Travelling Showpeople, the change to the phased release of land in favour of proactive forecasting to meet the needs of the 5 year housing supply, and an increase to the proposed density of development in identified Sustainable Urban Extensions.
- **Plan Development and Timescales.** It was identified that updating the various local planning documents was a continuous process, and that proper consideration of evidence and consultation requirements placed a limit upon the rate at which this could be undertaken. It was identified that whilst the planning policy team sought to anticipate forthcoming legislative requirements, changes in government and government policy would be expected to frequently disrupt existing expectations. It was identified that plans were updated as frequently as was practical within the associated limitations.
- **Consultation and Engagement.** It was confirmed that the public consultation on the DMP had received a considerable number of responses from individual residents, in addition to developers and local interest groups, and that these had been considered both in the development and inspection of the plan. It was identified that there would continue to be briefings for and engagement with all Members on developing planning policy following the elections in May 2019.
- **Redhill Aerodrome.** It was confirmed that the planning application for an additional runway at the aerodrome had been considered by the Planning Committee independently of any emerging planning policy designations. It was confirmed that the redevelopment of the site was no longer a supported policy, as was supported by the planning inspector in removing the site from land safeguarded for development.

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- **Planning Guidance.** It was identified that the forthcoming Development Management Plan included consideration of matters not previously included in the Council's adopted planning policy, including additional material on parking standards to change from minimum to maximum and to take account accessibility and care ownership evidence. It was confirmed that consideration would be given to further guidance on this in the future, as well as topics of flooding and affordable housing.

The Committee thanked Councillor Foreman and supporting officers for the presentation, and thanked the planning policy team for their work in supporting the Council's planning policy.

RESOLVED that the portfolio holder briefing from Cllr K. Foreman, Executive Member for Planning Policy, be noted.

80. SERVICE AND FINANCIAL PLANNING 2020/21 - PROCESS AND OVERVIEW

The Committee considered an overview of the Council's Service and Financial Planning process for the 2020/21 financial year, including information on the timetable, approval process and scrutiny. It was identified that the input of the Committee was being sought at a more advance stage than had historically been the case, to allow identified scrutiny concerns to be effectively addressed through the planning process.

The Committee considered and discussed the report. There were a number of questions and comments relating to the following topics:

- **Scrutiny Engagement.** It was confirmed that consideration would be given to providing additional information to Overview and Scrutiny Committee Members on the developing budget proposals in advance of the publication of draft budget proposals in November 2019. It was also identified that there would once again be ongoing consultation with a budget advisory working group, constituted on a cross-party basis, along with the in-depth review of proposals by the Budget Scrutiny Review Panel.
- **Stakeholder Consultation.** It was suggested that it would be beneficial to undertake consultation on budget proposals with relevant stakeholders from the wider community, in addition to the mandatory consultation undertaken with the business community. It was confirmed that consideration on how best to engage with a broader range of relevant stakeholders would be undertaken as part of the early stages of the planning process.

RESOLVED that the overview of the Service and Financial Planning process for 2020/21 and the observations of the Committee, as identified in the minutes, be noted.

81. OVERVIEW AND SCRUTINY COMMITTEE - ANNUAL REPORT 2018/19

The Committee considered the proposed Annual Report of the Overview and Scrutiny Committee to Council, which set out the terms of reference and work of the Committee in the municipal year 2018/19, accompanied by a conclusion from the Chair, and information on attendance at meetings.

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It was suggested that the information on attendance provided might benefit from accompanying information on representation of absent Committee members by substitutes, and it was agreed that this would be considered for future reports.

The Annual Report was approved by the Committee, and it was:

RECOMMENDED that the Annual Report of the Overview and Scrutiny Committee for the municipal year 2018/19 be noted.

82. EXECUTIVE

It was reported that there were no items arising from the Executive that might be subject to the 'call-in' procedure in accordance with the provisions of the Overview and Scrutiny Committee Procedure Rules.

83. ANY OTHER URGENT BUSINESS

Councillor R.S. Turner, the other members of the Committee, and the Chief Executive expressed their thanks to Councillor B.A. Stead for his longstanding service as a Councillor, and particularly his work as the Chair of the Committee.

The Meeting closed at 8.58 pm

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SIGNED OFF BY	Head of Projects and Performance
AUTHOR	Luke Harvey, Project & Performance Team Leader
TELEPHONE	Tel: 01737 276519
EMAIL	Luke.Harvey@reigate-banstead.gov.uk
TO	Overview and Scrutiny Committee
DATE	Thursday, 6 June 2019
EXECUTIVE MEMBER	Cllr T. Schofield

KEY DECISION REQUIRED	No
WARDS AFFECTED	(All Wards);

SUBJECT	Annual Internal Audit Report & Opinion 2018/19
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RECOMMENDATIONS
<p>(i) That the Committee note the annual internal audit report and opinion attached at annex 1</p> <p>(ii) That the Committee make any observations and/or recommendations to the Leader of the Council and Chief Executive</p>
REASONS FOR RECOMMENDATIONS
<p>Under the Council's Constitution the Overview and Scrutiny Committee fulfils the role of the Audit Committee. As part of this role, and in accordance with the Public Sector Internal Audit Standards governing internal audit in local government, the Committee is asked to receive the annual written report of the Head of Internal Audit.</p>
EXECUTIVE SUMMARY
<p>The Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.</p> <p>For the 12 months ending 31 March 2019, the Head of Internal Audit's opinion for Reigate and Banstead Borough Council is as follows:</p>

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'The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective'

STATUTORY POWERS

1. The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which state that authorities must: 'undertake an effective internal audit to evaluate the effectiveness of [their] risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
2. The latter standards are defined in the Public Sector Internal Audit Standards (updated in 2017).
3. In accordance with these standards, the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.
4. The Local Government Act (1972) also requires local authorities maintain an independent internal audit function which ensures that the Council operates within the law and has effective control procedures in place to make certain that public money is spent effectively and efficiently.
5. The Council's Chief Financial Officer holds the statutory responsibility for overall financial administration of the Council's affairs and is therefore responsible for maintaining an adequate and effective internal audit function.

BACKGROUND

6. RSM were the Council's internal auditors for financial year 2018/19. The internal audit opinion attached at annex 1 is in respect of the 12 months ending 31 March 2019.
7. The Council has appointed new internal auditors for 2019/20 onwards. The Southern Internal Audit Partnership (SIAP) will also produce an annual report and opinion.

KEY INFORMATION

8. For the 12 months ending 31 March 2019, a total of 13 assurance and 4 advisory audits were completed. These are set out on page 10 of the final report. With regards to the detailed information contained within these audit reports, the Committee has received these during the year as part of the quarterly performance reporting process. A separate item on the committee's agenda for this meeting details the audits that were concluded in quarter 4.
9. Copies of all the internal audit reports referred to in the report have been made available in the eMembers Room.

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10. For the 12 months ending 31 March 2019, the Head of Internal Audit's opinion for Reigate and Banstead Council is as follows:

'The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.'

11. Based on the work that RSM have undertaken up until 31 March 2019, RSM have found that there is generally a sound system of internal control, designed to meet the Council's objectives, and controls are generally being applied consistently. More information can be found on page 3 of the report.
12. This opinion is consistent with the prior year.
13. During the year there were four audits where the Council only received 'partial assurance'. The opinion from these audits have therefore affected the Council's overall opinion for the year – an update on these audits is provided below:
- **Procurement and Contracts** – There is an accepted problem with Council wide compliance with the contract procedure rules. An independent review of the processes around procurement and the application of the rules is planned in the next quarter (it is currently being scoped and costed) with the expectation that the delivery of procurement will be adapted in the coming year to address these points.
 - **Creditors** – At the time of the audit in October 2018 there were delays in completing manager checks on changes to supplier bank details. This was contrary to approved control procedures and the internal audit review correctly flagged this as potentially leaving the authority exposed to the risk of fraud. The backlog of checks was eliminated as soon as the situation was highlighted. All checks are now up to date and compliance is being monitored on a monthly basis.
 - **Redaction procedures (online representations)** – the audit identified weaknesses around internal guidance on redaction procedures. Since the audit a redaction procedure has been developed and implemented. The audit also identified weaknesses with online representations, where comments on planning applications are available immediately on the Council's website. The Council recognises that there is a delicate balance to strike between representations made on planning applications being immediately available and potentially sensitive information being disclosed. However, there is a clear public expectation that comments made on planning applications will be available immediately in order to confirm that they have been received and to also allow neighbours to be directed to such representations. Although this risks personal and sensitive data being published without it being checked and redacted first, this risk is considered to be relatively low and outweighed by the clear public benefit of having comments available immediately.
 - **Grants Funding** – The audit of the Council's grant funding was timed to coincide with the review of how we support our voluntary, community and faith sectors (VCFS). The audit's findings have added weight to the recommendations of our VCFS review. The planned changes to how we support our VCFS, which will be

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considered by the Executive in June 2019, will address all of the audit's recommendations in full.

14. The Report (section 2.2) also provides details of the progress made by the Council in implementing previous management actions. Management have agreed to address all of the findings reported by the internal audit service during 2018/19. Further, from monitoring and following up management actions, RSM have confirmed that 'Good' progress has been made in implementing the agreed management actions.

OPTIONS

15. The Committee has two options open to it:
- Option 1: Note the report and make any observations and comments to the Leader of the Council and Chief Executive.
 - Option 2: Note the report and make no observations.

LEGAL IMPLICATIONS

16. The Committee's review of the internal audit annual report and opinion assists in the fulfilment of the Council's statutory duty to maintain an independent and effective internal audit function.
17. The completion of the annual report and opinion on the effectiveness of the control environment will inform the annual governance statement, published with the Council's annual accounts.
18. There are no other legal implications resulting from this report.

FINANCIAL IMPLICATIONS

19. There are no financial implications arising from this report.

EQUALITIES IMPLICATIONS

20. There are no equality implications arising from this report.

COMMUNICATION IMPLICATIONS

21. There are no communications issues arising from this report.

HUMAN RESOURCES IMPLICATIONS (if applicable)

22. There are no human resources issues arising from this report

RISK MANAGEMENT CONSIDERATIONS

23. An effective internal audit function is an important part of risk management.

OTHER IMPLICATIONS

24. There are no other implications arising from this report

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CONSULTATION
25. The report has been considered by the Council's Corporate Governance Group.
POLICY FRAMEWORK
26. There are no policy issues addressed by this report.
BACKGROUND PAPERS
None

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REIGATE AND BANSTEAD BOROUGH COUNCIL

Annual Internal Audit Report 2018/2019

Issued 16 April 2019

April 2019

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.

Overview and Scrutiny Committee
6 June 2019



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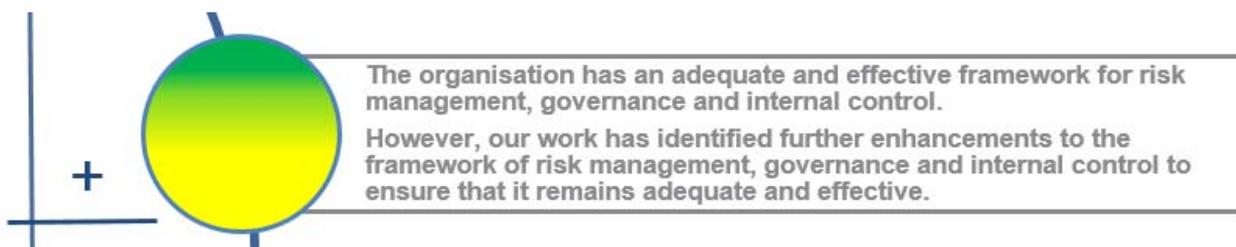
1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the head of internal audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance statement.

1.1 The opinion

For the 12 months ended 31 March 2019, the head of internal audit opinion for Reigate and Banstead Borough Council is as follows:

Head of internal audit opinion 2018/19



This is consistent with the prior year and reflective of the balance of individual assignment opinions outlined in Appendix B.

Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

1.2 Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Overview and Scrutiny Committee, our opinion is subject to inherent limitations, as detailed below:

- the opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation;
- the opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance framework is one component that the Council takes into account in making its annual governance statement (AGS);
- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management / lead individual;
- the opinion is based on the testing we have undertaken, which was limited to the area being audited, as detailed in the agreed audit scope;

- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to attention; and
- it remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be seen as a substitute for management responsibility around the design and effective operation of these systems.

