Overview and Scrutiny Committee Agenda

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11 March 2020

To the Members of the OVERVIEW AND SCRUTINY COMMITTEE

Councillors: N. D. Harrison (Chair),

S. T. Walsh	F. Kelly
R. Absalom	J. P. King
M. S. Blacker	R. Michalowski
G. Buttironi	J. E. Philpott
J. C. S. Essex	K. Sachdeva
R. J. Feeney	S. Sinden
J. Hudson	R. S. Turner

Substitutes

	Councillors:
Conservatives:	D. Allcard, N. C. Moses, C. M. Neame and C. Stevens
Residents Group:	G. Adamson, J. S. Bray and C. T. H. Whinney
Green Party:	H. Brown, S. L. Fenton, S. McKenna and R. Ritter
Liberal Democrats	S. A. Kulka

For a meeting of the **OVERVIEW AND SCRUTINY COMMITTEE** to be held on **THURSDAY, 19 MARCH 2020** 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. MINUTES (Pages 5 - 12)

To confirm as a correct record the Minutes of the previous meeting.

3. DECLARATIONS OF INTEREST

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

AUDIT REPORTS

4. INTERNAL AUDIT 2019/20 - Q3 PROGRESS REPORT (Pages 13 - 28)

To consider progress in Quarter 3 against delivery of the 2019/20 Internal Audit Plan, note the report and make any observations on the report to the Council's Chief Financial Officer.

5. INTERNAL AUDIT PLAN 2020/21 AND INTERNAL AUDIT CHARTER FOR 2020/21 (Pages 29 - 62)

To consider and approve the Internal Audit Plan for 2020/21-2022/23 as set out in Annex 1 and to approve the Internal Audit Charter for 2020/21 as set out in Annex 2.

OVERVIEW AND SCRUTINY REPORTS

6. TREASURY MANAGEMENT STRATEGY 2020-2021 (Pages 63 - 118)

To consider the Treasury Management Strategy 2020-2021.

7. QUARTERLY PERFORMANCE REPORT (Q3 2019/20) (Pages 119 - 144)

To consider the Council's performance for the third quarter of the year 2019-20 and make any observations to the Executive.

8. FUTURE WORK PROGRAMME - MARCH 2020 (Pages 145 - 154)

To consider updates to the Work Programme for the Overview and Scrutiny Committee for 2019/20 and to consider the Action Tracker from the previous meeting.

9. ANY OTHER URGENT BUSINESS

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

(NOTE: 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 Thursday, 20 February 2020 at 7.30 pm.

Present: Councillors N. D. Harrison (Chair), S. T. Walsh (Vice-Chair), R. Absalom, M. S. Blacker, G. Buttironi, J. C. S. Essex, R. J. Feeney, J. Hudson, F. Kelly, J. P. King, R. Michalowski, J. E. Philpott, R. S. Turner and S. McKenna (Substitute)

Also present: Councillors R. Biggs, N. Bramhall, E. Humphreys, V. Lewanski and T. Schofield

36. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Committee Members: Councillor K. Sachdeva.

Councillor S. Sinden was substituted for by Councillor S. McKenna.

37. ELECTION OF VICE-CHAIR

Members elected a Vice-Chair for this Committee for the remainder of the Municipal Year 2019/20. Councillor S. Walsh was nominated for the position of Vice-Chair, proposed by Councillor G. Buttironi and seconded by Councillor M. Blacker. Councillor S. Walsh was duly elected Vice-Chair.

38. MINUTES

RESOLVED – the Minutes of the previous meeting on 11 February 2020 were approved as a correct record and signed.

39. DECLARATIONS OF INTEREST

Councillor J. Essex declared a non-pecuniary interest as a director of Furnistore.

There were no other declarations of interest.

40. PROGRESS UPDATE ON 2019/2020 STATEMENT OF ACCOUNTS

Members considered a progress update on the Council's Statement of Accounts 2019/20 to date following a request from Committee Members in October 2019. Councillor T. Schofield, Portfolio Holder for Finance, gave an overview of preparations for publishing the 2019/20 Statement of Accounts. The report to the Committee included an overview of progress on lessons learnt from the previous financial year and actions planned for the 2019/20 closedown. This included

specialist accounting support to develop the valuation information in the property assets register and working with the Council's external auditors (Deloitte LLP) to improve the quality of the annual Statement of Accounts and supporting information, including establishing a Grants Register.

Members commented on the ongoing valuation of property assets work that included processes to reflect best practice and the CIPFA Code of Practice. The Interim Head of Finance and Assets confirmed that the assets register was being reviewed and updated to ensure compliance with the Code. Further detail would be provided at a future meeting of the Committee.

RESOLVED – that the progress update on Statement of Accounts 2019/20 and the observations of the Committee be noted.

41. PORTFOLIO HOLDER BRIEFING - PLACE PORTFOLIOS

Committee Members received a briefing and presentations from three Executive Members responsible for Place Portfolio areas: Councillor R. Biggs, Portfolio Holder for Planning Policy, Councillor E. Humphreys, Portfolio Holder for Place and Economic Prosperity, and Councillor N. Bramhall, Portfolio Holder for Neighbourhood Services.

The Chair, Councillor N. Harrison, also introduced the Director of Place Services, Luci Mould, and the Head of Planning, Head of Economic Prosperity and Head of Neighbourhood Operations.

Councillor R. Biggs, Portfolio Holder for Planning Policy, gave an overview of achievements during the 2019/20 on planning policy which included the adoption of the Development Management Plan (DMP) on 26 September 2019, following public examination in 2018. Councillor Biggs thanked officers for their work to complete the DMP. The Portfolio Holder gave Members updates on the Community Infrastructure Levy (CIL), the Core Strategy Review and updated Members on Transport and work with Surrey County Council, Highways England, and Network Rail to improve infrastructure in the Borough. He also gave an update on the work of the Southern Building Control Partnership with Tandridge and Mole Valley District Councils and added that the Partnership's financial performance had improved year on year.

Members asked questions and discussed the following topics:

- **Permitted development** – Members asked about permitted development in relation to office conversions to residential properties and the planning policy position going forward. It was noted that the Council did not agree or control this current central government policy, but they were working hard to influence local MPs to press for a change in national policy.
- **Supplementary Planning Documents (SPDs)** – Members discussed the plan for preparing SPDs to provide detailed guidance to help implement DMP policies and asked about priorities. The Head of Planning updated Members on the recent public consultation on four SPDs which were due to be adopted by Executive and Council in April. The SPDs were: Affordable Housing, Barn and Farm Conversions, Historic Parks and Gardens and Reigate Shopfront SPDs. The next step was preparing an SPD for Horley

Business Park. A Member group (DMAG) would be set up later in the year to look at other potential SPDs. Chair, Cllr N. Harrison, noted that a meeting of the reconvened Local Development Framework Scrutiny Review Panel, a task group of Overview and Scrutiny Committee, had taken place to review the public consultation on the SPDs and was due to be discussed at this Committee at its meeting on 16 April 2020.

- **Building control** – Members asked about updated fire safety building controls that were emerging following lessons learned from the Grenfell fire disaster in London and the ongoing Public Inquiry, inspections and public scrutiny. It was noted that there would be a number of recommendations and legislative changes for building inspectors that would have an impact on the work of Southern Building Control Partnership going forward. Members thanked Southern Building Control Partnership inspectors for their work including in the north of the Borough where inspectors had worked at the weekend to prevent potential damage and danger to lives. Members asked for contact details for replying to specific building control questions.
- **Transport infrastructure** – Members asked for an update on Surrey County Council and Highways work in the north of the Borough. It was confirmed that the long-term five to ten-year infrastructure plan covered the whole of Reigate & Banstead Borough.
- **Community Infrastructure Levy (CIL)** – It was noted that over £2m had been secured with a further £4m due. Over £700,000 had been spent on infrastructure projects agreed by the Executive out of the 80% Strategic CIL allocation, including two secondary schools: St Bede's School expansion (£250,000) and Oakwood School expansion (£250,000). Members asked if the building work had been completed on these two schools which was project managed by Surrey County Council. Members expressed concerns that Reigate and Banstead Borough Council's CIL funding was supporting Surrey County Council projects and asked how this compared with other local authorities. It was noted that these strategic local infrastructure projects benefited the Borough's residents as a whole, were still in early stages of completion and CIL funding arrangements would be reviewed next year to make sure the public money had been spent wisely. An annual report on the use of CIL funding was a statutory requirement. Chair, Cllr N. Harrison, said that the Committee would scrutinise future strategic and local CIL funding and would ask to bring these issues to the Committee in due course.

Members next heard a presentation from Councillor E. Humphreys, Portfolio Holder for Place and Economic Prosperity. Councillor Humphreys gave an update on his following portfolio areas: Horley Business Park, Gatwick/Heathrow Airports, local business support, Marketfield Way, Horley Master Plan and Preston regeneration.

Members discussed the following topics:

- **Horley Business Park** – this was in the early stages of development and engagement with partners, including Gatwick Airport was needed to understand access issues/expansion proposals. The site had been allocated for employment purposes in the DMP in September 2019. It was noted that transport infrastructure included a proposed service road infrastructure from the M23.
- **Heathrow and Gatwick Airports** – both Heathrow and Gatwick airports were progressing expansion plans and flight path changes. Key meetings

had been held and officers were responding to consultations. Further consultations were anticipated in the year ahead on Gatwick Airport's plans and more detail from them was required on their high impact proposals which included use of their emergency runway. It was noted that the planning authorities were Crawley and West Sussex councils whose residents would have the biggest input on the proposals. Officers were working in co-ordination with other local authorities. It was noted that Gatwick was important to the area as an employer and transport hub but also generated the largest number of complaints about aircraft noise and concern about carbon emissions. Members sought reassurance that Gatwick Airport's owners were consulting fully with local authorities on their expansion plans, particularly on the increase in the number of passengers and flights, increased carbon emissions and the impact on climate change. Councillor E. Humphreys noted Members' comments about future consultation on proposed aircraft expansion and said aircraft were becoming more carbon neutral in the years ahead. It was noted that the Council had less input to the full consultation on Heathrow Airport as it was not a neighbouring local authority although it could respond on proposed flight paths.

Chair, Councillor N. Harrison, noted that as there were further Member questions on major public consultations such Gatwick Airport, Members and Officers should look at how best to work together on public consultation responses. Officers would take this forward with Portfolio Holders.

- **Environmental sustainability** – it was noted that an environmental sustainability workshop with Members was due to take place in early March which was a forum for Members to share ideas and comment on current issues and consultations.
- **Local Enterprise Partnership (LEP) and Local Industrial Strategy** – the Leader of Council, Councillor M. Brunt, had joined the Local Enterprise Partnership (LEP) Board and there was officer representation on the Local Industrial Strategy (LIS) Programme Board. The Council was actively engaged with Coast to Capital (C2C). LIS proposals were drafted and under discussion.
- **Supporting local businesses** – it was noted that 37 business support grants worth £36,978 had been awarded since April 2019 to help local businesses. Feedback was positive and many grant recipients had grown their businesses and taken on new staff. Members asked for a written response giving more detail on how the grants had been used by local businesses.
- **Reigate & Banstead Business Awards** – it was noted that the awards in June 2019 had 57 nominations. Members were encouraged to promote the awards to their local businesses for this year's awards as it was a great way to recognise and promote the work of local companies. Members highlighted work with local schools and colleges as well as support for taking on apprentices. Members discussed how to encourage new businesses and local shops in town centres and how the Council could support them to start, develop and grow businesses and improve long term survival rates and company growth. It was noted that Canon was due to close its offices in Reigate, but Fidelity was growing in the north of the Borough.
- **Development projects** – Place Delivery Services had taken on responsibility for the Council's development projects. A new development

manager had been appointed who had taken a comprehensive review of the Council's three main housing projects: Cromwell Road, Pitwood Park and Lee Street.

- **Marketfield Way in Redhill** – it was noted that significant progress had been made on this project. The construction company Vinci had started enabling and demolition works in January. It was confirmed that hoardings would go up round the site shortly. The end date was projected to be mid 2022. New project management and quantity surveyors had been appointed. Priorities for 2020/21 included finalising and entering into an agreement for lease with the cinema operator and preparing a lettings strategy for the retail space and updating marketing material. It was noted that risks were captured on a risk register and discussed monthly with the Portfolio Holder (sooner if needed). Councillor E. Humphreys thanked Councillor S. Walsh for his input into these projects and thanked officers for their continuing work.
- **Horley Master Plan** – this progressed well in 2019/20 with a comprehensive upgrade of the pedestrian precinct in the town centre and proposed plans for a new community hall. Members noted that there had been problems with ground repair and drainage works in Horley by UK Power Networks which had resulted in complaints from retailers.
- **Preston Regeneration** – work included a new youth shelter and a closed-circuit television camera linked to Surrey Police. A public consultation exercise had been carried out on plans to undertake highway works on Chetwode Road and Homefield Gardens.
- **Projects and performance milestones** – Members discussed the process for regular Committee updates on development projects which included quarterly updates to the Committee on performance. It was noted that some information was commercially confidential, but Members could be informed via written responses.

Members had a presentation from Councillor N. Bramhall, Portfolio Holder for Neighbourhood Operations. Cllr Bramhall gave an update on her portfolio areas: Refuse, Recycling and Cleansing, Regulatory Services, Fleet Management and Greenspaces. Highlights included collecting recycling and waste from 64,000 households (including 7100 tonnes of paper, 6400 tonnes of mixed recycling and 4500 tonnes of food). The teams provided assisted collections for 600 elderly or disabled residents. The Council was expecting delivery of the first phase of the Fleet Replacement programme in April 2020 with seven new 26 tonne dustcarts arriving. The new vehicles have electric bin lifters reducing fuel consumption by 12 per cent. 'Big Belly Bins' had been installed at Earlswood lakes which increase capacity for taking rubbish. The recycling roll-out to flats continued to be well-received by residents to 1176 flats with a further 1124 to be delivered at the end of this year.

Regulatory Services – Joint Enforcement Team (JET) had tackled reports of anti-social behaviour, fly tipping and abandoned vehicles with police and other agencies. The team had carried out enforcement activity caused by inconsiderate parking near schools and worked with Sustrans to encourage alternative methods of transport. Environmental health had enforced standards of food hygiene in food businesses, inspecting around 300 premises a year. Licensing had protected animal welfare by implementing animal welfare regulations and pet shop and animal breeding licences. Greenspaces were working on the planned enhancement of countryside sites such as Tanyard Meadows and wildflower planting on verges.

Members discussed and raised questions on the following topics:

- **Greenspaces** – Members thanked the Greenspaces team for their excellent work on maintaining parks and green spaces for residents and visitors. Planned enhancement of countryside sites was being adopted as part of the Riverside Green Chain development was new for 2020. Members asked about Reigate Heath and smaller green spaces in the south of the Borough with pressure on increasing numbers of residents and planned developments. The work on Tanyard Meadows in Horley was discussed as well as delivery of Merstham Recreation Ground regeneration scheme and tree planting in Coles Mead.
- **Reigate Heath** – it was noted that the area was popular with walking groups and some private companies were charging for guided walks (such as for Nordic walkers) on Reigate Heath. Members suggested looking into how the Council could benefit from profit making groups by charging them fees.
- **Wildflower verge sites** – the Borough was working in partnership with Surrey County Council on the planting and upkeep of wildflower verges. They had also been advised by Banstead Common Conservators. The first wildflower sites would be along the A217. Members asked for more information on the planned sites which would be supplied in a written answer to the Committee.
- **Refuse, recycling and cleansing** – the successful recycling roll-out to flats was continuing well. Following the end of phase 2, the Council would be working with partners, landlords and property owners to deliver the service to properties where it was more difficult to access due to narrow entrances to collect the waste. A full breakdown would be given after the end of phase 2. Blue and green waste bags were supplied for residents who found it difficult to take boxes down flights of stairs where there was no lift.
- **Minicabs** – JET was taking action to prevent minicabs parking in the centre of Redhill and in Sainsbury's access road and blocking pedestrian crossings. It was noted that there were problems with delivery drivers who were parking by MacDonald's to pick up food for online orders such as UberEATS.
- **Environmental sustainability strategy** – a presentation to Members was due on 5 March 2020 and a Member task group feeding into the strategy would stay in place. Once the strategy was completed, the Borough would work with Surrey County Council as the work was aligned to the countywide strategy.
- **Borough boundary road signs** – Members referred to the 'Welcome to Reigate and Banstead Borough Council' Borough Boundary road sign on the northern carriageway A217 which needed repairs. Members asked if the Strategic Head of Neighbourhood Services could follow-up this request.

Chair, Councillor N. Harrison, thanked all Executive Portfolio Holders for their presentations and thanked officers attending the meeting.

RESOLVED: that the Committee's observations regarding the Place Portfolio Holder briefings and business areas be noted.

42. DRAFT KEY PERFORMANCE INDICATORS - 2020/21

Members received a report on the Council's draft Key Performance Indicators (KPIs) for 2020/21 from Councillor V. Lewanski, Portfolio Holder for Corporate Direction and Governance. The updated draft KPIs had been reviewed by a cross-party Member working group to ensure that the Council's performance measures remained robust and fit for purpose for 2020/21. An updated reporting template was ensuring that the indicators included enhanced narrative about each indictor. The KPIs were reported to the Committee on a quarterly basis.

Members welcomed the reviewed and updated KPIs and made observations which included: capturing performance on commercial revenues (KPI 10 – Movement in investment income as a % of the Council's budget), homelessness prevention (KPI 3 – the % of positive homelessness prevention and relief outcomes), household waste (KPI 8 – the % of household waste that is recycled and composted). It was noted that additional performance on revenue, for example, the Harlequin theatre was captured in budget monitoring reports to the Committee.

Members thanked the Portfolio Holder and officers for their work on the revised draft KPIs which were due to come to Executive on 26 March 2020 for adoption by 1 April 2020.

RESOLVED – that the draft Key Performance Indicators (KPIs) 2020/21 and the observations of the Committee be noted.

43. OVERVIEW AND SCRUTINY COMMITTEE: PROPOSED WORK PROGRAMME 2020/21

Members considered the proposed work programme for the Overview and Scrutiny Committee for the 2020/21 Municipal Year. The programme of activity set out the work to be considered by the Committee from May 2020. It was noted that emerging strategies that could be scrutinised included the Council's environmental strategy and the Borough's response to Gatwick Airport's consultation on the increased use of its existing emergency runway.

RESOLVED – that the Overview and Scrutiny Committee: Proposed Work Programme 2020/21 be approved.

44. FUTURE WORK PROGRAMME - FEBRUARY 2020

Members considered the Committee's Future Work Programme for the remainder of the Municipal Year 2019/20. Members discussed a request that had been made to the Committee to consider the environmental sustainability strategy item for consideration at its 16 April meeting rather than its 19 March 2020 meeting. Members asked for sight of the summary report of the review of procurement and contract management processes which had been noted on the Committee's action tracker. Members asked if future scheduling of meetings could try and avoid half term weeks which would help those Councillors with school-age families.

Chair, Councillor N. Harrison, informed Members that a set of monthly theme dashboards on project reporting were now made available to all Councillors via the ModGov intranet library. These contained useful background information on the

Council's programme and project reporting. A direct link to the folder would be sent to Members.

RESOLVED – that the Future Work Programme 2019/20 for the remainder of the Municipal Year be noted.

45. 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.

46. ANY OTHER URGENT BUSINESS

There were no items of urgent business.

The Meeting closed at 9.55 pm

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

SIGNED OFF BY	Head of Projects and Performance
AUTHOR	Luke Harvey, Project & Performance Team Leader
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TO	Overview and Scrutiny Committee
DATE	Thursday, 19 March 2020

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Internal audit 2019/20 - Q3 progress report

RECOMMENDATIONS

(i) **That the Committee note the internal audit progress report attached at annexe 1; and,**

(ii) **That the Committee make any comments and/or observations on the report to the Council's Chief Financial Officer.**

REASONS FOR RECOMMENDATIONS

Under the Council's constitution the Overview and Scrutiny Committee fulfils the role of the of the Audit Committee. As part of this role the Committee is required to review the quarterly internal audit progress report which details the progress of delivering the audit plan for 2019/20.