1.3 Factors and findings which have informed our opinion

Based on the work undertaken up until 31 March 2019, there is generally a sound system of internal control, designed to meet the Borough Council's objectives, and controls are generally being applied consistently. We have provided either a substantial or reasonable level of assurance in the majority of areas reviewed.

As noted above, the Council can take reasonable or substantial assurance for the following areas reviewed in the period:

- Treasury Management (Substantial)
- Property Maintenance (Substantial)
- Main Accounting (Reasonable)
- Dog Warden Services (Reasonable)
- Debtors (Reasonable)
- Community and Infrastructure Level & S106 (Reasonable)
- Payroll (Substantial)
- Governance and Risk Management (Substantial)
- Redaction Procedures – excluding online representations (Reasonable)

However, for the following four areas the Council can only take 'partial assurance':

Procurement and Contracts:

In the last audit report for this area (2015/16), it was noted that "procurement was an on-going area of development" for the Council. The Procurement Officer had just been appointed and systems were in the process of being embedded. Since that time work has progressed although we note that further progress is required in order to ensure corporate wide compliance with prescribed contract procedure rules. In addition, there remains room for further development, specifically in relation to ensuring that the Council creates more robust reporting channels between the procuring officers, the Procurement Officer and senior management. We raised one high, three medium and one low priority actions during this review, details of which can be found in the full reports.

Creditors:

In response to attempted fraudulent activity several years ago to request changes to supplier bank account details, robust controls were put in place requiring a manager to sign off on all such amendments. In our testing we found that these controls were not operating as anticipated. We raised two high and one medium priority actions during this review, details of which can be found in the full reports.

Redaction Procedures (online representations)

Our review of Redaction Procedures found that there were weaknesses around internal guidance on what information to redact, a lack of cross checking / quality assurance and no formal redaction procedure. There is a weakness with online representations (comments received in support or opposition to a planning application) as these have a risk of personal and sensitive data being publicly available immediately. Therefore, the Council can only take 'partial assurance' for online representations (although as noted above in other areas it can take reasonable assurance). We raised four medium priority actions during this review, details of which can be found in the full reports.

Grants Funding

We raised one 'High' and six 'Medium' priority management actions in relation to the design and application of the control framework. The actions raised are across the areas of procedural guidance for grant schemes, the assessment of grant applications received and in the monitoring of awarded grants.

We have additionally completed advisory reviews of: Commercial Governance Framework (Part 1), General Data Protection Regulation Governance and Governance Arrangements for Property Investment Company

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

1.4 Topics judged relevant for consideration as part of the annual governance statement

There are no areas that we are aware of through our work or from wider sector knowledge that have impacted your AGS.

2 THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

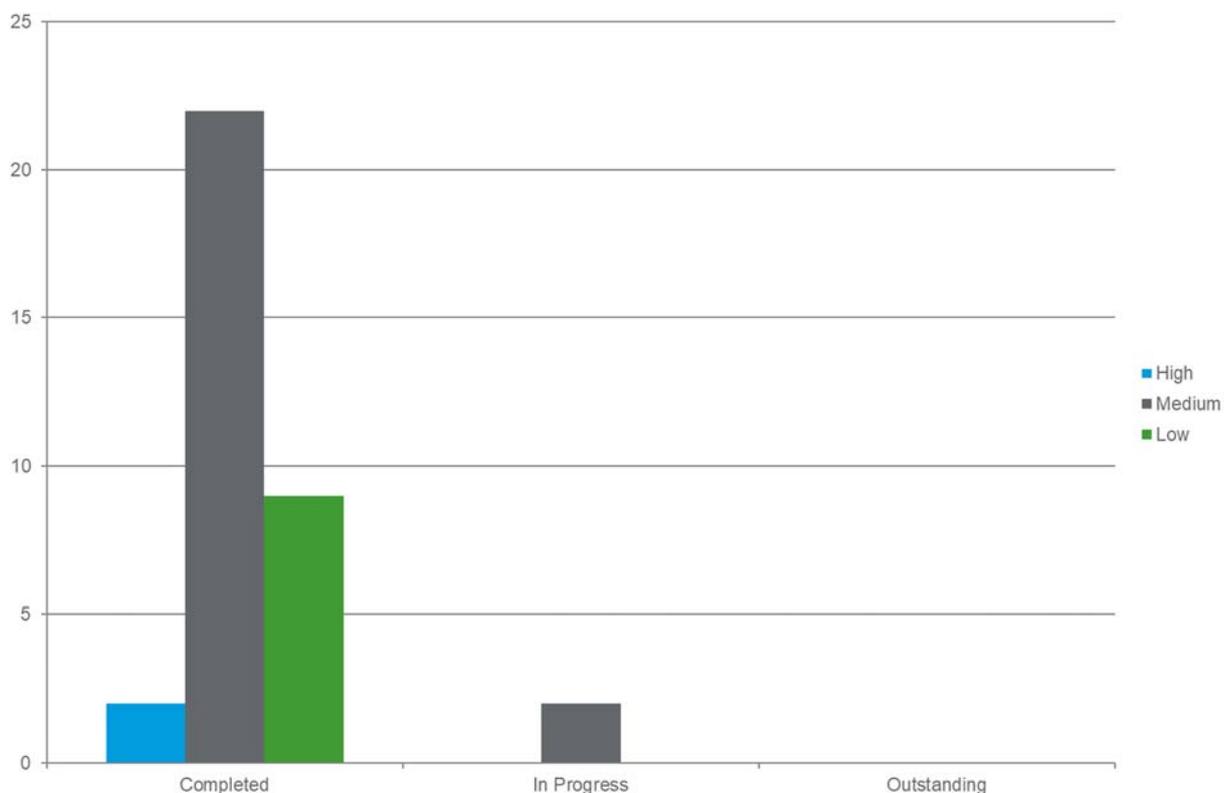
2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2018/2019.

2.2 Implementation of internal audit management actions

Where actions have been agreed by management, these have been monitored by management through the action tracking process in place. During the year progress has been reported to the Corporate Governance Group, with the validation of the action status confirmed by internal audit on a rolling basis.

Our follow up of the actions agreed to address previous years' internal audit findings, as well as those reports finalised in Q1 and Q2 of 2018/19 shows that the organisation had made good progress in implementing the agreed actions.



It should be noted that the two medium priority actions in progress have been categorised in line with their priority when originally raised; one of these has a revised priority of 'low' in our latest follow up report reflecting the work done towards implementing this.

2.3 Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

3 OUR PERFORMANCE

3.1 Wider value adding delivery

In the last year we have:

- highlighted actions for management throughout our audit reports based on our knowledge and experience in the local government sector to provide areas for consideration;
- provided regular contact and ad-hoc telephone calls and responded to queries from senior staff throughout the year.

3.2 Conflicts of interest

RSM has not undertaken any work or activity during 2018/2019 that would lead us to declare any conflict of interest.

3.3 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to Overview and Scrutiny Committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

3.4 Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

3.5 Client Care Standards

A number of client care standards were agreed with the Overview and Scrutiny Committee. Our performance against those standards is as follows:

Delivery	Quality			Quality	Quality		
	Target	Actual	Notes (ref)		Target	Actual	Notes (ref)
Audits commenced in line with original timescales	Yes	No	1	Conformance with PSIAS	Yes	Yes	
Debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame	Yes	Yes		% of staff with CCAB/CMIIA qualifications	>50%	>50%	
Draft reports issued within two weeks of debrief meeting	100%	50%	2	Respond to emergencies or notifications of potential fraud within one working day	100%	N/a	3
Final report issued within 3 days of management response	100%	100%		Turnover rate of staff	<10%	<10%	
% of High & Medium actions followed up	100%	100%		Respond to general enquiries for assistance within 2 working days	100%	100%	
Liaison with external audit.	Yes	Yes					

Notes

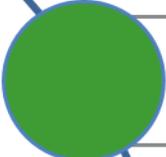
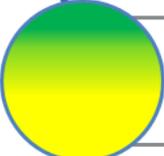
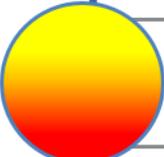
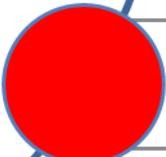
1 – All changes were at the request of Council management

2 – 10 working days is the RSM target per the client care standards, the contractual target is 20 working days which was achieved for 93% of reviews.

3 – No such notifications.

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions	Factors influencing our opinion
 <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p>	<p>The factors which are considered when influencing our opinion are:</p> <ul style="list-style-type: none"> inherent risk in the area being audited;
<p>+</p>  <p>The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</p>	<ul style="list-style-type: none"> limitations in the individual audit assignments;
<p>-</p>  <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p>	<ul style="list-style-type: none"> the adequacy and effectiveness of the risk management and / or governance control framework;
 <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p>	<ul style="list-style-type: none"> the impact of weakness identified; the level of risk exposure; and the response to management actions raised and timeliness of actions taken.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2018/2019

Assignment	Audit sponsor	Assurance level	Actions agreed		
			H	M	L
Treasury Management	Helen Stocker - Finance Manager	Substantial	0	1	0
Redaction Procedures	Andrew Benson - Head of Planning Chris Phelan - Democratic Services Manager	Partial (online representations), Reasonable (other areas)	0	4	0
Property Maintenance	Steve McLeod, Principal Asset Manager	Substantial	0	1	1
Procurement and Contracts	Kuldip Channa - Solicitor, Litigation and Commercial Manager	Partial	1	3	1
Main Accounting	Helen Stocker – Finance Manager	Reasonable	2	1	0
Payroll	Karen Mullet - Payroll Officer	Substantial	0	0	0
Follow Up – Part 1 (October 2018)	Yvonne Parish - Project and Performance Officer	Advisory	0	1	3
Dog Warden Services	Ben Murray – Senior Manager for Leisure & Regulation	Reasonable	0	3	5
Debtors	Martin Trenaman - Transactions Manager	Reasonable	0	3	0
Creditors	Martin Trenaman - Transactions Manager	Partial	2	1	0
Community and Infrastructure Levy & S106	Andrew Benson – Head of Planning Helen Stocker – Finance Manager	Reasonable	1	0	1
Governance and Risk Management	Doula Pont - Head of Projects and Performance	Substantial	0	0	1
Commercial Governance Framework	Caroline Waterworth - Head of Legal	Advisory	7 ungraded		
Grants Funding	Justine Chatfield – Head of Community Partnerships	Partial	1	6	0

Assignment	Audit sponsor	Assurance level	Actions agreed		
			H	M	L
Governance Arrangements for Property Investment Company	Caroline Waterworth, Head of Legal	Advisory	0	0	2
Follow Up - Part 2 (March 2019)	Yvonne Parish - Project and Performance Officer	Advisory	1	2	0
GDPR Governance	Alan Mills - Digital Delivery Manager	Advisory	4 ungraded		

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual Assignment Report.

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:



FOR FURTHER INFORMATION CONTACT

Mike Cheetham

RSM

Third Floor, One London Square, Cross Lanes, Guildford, Surrey, GU1 1UN

T +44 (0)1483 307000

M +44 (0)7800 617204

Mike.Cheetham@rsmuk.com

rsmuk.com

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Reigate and Banstead Borough Council, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales No. 07338001, 6th floor, 25 Farringdon Street, London EC4A 4AB.

Overview and Scrutiny Committee

6 June 2019

Agenda Item 7

EXECUTIVE
20 June 2019

Agenda Item: xx
Service & Financial Planning: Provisional Outturn 2018/19



REPORT OF:	HEAD OF FINANCE & ASSETS
AUTHOR:	MARK HERDMAN
TELEPHONE:	01737 276557
E-MAIL:	Mark.Herdman@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	20 JUNE 2019
EXECUTIVE MEMBER:	COUNCILLOR SCHOFIELD

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	ALL

SUBJECT:	SERVICE & FINANCIAL PLANNING: PROVISIONAL OUTTURN 2018/19
-----------------	--

RECOMMENDATIONS:

- (i) That the provisional revenue and capital outturn position for 2018/19 is noted.
- (ii) That the use of reserves proposed in paragraph 10 is endorsed and the Head of Finance & Assets is authorised to make the necessary arrangements.
- (iii) That the 2018/19 prudential and treasury indicators in the Annual Treasury Management Report at Annex 3 are approved.