EXECUTIVE SUMMARY

This report provides a progress update on the delivery of the 2019/20 internal audit plan and is presented to the Committee in its role as the Council's Audit Committee. At the end of Q3 2019/20 delivery of the audit plan continues to be on track. Additional detail is available within the body of the report and in the report of the Council's internal auditors which is made available to the Committee at annexe 1.

The Committee has authority to approve the above recommendations

STATUTORY POWERS

1. The requirement of 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 (PSIAS) which were last updated in 2017.
3. The Council's Chief Finance Officer (Section 151) holds statutory responsibility fort the overall financial administration of the Council's affairs and is therefore responsible for maintaining an adequate and effective internal audit function. The Head of Projects and Performance has day to day responsibility for managing the SIAP contract.
4. In accordance with these standards and the Council's internal audit Charter, the internal auditors are required to provide regular progress reports to the Council's senior management and Audit Committee.

BACKGROUND

5. The Southern Internal Audit Partnership (SIAP) are the Council's internal auditors, having taken over from the previous provider on 1 April 2019.
6. The Council has entered into a Partnership Agreement with SIAP for the provision of internal audit services. The Council has joined SIAP as a Key Stakeholder Partner and, in so doing, has discharged its internal audit function as permitted under section 101 (5) of the Local Government Act (1972).
7. Under the Council's constitution the Overview and Scrutiny Committee fulfils the role of the Audit Committee. The Committee is therefore receiving this report in its role as the Audit Committee which is distinct from its scrutiny function.
8. The role of scrutiny is to review Council policy and challenge whether the Executive has made the right decisions in delivering policy goals. The Audit Committee and function, however, is charged with providing independent assurance of the adequacy of the risk management framework and the associated control environment, as well as independent scrutiny of the Council's financial and non-financial performance insofar as it affects the Council's exposure to risk.
9. CIPFA's guidance on the role of the Audit Committee in Local Government (2018) provides further background and context to this requirement.
10. In accordance with its responsibilities as set out in Part 3a of the Council's constitution, the Overview and Scrutiny Committee endorsed the SIAP internal audit plan for 2019/20 on 14 March 2019 (agenda item 4).
11. In this vein, the Committee is also responsible for reviewing internal audit progress reports and monitoring delivery of the annual internal audit plan.
12. In facilitating the latter, progress reports on internal audit plan delivery and provided to the Committee on a quarterly basis.
13. The attached progress report:

- Summarises the status of 'live' audit reports (an audit is considered to be 'live' if there are outstanding management actions);
- Provides an update on the delivery of the annual audit plan;
- Summarises internal audit performance, including assurance opinions given; and,
- Summarises any adjustments made to the audit plan.

KEY INFORMATION

Q3 progress update

14. Section 3 of SIAP's report details the overall progress of delivering the 2019/20 internal audit plan.
15. The audits on Ethical Governance, System Development and Implementation and Main Accounting commenced during Q3 though are yet to conclude. These are expected to conclude within Q4 and before the end of the financial year.
16. In summary, good progress has been made and the delivery of the 2019/20 plan is on track.
17. Internal audit reviews result in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. SIAP's assurance opinions are categorised as follows:

Substantial	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate	Basically a sound framework of internal control with opportunities to improve controls and/or compliance with the control framework. No significant risks to the achievement of systems objectives have been identified.
Limited	Significant weaknesses identified in the framework of internal control and/or compliance with the control framework which could place the achievement of system objectives at risk.
No	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

18. The table below details the assurance opinions on the audits that have concluded by the end of Q3 2019/20:

Audit	Assurance opinion
Corporate Plan	Substantial
Decision making and Accountability	Substantial
Human Resources and Organisational Development	Adequate
Income collection	Adequate
Investments	Adequate
Refuse, Recycling and Street Cleansing	Adequate
Council Tax	Adequate
NNDR	Adequate
Programme and Project Management	Opinion statement

19. Section 4 of SIAP's report provides an overview of the management actions that have been agreed following the conclusion of individual audit assignments as well as progress as to their implementation.
20. Section 8 of SIAP's report details the revisions made to the audit plan for the year.
21. Further detail can be found in SIAP's report which is available at annexe 1.
22. Moreover, individual audit assignments are available to Members via eMembers.

OPTIONS

23. The Committee has two options:
24. Option 1: note the report and make any observations and comments on its contents to the Council's Chief Finance Officer.
25. Option 2: note the report and make no observations to the Council's Chief Finance Officer.

LEGAL IMPLICATIONS

26. The Committee's review of the quarterly progress report assists in the fulfilment of the Council's statutory duty to maintain an independent and effective internal audit function.
27. There are no other legal implications arising from this report.

FINANCIAL IMPLICATIONS

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

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

30. There are no communication implications arising from this report.

RISK MANAGEMENT CONSIDERATIONS

31. An effective internal audit function is an important part of effectively managing risk.
32. The Council's strategic and operational risk registers were utilised in the development of the annual internal audit plan.

OTHER IMPLICATIONS

33. There are no other implications arising from this report.

CONSULTATION

34. This report has been considered by the Council's Corporate Governance Group as part of its governance role in monitoring audit performance.

POLICY FRAMEWORK

35. Internal audit makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all Corporate Plan Priority areas.

BACKGROUND PAPERS

None.

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Internal Audit Progress Report

January 2020 (Q3)

Reigate & Banstead Borough Council

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

Southern Internal
Audit Partnership

Assurance through excellence
and innovation

Contents:

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisations' operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations' objectives.

2. Purpose of report

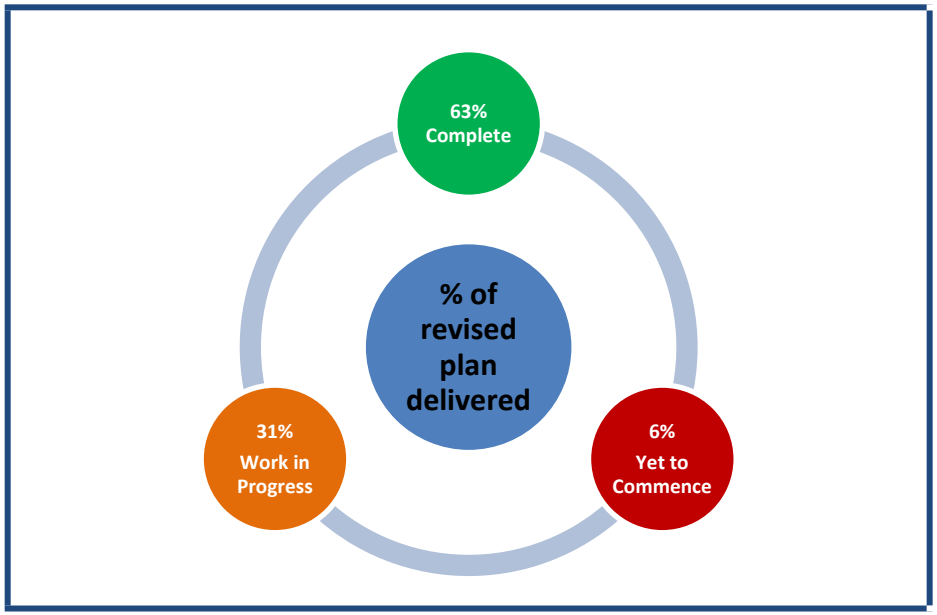
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

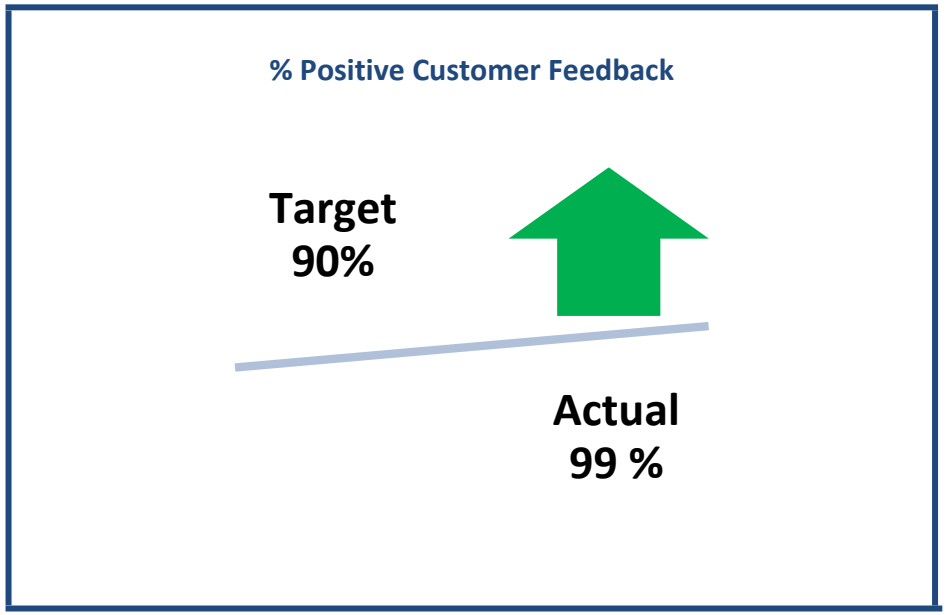
- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
No	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

3. Performance dashboard





Compliance with Public Sector Internal Audit Standards	
✓	An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded: *'It is our view that the Southern Internal Audit Partnership 'generally conforms' to all of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).* In accordance with PSIAS, a further self assessment was completed in April 2019 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ("High Priority")						
				Total Actions Reported	Not Accepted	Not Yet Due	Complete	Overdue Priority		
								L	M	H
Human Resources and Organisational Development	03.10.19	HofOD	Adequate	7(0)	0(0)	7(0)	0(0)	-	-	-
Investments	03.10.19	HofF&A	Adequate	4(0)	0(0)	2(0)	2(0)	-	-	-
Refuse, Recycling and Street Cleansing	15.10.19	HofNO	Adequate	15(3)	0(0)	6(0)	8(3)	-	1	-
Income Collection	13.11.19	HofF&A	Adequate	4(0)	0(0)	0(0)	3(0)	1	-	-
Housing Delivery Strategy	20.01.20	HofH	Adequate	2(0)	0(0)	1(0)	1(0)	-	-	-
NNDR	05.02.20	HofRB&F	Adequate	3(2)	0(0)	1(0)	2(2)	-	-	-
Council Tax	05.02.20	HofRB&F	Adequate	6(2)	0(0)	3(0)	3(2)	-	-	-

Audit Sponsors			
HofCP	Head of Corporate Policy	HofW&I	Head of Wellbeing and Intervention
HofPP	Head of Projects and Performance	HofCP	Head of Community Partnerships
HofOD	Head of Organisational Development	HofC&CC	Head of Communications and Customer Contact
HofIT	Head of IT	HofP	Head of Planning
HofL&G	Head of Legal and Governance	HofPD	Head of Place Delivery
HofF&A	Head of Finance and Assets	HofEP	Head of Economic Prosperity
HofH	Head of Housing	HofNO	Head of Neighbourhood Operations
HofRB&F	Head of Revenues Benefits and Fraud		

5. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

There are no new reports published concluding a "limited" or "no" assurance opinion.

6. Planning & Resourcing

The internal audit plan for 2019-20 was approved by the Corporate Governance Group and the Overview and Scrutiny Committee in March 2019.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule 🚩 Delay)	Comment
2019-20									
Corporate Cross Cutting									
Programme & Project Management	HofP&P	✓	✓	✓	✓	✓	Position Statement	✓	Q3
Corporate Plan	HofCP	✓	✓	✓	✓	✓	Substantial	✓	Q1/Q2

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule 🚩 Delay)	Comment
Corporate Governance									
Decision Making & Accountability	HofL&G	✓	✓	✓	✓	✓	Substantial	✓	Q1
Fraud & Irregularities	HofRB&F	✓	✓	✓				✓	Q4
Human Resources & Organisational Development	HofOD	✓	✓	✓	✓	✓	Adequate	✓	Q2
Ethical Governance	HofL&G	✓	✓	✓	✓			✓	Q3
Information Technology									
Information Security	HofIT							✓	Q4
System Development & Implementation	HofIT	✓	✓	✓				✓	Q3
Core Financial Reviews									
Main Accounting	HofF&A	✓	✓	✓	✓			✓	Q3
Council Tax	HofRB&F	✓	✓	✓	✓	✓	Adequate	✓	Q3
Income Collection	HofF&A	✓	✓	✓	✓	✓	Adequate	✓	Q2

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule 🚩 Delay)	Comment
NNDR	HofRB&F	✓	✓	✓	✓	✓	Adequate	✓	Q3
Organisation									
Investments	HofF&A	✓	✓	✓	✓	✓	Adequate	✓	Q1
People									
Housing	HofH	✓	✓	✓	✓	✓	Adequate	✓	Q3
Refuse, Recycling & Street Cleansing	HofNO	✓	✓	✓	✓	✓	Adequate	✓	Q1
Development Management & Planning Policy – Planning Enforcement	HofP	✓	✓	✓				✓	Q4

8. Adjustment to the Internal Audit Plan

There have been the following amendments to the plan:

Plan Variations for 2019/20	
Removed from the plan	**Reason**
Supporting Families	Deferred to 2021/22 at the request of the client in order to bring forward the audits noted below.
IT Business Continuity	Deferred to 2020/21 at the request of the client in order to bring forward the audits noted below.
Payment Card Industry Data Security Standard	
Housing Benefits	
Information Governance	Deferred to 2020/21 at the request of the client due to staff changes at DPO level.
Added to the plan	**Reason**
Fraud and Irregularities	Added to the plan at the request of CGG and O&S Committee.
Information Security	Added to the plan at the request of CGG and O&S Committee.
Main Accounting	Added to the plan at the request of the Interim Head of Finance and Assets.

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

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, 19 March 2020

KEY DECISION REQUIRED	YES
WARDS AFFECTED	(All Wards);

SUBJECT	Internal Audit Plan 2020/21-2022/23 and Charter 2020/21

RECOMMENDATIONS

(i) That the Overview and Scrutiny Committee approve the internal audit plan for 2020/21-2022/23 as set out in annexe 1; and,

(ii) That the Overview and Scrutiny Committee approve the internal audit Charter for 2020/21 as set out in annexe 2.

REASONS FOR RECOMMENDATIONS

The Council has a statutory obligation to undertake an adequate and effective internal audit function. The approval of the audit plan and Charter is integral to this.

EXECUTIVE SUMMARY

Under the Council's constitution the Overview and Scrutiny Committee fulfils the role of the Audit Committee and is responsible for agreeing and monitoring the delivery of the Council's internal audit plan and Charter.

The audit plan and Charter (attached as annexe 1 and 2 respectively) will provide independent and objective assurance that the Council's systems and processes are appropriate, operating effectively and provide sufficient control for the purposes of risk management, internal control and governance.

The Committee has the authority to approve the above recommendations.

STATUTORY POWERS

1. The requirement of 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 (PSIAS) which were last updated in 2017.
3. Under Section 151 of the Local Government Act (1972), the Council's Chief Financial Officer holds the statutory responsibility for the overall financial administration of the Council's affairs and is therefore responsible for maintaining an adequate and effective internal audit function. The Head of Projects and Performance has day to day responsibility for managing the internal audit contract.

BACKGROUND

4. The Council's internal auditors are the Southern Internal Audit Partnership (SIAP).
5. The Partnership is hosted by Hampshire County Council and is comprised of a number of local authorities and other public sector organisations.
6. In 2018/19 the Council entered into a partnership agreement with SIAP for the provision of internal audit services and, in so doing, discharged this function as permitted under section 101 (5) of the Local Government Act (1972). The Council joined the Partnership as a Key Stakeholder Partner.
7. The financial year 2019/20 was the first year in which SIAP was the Council's internal auditors.
8. The Council's Chief Internal Auditor – the Head of the Southern Internal Audit Partnership – is responsible for the management of the Council's internal audit activity.
9. Under the Council's constitution the Overview and Scrutiny Committee fulfils the role of the Audit Committee. As part of this role – as set out under Part 3a of the Constitution – the Committee has responsibility for approving the Council's internal audit plan and Charter, amongst other key responsibilities.
10. The Committee is therefore receiving this report in its capacity as the Audit Committee which is distinct from the scrutiny function.
11. The role of scrutiny is to review Council policy and challenge whether the Executive has made the right decisions in delivering policy goals. The Audit Committee and function, however, is charged with providing assurance of the adequacy of the risk management framework and the associated control environment, as well as independent scrutiny of the Council's financial and non-financial performance insofar as it affects the Council's exposure to risk.
12. The Chartered Institute of Public Finance and Accountancy's (CIPFA) guidance of the role of the Audit Committee in Local Government (2018) provides further background and context to this requirement.

KEY INFORMATION

Internal audit

13. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
14. The PSIAS defines internal audit as an 'independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.
15. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and are operating effectively.
16. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

The internal audit plan and Charter

17. The PSIAS state that a risk-based internal audit plan should be established on an annual basis in order to determine the priorities of internal audit activity. The plan for 2020/21 through to 2022/23 is provided at annexe 1.
18. The audit plan provides the mechanism through which the Council's internal auditors are able to ensure the most appropriate use of resources. The eventual culmination of the work as detailed by the plan is a clear statement of assurance on risk management, internal control and governance arrangements, expressed in an annual opinion of the Chief Internal Auditor.
19. The Chief Internal Auditor holds overall responsibility for the delivery of the plan.
20. The audit plan has been developed in consultation with the Council's senior management and with due regard to the Council's strategies, objectives and risks. Past internal audit reports (from 2019/20 as well as from the tenure of the Council's past internal auditors) have similarly informed its development.
21. The plan is kept under regular review in order to ensure that it continues to remain relevant to the Council's risk profile. Any subsequent revisions to the plan are reported to the Committee through the quarterly progress reports.
22. The Charter – updated annually – formally defines the purpose, authority and responsibility of internal audit.
23. In approving the plan and Charter the Committee is confirming its agreement that these documents are sufficient to monitor the organisation's risk profile and provide assurance that the Council's risk management framework and controls are robust and fit for purpose.

OPTIONS

24. The Committee has two available options:

25. Option 1: approve the internal audit plan for 2020/21-2022/23 and Charter for 2020/21 as set out in annexe 1 and 2 respectively. This is the recommended option as it will allow the auditors to swiftly commence their work programme for 2020/21.
26. Option 2: defer approval. This is not the recommended option as it will cause delay and may prove injurious to SIAP's ability to deliver the 2020/21 plan to schedule.

LEGAL IMPLICATIONS

27. The adoption of the internal audit plan and Charter will fulfil the Council's statutory duty to maintain an independent and effective internal audit function.
28. An effective internal audit function supports good governance which, in turn, reduces the risk of the Council being subject to successful legal challenge.

FINANCIAL IMPLICATIONS

29. The cost of funding the Audit Plan is covered within the Council's base budget.
30. The cost of any additional work – including, for instance, ad-hoc consultancy – that is not provided for within the audit plan will be funded from the service area that requires the additional support.

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

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

RISK MANAGEMENT CONSIDERATIONS

33. An effective internal audit function is an important part of risk management.
34. The Council's strategic and operational risk registers have influenced the development of the audit plan.

OTHER IMPLICATIONS

35. There are no other implications arising from this report.

CONSULTATION

36. The plan and Charter have been developed alongside the Council's Corporate Governance Group, Heads of Service and Management Team with due regard to the Council's strategies, objectives and risks.

POLICY FRAMEWORK

37. Internal audit makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all Corporate Plan Priority areas.

BACKGROUND PAPERS
None

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Internal Audit Plan

2020-21 / 2022-23

Reigate & Banstead Borough Council

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

Southern Internal
Audit Partnership

Assurance through excellence
and innovation

Contents

Introduction

The role of internal audit is that of an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council's objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the Senior Management Team and Audit Sponsors, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of the Council.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Natalie Jerams, Assistant Head of Southern Internal Audit Partnership, supported by Joanne Barrett, Audit Manager.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2015 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

In considering all sources of evidence the external assessment team concluded:

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> *'It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to **all** of these principles. This is a notable achievement given the breadth of these Standards and the operational environment faced by SIAP.*
>
> *There are **no instances** across these standards where we determined a standard below "generally conforms", and 4 instances where the standard is assessed as "not applicable" due to the nature of SIAP's remit.'*

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

Reigate & Banstead 2025 - 5 Year Plan

Reigate & Banstead Borough Council have adopted a 5 year plan for the 2020-25 period. The plan sets out the Council's priorities and explains how they will focus resources and deliver services to those living, working and spending time in the borough. The plan is based around a vision for the borough, with priorities set around three key themes.