REASONS FOR RECOMMENDATIONS:

To advise Members of the revenue and capital expenditure for 2018/19, to seek authorisation for the proposed changes to reserves and to comply with the Council's reporting requirements in relation to Treasury Management activity.

EXECUTIVE SUMMARY:

This report sets out the 2018/19 provisional outturn for revenue (£1.6m favourable variance) and capital (£3.29m favourable variance). It identifies and explains key variances, and proposes changes to the levels of the Council's reserves. The report also presents the Treasury Management outturn position for 2018/19.

Executive has authority to approve recommendations (i) & (ii).

Full Council is asked to approve (iii).

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20 June 2019

Agenda Item: xx
Service & Financial Planning: Provisional Outturn 2018/19

STATUTORY POWERS

1. Decisions on the use of reserves affect the Statement of Accounts. The Council is required to produce the Statement by the *Local Government and Housing Act 1989* and the *Accounts and Audit Regulations 2015*.

ISSUES

2. The accounting records for the year ended 31 March 2019 have been closed and work to prepare the formal Statement of Accounts is complete. The Statement will form part of the Annual Financial Report which will be presented to Members on 25 July following audit by Deloitte LLP.
3. The information in this report is therefore still subject to both minor variation and verification.
4. Table 1 below summarises the provisional outturn position.

Table 1: Provisional Outturn Summary

Description	Budget £000	Outturn £000	Variance £000	Variance %
Capital Programme	42,528	39,235	(3,293)	(8%)
Revenue Budget	17,770	16,152	(1,618)	(9%)

Capital Programme Outturn 2018/19

5. The outturn for the capital programme is £39,234,696 against a budget of £42,528,088 which gives a net underspend of £3,293,392. Due to its very nature the capital programme is not easy to profile accurately and has historically underspent by between 10% to 30% per year. The main components of the 2018/19 underspend have been previously reported and are included in the summary below. A full list of capital outturn variances can be found in Annex 1.
 - *Marketfield Way Re-development: £0.48m under spend.* During the year, work streams that were planned to be run in parallel had to be run sequentially. In addition, the project has now reached a planned pause. Outturn underspends are planned to be carried forward to 2019/20.
 - *Vehicles Replacement Programme: £0.53m under spend.* A new purchase plan for vehicles has been approved during the year, with a phased replacement now planned over the next three years.
 - *Lee Street Bungalows: £0.43m under spend.* A change in supplier was required in order to speed up this project's delivery. Now that has taken place, a revised delivery date has been agreed and the allocated funds will be carried forward to 2019/20.
 - *Disabled Facilities Grant under spend: £0.59m.* Grant expenditure is dependent on how many successful grant applications are processed and the capacity of the contractor to complete the work. The value of grants is increasing year on year.

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Service & Financial Planning: Provisional Outturn 2018/19

6. Where necessary, ongoing projects and programmes have been re-profiled to reflect the outturn position and revised plans. Unspent funds have been carried forward to 2019/20.

Revenue Budget Outturn 2018/19

7. In February 2018 the Council set a net revenue budget for 2018/19 of £15,494,500. Transfers from the Corporate Plan Delivery Fund and other grants during the year resulted in a net increase to £17,770,300. Actual expenditure for the year was £16,152,100 giving a favourable outturn position of £1,618,200 (9% of the overall budget).
8. The most significant revenue budget variances for 2018/19 have been highlighted throughout the year and are summarised below:

Income Receipts Greater than Budget:

- *Refuse & Recycling:* As reported during the year, the volumes of Paper, Food and Domestic Recycling were all above budget leading to over-recovery of income. In addition, the numbers of Garden Waste subscribers continued to increase. This has resulted in a higher than expected income and a variance of £588,000 under budget.
- *Development Services:* A £257,000 over-recovery of income was due to greater volumes of planning fees than was anticipated in the budget.
- *Property and Facilities:* The £182,000 over-recovery of income was generated through new rental streams from commercial property purchases during the year.

Government Funding Lower than Budget:

- *Benefits:* £120,000 lower benefit subsidy than was budgeted.

Expenditure Lower than Budget:

- *Finance:* A delay in investing in our property portfolio, resulted in the predicted borrowing of funds being deferred, resulting in lower annual borrowing costs compared to budget. Investing in our property portfolio later in the year (rather than earlier), resulted in additional investment income as well as reduced borrowing costs. As a result £292,200 has been saved.
- *Senior Management Team:* The £260,000 budget saving was caused by vacant posts and lower than originally expected interim management costs.
- *Place Delivery:* Some authorised posts remained vacant during the year leading to a net £164,000 budget saving.

Expenditure Greater than Budget:

- *Legal:* As previously-reported during the year, the £160,000 overspend compared to budget was caused by a reliance on locum staff and external advice to deliver the service.

9. A full list of revenue budget outturn variances is attached at Annex 2.

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Service & Financial Planning: Provisional Outturn 2018/19

Headroom Contingency Budget Outturn

10. The Headroom Contingency Budget was originally established during budget setting in 2012/13 to *'mitigate the reduction in Central Government revenue funding'*. The following costs were charged against the budget during 2018/19.

Table 3: Headroom Contingency Budget

	£
Headroom Contingency Budget 2018/19	1,335,800
Charges Made: : Net Bank Reconciliation adjustments	(475,798)
Headroom Contingency Budget underspend at 31 March 2019	860,002

The bank reconciliation adjustments relate to the outcome of work completed during the year to resolve long-standing unreconciled items. Further details of this work will be reported, following final review by external audit, as part of the annual Statement of Accounts report to Executive on 18 July 2019.

A reduction in the Headroom Contingency Budget was approved during the 2019/20 budget setting process.

Table 4: Changes in the Headroom Contingency Budget 2018/19 to 2019/20

	£
Headroom Contingency Budget 2018/19	1,335,800
Reduction: Released during the Budget Setting process	-500,000
Headroom Contingency Budget 2019/20	835,800

Use of Reserves 2018/19

11. It is recommended that the following transactions take place in order to utilise the net revenue budget variance in 2018/19 to support delivery of 2019/20 spending plans:
- a) That £0.5m is used to create a new reserve for funding the new posts that are being established during 2019/20 to support delivery of corporate priorities.
 - b) That £0.25m is used to create a new reserve for Feasibility Studies for new commercial initiatives.
12. Table 2 below summarises the impacts of these recommendations on Earmarked Reserves along with the final position on the Corporate Plan Delivery Fund Reserve (CPDF).

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Service & Financial Planning: Provisional Outturn 2018/19

Table 2: New Earmarked Reserves and CPDF Outturn 2018/19

	Balance at 31/03/18 £000	Movements During 2018/19 £000	Balance at 31/03/19 £000
Earmarked Reserves:			
Feasibility Studies: new reserve established at the end of 2018/19 to fund feasibility studies for new commercial initiatives	0	250	250
New Posts: new reserve established at the end of 2018/19 to fund new posts that are being established during 2019/20 to support delivery of corporate priorities	0	500	500
Corporate Plan Delivery Fund: funds projects within the Council that are linked to our corporate plan that are not funded through our base budget.	2,736	(1,530)	1,206
Total Impact on Earmarked Reserves	2,736	(780)	1,956

13. The final balances for all Earmarked Reserves for 2018/19 will be reported to Executive in July 2019 as part of the Statement of Accounts 2018/19 report.

Treasury Management

14. It is a requirement of the Treasury Management Strategy that treasury performance - and performance against the Prudential Indicators - is reported annually.
15. During 2018/19 none of the prudential limits were breached and all decisions were taken in accordance with the Treasury Management Strategy. A separate Treasury Management Outturn report is submitted in Annex 3.

16. OPTIONS

- The Executive can accept the proposals to update reserves as set out in paragraph 10. This is the recommended action.
- The Executive can choose to amend the proposals in paragraph 10.
- The Executive can choose to reject the proposals in paragraph 10 by withholding their approval and the reserves will not be updated.

LEGAL IMPLICATIONS

17. There are no legal implications.

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EXECUTIVE
20 June 2019

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Service & Financial Planning: Provisional Outturn 2018/19

FINANCIAL IMPLICATIONS

Now

18. The impact of the 2018/19 outturn on the Council's revenue reserves is set out above in paragraph 10. The advantage of the proposed approach is that it provides funds to help deliver priorities and mitigate risks without increasing the burden on taxpayers, all in a climate of reduced funding.

Future

19. Over recent years much work has been undertaken to put this council in the best place possible to respond to external pressures. Whilst we have been planning for financial self-sufficiency for a number of years, the council's financial strategy will drive us towards bridging the impending gap in funding.

EQUALITIES IMPLICATIONS

20. There are no equalities implications.

COMMUNICATIONS IMPLICATIONS

21. There are no communications implications.

CONSULTATION

22. The Overview and Scrutiny Committee considered a draft version of this report at its meeting on 6 June 2019. An update will be provided on the views of the Committee.

POLICY FRAMEWORK

23. The Five Year Plan 2015-2020 includes the priority "we will be financially self-sufficient by 2020, without impacting on residents' priorities."

Background Papers:

Executive	18 March 2019	<i>Quarter 3 Performance Report</i>
Executive	24 January 2019	<i>Quarter 2 Performance Report</i>
Executive	13 September 2018	<i>Quarter 1 Performance Report</i>
Council	8 February 2018	<i>Budget & Council Tax 2018/19</i>

Provisional Capital Outturn 2018/19

	Actual £'000	Live Budget £'000	Variance £'000	
CAPITAL GRANTS	1,268.7	1,858.9	-590.3	
Handy Person Scheme	16.3	50.0	-33.7	Disabled Facilities Grant: we have reacted to the trend of increasing budget by increasing discretionary funding provision, increasing capacity and enhancing processes, and this will continue to develop this year.
Home Improvement Agency SCC Grant	98.0	120.0	-22.0	
Disabled Facilities Grant	821.4	1,420.4	-599.1	
Repossession Prevention Fund	51.2	57.5	-6.3	
Flexible Homelessness Support Grant	231.7	191.0	40.7	
Capital Grants	50.0	20.0	30.0	
ENVIRONMENT	27.1	149.6	-122.6	
Land Flood Prevention Programme	1.0	6.0	-5.0	The underspend is not required and is being returned. This is a contingency budget.
Air Quality Monitoring Equipment	26.0	83.6	-57.6	
Contaminated Land - Investigation work	0.0	60.0	-60.0	
LEISURE & CULTURE	319.2	565.4	-246.2	
Leisure Centre Maintenance	12.5	48.5	-36.0	Slippage and time constraints prevented planned works from being completed.
Harlequin Property Maintenance	18.8	170.5	-151.7	
Play Area Improvement Programme	183.6	218.0	-34.4	
Parks & Countryside - Infrastructure & Fencing	60.4	45.0	15.4	
Harlequin Maintenance	41.2	41.0	0.2	
Priory Park Maintenance	2.8	42.4	-39.6	

Provisional Capital Outturn 2018/19

	Actual £'000	Live Budget £'000	Variance £'000	Explanation of Significant Variances
REGENERATION	2,419.8	2,922.5	-502.7	
Horley Public Realm Improvements - Phase 2 and 3	113.3	110.0	3.3	Workstreams that were planned to be run in parallel had to be run sequentially in the Marketfield Way redevelopment. In addition, the project has now reached a planned pause. Outturn underspends are planned to be carried forward to 2019/20.
Marketfield Way Redevelopment	2,015.4	2,496.6	-481.2	
Redhill Public Realm Improvements	21.2	20.0	1.2	
Preston - Parking Improvements	46.6	47.5	-0.8	
Preston - Landscaping	188.5	198.4	-9.9	
Burgh Heath Path Improvement	-0.6	4.0	-4.6	
Merstham Regeneration	35.3	46.0	-10.7	
ROLLING PROGRAMMES	502.7	1,245.3	-742.6	
Vehicles & Plant Programme	80.4	610.0	-529.6	A new purchase plan for Vehicles has been drawn up, with a phased replacement over the next three years. The other underspends are comparatively minor in nature and their budgets will be carried forward to next year where slippage has occurred.
ICT Replacement Programme	80.4	113.4	-33.0	
Council Offices Programme	62.2	111.0	-48.8	
Day Centres Programme	20.7	29.5	-8.9	
Existing Pavilions Programme	23.2	45.0	-21.8	
Commercial Investment Properties	69.7	83.0	-13.3	
Infra-structure (walls)	0.0	15.0	-15.0	
Car Parks Capital Works Programme	103.8	154.0	-50.2	
Public Conveniences	19.3	11.0	8.3	
Cemeteries & Chapel	11.7	20.0	-8.3	
Allotments	22.1	22.0	0.1	
CCTV Rolling Programme	9.2	31.4	-22.2	