Vision:

To be recognised by our residents, businesses and partners as a great Council. This means: delivering quality services and support; providing value for money; making the borough a great place to live, work in, do business and visit; being proactive about tackling climate change and reducing our environmental impact; and ; being flexible and sustainable, responding to the needs and demands of our borough, residents and businesses.

Commitments:

People

Housing: Secure the delivery of homes that can be afforded by local people and which provide a wider choice of tenure, type and size.

Communities and community safety: Work with partners to create strong, safe and welcoming communities.

Vulnerable residents: Provide targeted and proactive support for our most vulnerable residents.

Leisure and wellbeing: Provide leisure, cultural and wellbeing services that are accessible to, and meet the needs of, communities and visitors.

Place

Towns and villages: With our partners, invest in our town and village centres, so they continue to be places where people choose to live, work, do business and visit.

Economic prosperity: Drive the continued economic prosperity of the borough, facilitate improved business infrastructure, and confirm the borough's reputation as a great place to do business.

Shaping our places: Ensure new development is properly planned, sustainable, and benefits the borough's communities and the wider area.

Clean and green spaces: Provide high quality neighbourhood services to ensure that the borough continues to be clean and attractive and local people have access to the services and facilities they need.

Environmental sustainability: Reduce our own environmental impact, support local residents and businesses to do the same, and make sure our activities increase the borough's resilience to the effects of climate change.

Organisation

Financial sustainability: Be a financially self-sustaining Council. Funding our services: Generate additional income and build our financial resilience, in order to sustain services, through responsible and sustainable commercial activities.

Operational assets: Ensure that our operational assets (things like our estate, equipment, IT and vehicles) are fit for purpose.

Skills and great people: Ensure the Council (councillors and officers) has the right skills to deliver this plan.

Council Risk

The Council have a clear framework and approach to risk management. The strategic risks assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their objectives. We will monitor the strategic risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

Ref	Risk Description
SR1	**Brexit -** The UK's withdrawal agreement with the European Union includes a transition period where the pre-Brexit trade arrangements will continue to apply. The transition period ends on 31 December 2020, where, if successfully negotiated, new trade arrangements covering goods and services will be put in place. The impacts of any changes that result are difficult to predict, though it is possible that they could negatively impact the economy, therefore leading to an increase in the number of households requiring the Council's support. If new trade arrangements aren't negotiated then the transition period will elapse without a trade deal being in place, resulting in a no-deal Brexit which will likely have adverse effects on the economy.
SR2	**Financial sustainability -** The Council operates in a challenging and uncertain financial context. Whilst the outcome of the Government's ongoing Fair Funding Review and Business Rates Reset remain unknown, it is expected that once implemented they will result in further significant reductions in funding. The Council will therefore be increasingly reliant on income derived from investments, fees and charges and commercial activities – the ability to do so, however, may be restricted by changes in legislation, regulations and codes of practice. The failure to generate additional income will jeopardise the delivery of corporate objectives. Managing this risk is dependent on Officers and Members remaining ambitious in challenging circumstances.
SR3	**Local Government reorganisation -** A reorganisation of local government could be prompted by a range of scenarios and circumstances, including the financial failure of an authority within Surrey or as part of a new devolution agenda. The funding pressures impacting the wider sector may precipitate such circumstances. The results of a possible reorganisation are uncertain, though it could adversely affect this Council and the delivery of services for residents.
SR4	**Partner public sector funding decisions -** The public sector is experiencing significant funding pressures. Budgetary decisions made by other public service providers will impact this borough's residents and businesses as well as the Council itself. In response the Council may be required to increase services or the support provided which could have funding and resource implications.
SR5	**Organisational capacity and culture -** The Council has adopted an ambitious Corporate Plan, supported by a capital investment, housing and Great People strategy. Delivering on these plans will require a continually ambitious and integrated organisation and culture, with Members and Officers working in a collaborative way in the taking of timely decisions. The failure to be ambitious will risk the delivery of these objectives.
SR6	**Economic prosperity -** A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that benefits local people. Economic prosperity cannot be taken for granted and the current economic outlook is uncertain. Prevailing economic conditions have a direct impact on the Council's financial position and likewise impacts upon the demand for Council services, particularly in terms of income derived from paid for services and the collection of monies owed. Challenging financial circumstances for residents may also increase their reliance on Council services.
SR7	**Welfare reform -** The borough's residents are being affected by a combination of welfare reforms, increasing housing costs and economic changes. This increases the risk of household budgets being stretched and some residents being threatened with homelessness. The latter could result in an increase in cost pressures on the Council as our services are increasingly relied upon.

Ref	Risk Description
SR8	**Cyber security -** Organisations are at an ever-increasing risk of cyber-attack as the use of digital systems and technologies increases. More sophisticated attacks and new variants of malicious software underscore the risk of corporate defences being compromised. The effects of a cyber-attack are wide and varied though at their worst could result in data destruction, disruption to the delivery of services and data theft.
SR9	**Fraud -** Due to the wide range of activities being undertaken by the Council, there is a risk of fraud being committed which therefore requires robust systems and processes to be in place.
SR10	**Horley Business Park -** If the Council fail to take forward a vision with partners, this key development will be delayed. This will have an impact on the prosperity of the borough and the financial sustainability of the Council.
SR11	**Gatwick Airport -**Gatwick Airport has announced its intention to expand, through intensification of its existing operations and by bring its emergency runway into routine use as a second runway. It intends to submit a Development Consent Order for this second runway in 2020/21; with a decision anticipated by the Secretary of State in 2022/23. As a key employer, this intensification, as well as a decision (either way) on the second runway, could have a long-term impact on the local economy and infrastructure.

*Strategic Risks as per the Draft Strategic Risk Register 2020/21 (due to be presented to the Corporate Governance Group on 5 February 2020 and Executive on 23 April 2020)

Developing the internal audit plan 2020-21 / 2022-23

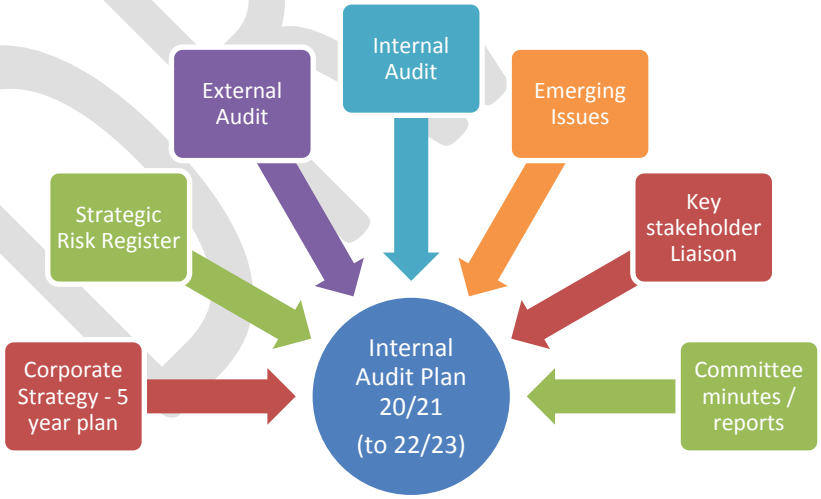
We have used various sources of information and discussed priorities for internal audit with the following groups:

- Corporate Governance Group
- Interim Head of Finance & Assets (S151 Officer)
- Directors & Heads of Service
- Overview & Scrutiny Committee
- Other key stakeholders

Based on these conversations with key stakeholders, review of key corporate documents and our understanding of the organisation the Southern Internal Audit Partnership have developed an annual audit strategy for 2020-21 / 2022-23.

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



Internal Audit Plan

Audit	Risk / Scope	Strategic / Operational Risk	Previous IA Coverage	2020-21	2021-22	2022-23
Corporate						
Programme & Project Management	Assurance over project management framework and compliance in relation to delivery on live / ongoing projects through the PMO. To focus on a review of Marketfield Way	SR10, OR3	2019/20 (position statement)	Q2	✓	
Alternative Delivery Models	Unique methods of service delivery with the potential for loss of control / ownership over. Assurance over governance, rights of access, third party assurance, contingencies, exist strategies, hosting arrangements, accountability.	SR3, SR4			✓	
Financial Resilience	Assurance over budgetary control, efficiency Plans, financial risks relating to assumptions made for medium term financial projections.	SR2, OR2, OR4, OR6, OR10	2017/18		✓	
Working in Partnership	Working alongside different cultures. Potential for some loss of control / ownership of service delivery. Assurance over governance, rights of access, third party assurance, contingency arrangements, exit strategy, hosting arrangements (accountabilities), benefit realisation. Focus on non-commercial partnerships and Inter Authority Agreements (IAA's).	SR3, SR4		Q1		
Corporate Plan	Assurances over the delivery of the Corporate Plan.	SR1, SR2, SR3, SR4, SR5, SR6, SR10	2019/20 2016/17		✓	✓
Transformation	To meet future financial challenges and enable improved and more efficient services. To include digitalisation (new ways of working, CRM, AI, robotics etc.)	SR2, SR3, SR4	2017/18		✓	

Audit	Risk / Scope	Strategic / Operational Risk	Previous IA Coverage	2020-21	2021-22	2022-23
Governance						
Decision Making & Accountability	Assurance over the effectiveness and transparency of the decision-making process at officer and Member level. To consider governance, accuracy and timeliness of information including consultation with the public as necessary.	SR5, OR9	2019/20			✓
Risk Management	Assurance over the risk management framework including governance, transparency and maturity.		2018/19 2017/18 2016/17	Q2		
Fraud & Irregularities	Cyclical assurance over the governance arrangements to prevent, detect and investigate fraud and irregularities.	SR9	2019/20			✓
Human Resources & Organisational Development	Weak or ineffective internal control leading to financial loss resulting in damage to the Council's reputation and adverse publicity. Assurances over the audit cycle to cover: • Performance Management • Absence Management • Officer Recruitment • Officer Training & Development • Workforce Strategy / Development • Flexible Working • Use of Volunteers.	SR5, OR4, OR6, OR7	2019/20 2015/16		✓	✓
Contract Management	Review of contract management arrangements and compliance across a selection of contracts in place. To include a review of the Leisure Centre contracts.	OR8	2018/19 2015/16	Q4		

Audit	Risk / Scope	Strategic / Operational Risk	Previous IA Coverage	2020-21	2021-22	2022-23
Commissioning & Procurement	Assurance over the effective identification and assessment of organisational needs to maximise value for money and efficiencies through procurement. Assurance over compliance with contract procedure rules and legislative requirements.	OR8	2018/19 2015/16	Q4		
Health & Safety	Effective H&S strategy in place and operating effectively with effective governance, accountability and issue resolution. To incorporate a review of arrangements in place for lone working.		2016/17	Q3		
Information Governance	Assurance over information governance arrangements to include FOI, SAR, Transparency and General Data Protection Regulation (GDPR).	OR9, OR15	2018/19	Q2		✓
Ethical Governance	Evaluation of the design, implementation and effectiveness of RBBC's ethics-related objectives, equalities, programmes and activities (Officers & Members Code of Conduct).		2019/20		✓	
Business Continuity & Emergency Planning	Assurance over planning for extreme events that may lead to delays in responding to situations resulting in increased costs and staff resources including: • Business Continuity Planning (to be covered in 2020/21) • Emergency Planning (to be covered in 2021/22)		2016/17	Q3	✓	
Annual Governance Statement	Cyclical assurance over the governance arrangements to compile, contribute and deliver the AGS.	OR9			✓	

Audit	Risk / Scope	Strategic / Operational Risk	Previous IA Coverage	2020-21	2021-22	2022-23
IT						
IT Governance	Review of IT strategy, policies, standards and procedures. Other potential areas for consideration to include IT asset management, change management and software licensing.			Q1		
Data Management	Review of data centre facilities and security including storage and back-up. To also consider database management.				✓	
Information Security	Review of cyber security arrangements, security controls (including remote access) and cloud storage. To also consider network security and infrastructure management	SR8	2019/20 2016/17			✓
System Development & Implementation	Systems Life Cycle, Project Management and Application Management.		2019/20 2016/17			✓
IT Disaster Recovery	Disaster recovery, system resilience.	SR8, OR16		Q4		
Networking & Communications	Virtualisation, operating system management				✓	
Payment Card Industry Data Security Standard	Compliance to meet industry standards	OR17	2018/19	Q4		
Mobile Working	Initiatives to promote agile working. Security (physical, environmental and technical) of data and hardware.				✓	
Core Financial Reviews						
Housing Benefits	Programme of cyclical systems reviews		2017/18	Q2		
Council Tax			2019/20 2017/18			✓
Accounts Payable			2018/19 2017/18		✓	

Audit	Risk / Scope	Strategic / Operational Risk	Previous IA Coverage	2020-21	2021-22	2022-23
Accounts Receivable / Debt Management			2018/19 2016/17		✓	
Main Accounting			2019/20 2018/19 2016/17			✓
Treasury Management			2018/19 2016/17	Q3		
Income Collection			2019/20			✓
Capital Accounting			2017/18		✓	
NNDR			2019/20 2017/18			✓
Payroll			2018/19 2017/18	Q3		
Organisation						
Property Management & Maintenance	Assurance over effectiveness and delivery repairs and maintenance to non-housing assets (planned & reactive).		2018/19		✓	
Investments	Assurance over the governance, development, accountabilities, viability and outcomes of Investment Strategy. Significant financial expectations through the successful delivery of the IS to meet savings targets (incl. review of Asset Management Plan).	SR2	2019/20			✓
Income Generation & Commercialisation	Effectiveness of income generation / maximisation (rental income and leases, optimal use of subsidies, fees and charges). Review of relevant strategies based on financial pressures. Setup and future deliverables of investment companies.	SR2, OR3, OR10		Q1		

Audit	Risk / Scope	Strategic / Operational Risk	Previous IA Coverage	2020-21	2021-22	2022-23
People						
Affordable Housing	Opportunities for development and alternative methods of delivery to meet organisational and national priorities.	SR7			✓	
Homelessness	Assurance over management and prevention of homelessness. Working in partnership with housing associations and purchase of property to provide temporary / emergency accommodation.	SR6	2017/18	Q2		
Housing	Effective Housing Policy and procedures to achieve desired outcomes. Development of Housing Strategy (project management.)	SR2	2019/20 2017/18			✓
Community Safety	Response to community safety and anti-social behaviour. To include PREVENT, East Surrey Community Safety Partnership.			Q3		
Health & Leisure Facilities	Thematic reviews based on areas of significant risk. To include contract management of leisure centres (x3); community centres (x3). The Harlequin Theatre & Cinema is run in-house inherent risks cash handling, procurement, H&S, safeguarding. 2020/21 wider review of contract management to include the leisure centres contract.		2018/19		✓	
Community Development	Assurances over services designed to help residents retain their independence and reduce social isolation. Inherent risks include funding, demand, safeguarding.	OR2			✓	
Supporting Families	Part of the national Troubled Families agenda. Devolved from SCC and provided on behalf of Tandridge and Mole Valley. To review the revised assurance arrangements in place with SCC from March 2020 onwards.				✓	

Audit	Risk / Scope	Strategic / Operational Risk	Previous IA Coverage	2020-21	2021-22	2022-23
Place						
Refuse, Recycling & Street Cleansing	In-house responsibilities for household, clinical waste and recycling collection in addition to recycling sites / banks. Some commercial activity through garden / bulky / trade waste collection. Future risks include reduced recycling credits.	OR10, OR13	2019/20			✓
JET	The JET provides a visible presence & neighbourhood services. Inherent risks of H&S, safeguarding etc.				✓	
Environmental Health & Licensing	In-house delivery with some opportunities to provide services / advice to other LA's. Legislative changes could increase licensing and enforcement activity (i.e. HMO's).	OR14		Q4		
Development Management & Planning Policy	Development Management (planning applications, appeals, enforcement); Planning Policy (local plan, CIL, S106).		2019/20 2018/19 2017/18			✓
Parks & Countryside	Grounds maintenance of parks, cemetery and open spaces in addition to road verges on behalf of Surrey County Council. Risk of reduced income in some services areas i.e. bereavement services.				✓	
Regeneration	Programme management, governance and reporting of key projects against desired outcomes.	OR3			✓	
Economic Prosperity	Support to help local businesses start, develop and grow. Includes administering business support grants.	SR6		Q3		
Environmental Sustainability	Priority area within the Corporate Plan. Strategy being developed during 2020. Review of implementation and delivery.				✓	
Parking & Enforcement	Assurance over service delivery in addition to existing agreements with other authorities (i.e. SCC, Tandridge on-street parking). Inherent risk of cash handling and contract management.	OR12	2017/18 2016/17		✓	

Audit	Risk / Scope	Strategic / Operational Risk	Previous IA Coverage	2020-21	2021-22	2022-23
Disabled Facility Grants	Administration and compliance with local / legislative requirements.		2015/16		✓	
Fleet Management	To cover the council's management of its fleet including procurement, maintenance and renewal. Existing fleet coming towards the end of its service life. Significant volume of MOT's through the workshop (licensed taxi's)	OR11	2015/16	Q2		
Other						
Management	To include annual planning, reporting and attendance at SMT, Corporate Governance Group and Overview & Scrutiny Committee, action tracking, liaison with key stakeholders and annual report and opinion.			✓	✓	✓
Total days				198	170	180

Appendix 1

2020/21 Audit Plan Overview

Audit	2020/21
Corporate	
Programme & Project Management (Marketfield Way)	Q2
Working in Partnership	Q1
Governance	
Information Governance	Q2
Risk Management	Q2
Health and Safety	Q3
Business Continuity & Emergency Planning	Q3
Contract Management	Q4
Commissioning & Procurement	Q4
IT	
IT Governance	Q1
Payment Card Industry Data Security Standard	Q4
IT Disaster Recovery	Q4
Core Financials	
Housing Benefits	Q2
Treasury Management	Q3
Payroll	Q3
Organisation	
Income Generation & Commercialisation	Q1
People	
Homelessness	Q2
Fleet Management	Q2
Community Safety	Q3
Economic Prosperity	Q3
Environmental Health & Licensing	Q4
Other	
Management	On-going
Total Days	**198**

Reigate & Banstead
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Internal Audit Charter – 2020/21

Introduction

The Public Sector Internal Audit Standards (the Standards) provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance and transparency.

The Standards form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes:

- the mission;
- core principles;
- definition of internal audit; and
- Code of Ethics.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'.

The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility.

Mission and Core Principles

The IPPF 'Mission' aims *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*

The 'Core Principles' underpin delivery of the IPPF mission:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

Authority

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which state that a relevant body must:

'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards (updated 2017).

Purpose

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

The role of internal audit is best summarised through its definition within the Standards, as an:

'independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within Reigate & Banstead BC lies with the S151 Officer.

For the Council, internal audit is provided by the Southern Internal Audit Partnership.

The Chief Internal Auditor (Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the *'Mission', 'Core Principles', 'Definition of Internal Auditing'*, the *'Code of Ethics'* and *'the Standards'*.

Definitions

For the purposes of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Overview & Scrutiny Committee.

Senior Management – those responsible for the leadership and direction of the Council. At the Council this shall mean the Senior Management Team.

Position in the organisation

The Chief Internal Auditor reports functionally to the Overview & Scrutiny Committee, and organisationally to the S151 Officer who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Monitoring Officer responsibility, legality and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Overview & Scrutiny Committee).

Internal audit resources

The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The S151 Officer will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit strategy and operational audit plan.

The annual operational plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

'Senior Management' and *'the Overview & Scrutiny Committee''* will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The annual operational plan will be submitted to *'senior management'* and *'the Overview & Scrutiny Committee'*, for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to *'senior management'* and *'the Overview & Scrutiny Committee'*.