Provisional Capital Outturn 2018/19

	Actual £'000	Live Budget £'000	Variance £'000	Explanation of Significant Variances
STRATEGIC PROPERTY	34,595.3	35,636.4	-1,041.1	
Lee Street Bungalows	4.5	430.1	-425.7	Underspend to be carried forward due to delays in finding a suitable contractor. A revised delivery date has now been agreed.
64 Massetts Road	350.4	353.6	-3.2	
200 North Rd, Merstham	100.0	100.0	0.0	
5 Hildenley Close	14.6	0.0	14.6	
27 Manor Close	3.3	0.0	3.3	
Development of Court Lodge Residential Site	-54.4	0.0	-54.4	Underspend against 2017/18 estimates.
Lavender Sandpit	5.4	0.0	5.4	
Warwick Quadrant	0.0	0.0	0.0	
Warwick Quadrant - Hotel	0.6	342.2	-341.6	Works are complete with an underspend.
Cromwell Road Development 2016	601.6	710.0	-108.4	Underspend to be carried forward.
Park Farm	15.3	50.0	-34.7	
Unit 1 Pitwood Park Tadworth	297.6	280.0	17.6	
Acquisition of 61E Albert Road North and Estate Rd	1,002.4	1,003.0	-0.6	
Acquisition of 15 London Road Redhill	38.3	0.0	38.3	
Acquisition of 3, 8 and 20 Reading Arch Road	14.0	0.0	14.0	
Acquisition of Regent House 1-3 Queensway Redhill	16,299.4	16,378.0	-78.6	
Acquisition of Units 1-5 Redhill Dist Centre Salfords	15,902.4	15,989.5	-87.1	

Provisional Capital Outturn 2018/19

	Actual £'000	Live Budget £'000	Variance £'000	Explanation of Significant Variances
WASTE MANAGEMENT & RECYCLING	14.9	10.0	4.9	
Earlswood Depot/Park Farm Depot	4.1	10.0	-5.9	
Bartec Collective Upgrade Garden & Trade Waste	10.8	0.0	10.8	
ORGANISATIONAL CHANGE	87.1	140.0	-52.9	
Disaster Recovery	29.0	70.0	-41.0	
Replacement Printers and Photocopiers	58.1	70.0	-11.9	
Total	39,234.7	42,528.1	-3,293.4	

Provisional Revenue Outturn: Summary 2018/19

Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000
Economic Prosperity	150.4	138.0	288.4	249.1	-39.3
Human Resources	587.0	67.7	654.7	653.1	-1.6
Housing Services	951.2	47.2	998.4	975.5	-22.9
Senior Management Team	1,527.4	-36.0	1,491.4	1,230.6	-260.8
Projects & Assurance	268.9	212.0	480.9	442.5	-38.4
Corporate Support	118.1	0.0	118.1	92.6	-25.5
Community Development	48.7	231.4	280.1	271.4	-8.7
Community Safety	187.3	-4.8	182.5	192.6	10.1
Community Centres	427.2	43.5	470.7	479.2	8.5
Voluntary Sector Support	417.6	49.8	467.4	485.7	18.3
Place Delivery	-5.0	214.0	209.0	44.3	-164.7
Fleet	753.2	0.0	753.2	800.5	47.3
Refuse & Recycling	1,141.2	51.0	1,192.2	604.7	-587.5
Engineering & Construction	103.1	0.0	103.1	54.4	-48.7
Environmental Health & JET	916.8	82.2	999.0	1,030.6	31.6
Environmental Licencing	-331.9	-8.4	-340.3	-320.6	19.7
Greenspaces	1,191.5	27.5	1,219.0	1,223.2	4.2
Car Parking	-2,203.1	0.0	-2,203.1	-2,294.5	-91.4
Street Cleansing	958.4	0.0	958.4	975.4	17.0
Supporting Families	93.1	134.5	227.6	226.4	-1.2
Harlequin	163.8	0.0	163.8	174.0	10.2

Provisional Revenue Outturn: Summary 2018/19

Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000
Leisure Services	-126.2	-26.4	-152.6	-168.2	-15.6
Building Control	-11.5	0.0	-11.5	47.5	59.0
Development Services	306.9	0.0	306.9	49.5	-257.4
Planning Policy	324.1	225.4	549.5	501.0	-48.5
Communications	284.2	162.8	447.0	365.7	-81.3
Customer Contact	384.0	-12.3	371.7	319.4	-52.3
Web & Information	269.0	0.0	269.0	281.4	12.4
Information & Communications Technology	1,105.9	188.6	1,294.5	1,265.3	-29.2
Democratic Services	761.6	104.9	866.5	876.5	10.0
Electoral Services	397.4	112.2	509.6	411.1	-98.5
Legal Services	501.2	36.0	537.2	696.8	159.6
Land Charges	-238.5	0.0	-238.5	-203.4	35.1
Finance	5,220.4	-12.0	5,208.4	4,916.2	-292.2
Property & Facilities	-1,111.3	235.0	-876.3	-1,058.6	-182.3
Benefits Paid/Subsidy Received	342.8	0.0	342.8	410.0	67.2
Benefits	-309.5	0.0	-309.5	-189.8	119.7
Local Taxation	-70.9	12.0	-58.9	41.0	99.9
	15,494.5	2,275.8	17,770.3	16,152.1	-1,618.2

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Annual Treasury Management Outturn Report 2018/19

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PURPOSE

1. 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 2018/19. 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).
2. During 2018/19 the minimum reporting requirements were that the full Council should receive the following reports:
 - an annual treasury strategy in advance of the year (Council, 12 April 2018)
 - a mid-year, (minimum), treasury update report (Council, 13 December 2018)
 - an annual review following the end of the year describing the activity compared to the strategy, (this report).
3. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by full Council.
4. This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Overview and Scrutiny Committee before they were reported to full Council. Member training on treasury management issues was undertaken during the year on 12/02/2019 in order to support members' scrutiny role.

EXECUTIVE SUMMARY

5. During 2018/19, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	2017/18 Actual £000	2018/19 Original Budget £000	2018/19 Revised Budget £000	2018/19 Actual £000
Capital expenditure:				
General Fund	21,038	49,881	45,714	39,235
Total	21,038	49,881	45,714	39,235
Capital Financing Requirement:				
General Fund	0	40,000	20,000	15,046
Total	0	40,000	20,000	15,046
Gross borrowing:				
Long Term credit arrangements	0	0	0	0
External debt	0	40,000	20,000	12,000
Total	0	40,000	20,000	12,000
Investments:				
Longer than 1 year	8,000	25,000	25,000	25,000
Under 1 year	48,000	23,000	23,000	23,000
Total	56,000	48,000	48,000	48,000
Net borrowing or (Net Investment)	(56,000)	(8,000)	(28,000)	(36,000)

6. Other prudential and treasury indicators are to be found in the main body of this report. The Chief Finance Officer also confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit, (the authorised limit), was not breached.
7. The financial year 2018/19 continued the challenging investment environment of previous years, namely low investment returns.

INTRODUCTION AND BACKGROUND

8. This report summarises the following:-
- Capital activity during the year;
 - Impact of this activity on the Council's underlying indebtedness, (the Capital Financing Requirement);
 - The actual prudential and treasury indicators;
 - Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
 - Summary of interest rate movements in the year;
 - Detailed debt activity; and
 - Detailed investment activity.

The COUNCIL'S CAPITAL EXPENDITURE AND FINANCING

9. The Council undertakes capital expenditure on 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 need.
10. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

£000	2017/18	2018/19	2018/19	2018/19
	Actual	Original Budget	Revised Budget	Actual
	£000	£000	£000	£000
Capital expenditure	21,038	49,881	45,714	39,235
Financed By:				
Capital Grants	2,888	8,108	3,599	3,966
Capital Receipts	18,150	1,273	22,115	20,133
Revenue Contribution		500		90
Total Finance	21,038	9,881	25,714	24,189
Borrowing need	0	40,000	20,000	15,046

THE COUNCIL'S OVERALL BORROWING NEED

11. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2018/19 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
12. Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board ((PWLB)), or the money markets), or utilising temporary cash resources within the Council.
13. **Reducing the CFR** – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need, (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.
14. The total 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).
15. The Council's 2018/19 MRP Policy, (as required by MHCLG Guidance), was approved as part of the Treasury Management Strategy Report for 2018/19 on 12 April 2018.
16. The Council's CFR for the year is shown below, and represents a key prudential indicator. This would include PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract. However the Council had no PFI and leasing schemes on the balance sheet at 31 March 2019.

CFR : General Fund	2017/18 Actual £000	2018/19 Original Budget £000	2018/19 Revised Budget £000	31 March 2019 (2018/19) Actual £000
Opening balance	0	0	0	0
Add unfinanced capital expenditure (as above)	0	40,000	20,000	15,046
Less MRP/VRP	0	(300)	0	0
Less PFI & finance lease repayments	0	0	0	0
Closing balance	0	39,700	20,000	15,046

17. Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

18. **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2017/18) plus the estimates of any additional capital financing requirement for the current (2018/19) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	2017/18 Actual £000	2018/19 Original Budget £000	2018/19 Revised Budget £000	31 March 2019 (2018/19) Actual £000
Gross borrowing position	0	40,000	20,000	12,000
CFR	0	40,000	20,000	15,046
Under / over funding of CFR	0	0	0	3,046

19. **The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2018/19 the Council has maintained gross borrowing within its authorised limit.
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.
21. **Actual financing costs as a proportion of 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.

	2018/19
Authorised limit	£80m
Maximum gross borrowing position during the year	£12m
Operational boundary	£70m
Average gross borrowing position	£12m
Net financing costs as a proportion of net revenue stream	-4.92%

TREASURY POSITION at 31 March 2019

22. The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2018/19 the Council's treasury, (excluding borrowing by PFI and finance leases), position was as follows:

DEBT PORTFOLIO	31 March 2018 Principal £000	Rate/Return %	Average Life (years)	31 March 2019 Principal £000	Rate/Return %	Average Life (years)
Fixed rate funding:						
-PWL	0	0%	-	0	0%	-
-Market:	0	0%	-	0	0%	-
Northern Ireland Housing	-	-	-	5,000	0.90%	3 months
Portsmouth City Council	-	-	-	7,000	1.00%	3 months
Total	-	-	-	12,000	0.96%	
Variable rate funding:						
-PWL	0	0%		0	0%	
-Market	0	0%		0	0%	
Total debt	0	0%		12,000	0.96%	3 months
CFR	0	0%		15,046	0%	
Over / (under) borrowing	0	0%		3,046	0%	

INVESTMENT PORTFOLIO	31 Mar 2018 Principal £000	Rate/Return %	Average Life (years)	31 Mar 2019 Principal £000	Rate/Return %	Average Life (years)
Investments:						
- in house	56,000	0.92%	1 year	48,000	1.27%	1.6 years
- with fund managers	0	-	-	0	-	-
Total investments	56,000	0.92%	1 year	48,000	1.27%	1.6 years

The maturity structure of the debt portfolio was as follows:

	31 March 2018 2017/18 actual	2018/19 original limits	31 March 2019 2018/19 actual
Under 12 months	0%	100%	100%
12 months and within 24 months	0%	100%	0%
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%

23. The Council was debt free until March 2018/19. The limits for maturity structure of the debt portfolio at 100% across the table is a reflection of the fact that the Council is in its early years of borrowing therefore any new borrowing could will potentially be the only borrowing at 100% limit.