If the Chief Internal Auditor, *'the Overview & Scrutiny Committee'* or *'Senior Management'* consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the S151 Officer accordingly.

Independence and objectivity

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities;
- operates in a framework that allows unrestricted access to *'senior management'* and *'the Overview & Scrutiny Committee'*;
- reports functionally to *'the Overview & Scrutiny Committee'*;
- reports in their own name;
- rotates responsibilities for audit assignments within the internal audit team; and
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to *'Senior Management'* and *'the Overview & Scrutiny Committee'*. The nature of the disclosure will depend upon the impairment.

Due professional care

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity, but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the *'Mission', Core Principles', Definition of Internal Auditing'*, the '*Code of Ethics'* and the *'Standards'* and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported in accordance with the Council's Anti-fraud and Corruption Policy.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

Access to relevant personnel and records

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to the Council or its key delivery partner organisations.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

Scope of Internal Audit activities

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Council assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.

A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the SIAP. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

The Council maintain an in-house Fraud & Investigation Team responsible for conducting reactive fraud and irregularity investigations and proactive fraud work. This includes participation in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.

The Fraud & Investigation Team will inform the SIAP of the outcomes of all reactive fraud and irregularity investigations and proactive fraud work on a regular basis. SIAP will monitor the outcomes of this work to contribute to its assessment of the wider control environment and will review the governance arrangement to prevent, detect and investigate fraud and irregularities on a cyclical basis.

Reporting

Chief Internal Auditor's Annual Report and Opinion

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate as a minimum:

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Senior Management

As those responsible for the leadership and direction of the Council. It is imperative that the Senior Management Team are engaged in:

- approving the internal audit charter (minimum annually);
- approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;

- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

The Overview & Scrutiny Committee

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Overview & Scrutiny Committee. Such reporting will include:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit resource plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations;
- agreement of the scope and form of the external assessment as part of the quality management and improvement plan;
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance; and
- approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

Review of the internal audit charter

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to *'Senior Management'* and *'the Overview & Scrutiny Committee'* for approval.

Annex 1

Southern Internal Audit Partnership – Client Portfolio

Strategic Partners:	Hampshire County Council
Key Stakeholder Partners:	West Sussex County Council Havant Borough Council East Hampshire District Council Winchester City Council New Forest District Council Mole Valley District Council Epsom & Ewell Borough Council Reigate & Banstead Borough Council Tandridge District Council Hampshire Fire & Rescue Authority Office of the Hampshire Police & Crime Commissioner / Hampshire Constabulary Office of the Sussex Police & Crime Commissioner / Sussex Police Force Office of the Surrey Police & Crime Commissioner / Surrey Police Force
External clients:	Waverley Borough Council Hampshire Pension Fund West Sussex Pension Fund New Forest National Park Authority **Further Education Institutions** Eastleigh; Highbury; Isle of Wight College; and Portsmouth

Assurance Services

- **Risk based audit**: in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.

- **Developing systems audit**: in which:

  - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
  - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.

- **Compliance audit**: in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.

- **Quality assurance review**: in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.

- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti Fraud and Anti Corruption Strategy.

- **Advisory / Consultancy services**: in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

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Reigate & Banstead
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SIGNED OFF BY	Head of Finance
AUTHOR	Helen Stocker, Finance Manager Shanti Satheeskumar, Accountant
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EMAIL	shanti.satheeskumar@reigate-banstead.gov.uk
TO	Overview & Scrutiny Committee Executive Council
DATE	Thursday, 19 March 2020 Thursday, 26 March 2020 Thursday, 9 April 2020
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance

KEY DECISION REQUIRED	YES
WARDS AFFECTED	ALL

SUBJECT	**TREASURY MANAGEMENT STRATEGY 2020/21**

RECOMMENDATIONS

Overview & Scrutiny Committee:

1. **The Committee is asked to consider and to provide feedback on the draft Treasury Management Strategy 2020/21, Prudential Indicators, Minimum Revenue Provision Statement and Borrowing Limits for 2020/21 that will be finalised and submitted for approval by the Executive on 26 March 2020 and Council on 9 April 2020.**

Executive:

2. **Executive is asked to consider the Treasury Management Strategy 2020/21, Prudential Indicators, Minimum Revenue Provision Statement and Borrowing Limits for 2020/21 and recommend their approval by Council.**

Council:

1. **Council is asked to approve the Treasury Management Strategy 2020/21, Prudential Indicators, Minimum Revenue Provision Statement and Borrowing Limits for 2020/21.**

REASONS FOR RECOMMENDATIONS

To enable the adoption of the updated Treasury Management Strategy for the 2020/21 financial year.

EXECUTIVE SUMMARY

This report sets out the draft Strategy for treasury management for 2020/21 including the Treasury Management Indicators, Prudential Indicators and the Minimum Revenue Provision Statement for 2020/21.

The Overview & Scrutiny Committee is invited to review the draft Strategy at their meeting on 19 February 2020 and provide any feedback to be taken into consideration when the Executive receive the final Strategy report on 26 March 2020. The final Strategy will then be submitted to Council for approval on 9 April 2020.

Council has authority to approve the Treasury Management Strategy, Prudential Indicators, Minimum Revenue Provision Statement and Borrowing Limits.

STATUTORY POWERS

1. The Council is required to approve an annual Treasury Management Strategy and Prudential Indicators so that borrowing and investments are prudent, affordable and sustainable.

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

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

BACKGROUND

4. The Council is required to approve an annual Treasury Management Strategy and Prudential Indicators so that borrowing and investments are prudent, affordable and sustainable.

5. The draft Treasury Management Strategy for 2020/21 is attached at Annex 1.

6. The Strategy has been prepared in line with the CIPFA Treasury Management Code of Practice and comprises four sections plus appendices that have been compiled in accordance with the Council's Treasury Management Policy Statement:

    1. Introduction
    2. The Capital Prudential Indicators 2020/21 to 2024/25
    3. Borrowing
    4. Annual Treasury Investment Strategy, including Treasury Risk Management Assessment
    5. Appendices.

7. Each section sets out the appropriate Prudential Indicators relevant to that area.

KEY INFORMATION

<u>Objectives</u>

8. To align with the Council's Treasury Management Policy Statement, the Treasury Management Strategy has the following objectives:
    - To consider and effectively address the risks associated with Treasury Management activity
    - To optimise the flow of cash through the organisation in order to maximise the potential for using it to earn investment income for the Council

- To optimise the returns from investments while meeting the overriding need to protect the capital sum and ensure that the cash is available when the Council requires it
- To align investments in relation to cash flow, within statutory constraints, in order to increase investment returns in future years
- To optimise the revenue costs of undertaking all treasury activities
- To monitor and review significant changes in the pattern of cash movements and interest rate movements and react accordingly; and
- To incorporate any changes to the Treasury Management Code of Practice and the Prudential Code that will affect effective treasury management.

Treasury Position 2019/20

9. Table 1 below summarises the Council's net investment position at 31 December 2019 and the forecast position at 31 March 2020. The table also analyses borrowing and investments between fixed and variable interest rates.

Table 1: Net Investment Position	**Actual at 31/03/2019 £000**	**Average Interest Rate %**	**Current Position at 31/12/2019 £000**	**Average Interest Rate %**	**Estimated position at 31/03/2020 £000**	**Anticipated Average Interest Rate %**
Fixed Rate Borrowing	12,000	0.96%	14,000	1.21%	14,000	1.21%
Variable Rate Borrowing	-	0	-	0	-	0
Total Borrowing	**12,000**	**0.96%**	**14,000**	**1.21%**	**14,000**	**1.21%**
Fixed Investments:						
Through Brokers	43,000	1.14%	13,000	0.48%	13,000	0.62%
In House	5,000	0.16%	30,000	0.63%	20,000	0.62%
Total Investments	**48,000**	**1.30%**	**43,000**	**1.11%**	**33,000**	**1.24%**
Net Investments	**36,000**		**29,000**		**19,000**	

Guidance

10. A number of changes have been necessary when preparing the Council's 2020/21 Treasury Management Strategy as a consequence of the introduction of the new accounting standard for leases (IFRS 16) and the Public Works Loan Board interest rate increase in October 2019.

11. These changes reflect the increasingly complex business models adopted by local authorities in response to reductions in other funding streams.

Capital Investment Strategy and Capital Programme

12. The Capital expenditure plans set out in this report are based on the Capital Programme and Capital Investment Strategy that were approved by Executive on 30 January and full Council on 13 February 2020.

Financial Reporting Standards

13. The Council is required to adopt the new accounting standard for Leases, IFRS 16, when preparing its financial statements and Treasury Management Strategy for 2020/21 onwards. This will have the effect of increasing the Capital Financing Requirement (CFR), due to additional lease liabilities being recognised on the balance sheet and therefore being deemed to be capital expenditure. This change in the CFR is one of several factors that drive the need for an increased Authorised Borrowing Limit and Operational Borrowing Limit.

Authorised and Operational Borrowing Limits

14. The Authorised and Operational Limits for prudential borrowing must be increased as a consequence of the Council's increased Capital Programme commitments (as reported to Executive on 30 January and approved by Council on 13 February 2020) and the change in accounting standard IFRS16 (as explained above).

15. Currently the Authorised Limit is £80 million and the Operational Limit is £70 million. It is recommended to increase these limits (which are also Prudential Indicators) to £161 million and £151 million respectively.

Prudential Indicators

16. The statutory Prudential Indicators that are set out within the Treasury Management Strategy provide a sound basis for the future and they are recommended for adoption.

17. A summary of the key indicators is provided in Table 2 below and explained in more detail in the Draft Treasury Management Strategy 2020/21 at Annex 1.

Table 2: Key Prudential Indicators	**2019/20 Estimated £000**	**2020/21 Estimated £000**	**2021/22 Estimated £000**	**2022/23 Estimated £000**	**2023/24 Estimated £000**	**2024/25 Estimated £000**
Capital Expenditure	47,552	96,101	40,856	30,099	4,725	4,549
Other long-term liabilities – IFRS 16 Leases	0	438	0	0	0	0
Sub-Total	**47,552**	**96,539**	**40,856**	**30,099**	**4,725**	**4,549**

Capital Financing Requirement (cumulative)	61,922	137,493	144,769	146,155	148,731	151,204
Authorised limit for External Debt	80,000	161,000	161,000	161,000	161,000	161,000
Operational Boundary for External Debt	70,000	151,000	151,000	151,000	151,000	151,000
Upper Limits on Variable Rate Exposure	25%	25%	25%	25%	25%	25%
Upper Limits on Fixed Rate Exposure	100%	100%	100%	100%	100%	100%

OPTIONS

18. There are the three options:

    1. **Option 1 – Approve the recommendations in this report**

       This is the recommended option.

    2. **Option 2 – To defer the report and ask Officers to provide more information and/or clarification on any specific points**

       The current Investment Regulations issued by MHCLG means that this Strategy must be approved prior to the financial year to which it relates. Any delay in approving the Strategy could leave the Council open to the same risks as identified in option 3 below.

    3. **Option 3 – To not support the contents of this report**

       This would mean there is a risk that Officers will not have a mandate to undertake treasury management activities, which will lead to the Council receiving minimal returns on its investments and not able to borrow for capital investments. It would also mean that the Council is not compliant with MHCLG statutory guidance and the CIPFA Code of Practice, which will result in criticism from the Council's auditor.

LEGAL IMPLICATIONS

19. There are no further legal implications arising from this report.

FINANCIAL IMPLICATIONS

20. The financial impacts of this proposed strategy have already been reflected within the Council's 2020/21 Budget proposals. There are no additional direct financial

implications that arise from this report or from the CIPFA Treasury Management Code of Practice and the Prudential Code.

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

22. There are no communication implications arising from this report

RISK MANAGEMENT CONSIDERATIONS

23. These are detailed in Annex 1

OTHER IMPLICATIONS

24. There are no other implications arising from this report

CONSULTATION

25. The Draft Treasury Management Strategy will be reviewed by a Member Panel led by the Portfolio Holder for Finance on 11 March 2020 and by the Overview and Scrutiny Committee on 19 March 2020. Their feedback will be considered when preparing the final Treasury Management Strategy Statement that is scheduled to be reported to Executive on 26 March 2020 and Council on 9 April 2020.

POLICY FRAMEWORK

26. The Strategy is part of the Council's Policy Framework as set out in Article 4 of the Constitution.

BACKGROUND PAPERS

- CIPFA Treasury Management Code of Practice, 2017

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Annex 1

Final Treasury Management Strategy Statement 2020/21

INDEX

1. INTRODUCTION

1.1 Background

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

The second main function of the treasury management service is funding of capital expenditure plans. These capital plans provide a guide to borrowing need, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses.

The Council originally anticipated taking on long-term borrowing for the first time during 2019/20. An unexpected decision by HM Treasury to increase rates by 100 basis points in October 2019, meant long term PWLB borrowing is now comparatively expensive. In response, the Council took short term borrowing of £14 million at favourable rates from other local authorities in December while monitoring potential alternative sources of lending.

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

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

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

1.2 Reporting requirements

1.2.1 Capital Investment Strategy

The revised CIPFA 2017 Prudential and Treasury Management Codes require, for 2019/20, all local authorities to prepare an additional report, a Capital Investment Strategy, which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the Capital Investment Strategy is to ensure that all elected Members on the full Council fully understand the overall long-term policy objectives and resulting Capital Investment Strategy requirements, governance procedures and risk appetite.

This Capital Investment Strategy for 2020/21 was reported to Executive on 30th January 2020. It is approved separately from the Treasury Management Strategy Statement in order to ensure the separation of the core treasury function that is governed by security, liquidity and yield principles, from the policy and commercialism investments usually driven by expenditure on an asset.

The Capital Investment Strategy will cover:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being purchased, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Council has borrowed to fund any non-treasury investment, there will also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to. Business cases for new non-treasury investments are submitted to meetings of the Commercial Ventures Executive Sub-Committee for approval.

If any non-treasury investment is identified to sustain a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Investment Strategy.

To demonstrate the proportionality between treasury operations and non-treasury operations, high-level comparators are shown throughout the report.

1.2.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

(i) **Prudential and Treasury Indicators and Treasury Strategy** (this report) - this first, and most important, report is forward-looking and covers:
- capital spending plans, (including prudential indicators);
- the minimum revenue provision (MRP) policy, demonstrating how residual capital expenditure is charged to revenue over time;
- the Treasury Management Strategy, setting out how the investments and borrowings are to be organised), including treasury indicators; and
- the Treasury Investment Strategy, describing the parameters for how investments are to be managed.

(ii) **A Mid-Year Treasury Management Report** – This is primarily a progress report and will update Members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

(iii) **An Annual Treasury Report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.2.3 Scrutiny

The above report will be reviewed on 19th March 2020 before being recommended to the Council. This role is undertaken by the Overview and Scrutiny Committee.

1.2.4 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

(i) **Capital**
- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

(ii) **Treasury management**
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the Treasury Investment Strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.3 Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. A workshop for members was conducted by the Council's Treasury Advisors on 15 October 2019 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

1.4 Treasury Management Consultants

The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors. It recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources.

The Council recognises that responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed upon the services of external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, the Council's treasury advisers.

The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial-type investments, such as investment properties.

For its commercial property investments, the Council employs the services of specialist advisors on an asset-specific basis.

2. CAPITAL PRUDENTIAL INDICATORS 2019/20 TO 2024/25

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The following capital expenditure forecasts were included in the Budget 2020/21 budget report to Executive on 30 January 2020:

Table 1: Capital Programme

APPROVED CAPITAL PROGRAMME	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Budget	Projected	Projected	Projected	Projected	Projected
	£000	£000	£000	£000	£000	£000
Finance & Organisation	355	4,890	2,017	2,293	2,019	1,843
People Services	1,834	17,163	11,475	11,404	1,404	1,404
Place Services	18,907	24,048	27,364	16,402	1,302	1,302
Corporate[1]	25,000	50,000	0	0	0	0
2018/19 Underspend – Approved carry forward	1,456					
Sub Total	**47,552**	**96,101**	**40,856**	**30,099**	**4,725**	**4,549**
Other long-term liabilities – IFRS 16 Leases	0	438	0	0	0	0
Total Expenditure	**47,552**	**96,539**	**40,856**	**30,099**	**4,725**	**4,549**

Summary: Capital Expenditure 2020/21 to 2024/25

APPROVED CAPITAL PROGRAMME	Total
	Projected
	£000
Finance & Organisation	13,062
People Services	42,850
Place Services	70,418
Corporate	50,000
Sub Total	**176,330**
Other long-term liabilities – IFRS 16 Leases	438
Total Expenditure	**176,768**

[1] Approved Capital Programme includes loan to Greensand Holdings Limited

Table 2: Commercial Activities/ non-financial Investments

APPROVED CAPITAL PROGRAMME	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Budget £000	Projected £000	Projected £000	Projected £000	Projected £000	Projected £000
Commercial activities/non-financial investments	-	-	-	-	-	-

The Capital Programme for 2019/20 onwards includes £75 million for Corporate investment in corporate priorities that also realise new income-generating opportunities. The allocation of these funds to new capital schemes and investment opportunities is delegated to the Commercial Ventures Executive Sub-Committee. When considering new investment opportunities, the Sub-Committee assesses the extent to which they support delivery of the Corporate Plan and supporting Strategies while adhering to the principles set out in the Capital Investment Strategy, its Commercial Governance Framework and relevant guidance and codes, including the guidance on 'borrowing in advance of need'.

The Council does not currently have any planned Capital Programme expenditure which is solely for investment purposes. Investment plans beyond 2020/21 will be confirmed as the Capital Investment Strategy reported to the Executive on 30th January 2020 is developed further during 2020/21.

Other Long-Term Liabilities

The introduction of IFRS16 may change some of the Prudential Indicators due to additional lease liabilities being recognised on the balance sheet. Due to the adoption of the new standard in 2020/21, the capital financing requirement now includes the cost of operating leases. Once these have been reviewed, revised indicators will be provided to Members at the earliest opportunity.

The table below summarises the capital expenditure plans and how they are to be financed through use of existing capital or revenue resources. Any shortfall of resources results in a borrowing requirement.

Table 3: Capital Financing

CAPITAL FINANCING	2019/20	2020/21	2021/22	2022/23	2023/2024	2024/25
	Projected £000	Projected £000	Projected £000	Projected £000	Projected £000	Projected £000
Capital Grants[1]	1,679	1,843	1,600	1,187	1,187	1,187
Capital Receipts	0	8,806	24,489	26,778	0	0
Revenue Contributions	213	0	0	0	0	0
New Homes Bonus	0	10,000	7,000	0	0	0
Local Enterprise Partnership (LEP) Funding	2,570	0	0	0	0	0
Total Financing	**4,462**	**20,649**	**33,089**	**27,965**	**1,187**	**1,187**
Net Borrowing Requirement	43,090	75,890	7,768	2,134	3,538	3,362
Total Expenditure	**47,552**	**96,539**	**40,856**	**30,099**	**4,725**	**4,549**

NOTE 1: A review of historic allocations of Section 106 funds to the Capital Programme is planned during year-end closedown for 2019/20 to confirm that the funds allocated reconcile to Planning team records. The outcome will be reported in the Statement of Accounts for 2019/20 and the Mid-Year Treasury Management Report 2020/21.

The net financing need for investment in commercial property (included in Table 2) is shown below:

Table 4: The net financing need for purely commercial activities / non-financial investments included in the above table against expenditure is shown below:

CAPITAL FINANCING	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Budget £000	Projected £000	Projected £000	Projected £000	Projected £000	Projected £000
Commercial activities/non-financial investments	-	-	-	-	-	-

As explained above, the Capital Programme has a primary objective of supporting new initiatives for the wellbeing of the community, including regeneration activities which may also provide an income stream. The Council does not have any planned capital expenditure which is solely for investment purposes. Any Commercial investment plans beyond 2019/20 will be confirmed as the Capital Investment Strategy is developed further during 2020/21.