INVESTMENT PORTFOLIO	Actual 31 March 2018 £000	Actual 31 March 2018 %	Actual 31 March 2019 £000	Actual 31 March 2019 %
Treasury investments				
Banks	5,000	9%	0	0%
Building Societies - rated	33,000	59%	40,000	83%
Goldman Sachs International	8,000	14%	8,000	17%
Local authorities	10,000	18%	0	0%
Total	56,000	-	48,000	-
Bond funds	-	-	-	-
Property funds	-	-	-	-
Total managed externally	-	-	-	-
TOTAL TREASURY INVESTMENTS	56,000	100%	48,000	100%

INVESTMENT PORTFOLIO	Actual 31 March 2018 £000	Actual 31 March 2018 %	Actual 31 March 2019 £000	Actual 31 March 2019 %
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Non Treasury investments				
Third party loans:	-	-	-	-
Subsidiaries – Greensand Property Holdings Ltd	2,270	3%	2,270	2%
Companies – Horley Business Park Development LLP	552	1%	602	1%
Associate – Pathway for Care Ltd	1,100	2%	1,100	1%
Investment Property	66,055	94%	98,445	96%
TOTAL NON TREASURY INVESTMENTS	69,977	100%	102,417	100%
Treasury investments	56,000	44%	48,000	32%
Non Treasury investments	69,977	56%	102,417	68%
TOTAL OF ALL INVESTMENTS	125,977	100%	150,417	100%

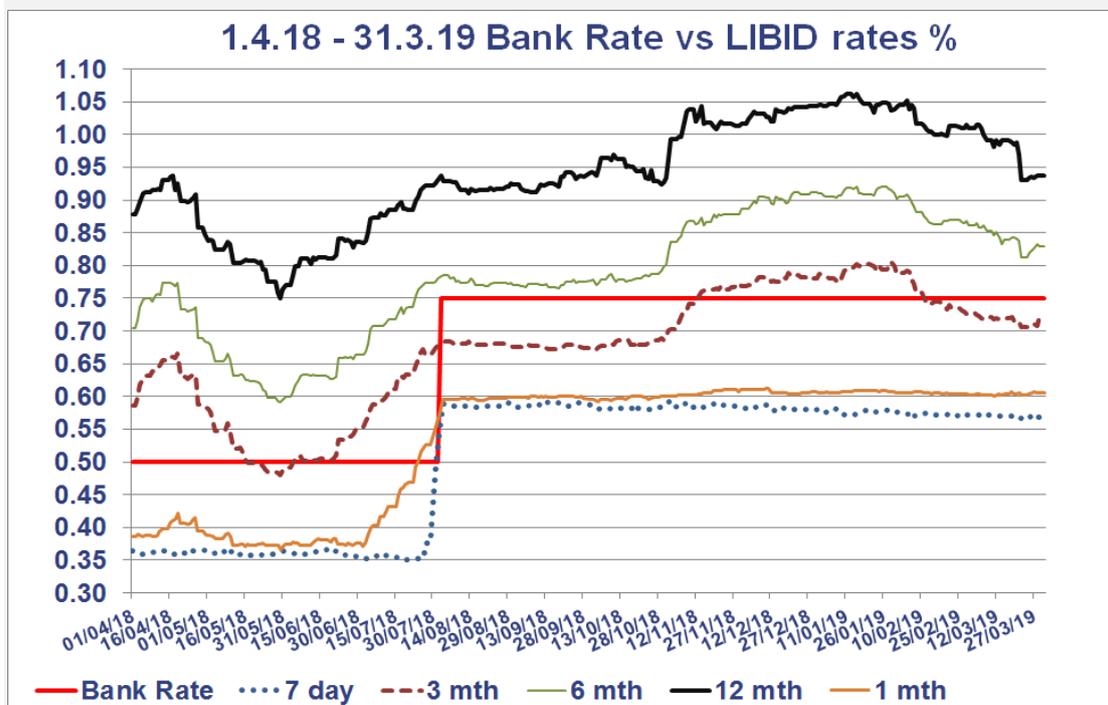
The maturity structure of the investment portfolio was as follows:

	2017/18 Actual £000	2018/19 Budget £000	2018/19 Actual £000
Investments			
Longer than 1 year	8,000	25,000	25,000
Up to 1 year	48,000	23,000	23,000
Total	56,000	48,000	48,000

THE STRATEGY for 2018/19

Link Asset Services Commentary.

Investment strategy and control of interest rate risk



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
01/04/2018	0.50	0.36	0.39	0.59	0.70	0.88
31/03/2019	0.75	0.57	0.61	0.72	0.83	0.94
High	0.75	0.59	0.61	0.81	0.92	1.06
High Date	02/08/2018	01/11/2018	10/12/2018	29/01/2019	15/01/2019	11/01/2019
Low	0.50	0.35	0.37	0.48	0.59	0.75
Low Date	01/04/2018	19/07/2018	30/05/2018	30/05/2018	30/05/2018	30/05/2018
Average	0.67	0.51	0.54	0.68	0.79	0.94
Spread	0.25	0.24	0.25	0.33	0.33	0.31

Link Asset Services Interest Rate View		12.2.18											
	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.50%
3 Month LIBID	0.40%	0.70%	0.70%	0.90%	0.90%	0.90%	0.90%	1.20%	1.20%	1.20%	1.40%	1.40%	1.40%
6 Month LIBID	0.50%	0.80%	0.80%	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.50%	1.50%	1.50%
12 Month LIBID	0.80%	1.10%	1.10%	1.20%	1.20%	1.20%	1.30%	1.40%	1.40%	1.50%	1.70%	1.70%	1.70%

Investment returns remained low during 2018/19. The expectation for interest rates within the treasury management strategy for 2018/19 was that Bank Rate would rise from 0.50% to 0.75%. At the start of 2018-19, and after UK GDP growth had proved disappointingly weak in the first few months of 2018, the expectation for the timing of this increase was pushed back from May to August 2018. Investment interest rates were therefore on a gently rising trend in the first half of the year after April, in anticipation that the MPC would raise Bank Rate in

August. This duly happened at the MPC meeting on 2 August 2018. During this period, investments were, therefore, kept shorter term in anticipation that rates would be higher later in the year.

It was not expected that the MPC would raise Bank Rate again during 2018-19 after August in view of the fact that the UK was entering into a time of major uncertainty with Brexit due in March 2019. Value was therefore sought by placing longer term investments after 2 August where cash balances were sufficient to allow this.

Investment rates were little changed during August to October but rose sharply after the MPC meeting of 1 November was unexpectedly hawkish about their perception of building inflationary pressures, particularly from rising wages. However, weak GDP growth data after December, plus increasing concerns generated by Brexit, resulted in investment rates falling back again.

Continued uncertainty in the aftermath of the 2008 financial crisis has promoted a cautious approach whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

Borrowing strategy and control of interest rate risk

During 2018-19, 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.

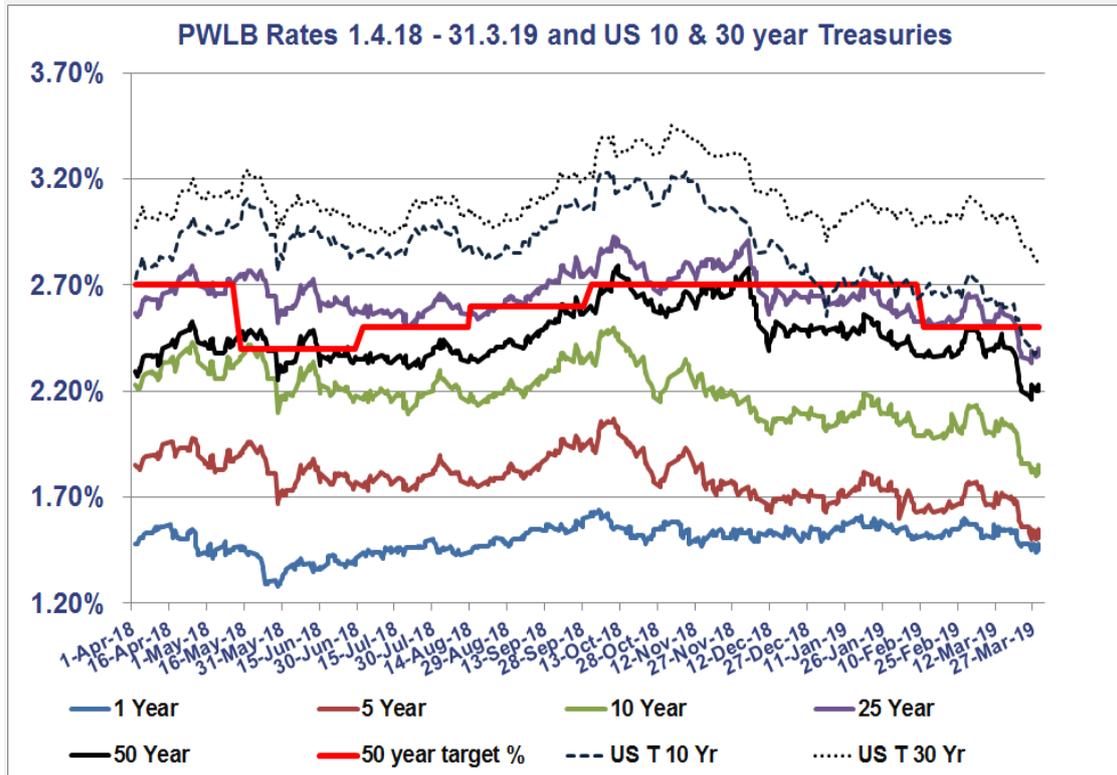
The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

- Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Chief Finance Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks: if it had been felt that there was a significant risk of a gradual RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

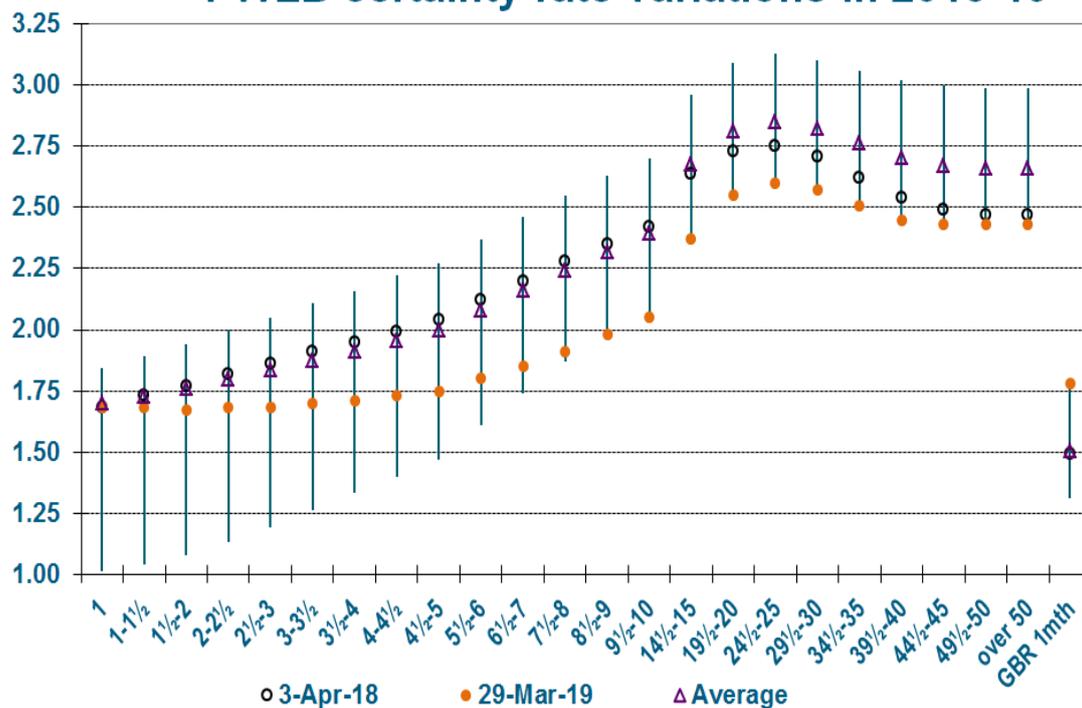
Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2018/19 and the two subsequent financial years.

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

Link Asset Services Interest Rate View 12.2.18													
	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.50%
5yr PWLB Rate	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%



PWLB certainty rate variations in 2018-19



	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2018	1.48%	1.85%	2.23%	2.57%	2.29%
29/03/2019	1.48%	1.55%	1.85%	2.40%	2.23%
Low	1.28%	1.50%	1.80%	2.33%	2.16%
Date	29/05/2018	26/03/2019	28/03/2019	26/03/2019	26/03/2019
High	1.64%	2.07%	2.50%	2.93%	2.79%
Date	04/10/2018	10/10/2018	10/10/2018	10/10/2018	12/10/2018
Average	1.50%	1.80%	2.20%	2.66%	2.47%

Since PWLB rates peaked during October 2018, most PWLB rates have been on a general downward trend, though longer term rates did spike upwards again during December, and, (apart from the 1 year rate), reached lows for the year at the end of March. There was a significant level of correlation between movements in US Treasury yields and UK gilt yields -which determine PWLB rates. The Fed in America increased the Fed Rate four times in 2018, making nine increases in all in this cycle, to reach 2.25% – 2.50% in December. However, it had been giving forward guidance that rates could go up to nearly 3.50%. These rate increases and guidance caused Treasury yields to also move up. However financial markets considered by December 2018, that the Fed had gone too far, and discounted its expectations of further increases. Since then, the Fed has also come round to the view that there are probably going to be no more increases in this cycle. The issue now is how many cuts in the Fed Rate there will be and how soon, in order to support economic growth in the US. But weak growth now also looks to be the outlook for China and the EU so this will mean that world growth as a whole will be weak. Treasury yields have therefore fallen sharply during 2019 and gilt yields / PWLB rates have also fallen.

BORROWING OUTTURN

24. Borrowing - loans were drawn to fund the net unfinanced capital expenditure and naturally maturing debt.

The loans drawn were:

Lender	Principal	Type	Interest Rate	Start date	Maturity Date	Duration
Short-term Market Loan	£5m	Fixed interest rate	0.90%	14/02/2019	14/05/2019	3 months
Short-term Market Loan	£7m	Fixed interest rate	1.00%	14/03/2019	14/06/2019	3 months

25. This compares with a budget assumption of long term borrowing at an interest rate of 2.5%. The low interest rate financial environment offers opportunity to use short term debt. In addition this was considered to be a short term cash flow shortfall therefore did not warrant the need to borrow on a long term basis.

Borrowing in advance of need

26. 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.

INVESTMENT OUTTURN

27. **Investment Policy** – the Council’s investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 12 April 2018. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).
28. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
29. **Resources** – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised of usable reserves as follows:

Usable Reserves	2017/18 Actual	2018/19 Actual
	£000	£000
General Fund Balances	12,547	12,547
Earmarked reserves	21,703	25,042
Usable capital receipts	15,810	627
Capital Grants Unapplied	13,308	16,038
Total	63,368	54,254

30. Investments held by the Council

- The Council maintained an average balance of £48m of managed funds.
- The managed funds earned an average rate of return of 1.27%.
- The comparable performance indicator is the average 12 month LIBID un compounded rate, which was 0.947%.
- This compares with a budget assumption of £48m investment balances earning an average rate of 1.3%.
- Total investment income was £863.6k compared to a budget of £607.6k

THE ECONOMY AND INTEREST RATES

Link Asset Services Commentary.

UK. After weak **economic growth** of only 0.2% in quarter one of 2018, growth picked up to 0.4% in quarter 2 and to a particularly strong 0.7% in quarter 3, before cooling off to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was as to be expected. However, some recovery in the rate of growth is expected going forward. The annual growth in Q4 came in at 1.4% y/y confirming that the UK was the third fastest growing country in the G7 in quarter 4.

After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. If there were a disorderly exit, it is likely that Bank Rate would be cut to support growth. Nevertheless, the MPC has been having increasing concerns over the trend in **wage inflation** which peaked at a new post financial crisis high of 3.5%, (excluding bonuses), in the three months to December before falling only marginally to 3.4% in the three months to January. British employers ramped up their hiring at the fastest pace in more than three years in the three months to January as the country's labour market defied the broader weakness in the overall economy as Brexit approached. The number of people in work surged by 222,000, helping to push down the unemployment rate

to 3.9 percent, its lowest rate since 1975. Correspondingly, the total level of vacancies has risen to new highs.

As for **CPI inflation** itself, this has been on a falling trend since peaking at 3.1% in November 2017, reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February. However, in the February 2019 Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%.

The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 1.5%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in **household spending power** is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

Brexit. The Conservative minority government has so far, (8.4.19), been unable to muster a majority in the Commons over its Brexit deal. The EU has set a deadline of April 12 for the House of Commons to propose what form of Brexit it would support. If another form of Brexit, other than the proposed deal, does get a majority by April 12, then it is likely there will need to be a long delay to Brexit to allow time for negotiations with the EU. It appears unlikely that there would be a Commons majority which would support a disorderly Brexit or revoking article 50, (cancelling Brexit). There would also need to be a long delay if there is no majority for any form of Brexit. If that were to happen, then it increases the chances of a general election in 2019; this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the strong rate of growth; this rose from 2.2%, (annualised rate) in quarter 1 of 2018 to 4.2% in quarter 2, 3.5% in quarter 3 and then back to 2.2% in quarter 4. The annual rate came in at 2.9% for 2018, just below President Trump's aim for 3% growth. The strong growth in employment numbers has fed through to an upturn in wage inflation which hit 3.4% in February, a decade high point. However, CPI inflation overall fell to 1.5% in February, a two and a half year low, and looks to be likely to stay around that number in 2019 i.e. below the Fed's target of 2%. The Fed increased rates another 0.25% in December to between 2.25% and 2.50%, this being the fourth increase in 2018 and the ninth in the upward swing cycle. However, the Fed now appears to be edging towards a change of direction and admitting there may be a need to switch to taking action to cut rates over the next two years. Financial markets are now predicting two cuts of 25 bps by the end of 2020.

EUROZONE. The European Central Bank (ECB) provided massive monetary stimulus in 2016 and 2017 to encourage growth in the EZ and that produced strong annual growth in 2017 of 2.3%. However, since then the ECB has been reducing its monetary stimulus measures and growth has been weakening - to 0.4% in quarters 1 and 2 of 2018, and then slowed further to 0.2% in quarters 3 and 4; it is likely to be only 0.1 - 0.2% in quarter 1 of 2019. The annual rate of growth for 2018 was 1.8% but is expected to fall to possibly around half that rate in 2019. The ECB completely ended its programme of quantitative easing purchases of debt in December 2018, which means that the central banks in the US, UK and EU have all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in 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. With its refinancing rate already at 0.0% and the deposit rate at -0.4%, it has probably reached the limit of cutting rates. At its March 2019 meeting it said that it expects to leave interest rates at their present levels “at least through the end of 2019”, but that is of little help to boosting growth in the near term. Consequently, it also announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and 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.

WORLD GROWTH. Equity markets are currently concerned about the synchronised general weakening of growth in the major economies of the world: they fear there could even be a recession looming up in the US, though this fear is probably overdone.

OTHER ISSUES

31. **Pooled Investment Funds.** The Council had no pooled investment funds during the year ended as at 31st March 2019.

32. **Non-treasury management investments.** The Council's current approach to making property investment decisions was approved by Executive in 2014 and explains how investment decisions are made, delivery approaches and how risks will be managed. In order to support investment decisions we rely upon the principles established in our evolving Commercial Investment Strategy and powers under the Localism Act 2011. This forms the framework for maximisation of new and existing income streams to support service provision. We will continue to identify suitable property investments and to complete substantial due diligence.

Appendix 1: Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	2017/18	2018/19	2018/19	2018/19
	Actual	Original Budget	Revised Budget	Actual
	£000	£000	£000	£000
Capital Expenditure				
General Fund	20,847	49,881	45,714	39,235
Ratio of net financing costs to net revenue stream				
General Fund	-4.98%	-2.37%	-2.37%	-4.92%
Gross borrowing requirement General Fund				
Brought forward 1 April	0	0	0	0
Carried forward 31 March	0	40,000	20,000	12,500
In year borrowing requirement	0	40,000	20,000	12,500
Gross Debt				
General Fund	0	40,000	20,000	12,000
Capital Financing Requirement				
General Fund	40,000	40,000	20,000	15,046
Annual change in Capital Financing Requirement				
General Fund	40,000	40,000	20,000	15,046

2. TREASURY MANAGEMENT INDICATORS	2017/18	2018/19	2018/19	2018/19
	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	0	0	0	0
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	0	0	0	0
Total	70,000	70,000	70,000	70,000
Actual external debt	0	40,000	20,000	12,000

Maturity structure of fixed rate borrowing during 2018/19	upper limit	lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and within 20 years	100%	0%
20 years and within 30 years	100%	0%
30 years and within 40 years	100%	0%
40 years and within 50 years	100%	0%
Maturity structure of investments during 2018/19	upper limit	lower limit
Longer than 1 year	£30m	£0m
Up to 1 year	£30m	£0m
Total	£60m	£0m

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Agenda Item 8

Subject:	Quarterly Performance Report (Q4 – January to March 2019)
Officer:	Doula Pont
To:	Overview and Scrutiny Committee, 6 June 2019
Purpose:	To consider the key service performance for the fourth quarter of the year 2018-19.

Introduction

This report provides the headline issues on major variances in relation to the Council's overall performance for Quarter 4.

The detailed information showing all performance is available for Members to review at the eMembers room.

The headline performance information is set out in the following sections:

Key Performance Indicators – Q4 2018-19	Section 1
Risk Management	Section 2
Internal audit	Section 3

Recommendation

The Committee is requested to review the performance report and consider any advance questions received in relation to strategic issues and make any observations to the Executive.

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KEY PERFORMANCE INDICATORS

Headline Information

Of the 15 Key Performance Indicators reported on this quarter, 9 are on target or within the agreed tolerance.

KPIs 4-8 are contextual homelessness indicators introduced to reflect the changes required by the Homelessness Reduction Act (2017). As the impact of the new legislation is uncertain, no target has been set for these indicators this year. Performance this year will therefore inform targets for 2019/20.

Major variances (those off target)

KPI 3 – number of affordable home completions	
Target	Actual
100	68

Achieving this target is largely outside the Council's control and is instead dependent on the performance of private developers. At the end of Q4, 55 affordable dwellings were under construction, with the construction of a further 5 affordable dwellings having commenced during Q4.

eMembers room information

A copy of the full schedule can be found in the eMembers room.

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RISK MANAGEMENT

Overview

This report covers two aspects of risk management:

Strategic risks

Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Five Year Plan and the Medium Term Financial Strategy. The Management Team has shared responsibility for the Strategic Risks.

Operational risks

Operational risks are those short term risks that are encountered in the course of the day to day delivery of services and functions. Individual operational managers will have responsibility for their own operational risks. The Management Team will be responsible for monitoring the operational risk registers.

New strategic risks

There were **no new strategic risks** identified in Q4 2018/19.

On 14 March 2019 (agenda item 10) the Executive agreed the new strategic risks for 2019/20. All strategic risks from 2018/19 will either be transferred and/or incorporated to the 2019/20 risk register or will be closed.

Risk update

In quarters 2 and 4 an update on the risk rating of all strategic risks and RED rated operational risks is provided.

All risks are actively monitored by the Management Team to ensure that appropriate controls are in place.

The table below provides a definition of the risk ratings that the Council employs.

Rating	Action
Red risk	Where management should focus attention. Immediate actions should be identified and plans put in place to reduce risk as a priority .
Amber risk	Where management should ensure that contingency plans are in place. These may require immediate action and will require monitoring for any changes in the risk or controls. These will be a key area of assurance focus.

Rating	Action
Yellow risk	These should have basic mechanisms in place as part of the normal course of management.
Green risk	Where risk is minimal if does not demand specific attention but should be kept under review.