2.2 Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Capital Financing Requirement (CFR). The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of indebtedness and therefore its underlying borrowing requirement. Any of the capital expenditure detailed above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes within the CFR.

The Council has £438k operating leases to be capitalised under the IFRS 16 requirement which increases the CFR by £438k in 2020/21 as shown in table 1 above.

The Council is asked to approve the CFR projections below:

Table 5: Cumulative Projected Capital Financing Requirement

CAPITAL FINANCING REQUIREMENT	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000
Brought Forward CFR	18,999	61,922	137,493	144,769	146,155	148,731
Carried forward CFR	61,922	137,493	144,769	146,155	148,731	151,204
Movement in CFR	**42,293**	**75,570**	**7,276**	**1,386**	**2,576**	**2,473**

Movement in CFR represented by:						
Net financing need for the year (above)	43,090	75,890	7,768	2,134	3,538	3,362
Less MRP/VRP and other financing movements	(167)	(320)	(492)	(748)	(962)	(889)
Movement in CFR	**42,293**	**75,570**	**7,276**	**1,386**	**2,576**	**2,473**

The CFR for investment in commercial property (included in Table 3) is shown below:

CAPITAL FINANCING REQUIREMENT	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000
Commercial Property Investments	-	-	-	-	-	-

As explained above, the Council does not currently have any planned capital expenditure which is solely for investment purposes.

A key aspect of the updated regulatory and professional guidance is that Members are made aware of the size and scope of any commercial activity and its relation to the Council's overall financial position. The capital expenditure figures shown in Table 2 and the financing details at Table 5 above demonstrate the scope of this activity and, by approving this Strategy; the Council is confirming that it considers the scale proportionate to the remaining investment activity.

2.3 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend (the CFR) each year through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG regulations h require the full Council to approve an **MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

The Council is recommended to approve the following MRP Statement:

- For all unsupported borrowing (including PFI and finance leases, and excluding Capital Loans and Share Capital), the MRP policy will be the **Asset Life method** on an **Annuity Basis**.

- This method results in lower revenue charges in the early years of an asset's life, to reflect how benefits from the use of the asset are expected to accrue.
- This option will also be applied for any expenditure capitalised under a Capitalisation Direction.

Repayments included in any annual PFI charges or finance leases would be applied as MRP. This Council does not currently have any PFI schemes ..

MRP on Capital Loans and Share Capital. Local Authorities have a duty to "*determine for the current financial year an amount of MRP which it considers prudent*". In principle councils must arrange for debt liabilities to be repaid over a period commensurate with asset lives.

The Council has made loans to its companies (Greensands Holdings Limited, RBBC Limited, Horley Business Park Development LLP) and holds share capital in Pathway for Care Limited. The share capital in Pathway for Care Limited has been deemed capital expenditure under local authority capital accounting regulations.

The Capital Financing Requirement (CFR) includes the value of the loans and investment advanced. Funds repaid by the companies will be classed as capital receipts and will be offset against the CFR, which will reduce accordingly.

As the Council expects these funds to be repaid in full, there is no need to set aside MRP to repay the debt liability in the interim period. The outstanding loan and investment / CFR position will be reviewed on an annual basis and if the likelihood of default increases, prudent provision for any forecast default will be made within the Councils Reserves.

The repayments of principal will be set aside as capital receipts to finance the initial capital advance in lieu of making a MRP.

MRP Overpayments. MHCLG MRP Guidance includes the provision that any MRP charges made over the statutory minimum may be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed, the MRP policy must disclose the cumulative overpayment made each year. At 31 March 2020 the cumulative VRP overpayments by this Council were forecast to be £Nil.

3. BORROWING

The capital expenditure plans at Section 2 provide a summary of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to fund service activity and the Capital Investment Strategy. This will involve both the organisation of cash flows and, where capital plans require, the organisation of appropriate borrowing facilities. The Treasury Management Strategy covers the relevant treasury/prudential indicators, current and projected debt positions and the annual Treasury Investment Strategy.

3.1 External Debt

The forward projections for borrowing are summarised below.

The Council has borrowed £14 million to finance the 2019/20 capital programme. The 2019/20 Capital Financing Requirement (CFR) is based upon forecast capital programme expenditure in 2019/20. External debt is based upon matching prudential borrowing with external loans. Minimum Revenue Provision (MRP) will start to reduce the CFR over time. If the 2019/20 CFR does not increase as shown in this report, then new loans will not be taken.

The table below shows the prudential indicator for actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over- or under-borrowing.

Table 6: Cumulative External Debt

CUMULATIVE EXTERNAL DEBT	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Gross Debt at 1 April	**12,000**	**55,090**	**130,980**	**133,748**	**133,748**	**134,420**
Expected Change in Debt	43,090	75,452	2,768	-	672	3,362
Other Long-Term Liabilities	-	-	-	-	-	-
Expected Change in Other Long-Term Liabilities	-	438	-	-	-	-
Sub Total	**43,090**	**75,890**	**2,768**	**-**	**672**	**3,362**
Gross Debt at 31 March	**55,090**	**130,980**	**133,748**	**133,748**	**134,420**	**137,782**
The Capital Financing Requirement	61,922	137,493	144,769	146,155	148,731	151,204
Under/ (Over) Borrowing	**6,832**	**6,513**	**11,021**	**12,407**	**14,311**	**13,423**

Within the above figures the level of debt relating to commercial investments is:

CAPITAL FINANCING	2019/20 Budget £000	2020/21 Projected £000	2021/22 Projected £000	2022/23 Projected £000	2023/24 Projected £000	2024/25 Projected £000
Commercial Investments Gross Debt at 31 March	-	-	-	-	-	-
Percentage of total external debt (%)	-	-	-	-	-	-

Any Commercial property investment plans beyond 2019/20 will be confirmed as the Capital Investment Strategy is developed further during 2020/21.

3.2 Treasury Indicators: limits to borrowing activity

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources. The operational boundary is set at the same level as the forecast CFR, whilst the authorised limit is set £10M above this to allow possible debt restructuring or forward borrowing if advantageous.

Table 7: Operational Boundary

OPERATIONAL BOUNDARY	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Debt	**70,000**	**70,000**	**151,000**	**151,000**	**151,000**	**151,000**	**151,000**

The Authorised Limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The Council is asked to approve the following authorised limit:

Table 8: Authorised Limit

AUTHORISED LIMIT	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Debt	**80,000**	**80,000**	**161,000**	**161,000**	**161,000**	**161,000**	**161,000**

3.3 Prospects for interest rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table and commentary set out their latest forecasts (as at 17th January 2020).

Link Asset Services Interest Rate View	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

The above forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit and the outcome of the general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then the MPC were likely to cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a "gradual pace and to a limited extent". Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. There is still some residual risk that the MPC could cut Bank Rate as the UK economy is still likely to only grow weakly in 2020 due to continuing uncertainty over whether there could effectively be a no deal Brexit in December 2020 if agreement on a trade deal is not reached with the EU. Until that major uncertainty is removed, or the period for agreeing a deal is extended, it is unlikely that the MPC would raise Bank Rate

Bond yields / PWLB rates. There has been much speculation during 2019 that the bond market has gone into a bubble, as evidenced by high bond prices and remarkably low yields. However, given the context that there have been heightened expectations that the US was heading for a recession in 2020, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a

recession. The other side of this coin is that bond prices are elevated, as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

During the first half of 2019-20 to 30 September, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels. (See paragraph 3.7 for comments on the increase in the PWLB rates margin over gilt yields of 100bps introduced on 9.10.19.)There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but also in the UK due to a correlation between US treasuries and UK gilts; at various times this correlation has been strong but at other times weak. However, forecasting the timing of this, and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence. Changes in UK Bank Rate will also impact on gilt yields.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty-year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious to other western economies.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt-fuelled boom that now makes it harder for central banks to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

In addition, PWLB rates are subject to ad hoc decisions by H.M. Treasury to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by

over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 9.10.19.
Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

- *Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.*
- *Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management. Now that the gap between longer term borrowing rates and investment rates has materially widened, and in the long-term Bank Rate is not expected to rise above 2.5%, it is unlikely that this authority will do any longer term borrowing for the next 6 months, but it may borrow longer term in the later stage of 2020/21 due to increasing trend of CFR .*

While this authority will not be able to avoid borrowing to finance new capital expenditure, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.4 Borrowing strategy

As set out a table 6 above, the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not yet been funded with loan debt; instead cash supporting reserves, balances and cash flow has been used as a temporary funding measure. This 'internal borrowing' strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- If it was felt that there was a significant risk of a sharp FALL in long- and short-term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation) - then long-term borrowings will be

postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- If it was felt that there was a significant risk of a much sharper RISE in long-term and short-term rates than that currently forecast, perhaps arising from an acceleration 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 will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

In response to the unpredicted 100 bps increase in PWLB rate in October 2019, the Council's borrowing approach is to borrow short term from other local authorities as the local to local borrowing rates are currently better value than PWLB borrowing rates. The Council will continue to borrow short term for the next 12 months whilst the market is closely monitored for other source of borrowing at favourable rates.

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

New Financial Institutions as a Source of Borrowing and/or Types of Borrowing. Following the decision by the PWLB on 9 October 2019 to increase their margin over gilt yields by 100 bps to 180 basis points on loans lent to local authorities, consideration will also need to be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot[1] or forward dates[2])
- Municipal Bonds Agency (no issuance at present but there is potential)

Note 1: Spot date: transaction is taking place immediately with an agreed interest rate.
Note 2: Forward date: pre-agreed dates for future settlements.

The degree which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing but the Council's treasury advisors plan to keep the treasury team informed.

Approved Sources of Long- and Short-term Borrowing

- PWLB
- Municipal bond agency
- Local authorities
- Banks
- Pension funds
- Insurance companies
- Internal (capital receipts & revenue balances)
- Finance leases

4. ANNUAL TREASURY INVESTMENT STRATEGY

4.1 Current portfolio position

The overall treasury management portfolio at 31 March 2019 and the position at 31 December 2019 are shown below.

Table 9: Treasury Portfolio

PORTFOLIO POSITION	2018/19		2019/20	
	Actual at 31 March 2019		Actual at 31 December 2019	
	£'000	%	£'000	%
Investments:				
Local Authorities	-	-	-	-
Banks[1]	8,000	17%	5,000	11%
Other Financial Institutions[1]	-	-	20,000	47%
Building Societies	40,000	83%	18,000	42%
Total Investments	**48,000**	**100%**	**43,000**	**100%**
Excludes balances held with Council's bankers for day-to-day banking purposes				

NOTE 1: Goldman Sachs & Lloyds Plc

BORROWING	2018/19		2019/20	
	Actual at 31 March 2019		Actual at 31 December 2019	
	£000	**%**	**£000**	**%**
Short Term Borrowing				
Other Local Authorities	12,000	100%	14,000	100%
PWLB	-	-	-	-
Sub Total	**12,000**	**100%**	**14,000**	**100%**
Long Term Borrowing	-	-	-	-
PWLB	-	-	-	-
Sub Total	-	-	-	-
Total Borrowing	**12,000**	**100%**	**14,000**	**100%**

4.2 Investment policy – management of risk

The MHCLG and CIPFA have extended the definition of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the Council's treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Investment Strategy, (a separate report).

The investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ('the Guidance')
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ('the Code')
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield (return).

The above guidance from the MHCLG and CIPFA places a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

Table 10: Treasury Management Risk Assessment

Risk	Council's View of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
Credit & Counterparty	This is the key risk for the Council. The security of 'capital' investment is critical.	R	The Council uses credit ratings and other market intelligence to access the credit quality of any potential counterparty. To be read in conjunction with Appendix 5.3. 1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings. The current minimum levels are: **Short-term** (less than one year in duration) Fitch F1 Standard & Poor's A-1 Moody's P-1 **Medium-term** (greater than 1 year up to and including 3 years) Fitch A+ Standard & Poor's A+ Moody's A1 **Longer-term** (greater than one year in duration up to and including 5 years) Fitch AA- Standard & Poor's AA- Moody's Aa3 In addition, all non-UK domiciled banks the Council might want to invest in will need to be supported by guarantees from their national central banks and their national government will need to have their own sovereign rating of 'AAA'. The constitution of Money Market Funds means that they spread their investment over a wide range of counterparties and financial instruments which itself reduces the impact of this risk being realised. In addition, these funds will be subject to either having UK Government guarantees or will have the following minimum credit rating. **Longer-term** (greater than one year in duration up to and including 5 years) Fitch AAA

Risk	Council's View of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
			Standard & Poor's AAA Moody's Aaa 2. The Council sets a maximum exposure level, expressed in '£' that can be invested with any one organisation. The current limits are a maximum of £10m for UK banks, and part nationalised UK banks. Non-UK domiciled banks, building societies, other local authorities, parish or community councils; and housing associations a maximum of £5m. UK Government backed securities form an exception, where exposure can be unlimited. 3. To limit exposure in respect of Building Societies the Council will only invest with those societies with a minimum asset base of over £1 billion pounds. 4. Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as 'credit default swaps' and overlay that information on top of the credit ratings. 5. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. 6. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix 5.3 under the categories of 'specified' and 'non-specified' investments. • **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year. • **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by Members and officers before being authorised for use. 7. **Non-specified investments limit.** The Council has determined that it will limit the

Risk	Council's View of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
			maximum total exposure to non-specified investments as being 40% of the total investment portfolio, (see paragraph 4.3). 8. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix 5.3 9. **Transaction limits** are set for each type of investment in Table 11 and Appendix 5.3. 10. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see Table 12). 11. Investments will only be placed with counterparties from countries outside the UK with a specified minimum sovereign rating, 12. This authority has engaged **external consultants**, (see page 5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year. 13. All investments will be denominated in **sterling**. 14. As a result of the change in accounting standards for 2018/19 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency. 15. This authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, . Regular monitoring of investment performance will be carried out during the year.

Risk	Council's View of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
Liquidity	This is a managed risk for the Council. To provide services it needs to ensure that it has money available when required and that the provision of the money should be delivered in the most cost-effective way.	A	1. The Council maintains both an operational (1 year) and strategic (up to 5 years) Cash Flow model. 2. Investment durations are then set to accord with when the money will be required according to the strategic cash flow model. 3. Each transaction takes into account the underlying macro-economic environment at the time the transaction is being considered.
Interest Rate	This is a risk to the Council of investing in transactions that have a 'variable' interest rate that might change over the duration of the transaction.	A	1. All 'cash' deposit transactions are undertaken on a 'Fixed-term' or 'Structured/stepped' deal basis which determines the interest rate and duration at the time the transaction is entered into.
Exchange Rate	This is not a risk for this Council, as all financial investment transactions are undertaken in '£' sterling.	G	Not applicable 1. All investments will be denominated in sterling.
Refinancing	This is an emerging risk for the Council.	A	1. Accurate records of loans will be maintained. Borrowing requirements will be planned well in advance of need to negotiate rates. The maturity profile of loans will be spread to reduce prospect of having to negotiate at a time that is unfavourable to the organisation.
Legal and Regulatory	This is a potential risk for the Council.	A	1. The Council's constitution and associated documentation (i.e. Financial Procedure Rules) clearly set out the governance framework within which Treasury Management activity is undertaken. 2. The Council's Treasury Management Practice notes (TMP's) clearly set out roles and responsibilities and authorisation limits. 3. In terms of the legal status of counterparties to deal with the Council, the Council relies upon advice from its Treasury Advisors and the fact that legal status is part of the elements that go to make up the 'credit rating' issued by the Rating Agencies.
Fraud, error & corruption and contingency management	This is a potential risk for the Council.	A	1. The Council's Treasury Management Practice notes (TMP's) clearly set out roles and responsibility and authorisation limits. 2. All treasury transactions require the involvement of at least two officers in Finance. Each with the power to defer any transaction taking place.

Risk	Council's View of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
			3. Internal audit undertake periodic independent audit on both the effectiveness of the Council's treasury management control arrangements and whether all the transactions that have been undertaken are compliant with the Treasury Management Policy, Treasury Management Strategy and the Treasury Management Practice.
Market risk	This is a potential risk for the Council.	A	1. As all 'cash' deposit transactions are undertaken on a 'Fixed-term' or 'Structured/stepped' basis this removes the potential of this risk occurring. 2. All 'Gilt' investments are bought and held to maturity; this again removes the potential for this risk. 3. Purchasing shares in a pooled investments (such as a money market fund) means that any downward movement in the relative share price could open the Council to a potential capital loss, but the likelihood of this occurring is low given that these funds, by their nature, invest in a wide range of financial instruments and financial institutions and earn their commission from increases in the share price.
Property investments	These are properties which are being held for capital appreciation or for a longer-term rental income stream. These are a risk to the Council due to the potential for property prices to fall or for rental voids.	A	1. Each acquisition will require appropriate approval. 2. Property holding will be re-valued regularly and reported annually with gross and net rental streams 3. All investments will be required to demonstrate a return in excess of the opportunity cost of capital which is calculated with reference to the Council's interest payable on equivalent borrowing and the statutory minimum revenue provision (MRP) that sets aside funds for the repayment of the borrowing. 4. The progress made in respect of achieving an appropriately balanced and diversified portfolio over the longer term will be monitored. 5. Note: This is detailed in the separate Capital Investment Strategy report
Loans to third parties, including soft loans	These are investments at market rates of interest. These types of investments may exhibit credit risk.	A	1. Each third-party loan requires appropriate approval and each application is supported by the rationale behind the loan and the likelihood of default.

Risk	Council's View of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
Changes in accounting policy	This is a potential risk for the Council if the change in policy results in changes to how forecast costs/receipts are subsequently reported in the Council's accounts.	A	1. As a result of the change in accounting standards for 2018/19 under IFRS 9, this Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. 2. In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18. 3. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

The above risk management approach has been reviewed and updated to reflect Link Asset Services' latest guidance for 2020/21.

4.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Chief Finance Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by Link Asset Services, the Council's treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating 'Watches' (notification of a likely change),

rating 'Outlooks' (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for achieving a pool of high-quality investment counterparties, (for both specified and non-specified investments) are set out below and at Table 10. The Council uses credit ratings and other market intelligence to access the credit quality of any potential counterparty.

The Council sets limits as to the minimum level of credit rating that it will accept for any individual counterparty. The current minimum levels are:

Table 11: Counter-Party Criteria

Counterparty List			Credit Rating & Duration			
			Fitch	**Standard & Poor**	**Moody's**	
UK Banks	Covers UK Retail & Clearing Banks	Short-Term	F1	A-1	P-1	Less than or equal to 1 yr.
		Medium-Term	A+	A+	A1	Greater than 1 yr. & incl. 3 yrs.
		Long-Term	AA-	AA-	Aa3	Greater than 1 yr. & incl. 5 yrs.
Non-UK domiciled Banks	Non-UK Banks must be domiciled in a country which has a minimum sovereign Long-Term rating of 'AAA'	Short-Term	F1	A-1	P-1	Less than or equal to 1 yr.
		Medium-Term	A+	A+	A1	Greater than 1 yr. & incl. 3 yrs.
Part Nationalised UK Banks	These banks can be included provided they continue to be part nationalised or meet the ratings in UK Banks above.	Short-Term	F1	A-1	P-1	Less than or equal to 1 yr.
		Medium-Term	A+	A+	A1	Greater than 1 yr. & incl. 3 yrs.
		Long-Term	AA-	AA-	Aa3	Greater than 1 yr. & incl. 5 yrs.
The Council's own banker for day to day banking transactional purposes.	If the bank falls below the following criteria, in this case balances will be minimised in both monetary size and time invested.	Short-Term	F1	A-1	P-1	Less than or equal to 1 yr.
		Medium - Term	A+	A+	A1	Greater than 1 yr. & incl. 3 yrs.
		Long-Term	AA-	AA-	Aa3	Greater than 1 yr. & incl. 5 yrs.
Building societies	The Council will use all societies which meet the following criteria	The Council may use building societies but only if they have a minimum asset size of £1 Billion.				Up to 3 years

Table 11: Counter-Party Criteria cont….