Strategic risks

Ref	Risk description	Rating
SR1	<p>Long-term financial sustainability</p> <p>The Council receives no Revenue Support Grant from government, and although piloting local retention, we anticipate business rate income to reduce significantly.</p> <p>The Council is therefore reliant on other income including council tax, fees & charges. Increasingly these are impacted by wider economic factors.</p> <p>The Council also has long term Capital requirements and will need to address replenishment of capital.</p> <p>The Council will set out an Investment Strategy to support Revenue and Capital budget requirements in order to help ensure the Council's long term financial sustainability. The Council will therefore need to determine the extent to which we will need to invest further in Treasury management, property and other commercial activities to generate revenue income and capital returns.</p> <p>The Council is therefore seeking a diverse range of investment and commercial opportunities. These will require capacity, skills, expertise and behaviours within the organisation to generate new initiatives that can be used to invest in our services to residents and businesses. Without this investment, there is a risk that funding reductions or economic downturn could result in cuts to service provision.</p> <p><i>Note: this risk will be managed under SR2 – 'Financial sustainability' on the Strategic Risk Register from Q1 2019/20.</i></p>	Yellow
SR2	<p>Housing, homelessness and welfare</p> <p>An increasing number of residents are being affected by a combination of welfare reforms – such as Universal Credit – and increasing housing costs. This increases the risk of residents being threatened with homelessness, leading to their health and wellbeing being affected, which could also subsequently increase cost pressures on the Council.</p> <p>A lack of affordable accommodation increases the Council's reliance on expensive bed and breakfast, although following the opening of temporary emergency accommodation we are expecting this to stabilise.</p>	Amber

Ref	Risk description	Rating
	<p>At the same time, the Homelessness Reduction Act – coming into effect from 3 April 2018 – has significantly increased the statutory requirements of local authorities in respect of homelessness, including a new prevention duty.</p> <p>As a result, we will experience a marked increase in casework, administration and statutory reviews, which will have resource implications. As well as this, the number of households that we have a statutory obligation to accommodate is likely to increase, and for longer periods.</p> <p><i>Note: this risk will be managed under SR6 – ‘Welfare reform’ on the Strategic Risk Register from Q1 2019/20.</i></p>	
<p>SR3</p>	<p>Development Management Plan</p> <p>Following the Regulation 18 consultation in 2016/17, in 2017/18 the draft Development Management Plan has been prepared, and further consultation (Regulation 19) has been undertaken prior to submission to the Secretary of State for Examination.</p> <p>The process for the allocation of specific sites for development will be politically sensitive and could result in negative publicity, impacting on the Council’s reputation.</p> <p>Formal allocation of development sites through an adopted Local Plan will help the Council manage where and how development goes ahead, and will minimise the risk of speculative (particularly greenfield) planning applications.</p> <p>It is important that the draft DMP complies with the national planning policies: at the Examination a planning inspector will need to be satisfied that the plan is sound (evidence based, deliverable and consistent with national policy). If the draft DMP is found to be not sound, the adoption of the plan will be delayed until issues are rectified.</p> <p><i>Note: this risk will be managed under SR9 – ‘Local plan’ on the Strategic Risk Register from Q1 2019/20.</i></p>	<p>Amber</p>
<p>SR4</p>	<p>Property Development</p> <p>In order to support the Council’s financial sustainability, we will need to invest further in property to generate revenue income. The Council will need a well-defined and resourced Asset Management Plan to support this activity, with a programme of investments, developments and acquisitions. This may be carried out by the Council, the property company, or as part of joint working arrangements within and outside the Borough.</p> <p>Expanding our activities in this area increases our exposure to the property market fluctuations and the normal development risks.</p> <p>Also the future uncertainty surrounding access to borrowing from the Public Works Loan Board may make it necessary for the Council to have to seek funding from the money markets in line with other commercial</p>	<p>Amber</p>

Ref	Risk description	Rating
	<p>property companies</p> <p>These risks may be exacerbated by Brexit, as markets react to the negotiations that are ongoing following the triggering of Article 50.</p> <p>Failure to invest in property will result in the Council not delivering the required savings and income to deliver services and to fulfil our corporate objectives.</p> <p><i>Note: from Q1 2019/20 this risk will be incorporated into SR2 – ‘Financial sustainability’ on the Strategic Risk Register.</i></p>	
SR5	<p>Cyber security</p> <p>Computer Viruses including new Trojans such as Ransomware are being released onto the Internet at an ever increasing rate. More sophisticated approaches and new variants suggest that on occasions it is possible that viruses will get through corporate defences and could be activated by unsuspecting ICT consumers. The effects of activating a virus are varied but at their worse the results can be destructive, service affecting or can leave the organisation with data protection issues.</p> <p><i>Note: from Q1 2019/20 this risk will be managed as SR7 – ‘Cyber security’ on the Strategic Risk Register.</i></p>	Amber
SR6	<p>Economic prosperity</p> <p>Economic prosperity is essential for the wellbeing of the borough, creating employment and wealth that benefits local people.</p> <p>Increasingly, this also has a direct link to the Council’s finance position and impacts on the demand for our services. Reforms to the business rate system mean that the council is liable for any reductions, but also has the potential to benefit from increases (especially through the business rate pilot).</p> <p>Economic prosperity cannot be taken for granted, and there are risks such as uncertainty from the withdrawal from the EU, future interest rate levels, increasing consumer debt and high housing costs.</p> <p><i>Note: from Q1 2019/20, the Brexit element of this risk will be managed under SR1 – ‘Brexit’ on the Strategic Risk Register, whilst the rest will be managed under SR5 – ‘Economic prosperity’.</i></p>	Amber
SR7	<p>Partner decisions</p> <p>Funding pressures are impacting the whole public sector, not just RBBC. Decisions by other public service providers in our area may impact on our residents, businesses, and directly on RBBC itself. SCC are the social care provider, and reductions in funding may impact on the service and support that is provided to our communities, and RBBC may need to increase services or support as a result.</p> <p><i>Note: from Q1 2019/20 this risk will be managed under SR3 – ‘Local government reorganisation and partner public sector funding decisions’.</i></p>	Red

Ref	Risk description	Rating
SR8	<p>Recycling credits</p> <p>There is a risk that Surrey County Council and the Surrey Waste Partnership could withdraw recycling credits which would have a further negative impact on the council's budget.</p> <p><i>Note: SR8 will be closed, with a revised risk on the Waste and Resources Strategy added to the Council's operational Risk Register from Q1 2019/20.</i></p>	Yellow
SR9	<p>Data Protection and General Data Protection Regulations (GDPR) – Now the Data Protection Bill passing through Parliament</p> <p>We have always been aware of the potential risk of personal information being disclosed in breach of the Data Protection Act 1998 (DPA) and the associate penalty notice and other enforcement actions that would have a negative impact on the Council reputation. On 25 May 2018 the General Data Protection Regulations (GDPR) will replace the DPA and represents the biggest change to data protection law for 20 years.</p> <p>The implications of breaching the GDPR are potentially significant, with some breaches carrying fines of up to 4% of global annual turnover or 20 million Euros.</p> <p><i>Note: SR9 will be closed on the strategic risk register with a revised risk added to the Council's operational risk register from Q1 2019/20.</i></p>	Amber

Operational risks (exception reporting)

The table below highlights those operational risks that have been rated as RED.

At the end of Q4 the following risk was rated as RED:

Ref	Risk description
OR13	<p>Community centres</p> <p>It is possible that the Council may be required to introduce an alternative delivery model for the Community Centres service, potentially at short notice and at a considerable cost.</p> <p><i>This risk description was agreed by Corporate Governance Group in February 2019.</i></p>

eMembers room information

The strategic and operational risk registers are available in the eMembers portal.

INTERNAL AUDIT

Background

The annual Audit Plan is agreed by the Overview and Scrutiny Committee.

SCORING

RED	<p>Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>
AMBER/ RED	<p>Taking account of the issues identified, the Authority can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).</p>
AMBER/ GREEN	<p>Taking account of the issues identified, the Authority can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied.</p> <p>However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).</p>
GREEN	<p>Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</p>

Headline Information

During the last quarter four internal audits have been completed:

Name of Audit	Score
GDPR Governance (Advisory only)	Not scored
Governance Arrangements for Property Investment Company (Advisory only)	Not scored
Commercial Governance Framework (Advisory only)	Not scored
Grants Funding	Amber /Red

Recommendations/observations with a high priority

Grants Funding:

Core Funding

A sample of core funding grants that were awarded were reviewed. It was noted that a standard assessment process was used in evaluating these applications. A summary assessment sheet is completed for each application, with the Finance team also completing a financial evaluation and making a recommendation as to whether funding should be awarded.

The audit confirmed for each award sampled that the outcome had been communicated to the applicants by letter or email, with these stating the conditions attached to the award. It was further noted that the Council has recently introduced grant agreement forms that are to be sent out to successful applicants for completion going forward.

The audit found that for one of the sampled core funding grants, the Council's Finance team had made the recommendation not to award funding as part of their financial assessment, but that funding was still awarded. It was noted that Finance's recommendation is evaluated in the context of the wider assessment of applications, and that an award can still be approved even if Finance give a negative view.

However, through reviewing the officer comments made on the summary assessment sheet and the financial assessment form, the auditors were unable to see a clear record of the reasoning behind why this application was awarded funding. There is a risk that the details of the assessment process carried out by the Council, including the reasoning behind the final decisions made are not being clearly recorded.

Management actions

The Council will ensure that assessment sheets completed when evaluating Core Funding applications include a clear summary, noting the final verdict and the reasons for the decision. This should include, where relevant, the reasoning for any award made which goes against the recommendation provided by the Finance team.

eMembers room information

Copies of the individual audit reports are available on the eMembers portal.

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Agenda Item 9



SIGNED OFF BY	Head of Legal and Governance
AUTHOR	Catriona Marchant, Democratic Services Officer
TELEPHONE	Tel: 01737 276066
EMAIL	catriona.marchant@reigate-banstead.gov.uk
TO	Overview and Scrutiny Committee
DATE	Thursday 6 June 2019
EXECUTIVE MEMBER	Not applicable

KEY DECISION REQUIRED	No
WARDS AFFECTED	All Wards

SUBJECT	Overview and Scrutiny Committee's Work Programme 2019/20
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RECOMMENDATIONS
To approve the proposed Overview and Scrutiny Committee's Work Programme for the Municipal Year 2019/20 as set out in Annex 2 and for updates to be reported to each meeting of the Committee.
REASONS FOR RECOMMENDATIONS
<p>The work programme for the Overview and Scrutiny Committee was recommended by the Overview and Scrutiny Committee at its meeting on 14 February 2019 (Annex 1) and was agreed by Council on 11 April 2019.</p> <p>Arrangements for implementing the work programme have progressed and the latest plans are outlined in Annex 2.</p> <p>This will be added as a standing item to the Agenda at each meeting to keep the Committee informed and to prepare for upcoming business.</p> <p>Previous Agenda and Papers can be found on ModernGov.</p>

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EXECUTIVE SUMMARY

Background information

The selection and prioritisation of work is essential if the scrutiny function is to be successful, add value and retain credibility. This proposed standing item gives the Committee an opportunity to view and comment on future planning of the Overview and Scrutiny work programme.

Work Programme 2019/20

The Work Programme 2019/20 is a useful tool in planning the overview and scrutiny work programme. The Future Work Programme will be updated before each meeting and feed into the Corporate Forward Plan.

STATUTORY POWERS

1. The *Local Government Act 2000* (as amended) established Overview and Scrutiny Committees within the Leader with Cabinet model of governance. Subsequent legislation including the *Police and Justice Act 2006*, the *Local Government Public Involvement in Health Act 2007*, the *Local Democracy, Economic Development and Construction Act 2009*, the *Localism Act 2011* and the *Local Authorities (Overview and Scrutiny Committees) (England) Regulations 2012* has provided additional responsibilities on the Committee.

BACKGROUND

2. The Overview and Scrutiny Committee Work Programme 2019/20 was agreed earlier in 2019 and sets out a programme of activity that is in line with the Council's priorities.
3. This report requests the Committee to use the Overview and Scrutiny Committee Work Programme 2019/20 as a tool to assist the Committee in managing its activities during the year.

OPTIONS

4. The Committee has the option to approve, add to or remove items from the Work Programme or to ask Officers to review the position and report back on alternative options to include any new resource implications.

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LEGAL IMPLICATIONS

5. There are no immediate legal implications arising from this report.

FINANCIAL IMPLICATIONS

6. There are no financial implications arising from the recommendations set out in this report. Should any of the work undertaken by Overview and Scrutiny generate recommendations with financial implications then these will be highlighted at that time.

EQUALITIES IMPLICATIONS

7. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between people who share those protected characteristics and people who do not;
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty applies to the following protected characteristics: age; disability; gender reassignment; pregnancy/maternity; race; religion/faith; sex and sexual orientation. In addition, marriage and civil partnership status applies to the first part of the duty.

8. The Committee should ensure that it has regard for these duties by considering them through the course of its work. This should include considering:

- How policy issues impact on different groups within the community, particularly those that share the nine protected characteristics;
- Whether the impact on particular groups is fair and proportionate;
- Whether there is equality of access to service and fair representation of all groups within the Borough;

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- Whether any positive opportunities to advance equality of opportunity and/or good relations between people, are being realised.

COMMUNICATION IMPLICATIONS

9. Not applicable.

HUMAN RESOURCES IMPLICATIONS (if applicable)

10. Not applicable.

RISK MANAGEMENT CONSIDERATIONS

11. Not applicable.

CONSULTATION

12. Consultation with the Chair elect of the Overview and Scrutiny Committee.

POLICY FRAMEWORK

13. The Committee's activities through its work programme are designed to support the corporate direction of the Council.

14. The Chair of the Committee will meet regularly with the Leader of the Council to link the Committee's work programme to the Corporate Forward Plan of business.

BACKGROUND PAPERS

Overview and Scrutiny Committee Work Programme 2019/20 report (14 February 2019).

Corporate Plan 2015-20 - www.reigate-banstead.gov.uk/council_and_democracy/about_the_council/plans_and_policies/corporate_plan/index.asp

Overview and Scrutiny Committee: Work Programme 2019/20

No.	Subject	Proposals	Management Team comments
(i)	Policy Framework Consultations	To consider Policy Framework consultation documents.	Supported
(ii)	Work Rolled Forward	No proposals.	-
(iii)	Executive Member Objectives	To receive presentations from Executive Members. To receive biannual updates from the Leader of the Council.	Supported
(iv)	Audit Activities	To consider the following audit activities: <ul style="list-style-type: none"> • The annual Internal Audit report for 2018/19; • The annual External Audit report for 2018/19; • Quarterly reports relating to individual audit reports; • The Internal Audit Plan for 2020/21. 	Supported
(v)	Performance Management Monitoring	To consider performance by reporting on the following as appropriate: <ul style="list-style-type: none"> • Revenue, Capital and Service Performance Management Monitoring (quarterly); • Risk management performance (six monthly). • Five Year Plan performance (six monthly) 	Supported
(vi)	Scrutiny Panels	That the following Panels be re-established in 2019/20: <ul style="list-style-type: none"> • Budget Scrutiny Panel • LDF Scrutiny Panel 	Supported
(vii)	Joint Scrutiny	No countywide joint scrutiny is programmed.	Supported
(viii)	Externally focussed work	To consider a range of external challenges and partners to provide input to the development of the new Corporate Plan. Consultation on the plan is expected to take place between May and September 2018.	Supported

No.	Subject	Proposals	Management Team comments
(ix)	Call Ins; Councillor Calls for Action	To consider Call-Ins and Councillor Calls for Action.	Supported
(x)	Crime and Disorder Scrutiny	To continue to undertake 'Crime and Disorder' scrutiny activity once every 12 months.	Supported
(xi)	Council Corporate Scrutiny	To consider updates on the performance of Council companies on a 6 monthly basis. To undertake any additional scrutiny requirements as identified in by the governance review process.	Supported
(xii)	Public Sector Board	No proposals at this time.	-

Overview and Scrutiny Committee – Forward Plan 2019-20

6 June 2019
Overview and Scrutiny Committee

Item	Date	Executive Member	Lead Officer	Details
	6 June 2019			
Election of Chair and Vice-Chair		N/A	N/A	To elect the Chair and Vice-Chair of the Committee for 2019/20.
Annual Internal Audit Report 2018/19		Portfolio Holder for Finance	Projects and Performance Team Leader	To consider the Annual Internal Audit Report and Opinion for 2018/19.
Provisional Outturn Report 2018/19		Portfolio Holder for Finance	Head of Finance and Assets	To consider the provisional 2018/19 outturn for Revenue, Capital and Treasury Management to be reported to the Executive on 20 June 2019.
Quarterly Performance Report (Q4 2018/19)		Portfolio Holder for Corporate Direction and Governance	Projects and Performance Team Leader	To consider the performance in the fourth quarter on the Council's Key Performance Indicators, Risk Management and Internal Audit.
Overview & Scrutiny Work Programme 2019/20		N/A – Chair of Overview & Scrutiny Committee	Democratic Services Officer	To confirm the Work Programme for the Overview and Scrutiny Committee for 2019/20.

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Item	Date	Executive Member	Lead Officer	Details
	11 July 2019			
Leader's Update		Leader of the Council	Policy Officer	To receive an update on the work of the Council and future plans.
5 Year Plan Performance Report		Portfolio Holder for Corporate Direction and Governance	Head of Projects and Performance	To consider the Council's performance in 2018/19 relative to its 5 year plan.
Annual Governance Statement		Leader of the Council	Head of Finance and Assets	To consider the Annual Governance Statement for 2018/19, as reported to the Executive on 20 June.
Service and Financial Planning Update		Portfolio Holder for Finance	Head of Finance and Assets	To consider an overview of Service & Financial Planning process for 2020/21.

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Overview and Scrutiny Committee
6 June 2019

Item	Date	Executive Member	Lead Officer	Details
Overview & Scrutiny Work Programme 2019/20		N/A – Chair of Overview & Scrutiny Committee	Democratic Services Officer	To agree any updates to the Future Work Programme for O&S 2019/20.
	12 Sept 2019			
Quarterly Performance Report (Q1 2019/20)		Portfolio Holder for Corporate Direction and Governance	Projects and Performance Team Leader	To consider the performance in the first quarter on the Council's Service Indicators, Revenue Budget Monitoring, Capital Programme Monitoring and Internal Audit.
ISA 260 Annual External Audit Report 2018/19		Portfolio Holder for Finance	Head of Finance and Assets	To consider the External Audit Report for 2017/18, as reported to the Executive in July.
Local Development Framework Scrutiny Review Panel		Portfolio Holder for Planning Policy	Head of Planning	To receive a report on the constitution of a Local Plan Scrutiny Panel for the year 2019/20.
Budget Scrutiny Review Panel		Portfolio Holder for Finance	Head of Finance and Assets	To receive a report on the constitution of a Budget Scrutiny Panel for the year 2019/20.

Item	Date	Executive Member	Lead Officer	Details
Corporate Plan 2020-2025		Executive Member for Housing and Benefits	Head of Corporate Policy	To consider the draft Corporate Plan for Reigate and Banstead and make any comments to the Executive.
Capital Investment Strategy		Portfolio Holder for Finance	Head of Finance and Assets	To consider the emerging Capital Investment Strategy and to make and comments to the Executive.
Overview & Scrutiny Work Programme 2019/20		N/A – Chair of Overview & Scrutiny Committee	Democratic Services Officer	To agree any updates to the Overview & Scrutiny Committee Work Programme for 2019/20.
	17 Oct 2019			
Portfolio Holder Briefing – Organisation Portfolios		Portfolio Holders for Organisation Portfolios	Director of Finance & Organisation	To receive a briefing from the Organisation Theme Portfolio Holders regarding the Organisation Theme and their portfolios.
Companies Performance Update		Portfolio Holder for Investment and Companies	Head of Finance and Assets	To receive an update on the performance of Council companies.

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Overview and Scrutiny Committee
6 June 2019

Item	Date	Executive Member	Lead Officer	Details
Overview & Scrutiny Work Programme 2019/20		N/A – Chair of Overview & Scrutiny Committee	Democratic Services Officer	To agree any updates to the Overview & Scrutiny Committee Work Programme for 2019/20.
	11 Dec 2019			
Leader's Update		Leader of the Council	Policy Officer	To receive an update on the work of the Council and future plans.
Budget Scrutiny Panel Report: Service and Financial Planning (Provisional Budget) 2020/21		N/A – Chair of the Scrutiny Panel	Head of Finance and Assets	To consider the report of the Budget Scrutiny Panel and make any comments on the service and financial planning (provisional budget) 2020/21, for consideration by the Executive in line with the Council's budget and policy procedure rules.
Local Development Framework Scrutiny Panel Report: Local Plan Development		N/A – Chair of the Scrutiny Panel	Head of Planning	To consider the report of the Local Development Framework Scrutiny Panel and make any comments on the development of the local plan for consideration by the Executive.
Quarterly Performance Report (Q2 2019/20)		Portfolio Holder for Corporate Direction and Governance	Projects and Performance Team Leader	To consider the performance in the second quarter on the Council's Service Indicators, Revenue Budget Monitoring, Capital Programme Monitoring, Internal Audit and Risk Management. To note the report regarding 5 Year Plan performance.

Item	Date	Executive Member	Lead Officer	Details
Schedule of Meetings 2020/21		Portfolio Holder for Corporate Direction and Governance	Democratic Services Officer	To consider the proposed schedule of meetings and make any comments for consideration by the Executive.
Overview & Scrutiny Work Programme 2019/20		N/A – Chair of Overview & Scrutiny Committee	Democratic Services Officer	To agree any updates to the Overview & Scrutiny Committee Work Programme for 2019/20.
	23 Jan 2020			
Annual Scrutiny of the work of the Community Safety Partnership		Executive Member for Community Partnerships	Partnerships Team Leader	To review the work of the East Surrey Community Safety Partnership in 2019/20
Overview & Scrutiny Work Programme 2019/20		N/A – Chair of Overview & Scrutiny Committee	Democratic Services Officer	To consider any updates to the Overview & Scrutiny Committee Work Programme for 2019/20.

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Overview and Scrutiny Committee
6 June 2019

Item	Date	Executive Member	Lead Officer	Details
	14 Feb 2019			
Portfolio Holder Briefing – Place Portfolios		Portfolio Holders for Place Portfolios	Director of Place	To receive a briefing from the Place Theme Portfolio Holders regarding the Place Theme and their portfolios.
Draft Treasury Management Strategy 2019/20		Portfolio Holder for Finance	Head of Finance and Assets	To consider the draft Treasury Management Strategy 2019/20 and agree comments to report to Executive.
Overview & Scrutiny Work Programme 2019/20		N/A – Chair of Overview & Scrutiny Committee	Democratic Services Officer	To agree any updates to the Overview & Scrutiny Committee Work Programme for 2019/20.
Overview and Scrutiny Committee: Proposed Work Programme 2020/21		N/A – Chair of Overview & Scrutiny Committee	Democratic Services Officer	To consider the proposed Work Programme for the Committee for 2020/21 and to forward the Programme to the Executive for approval by Council.

Item	Date	Executive Member	Lead Officer	Details
	14 Mar 2019			
Portfolio Holder Briefing – People Portfolios		Portfolio Holders for People Portfolios	Director of People	To receive a briefing from the People Theme Portfolio Holders regarding the People Theme and their portfolios.
Companies Performance Update		Portfolio Holder for Investment and Companies	Head of Finance and Assets	To receive an update on the performance of Council companies.
Internal Audit Plan 2020/21		Portfolio Holder for Corporate Direction and Governance	Projects and Performance Team Leader	To endorse the draft Internal Audit Plan for 2020/21.
Quarterly Performance Report (Q3 2018/19)		Portfolio Holder for Corporate Direction and Governance	Projects and Performance Team Leader	To consider the performance in the third quarter on the Council's Service Indicators, Revenue Budget Monitoring, Capital Programme Monitoring and Internal Audit.
Overview & Scrutiny Work Programme 2019/20		N/A – Chair of Overview & Scrutiny Committee	Democratic Services Officer	To agree any updates to the Overview & Scrutiny Committee Work Programme for 2019/20.

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 Overview and Scrutiny Committee
 6 June 2019

	Item	Date	Executive Member	Lead Officer	Details
93	External Audit Plan 2019/20	10 Apr 2019	Portfolio Holder for Finance	Head of Finance and Assets	To endorse the draft External Audit Plan for 2019/20.
	Overview and Scrutiny Committee: Annual Report 2018/19		N/A – Chair of Overview & Scrutiny Committee	Democratic Services Officer	To consider the draft Annual Report of the Committee’s work for the year for recommendation to Council.

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