Counterparty List			Credit Rating & Duration			
			Fitch	Standard & Poor	Moody's	
Money Market Funds (MMFs)	Constant Net Asset Value (CNAV)	Short-Term	F1+	A-1+	P-1	Less than or equal to 1 yr.
		Long-Term	AAA	AAA	Aaa	Greater than 1 yr. & incl. 5 yrs.
Money Market Funds (MMFs)	Low-Volatility Net Asset Value (LVNAV)	Short-Term	F1+	A-1+	P-1	Less than or equal to 1 yr.
		Long-Term	AAA	AAA	Aaa	Greater than 1 yr. & incl. 5 yrs.
Money Market Funds (MMFs)	Variable Net Asset value (VNAV)	Short-Term	F1+	A-1+	P-1	Less than or equal to 1 yr.
		Long-Term	AAA	AAA	Aaa	Greater than 1 yr. & incl. 5 yrs.
UK Government (including gilts, Treasury Bills and the DMADF)	No credit rating UK Government guarantees		N/A	N/A	N/A	Up to 3 years
Local authorities, parish councils etc.	No credit rating UK government guarantees		N/A	N/A	N/A	Up to 3 years
Supranational institutions (e.g. European Investment Bank or World Bank)	The Council will use supranational institutions which meet the following criteria	Short-Term	F1	A-1	P-1	Less than or equal to 1 yr.

Use of additional information, other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

Time and monetary limits applying to investments. The Council sets a maximum exposure level, expressed in '£' that can be invested with any one organisation. The current limit is a maximum of £10m for UK banks, and part nationalised UK banks. Non-UK domiciled banks. Building societies, other local authorities, and parish or community councils; and housing associations a maximum of £5m. UK Government backed securities form an exception, where exposure can be unlimited.

UK banks – ring-fencing. The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019; known as 'ring-fencing'. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up.

Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and 'riskier' activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other Members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others. Those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

4.3 Other limits

Due care will be taken to consider the exposure of the total investment portfolio to non-specified investments, countries, groups and sectors.

(i) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments (defined in section 5.3 of this annex) as being 40% of the total investment portfolio.

(ii) **Country limit**. The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AAA from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.4 This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

(iii) **Other limits**. In addition:

- no more than 10% will be placed with any non-UK country at any time; and
- limits in place above will apply to a group of companies.

4.4 Treasury Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations. On the assumption that the UK and EU agree a Brexit deal in spring 2019 or soon after, then Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.50%
- 2021/22 2.00% [2]

The estimated budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are therefore as follows:

- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%
- 2021/22 1.75%
- 2022/23 2.0%
- 2023/24 2.25%
- Later years 2.5%[1]

The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.

The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

[222] Source : Link Asset Treasury Advisors December 2019

The Council is asked to approve the following treasury indicator and limit:

Table 12: Treasury Limits

Upper limit for principal sums invested for longer than 365 days			
£m	**2020/21**	**2021/22**	**2022/23**
Principal sums invested for longer than 365 days	£20m	£20m	£20m
Current investments as at 31.12.19 in excess of 1 year maturing in each year	-	£13m	-

For its cash flow-generated balances, the Council will seek to utilise business reserve, instant access and notice accounts, pooled investments (such as money market funds) and short-dated deposits (overnight to 100 days), in order to benefit from the compounding of interest.

4.5 Investment risk benchmarking

This Council will use the LIBID rate as an investment benchmark to assess the performance of its investment portfolio.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4.7 External fund managers

Although the Council does not employ external fund managers, they will comply with the Annual Treasury Investment Strategy. The agreement(s) between the Council and the fund manager(s) will additionally stipulate guidelines and duration and other limits in order to contain and control risk. The Council does not currently employ external fund managers.

5. APPENDICES

5.1 Capital, prudential and treasury indicators 2020/21 to 2024/25 and MRP statement

5.2 Economic background – Link Asset Services

5.3 Treasury Management Practice (TMP1) – Credit and counterparty risk management

5.4 Approved countries for investments

5.5 Treasury management scheme of delegation

5.6 Treasury management role of the Section 151 Officer

5.1 Capital, prudential and treasury indicators 2020/21 to 2024/25 and MRP statement

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

5.1.1. Capital expenditure

Table 13 :Details of the Capital Programme 2019/21 to 2024/25 by service are shown below.

APPROVED CAPITAL PROGRAMME	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Budget £000	Projected £000	Projected £000	Projected £000	Projected £000	Projected £000
Finance & Organisation	355	4,890	2,017	2,293	2,019	1,843
People Services	1,834	17,163	11,475	11,404	1,404	1,404
Place Services	18,907	24,048	27,364	16,402	1,302	1,302
Corporate	25,000	50,000	-	-	-	-
2018/19 Underspend – Approved carry forward	1,456	-	-	-	-	-
Sub Total	**47,552**	**96,101**	**40,856**	**30,099**	**4,725**	**4,549**
Other long-term liabilities – IFRS 16 Leases	-	438	-	-	-	-
Total Expenditure	**47,552**	**96,539**	**40,856**	**30,099**	**4,725**	**4,549**

The above Capital Programme includes £75 million investment in corporate priorities that also realise new income-generating opportunities in 2019/20 and 2020/21 respectively under 'Corporate'.

The allocation of these funds to new Capital schemes and investment opportunities is delegated to the Commercial Ventures Executive Sub-Committee. When considering new investment opportunities, the Sub-Committee assesses the extent to which they support delivery of the Corporate Plan and supporting Strategies while adhering to the principles set out in the Capital Investment Strategy, its Commercial Governance Framework and relevant guidance and codes, including the guidance on 'borrowing in advance of need'.

Table 14 : Capital Financing Requirement

CAPITAL FINANCING	2019/20	2020/21	2021/22	2022/23	2023/2024	2024/25
	Projected £000	Projected £000	Projected £000	Projected £000	Projected £000	Projected £000
Capital Grants	1,679	1,843	1,600	1,187	1,187	1,187
Capital Receipts	-	8,806	24,489	26,778	-	-
Revenue Contributions	213	-	-	-	-	-
New Homes Bonus	-	10,000	7,000	-	-	-
Local Enterprise Partnership (LEP) Funding	2,570	-	-	-	-	-
Total Financing	**4,462**	**20,649**	**33,089**	**27,965**	**1,187**	**1,187**
Net Financing Need	43,090	75,890	7,768	2,134	3,538	3,362
Total Expenditure	**47,552**	**96,539**	**40,856**	**30,099**	**4,725**	**4,549**

The above Programme includes £NILm investment in commercial property.

APPROVED CAPITAL EXPENDITURE	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Budget £000	**Projected £000**	**Projected £000**	**Projected £000**	**Projected £000**	**Projected £000**
Commercial Property Investments	-	-	-	-	-	-

Any Commercial property investment plans beyond 2019/20 will be confirmed as the Capital Investment Strategy is developed during 2020/21.

5.1.2. Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are also required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicator:

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

The financing costs are the interest payable on borrowing, finance lease or other long-term liabilities and the amount defined by statute which needs to be charged to revenue to reflect the repayment of the principal element of borrowing. Any additional payments in excess of the statutory amount or the cost of early repayment or rescheduling of debt would be included within the financing cost. Financing costs are expressed net of investment income.

The net revenue stream is defined as the amount required to be funded from Government Grants and local taxpayers, in effect the budget requirement. Estimates of the ratio of financing costs to net revenue (or budget requirement) are as follows:

Table 15: Financing Cost as Percentage of net Revenue Stream

FINANCING COSTS AS % OF NET REVENUE STREAM	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Projected	Estimate	Estimate	Estimate	Estimate	Estimate
Net Revenue stream	16,294	25,438	20,003	20,803	21,636	28,829
Net Financing costs	(413)	21	550	1,009	1,013	1,013
%	(2.53%)	0.08%	2.75%	4.85%	4.68%	3.51%

The estimates of financing costs include current commitments and the proposals in the 2019/20 Budget Report.

Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Table 16: Maturity Structure of Borrowing

Maturity structure of fixed interest rate borrowing 2020/21		
	Lower	**Upper**
Under 12 months	0%	72%
12 months to 2 years	0%	28%
2 years to 5 years	0%	0%
5 years to 10 years	0%	0%
10 years to 20 years	0%	0%
20 years to 30 years	0%	0%
30 years to 40 years	0%	0%
40 years to 50 years	0%	0%
Maturity structure of variable interest rate borrowing 2020/21		
	Lower	Upper
Under 12 months	0%	0%
12 months to 2 years	0%	0%
2 years to 5 years	0%	0%
5 years to 10 years	0%	0%
10 years to 20 years	0%	0%
20 years to 30 years	0%	0%
30 years to 40 years	0%	0%
40 years to 50 years	0%	0%

As the Council does not have any long term borrowing to date, the outstanding loans as at 31st December 2019 are short term, and they mature either in 12 months or in 12 months to 2 years. The above table will become complex once the Council start to borrow in long term.

5.2 Economic background – Link Asset Services

UK Brexit. *2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. Now that the Conservative Government has gained a large overall majority in the* ***general election*** *on 12 December, this outline deal will be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an extension of negotiations, probably two years, or, a no deal Brexit in December 2020.*

GDP growth *has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The economy is likely to tread water in 2020, with tepid growth around about 1% until there is more certainty after the trade deal deadline is passed.*

While the Bank of England went through the routine of producing another ***quarterly Inflation Report,*** *(now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers were worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that was worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.*

The ***MPC meeting of 19 December*** *repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that "domestic unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term".*

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%.It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a ***fiscal boost*** *by e.g. tax cuts, increases in the annual*

expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget, probably in February 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

*As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019 but fell again in both October and November to a three-year low of 1.5%. It is likely to remain close to or under 2% over the next two years and so, it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.*

*With regard to the **labour market,** growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000.However, there was an encouraging pick up again in the three months to October to growth of 24,000, which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44-year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As 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. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.*

***USA.** President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3.The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4; fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However, CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was singularly caused by a rise in gasoline prices.*

***The Fed** finished its series of increases in rates to 2.25 – 2.50% in December 2018.In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy $60bn, whereas it had been reducing its balance sheet by $50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long-term debt). The Fed*

left rates unchanged in December. However, the accompanying statement was more optimistic about the future course of the economy so this would indicate that further cuts are unlikely.

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This ***trade war*** *is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.*
However, in November / December, progress has been made on agreeing a phase one deal between the US and China to roll back some of the tariffs; this gives some hope of resolving this dispute.

EUROZONE. *Growth has been slowing from +1.8 % during 2018 to around half of that in 2019.Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.*

The European Central Bank (ECB) *ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, 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%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a* ***third round of TLTROs****; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was 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. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a* ***resumption of quantitative easing purchases of debt for an unlimited period.*** *At its October meeting it said these purchases would start in November at €20bn per month - a relatively small amount compared to the previous buying programme. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments would need to help stimulate growth by 'growth friendly' fiscal policy.*

There were no policy changes in the December meeting, which was chaired for the first time by the new President of the ECB, Christine Lagarde. However, the outlook continued to be down beat about the economy; this makes it likely there will be further monetary policy stimulus to come in 2020. She did also announce

a thorough review of how the ECB conducts monetary policy, including the price stability target. This review is likely to take all of 2020.

On the political front, Austria, Spain and Italy have been in the throes of ***forming coalition governments*** *with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections have put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.*

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 shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.*

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. *Until recent years, world growth has been boosted by increasing* ***globalisation*** *i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high-tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.*

The trade war between the US and China is a major concern to financial markets due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary

policy measures, when rates are already very low in most countries, (apart from the US).There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deals likely to lead to a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- *In the event of an orderly non-agreement exit in December 2020, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.*
- *If there were a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.*

The balance of risks to the UK

- *The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.*
- *The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.*
- *In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.*

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- ***Brexit*** *– if it were to cause significant economic disruption and a major downturn in the rate of growth.*
- ***Bank of England*** *takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.*

- *A resurgence of the **Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.*
- *Weak capitalisation of some **European banks**, particularly Italian banks.*
- ***German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections, but the SPD has done particularly badly, and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader, but she intends to remain as Chancellor until 2021.*
- ***Other minority EU governments.** Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.*
- ***Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.*
- *In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some $19trn of corporate debt in major western economies,** if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is $15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.*
- ***Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.*

Upside risks to current forecasts for UK gilt yields and PWLB rates

- ***Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.*
- *The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.*
- ***UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.*

5.3 Treasury management practice (TMP1) – credit and counterparty risk management

MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective, the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the code on 9 April 2020 and will apply its principles to all investment activity. In accordance with the Code, the Chief Finance Officer has produced treasury management practices (TMPs). This part, TMP 1(1), covering **Investment Counterparty Policy** requires approval each year.

Annual Treasury Investment Strategy. The key requirements of both the Code and the investment guidance are to set an annual Treasury Investment Strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy guidelines – the main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments – these investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.

3. A local authority, parish council or community council, and housing association
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Aaa for Moody's and AAA for Fitch rating agencies
5. A body that is considered of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum Short-Term rating of A-1 as rated by Standard and Poor's,P-1for Moody's and F1 for Fitch rating agencies. A building society not requiring a credit rating with a minimum asset base of over £1 billion pounds is also considered as high credit quality.

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies.

	Specified Investment Category (up to 365 day duration)	**Limit (£ or %)**
a.	**Securities fully backed by the UK Government.** This includes Debt Management Office, UK Treasury Bills or Gilts with less than one year to maturity and held to maturity.[3]	Unlimited
b.	**Local authority, parish council or community council**	Unlimited
c.	**Sterling Money Market Fund.** These Funds are solely invested in UK government securities or those backed by UK government securities and fully guaranteed by the UK Government	£5m per Fund
d.	**Money Market Fund.** These Funds should invest in a range of sectors and institutions to spread the risk of counter-party default. Access to funds should be immediate or overnight. Investments will be in organisations that have the following minimum credit ratings with all three Credit Rating Agencies Fitch AAA Moody's Aaa Standard & Poor AAA	£5m per Fund
e.	**Any UK Bank** that is regulated by the Prudential Regulation Authority (PRA) **and** has a minimum Short Term credit rating of the following rating with all the three Credit Rating Agencies Fitch F1 Moody's P-1 Standard & Poor A-1	Lower of £10m or 20% total investments with any individual counterparty
f.	**Any UK Building Society** that is regulated by the Prudential Regulation Authority ***and*** has a minimum of a £1billion asset base.	Lower of £10m or 20% total investments with any individual counterparty

Non-specified investments – are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these

[3] Gilts will always be held to maturity

other investments and the maximum limits to be applied are set out below. Non-specified investments would include any sterling investments with:

Non-Specified Investment Category						
Counterparty List		**Credit Rating & Duration**				**Limit (£ or %)**
			Fitch	**Standard & Poor's**	**Moody's**	
UK Banks (Covers UK Retail & Clearing Banks)	Any UK Bank, regulated by the Prudential Regulation Authority that has a minimum medium to long-term credit rating from all three of the Credit Rating Agencies; for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	Medium-Term	A+	A+	A1	£5m up to 3 years for an individual counterparty (or group)
		Long-Term	AA-	AA-	Aa3	£10m up to 5 years for an individual counterparty (or group)
Non-UK domiciled Banks	Non-UK Banks must be domiciled in a country which has a minimum sovereign rating of 'AAA'	Medium-Term	A+	A+	A1	£5m up to 3 years for an individual counterparty (or group)
Part Nationalised UK Bank	These banks can be included provided they continue to be part nationalised or meet the ratings in UK Banks above.	Medium-Term	A+	A+	A1	£5m up to 3 years for an individual counterparty (or group)
		Long-Term	AA-	AA-	Aa3	£10m up to 5 years for an individual counterparty (or group)
UK Building societies regulated by the Prudential Regulation Authority.	The Council will use all societies which meet the following criteria	The Council may use building societies but only if they have a minimum asset size of £1 Billion				£5m up to 3 years for an individual counterparty (or group)
UK Government (including gilts, Treasury Bills and the DMADF)	No credit rating UK Government guarantees		N/A	N/A	N/A	Unlimited
Local authorities, parish councils etc.	No credit rating UK government guarantees		N/A	N/A	N/A	£5m up to 3 years for an individual counterparty up to maximum of 20% of the portfolio

Monitoring investment counterparties - the credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Chief Finance Officer, and if required new counterparties which meet the criteria will be added to the list.

Use of external fund managers – the Council does not currently use external fund managers. If the Council decides to use external fund managers in future it is anticipated that they will use both specified and non-specified investment categories and will be contractually committed to keep to the Council's investment strategy. The performance of each manager will be reviewed at least half-yearly by the Chief Finance Officer and the managers will be contractually required to comply with the annual investment strategy and limits for non-specified investments will be set with consideration to the fund managers' parameters. The Council will confirm the acceptance of the strategy with all managers used.

5.4 Approved countries for investments

Link Asset Services: This list is based on those countries which have sovereign ratings of AA- or higher (lowest rating from Fitch, Moody's and S&P) and also, (except for Hong Kong, Norway and Luxembourg) have banks operating in sterling markets which have credit ratings of 'green or above' in the Link Asset Services credit worthiness service.

Based on lowest available rating at 12.2.19

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-

- Belgium
- Qatar

5.5 Treasury management scheme of delegation

(i) Executive

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual Treasury Management Strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;

(ii) Overview & Scrutiny Committee

- reviewing treasury management policy and procedures and making recommendations to the responsible body.

(iii) Chief Finance Officer

- approving the selection of external service providers and agreeing terms of appointment.

5.6 Treasury management role of the Section 151 Officer

The Chief Finance Officer, as Section 151 Officer is responsible for:

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- Submitting regular treasury management policy reports;
- Submitting budgets and budget variations;
- Receiving and reviewing management information reports;
- Reviewing the performance of the treasury management function;
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- Ensuring the adequacy of internal audit, and liaising with external audit;
- Appointing external service providers.
- Preparation of a Capital Investment Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe
- Ensuring that the Capital Investment Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- Ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the council
- Ensure that the council has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- Ensuring the proportionality of all investments so that the council does not undertake a level of investing which exposes the council to an excessive level of risk compared to its financial resources
- Ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- Provision to Members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- Ensuring that Members are adequately informed and understand the risk exposures taken on by an authority
- Ensuring that the Council has adequate expertise, either in house or externally provided, to carry out the above
- Creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed, to include the following:
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
    - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements

for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

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

Subject:	**Quarterly Performance Report (Q3 – October to December 2019)**
Officer:	Doula Pont
To:	Overview and Scrutiny Committee, 26 March 2020
Purpose:	To consider the Council's performance for the third quarter of the year 2019-20.

Introduction

This report provides the headline issues on major variances in relation to the Council's overall performance for Quarter 3.

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	Section 1
Risk Management	Section 2
Revenue budget monitoring	Section 3
Capital budget monitoring	Section 4
Key Performance Indicators 2020/21	Section 5
Strategic risks 2020/21	Section 6

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 14 Key Performance Indicators reported on this quarter, 11 are on target or within the agreed tolerance. 1 is outside of tolerance, 1 is contextual and 1 is unable to report.

KPI 4 is a contextual indicator that tracks the number of individuals/households that approach the Council for homelessness support. Whilst this figure is outside the direct control of the Council – and no target is therefore able to be set – it provides valuable context for the other homelessness performance indicators.

A copy of the full performance schedule is available in the eMembers portal.

Major variances

KPI 12 – Trade waste – increase in the number of customers	
Target	**Actual**
Net increase of 15	-12

The primary reason for the reduction in the number of active trade waste accounts is the closure of accounts following the non-payment of invoices. Recovery of outstanding monies due will follow the Council's usual debt recovery processes.

The opportunity to further expand our operation to deliver an enhanced recycling service to businesses in the Borough will be explored in the coming quarters, as part of the service's normal review and will take into consideration the changing legislative context and the government's upcoming Waste and Resources Strategy. Investment will be required to take this option forward.

Unable to report

We have been unable to report on one Key Performance Indicator:

KPI 1 – Maintain levels of self-service transactions	
Target	**Actual**
80%	-

This indicator reports the percentage of key transactions that are completed online. The transactions are: paying a parking fine, buying a new/replacement bin and reporting a missed bin.

The systems upgrade reported in the previous quarters is almost complete. We are therefore able to report on 2 of these 3 measures: • Paying a parking fine: 93% online • Purchasing a new/additional bin: 88% online The reporting functionality for reporting a missed bin, however, is not currently fully operational in the new CRM, meaning that we are unable to provide an accurate overall figure and are therefore unable to report.
eMembers room information A copy of the full schedule can be found in the eMembers portal.

RISK MANAGEMENT

An update on risk management does not form part of the Q3 performance report.

No new strategic risks were identified during Q3 2019/20.

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Summary

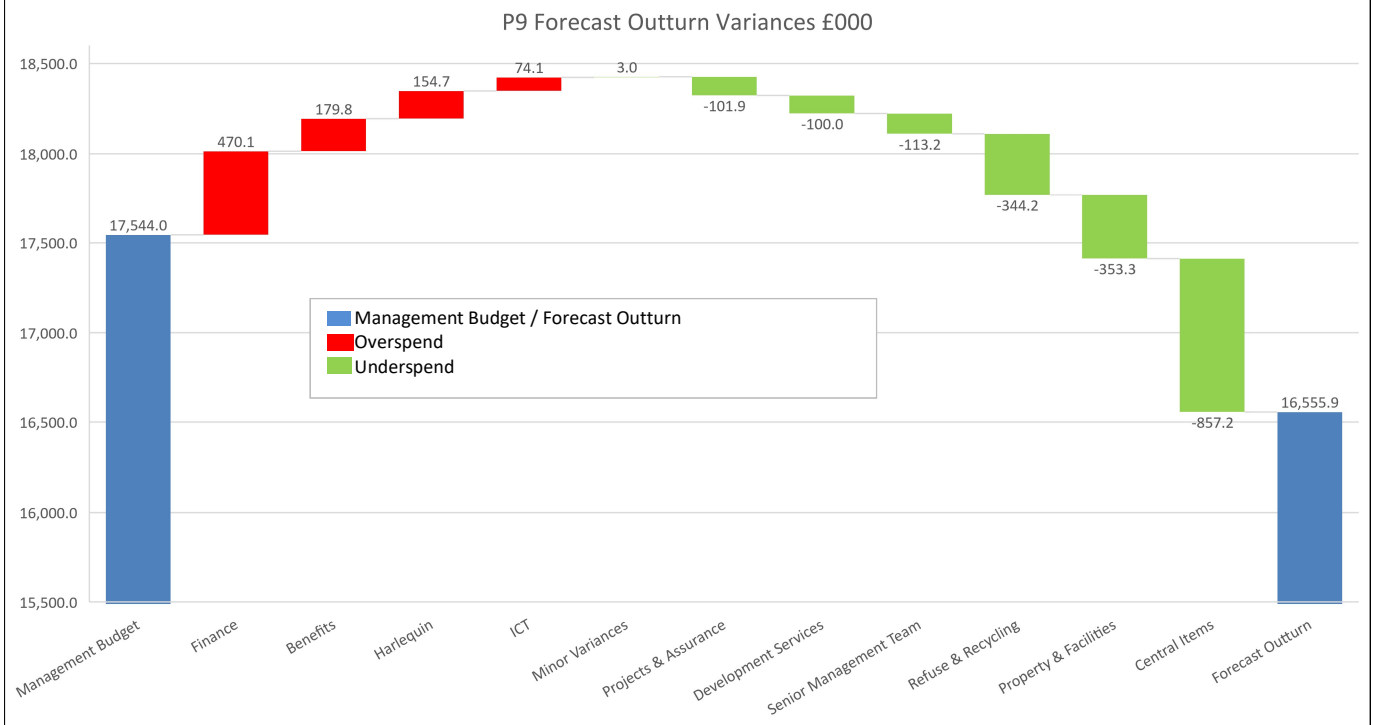
The forecast outturn for services at the end of Period 9 is £130.9k or 1.0% lower than the management budget (the forecast position reported at Q2 was £132.0k lower than the management budget) with the overall forecast including central items being £988.1k or 5.6% lower than the management budget for the year (this compares to an overall forecast underspend of £1,084.5k or 6.3% lower than budget reported at Q2).

Reconciliation of Original Budget to Management Budget for 2019-20

	£000	£000
Original Budget		16,294.6
Transfers from Reserves:		
Corporate Plan Delivery Fund	734.7	
CIL funds	514.7	
		1,249.4
Management Budget		17,544.0

Headline Revenue Budget information 2019-20

	£000	
Management Budget	17,544.0	
Forecast Year End Outturn	16,555.9	
Projected underspend	(988.1)	(or -5.6% of the budget)



Revenue – total forecast for Services is £130.9k better than budget:

- Finance, the forecast is £470.1k over budget as a result of additional work required during the 2018/19 audit of the Statement of Accounts, additional work relating to major projects including the Horley Business Park land purchase, Marketfield Way and Baseball, and the use of interim staff to both cover vacancies and to improve finance processes.
- Benefits forecast is £180k above budget due to loss of DWP grant and additional consultancy and printing costs.
- Harlequin, forecast is £155k over budget due to delay in cinema opening and also staff costs higher than budget.
- ICT, forecast is £74k over budget due to roll out of new laptops to staff and their associated software and licenses.
- Projects and Assurance, forecast £102k lower than budget mainly due to vacant posts.
- Senior Management Team, forecast £113k lower than budget due to vacant Director post.
- Refuse and Recycling, forecast £344k better than budget (income £500k better than budget offset by overtime and temp staff costs to cover sickness, additional staff for recycling service to flats and by extra spending on new bins).
- Property and Facilities, forecast is £353k better than budget due to new rental from Salfords offset by lower income from Warwick Quadrant and Marketfield Way.

Revenue – Central Items are £857.2k less than budget:

- Pensions £200k contingency unallocated.
- £929k headroom, part of contingencies budget unallocated.
- Recruitment Costs are forecast to be £109k higher than budget.
- Interest on investments is forecast to be £86k lower than budget.
- Interest on borrowing is forecast to be £33k higher than budget.
- Sundry minor variances are forecast to be £44k higher than budget.

1. General Fund Reserve

		£000
Balance at start of year		12,546.8
Less: Transfers out		0.0
Add Projected underspend		988.1
Anticipated balance at end of year *		13,534.9
*Minimum General Fund Balance Required (15% of total Management Budget)	2,600.0	

2. Corporate Plan Delivery Fund (CPDF) Reserve

		£000	£000
Balance at start of year			1,206.3
Revenue	Allocation type:		
Carried Forward - Customer Relationship Mngt.	Digital Delivery	18.7	
Carried Forward - Staff Recognition Scheme	Staff Development	3.9	
18-02 Community Development Team	Salary	8.6	
18-02 Residents Satisfaction Survey	Regeneration	9.0	
18-02 One-off Election Expenses	Elections	125.0	
18-05 CRM Procurement	Digital Delivery	16.9	
18-06 Projects - Corporate Plan	Organisation	8.5	
18-08 Feasibility Studies	Place	20.6	
18-10 Housing Licensing Resource	Salary	23.6	
18-11 Housing Strategy Development	Place	18.0	
19-05 Traveller Preventative Measures	Place	40.0	
19-07 Economic Prosperity Officer	Place	38.5	
19-08 Community Transition Budget	People	135.0	
19-09 Democratic, Commercial & Policy Officer	Organisation	103.0	
19-15 Housing Needs Strategy - Consultancy	People	25.0	
19-15 DMP Examination -Inspector Costs	Place	65.0	
19-21 Community Centre Transformation Costs	People	53.4	
19-23 Data Protection Compliance	Organisation	22.0	
			734.7
Capital			
19-10 Laptops, MS Office 365, Windows 10	Digital Delivery	196.0	
19-11 IT Improvements @ The Harlequin	Digital Delivery	69.0	
19-12 Civica Upgrade	Digital Delivery	25.0	
19-13 Netcall Liberty Upgrade	Digital Delivery	105.0	
19-14 Northgate iWorld	Digital Delivery	40.0	
			435.0
Balance before any further transfers in year			36.6

3. Uncommitted Contingencies

Contingency Budgets	929.6	
New Posts Fund	0.0	
		929.6

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Forecast Outturn £000	Year End Forecast Variance £000	Commentary
Simon Bland	Economic Prosperity	277.6	38.5	316.1	316.1	0.0	
Kate Brown	Human Resources	546.2	0.1	546.3	575.5	29.2	Maternity Cover for one person within this function. Underspend within budgeted iTrent Development costs.
Richard Robinson	Housing Services	989.7	40.0	1,029.7	994.3	-35.4	Income generated from Temporary accommodation and Masset's Road expected to be more than budget.
Doula Pont	Senior Management Team	1,184.4	0.0	1,184.4	1,071.2	-113.2	The forecast is £113k lower than budget due to the vacant Director post.
	Projects & Assurance	584.7	8.5	593.2	491.3	-101.9	Forecast lower than budget mainly due to vacant posts.
	Corporate Support	120.3	0.0	120.3	103.7	-16.6	Reduced Rental costs of franking machines & corporate stationery supplies due to new contracts and providers.
Justine Chatfield	Community Development	208.0	193.3	401.3	388.3	-13.0	Underspend attributable to vacancies within the team as well as unbudgeted cost recoveries.
	Partnerships	269.1	133.3	402.4	335.0	-67.4	Underspend attributable to vacancies within the team as well as unspent Domestic Homicide Review contingency budget.
	Community Centres	263.5	188.4	451.9	451.9	0.0	
	Voluntary Sector Support	421.7	-103.8	317.9	312.0	-5.9	
Peter Boarder	Place Delivery	169.5	60.6	230.1	232.4	2.3	
Morag Williams	Fleet	771.4	6.7	778.1	804.6	26.5	Until the ageing fleet of waste vehicles are replaced, they will require greater expenditure on spare parts to keep running. Waste vehicles are planned to be replaced over a three year period beginning 2020/21.
	Refuse & Recycling	1,302.6	0.0	1,302.6	958.4	-344.2	The forecast shows £344k better than budget (income £500k better than budget offset by overtime and temp staff costs to cover sickness, additional staff for recycling service to flats and by extra spending on new bins).
	Engineering & Construction	54.9	2.0	56.9	54.9	-2.0	
	Environmental Health & JET	973.6	8.6	982.2	1,000.1	17.9	Variance is predominantly relating to Air Quality Monitoring. Historically this attracted more capital expenditure than revenue. Growth proposals have been requested for 20/21 Budget Setting to correct it, however income is received from Gatwick Airport and the expenditure does not exceed it.
	Environmental Licencing	-296.5	0.0	-296.5	-300.6	-4.1	
	Greenspaces	1,274.8	195.7	1,470.5	1,470.1	-0.4	
	Car Parking	-2,202.2	0.0	-2,202.2	-2,205.3	-3.1	
	Street Cleansing	989.1	-3.7	985.4	995.1	9.7	

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Forecast Outturn £000	Year End Forecast Variance £000	Commentary
Duane Kirkland	Supporting People	84.3	0.0	84.3	54.3	-30.0	Underspend attributable to full year vacancy within the team
	Supporting Families	90.0	0.0	90.0	90.0	0.0	
	Harlequin	162.9	0.0	162.9	317.6	154.7	There was a delay in year of opening the Cinema resulting in lower levels of income. There have also been numerous vacancies that have been staffed by agency replacements at a higher cost. There are also supplementary casual staff that are unbudgeted. 20/21 Budget contains growth bids for £130k to rectify this.
	Leisure Services	-148.6	0.0	-148.6	-77.9	70.7	Budget affected as a result of the 2018 restructure - (Ageing Well) growth bid already made for 2020/21. Since Q2 there have been changes of £16k, these are attributable to: £6k Salaries forecast update, £10k Additional on sporting projects.
Andrew Benson	Building Control	28.5	0.0	28.5	125.5	97.0	Significant expenditure on Consultancy Fees was expected to offset underspends arising from vacant posts and better-than-expected Planning Fee income. However, the HoS advises that much of this Consultancy Fee expenditure is now very unlikely to crystallise and consequently a year-end underspend is now being forecast. The situation remains under review during January and any further movement will be reported as soon as it is quantified.
	Development Services	355.2	0.0	355.2	199.5	-155.7	
	Planning Policy	346.3	590.0	936.3	895.0	-41.3	
Carys Jones	Communications	503.8	12.2	516.0	548.2	32.2	Design work not included in the budget is causing this overspend. Alongside one-off additional training costs.
	Customer Contact	348.9	0.0	348.9	347.4	-1.5	
Darren Wray	Web & Information	183.7	0.0	183.7	183.7	0.0	
	Information & Communications Technology	1,180.4	35.6	1,216.0	1,290.1	74.1	In year costs associated with roll out of new laptops to council staff predominately on software licences & costs - there are growth items in 20/21 for these. £20k is attributable to data protection expenditure.

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Forecast Outturn £000	Year End Forecast Variance £000	Commentary
Caroline Waterworth	Democratic Services	827.5	99.9	927.4	948.7	21.3	
	Electoral Services	403.3	125.0	528.3	582.0	53.7	Non recoverable costs including training arising from three elections in one year.
	Legal Services	764.8	-3.2	761.6	699.2	-62.4	The Legal & Procurement forecast is £60k under due to vacancies netted against external provison costs. Changes from Q2 are a result of the revision of income figures.
	Land Charges	-112.8	1.7	-111.1	-129.8	-18.7	Levels of income currently predicted to be on budget. Levels of external costs are significantly lower than expected.
	Property & Facilities	-1,882.0	-60.6	-1,942.6	-2,295.9	-353.3	The forecast is £353k better than budget due to new rental from Salfords offset by lower income from Warwick Quadrant and Marketfield Way.
Pat Main	Finance	1,183.6	-22.7	1,160.9	1,631.0	470.1	The forecast is £470.1k over budget as a result of additional work required during the 2018/19 audit of the Statement of Accounts, additional work relating to major projects including the Horley Business Park land purchase, Marketfield Way and Baseball, and the use of interim staff to both cover vacancies and to improve finance processes.
Simon Rosser	Benefits Paid/Subsidy Received	342.8	0.0	342.8	383.5	40.7	Forecast is £180k above budget due to loss of DWP grant and additional consultancy and printing costs.
	Benefits	-298.4	-118.7	-417.1	-278.0	139.1	
	Local Taxation	-118.7	118.7	0.0	0.0	0.0	
	Total Services	**12,147.9**	**1,546.1**	**13,694.0**	**13,563.1**	**-130.9**	**(1.0%)**

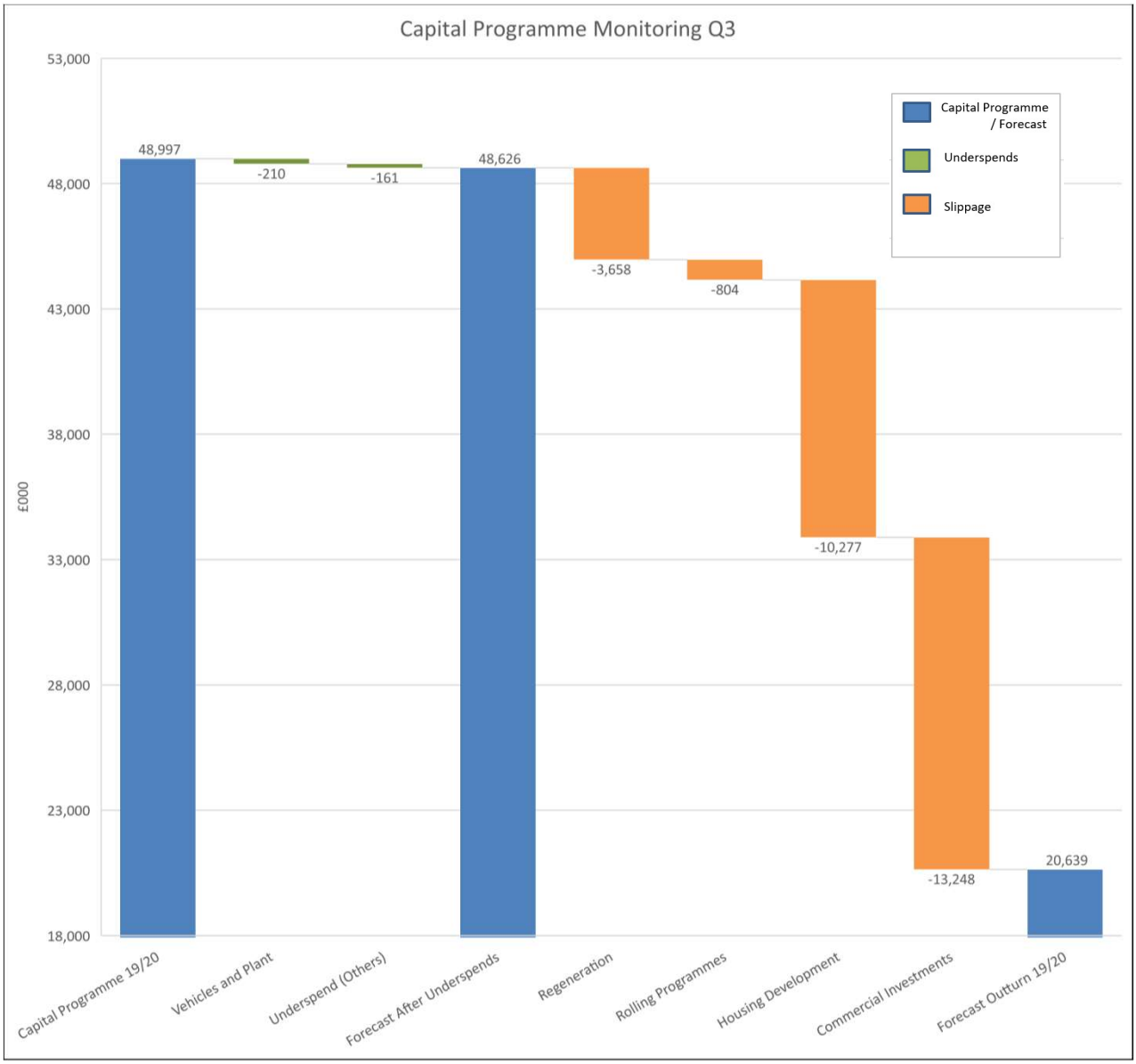
Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Forecast Outturn £000	Year End Forecast Variance £000	Commentary
Pat Main Central Items	Insurance	452.1	0.0	452.1	482.1	30.0	Increase in insurance costs to be corrected in 20/21 through service and financial planning budget growth.
	Treasury Management - Interest on Investments	-563.9	0.0	-563.9	-477.7	86.2	The treasury investments portfolio has been reduced in order to reduce the amount of external borrowing required - leading to a consequent reduction in forecast investment interest.
	Treasury Management - Interest on Borrowing	157.0	0.0	157.0	190.3	33.3	Increased costs due to increased borrowing needs to reflect the approved capital programme.
	Treasury Management - Interest onTrust Funds	36.0	0.0	36.0	36.0	0.0	
	Employer Pension costs	2,338.0	0.0	2,338.0	2,138.0	-200.0	Budget requirement to be reviewed for 2020/21.
	Apprenticeship Levy	63.9	0.0	63.9	63.9	0.0	
	Recruitment Expenses	16.0	0.0	16.0	125.0	109.0	Fees relating to recruitment of vacant senior posts including the Director for Organisation, Head of Finance, Property Services Manager and vacancies arising from the Finance Team restructure.
	Corporate HR Expenses	66.8	0.0	66.8	80.7	13.9	Includes senior staff development costs.
	Budget Contingencies	1,280.5	-137.9	1,142.6	213.0	-929.6	£78k of the change in the budget reflects a transfer to the Harlequin capital budget to pay for new projectors and the £213k forecast outturn is the expected transfer to capital at the year-end.
	New Posts Budget	250.0	-158.8	91.2	91.2	0.0	
	External Audit Fees	50.3	0.0	50.3	50.3	0.0	
	Total Central Items	4,146.7	-296.7	3,850.0	2,992.8	-857.2	
	Grand Total	**16,294.6**	**1,249.4**	**17,544.0**	**16,555.9**	**-988.1**	**(5.6%)**
	Budget Contingencies						
	Miscellaneous salaries	49.9	0.0	49.9	0.0	-49.9	Historic unused budget - to be deleted in 20/21.
	Redundancy and Severance Payments	100.0	0.0	100.0	0.0	-100.0	No expenditure in current forecast.
	Headroom Contingency	835.8	0.0	835.8	0.0	-835.8	Underspend will offset service in-year budget pressure.
	Revenue Contributions To Capital	500.0	-137.9	362.1	213.0	-149.1	Current contributions to Capital funded via revenue.
	Preceptor Grants	57.5	0.0	57.5	0.0	-57.5	Payments to Parish Councils relating to services which would otherwise be delivered by the Council.
	Miscellaneous income	-262.7	0.0	-262.7	0.0	262.7	Contingency Income budgets to be issued from or absorbed into during the year.
	Central Budget Contingencies	1,280.5	-137.9	1,142.6	213.0	-929.6	

Summary

Forecast expenditure against the capital programme as at the end of Quarter 3 is £20.6m which is £28.4m or 58% below the approved programme for the year (variance reported at Q2 was £4.8m below the approved programme for the year). The majority of the £28.4m relates to slippage as shown below).

Headline Capital Budget Information, Quarter 3 2019/20

Current Budget (annex 1):	**£48,997,100**	
Projected Underspend	(£371,200)	(or 0.76% of programme).
Projected Slippage	(£27,986,700)	(or 57.1% of programme)
Forecast Capital Expenditure	**£20,639,200**	



Underspends

Vehicles and Plant	**Vehicles and Plant** - The forecast underspend of £210k and a slippage of £210k (shown below) making a total of £420k is identified from the recently completed review of programmed vehicles roll-out.
Underspend (others)	**64 Massetts Road** - £13.6k is an actual underspend as the final work is now completed and no further expenditure expected. **Air Quality Monitoring Equipment** (£32.5k underspend) - Service attracts both revenue and capital funding, this year has seen a higher revenue expenditure impact and less capitalisable spend/commitment. **Contaminated Land Investigation Work** (£30k) - Spend is contingent on the need for investigation works being identified, no scheme currently identified. **Handy Person Scheme** (£40k underspend) - The small works assistance scheme is being more widely publicised to promote uptake. Further increase in uptake expected in future years due to changes in availability of other sources of funding for home adaptations. **Home Improvement Agency SCC Grant** (£34k underspend) - The Home Improvement Agency service annual contract cost is £120k. The £34k brought forward from 18/19 is no longer required as provision is adequate for all service related projected spend for the **ICT - Disaster Recovery** - (£11k) underspend reported.

Slippage

Regeneration	**Marketfield Way** (£3.138m slippage) - The project is underway with enabling works being undertaken in the fourth quarter 2019/20 and the main build commencing in first quarter 2020/21. **Preston Regeneration** (£424k slippage) - Works to Chetwode Road have been approved by Local Committee and are programmed to now get underway in the first quarter of 2020/21. **Merstham Recreation Ground** (£96k slippage) - Initial concept plan prepared with main design works commencing in 2020/21
Rolling Programmes	**Disabled Facilities Grants** - Current budget and forecast outturn is £1m against the year's grant allocation of £1.133m resulting in a slippage of £134k. Recently approved new housing assistance policy will likely improve future performance, the service is continually assessing the pipeline of applicants. **ICT Replacement Programme** - £58k slippage reported largely on the laptop rolling replacement programme and Microsoft Office 365 licenses fees. **Vehicles and Plant -** The reported underspend of £210k and a slippage of £210k making a total of £420k is identified from the recently completed review of programmed vehicles roll-out. **Waste and Recycling** - £665k has been spent in 19/20 on three 26-tonne RCVs as part of the fleet replacement project. A fourth 26 tonne RCV was purchased for £222k as part of the ongoing fleet replacement programme. These vehicles are set to be delivered by the 31st of March 2020. £198k spent on the purchase of one Dennis Elite dustcart and £18k was used to purchase a second-hand Luton type vehicle with tail lift to replace an accident damaged vehicle. **Cleansing** - Total spend of £66k to replace three 3.5 tonne cage vans with tail lifts. **Green Spaces** - Current spend of £73k to replace existing equipment. An estimated £60k is still due to be used for the purchase of one arborist van and one playground repair vehicle. The purchase order for these vehicles is due to be raised in early 20/21. **Workshop/Transport** - £30k has been allocated to replace the current workshop breakdown vehicle. The purchase order for this vehicle is due to be raised in early 20/21. **Refurbishment** - £120k was allocated for the refurbishment of two 26 tonne RCVs, this procurement exercise has yet to be awarded. **Other** - £8k has been spent on the acquisition of three market trailers. **Property Maintenance** - Council Offices additional funds were due to be spent this financial year on air conditioning plant and preparation works for boiler replacement. £104k slippage due to delays in progressing design and documentation, Outstanding works will be picked up in 2020/21. The earmarked funding is a contribution to the costs for reinstatement of the road leading to the RNIBA housing development Philanthropic Road. The developer has agreed to pay for half the costs as they have damaged the road with the construction traffic. Slippage due to continued negotiation with the developer on how this can be procured. This will be picked up in 2020/21. **Car Parks** - Lift replacement at Bancroft Rd multi storey will be out to tender this financial year, works reprogrammed for 2020/21. £176k slippage due to legal contract preparation delays. **Woodmansterne Sports Club** - Drainage works. £20k slippage due to delays in specifying works. Work will be picked up in 2020/21. **CCTV service** - currently being reviewed. The outcome of the review and any budget impact will be developed and reported by Quarter 4. £46k slippage currently being forecast.

Housing Development	**Lee Street Bungalows** - (£398k slippage forecast). A revised proposal has been produced and costed. This will be presented to Executive in February 2020 with a recommendation to increase the budgetary envelope (to be provided from s106 funding) to cover the scheme costs. **Cromwell Road Development** - (£5.61m slippage forecast). The project is awaiting Executive approval of a revised baseline to proceed into build contract based on the updated financial position. Executive paper to be presented to Executive in February 2020. **Unit 1 Pittwood Park Tadworth** - (£4.2m slippage forecast). The project is awaiting Executive approval of a revised baseline to proceed into build contract based on the updated financial position. Executive paper to be presented to Executive in February 2020. Executive members have provided a steer on the preferred tenure mix. Previous report assumed delivery of 17 starter homes and 8 market sale units. However, because of the lack of forthcoming central government legislation on Starter Homes, the original tenure mix is no longer viable. A revised proposal has been produced and costed. Whilst the budgetary envelope remains unchanged, approval is sought on the revised baseline position and to proceed to build contract.
Commercial Investments	£13.25m slippage forecast. £25m allocated capital funding for investment in new developments and commercial assets and activities that, in addition to local regeneration and place-shaping benefits, deliver a sustainable net income stream to the revenue budget. There has been approximately £10.8m of expenditure in Q3 to fund the purchase of land for the Horley Business Park with additional £1m spend on further acquisitions forecast for quarter 4.

Reconciliation of Capital Programme to Approved Budgets 2019-20

	£000	
Original Capital Budget	45,926.8	
Budget approved but not yet released	0.0	
	45,926.8	
Additions (detailed at Annex 2)		
Carry Forwards from previous year	1,456.3	
Additional Approvals In Year	470.0	£420k relates to rolling maintenance programme (including £80k for Regent House) and £50k relates to Handy Person Scheme.
Reprofiling of projects	0.0	
Other Changes	435.0	CPDF - (in -year allocation relating to IT and Digital Strategy Update)
Other Changes	385.0	Capital Grants - (in -year allocation relating to DFG and Flexible Homelessness Support Grant)
Revenue Contribution to Capital	324.0	Use of contingency analysed at Annex 2.
Current Capital Budget	**48,997.1**	

Capital Programme Monitoring: Summary by Project 2019-20 **Quarter 3**

Project	Original Capital Programme 19/20 £000	Carry Forwards £000	Additional Approvals In Year £000	Reprofiled £000	Revenue Contribution to Capital (RCC)	Other Changes £000	Current Capital Programme 19/20 £000	Actuals to Date (P9) £000	Forecast Year End Outturn £000	Forecast Year End Variance £000	
Horley Public Realm Improvements - Phase 2 and 3	390.0	0.0	0.0	0.0		0.0	390.0	0.0	390.0	0.0	Works completed and full spend to be achieved.
Marketfield Way Redevelopment	6,192.1	414.9	0.0	0.0		0.0	6,607.0	697.7	3,468.6	(3,138.4)	The project is underway with enabling works being undertaken in the fourth quarter 2019/20 and the main build commencing in first quarter 2020/21.
Redhill Public Realm Improvements	24.8	0.0	0.0	0.0		0.0	24.8	24.8	24.8	0.0	Works completed and full spend achieved
Preston - Regeneration	418.5	15.2	0.0	0.0		0.0	433.7	0.0	10.2	(423.5)	Works to Chetwode Road have been approved by Local Committee and are programmed to now get underway in the first quarter 2020/21.
Merstham Recreation Ground	100.0	0.0	0.0	0.0		0.0	100.0	3.6	4.0	(96.0)	Initial concept plan prepared with main design works commencing in 2020/21
Regeneration	**7,125.4**	**430.1**	**0.0**	**0.0**	**0.0**	**0.0**	**7,555.5**	**726.1**	**3,897.6**	**(3,657.9)**	
Leisure Centre Maintenance	30.0	36.0	0.0	(15.0)		0.0	51.0	11.6	51.0	0.0	
Harlequin Property Maintenance	40.0	71.7	0.0	(82.0)		0.0	29.7	15.9	16.0	(13.7)	Slippage due to delays in progressing design and documentation. Work to be picked up in 2020 /21.
Play Area Improvement Programme	222.0	20.5	0.0	0.0		0.0	242.5	233.4	242.5	0.0	Works completed and full spend achieved
Parks & Countryside - Infrastructure & Fencing	45.0	0.0	0.0	0.0		0.0	45.0	40.5	45.0	0.0	
Harlequin Maintenance	25.0	0.0	0.0	0.0	89.0	0.0	114.0	119.3	131.0	17.0	Spend includes projector and printer (£78k) and other facilities maintenance, £5k contribution to Wi-Fi installation project and £6k for Sound and Stage Support equipment.
Priory Park Maintenance	5.0	34.6	0.0	0.0		0.0	39.6	0.0	39.6	0.0	
Leisure and Culture	**367.0**	**162.8**	**0.0**	**(97.0)**	**89.0**	**0.0**	**521.8**	**420.8**	**525.1**	**3.3**	
Lee Street Bungalows	380.1	45.6	0.0	0.0		0.0	425.7	30.0	35.0	(390.7)	A revised proposal has been produced and costed.This will be presented to Executive in February 2020 with a recommendation to increase the budgetary envelope (to be provided from s106 funding) to cover the scheme costs.
64 Massetts Road	0.0	18.2	0.0	0.0		0.0	18.2	4.6	4.6	(13.6)	£13.6k is an actual underspend as the final work is now completed and no further expenditure expected.
Cromwell Road Development 2016	5,707.3	118.9	0.0	0.0		0.0	5,826.2	130.8	155.0	(5,671.2)	The project is awaiting Executive approval of a revised baseline to proceed into build contract based on the updated financial position. Executive paper to be presented to Executive in February 2020.
Unit 1 Pitwood Park Tadworth	4,332.0	0.0	0.0	0.0		0.0	4,332.0	114.3	117.0	(4,215.0)	The project is awaiting Executive approval of a revised baseline to proceed into build contract based on the updated financial position. Executive paper to be presented to Executive in February 2020. Executive members have provided a steer on the preferred tenure mix. Previous report assumed delivery of 17 starter homes and 8 market sale units. However, because of the lack of forthcoming central government legislation on Starter Homes, the original tenure mix is no longer viable. A revised proposal has been produced and costed. Whilst the budgetary envelope remains unchanged, approval is sought on the revised baseline position and to proceed to build contract.
Housing Development	**10,419.4**	**182.7**	**0.0**	**0.0**	**0.0**	**0.0**	**10,602.1**	**279.6**	**311.6**	**(10,290.5)**	
Earlswood Depot/Park Farm Depot	10.0	5.9	30.0	0.0		0.0	45.9	1.7	45.9	0.0	
Waste Management and Recycling	**10.0**	**5.9**	**30.0**	**0.0**	**0.0**	**0.0**	**45.9**	**1.7**	**45.9**	**0.0**	
Land Flood Prevention Programme	6.0	5.0	0.0	0.0		0.0	11.0	11.0	11.0	0.0	The £11k budget will be applied to offset the expenditure on Frenches Pond works - (£20k in 2019/20, and £130k in 2020/21).
Air Quality Monitoring Equipment	48.0	0.0	0.0	0.0		0.0	48.0	2.5	15.5	(32.5)	Service attracts both revenue and capital funding, this year has seen a higher revenue expenditure impact and less capitalisable spend/commitment.
Contaminated Land - Investigation work	30.0	0.0	0.0	0.0		0.0	30.0	0.0	0.0	(30.0)	Spend is contingent on the need for investigation works being identified, no scheme currently identified.
Environment	**84.0**	**5.0**	**0.0**	**0.0**	**0.0**	**0.0**	**89.0**	**13.5**	**26.5**	**(62.5)**	

Capital Programme Monitoring: Summary by Project 2019-20 **Quarter 3**

Project	Original Capital Programme 19/20 £000	Carry Forwards £000	Additional Approvals In Year £000	Reprofiled £000	Revenue Contribution to Capital (RCC)	Other Changes £000	Current Capital Programme 19/20 £000	Actuals to Date (P9) £000	Forecast Year End Outturn £000	Forecast Year End Variance £000	
Handy Person Scheme	0.0	0.0	50.0	0.0		0.0	50.0	9.1	10.0	(40.0)	The small works assistance scheme is being more widely publicised to promote uptake. Further increase in uptake expected in future years due to changes in availability of other sources of funding for home adaptations.
Home Improvement Agency SCC Grant	120.0	34.0	0.0	0.0		0.0	154.0	90.0	120.0	(34.0)	The Home Improvement Agency service annual contract cost is £120k. The £34k brought forward from 18/19 is no longer required as provision is adequate for all service related projected spend for the year.
Disabled Facilities Grant	965.0	0.0	0.0	0.0		169.0	1,134.0	677.5	1,000.0	(134.0)	Current budget and forecast outturn is £1m against the year's grant allocation of £1.133m resulting in a slippage of £134k. Recently approved new housing assistance policy will likely improve future performance, the service is continually assessing the pipeline of applicants.
Repossession Prevention Fund	30.0	6.3	0.0	0.0		0.0	36.3	13.1	36.3	0.0	Funds are used to prevent repossession.
Flexible Homelessness Support Grant	0.0	0.0	0.0	0.0		216.0	216.0	216.0	216.0	0.0	Funds are used to prevent homelessness predominantly by providing interest free loans to applicants to cover rent in advance, as such expenditure is not at a consistent value throughout the year.
Capital Grants	20.0	0.0	0.0	0.0		0.0	20.0	0.0	20.0	0.0	This budget is used for paying capital grants to fund improvement programmes within the borough. The £20K budget is fully committed for the year.
Capital Grants	**1,135.0**	**40.3**	**50.0**	**0.0**	**0.0**	**385.0**	**1,610.3**	**1,005.8**	**1,402.3**	**(208.0)**	
Great Workplace Program - Earlswood Depot	0.0	0.0	0.0	0.0	150.0	0.0	150.0	122.4	150.0	0.0	Great Workplace Phase 1 (Depot refurbishment) - now completed.
ICT - Disaster Recovery	0.0	41.0	0.0	0.0	0.0	0.0	41.0	24.3	30.0	(11.0)	
Organisational Change	**0.0**	**41.0**	**0.0**	**0.0**	**150.0**	**0.0**	**191.0**	**146.7**	**180.0**	**(11.0)**	
Vehicles & Plant Programme	1,302.0	400.0	0.0	0.0		0.0	1,702.0	367.3	1,281.8	(420.2)	**Vehicles and Plant -** The reported underspend of £210k and a slippage of £210k making a total of £420k is identified from the recently completed review of programmed vehicles roll-out. **Waste and Recycling -** £665k has been spent in 19/20 on three 26 tonne RCVs as part of the fleet replacement project. A fourth 26 tonne RCV was purchased for £222k as part of the ongoing fleet replacement programme. These vehicles are set to be delivered by the 31st of March 2020. £198k spent on the purchase of one Dennis Elite dustcart and £18k was used to purchase a second-hand Luton type vehicle with tail lift to replace an accident damaged vehicle. **Cleansing -** Total spend of £66k to replace three 3.5 tonne cage vans with tail lifts**.** **Green Spaces** - Current spend of £73k to replace existing equipment. An estimated £60k is still due to be used for the purchase of one arborist van and one Playground repair vehicle. The purchase order for these vehicles is due to be raised in early 20/21. **Workshop/Transport** - £30k has been allocated to replace the current workshop breakdown vehicle. The purchase order for this vehicle is due to be raised in early 20/21. **Refurbishment** - £120k was allocated for the refurbishment of two 26 tonne RCVs, this procurement exercise has yet to be awarded. Other - £8k has been spent on the acquisition of three market trailers.
ICT Replacement Programme	275.0	0.0	0.0	0.0		435.0	710.0	590.0	651.8	(58.2)	(1) Laptop rolling replacement programme (£275k) - £235k commited, 40k will be delivered next financial year and on budget. (2) Microsoft Office 365 Licenses (£156k) - £138k committed, 18k will be delivered next financial year and on budget. (3) Windows 10 resource (£40k) - will be delivered this financial year and on budget. (4) Netcall Upgrade and ATP integration (£105k) - £58K committed but will slip to next year. £47k still to commit covering PCI DSS with project completion in 2020/21. (5) Civica DMS Upgrade (£25k) - will be delivered this financial year and on budget. (6) Harlequin Theatre IT Improvements (£69k) - funds committed but will slip to next financial year. with project completion in 2020/21. (7) Northgate iWorld cloud migration (£40k) - funds committed but will slip to next financial year with project completion in 2020/21.

Capital Programme Monitoring: Summary by Project 2019-20 **Quarter 3**

Project	Original Capital Programme 19/20 £000	Carry Forwards £000	Additional Approvals In Year £000	Reprofiled £000	Revenue Contribution to Capital (RCC)	Other Changes £000	Current Capital Programme 19/20 £000	Actuals to Date (P9) £000	Forecast Year End Outturn £000	Forecast Year End Variance £000	
Council Offices Programme	30.0	48.8	100.0	0.0			178.8	27.0	75.0	(103.8)	Council Offices additional funds were due to be spent this financial year on air conditioning plant and preparation works for boiler replacement. Slippage due to delays in progressing design and documentation, Outstanding works will be picked up in 2020/21.
Day Centres Programme	25.0	8.9	0.0	(8.9)		0.0	25.0	11.0	25.0	0.0	
Existing Pavilions Programme	30.0	21.8	0.0	(21.8)		0.0	30.0	28.8	30.0	0.0	
Commercial Investment Properties	50.0	13.3	80.0	0.0		0.0	143.3	54.1	132.5	(10.8)	Regent House , Redhill maintenance work - £80k and rest of the budget to cover forecast spend on other properties maintenance works. Slippage due to delays in progressing design and documentation, Outstanding works will be picked up in 2020/21.
Infra-structure (walls)	5.0	15.0	35.0	0.0		0.0	55.0	1.5	6.5	(48.5)	The earmarked funding is a contribution to the costs for reinstatement of the road leading to the RNIBA housing development Philanthropic Road. The developer has agreed to pay for half the costs as they have damaged the road with the construction traffic. Slippage due to continued negotiation with the developer on how this can be procured. This will be picked up in 2020/21.
Car Parks Capital Works Programme	30.0	50.2	106.0	0.0		0.0	186.2	3.6	10.0	(176.2)	Car Parks Lift replacement at Bancroft Rd multi storey will be out to tender this finacial year, works reprogrammed for 2020/21. Slippage due to delays in progressing legal contract.
Public Conveniences	5.0	0.0	49.0	136.0		0.0	190.0	75.3	190.0	0.0	Public conveniences additional funds will be spent on the refurbishment of Banstead High Street toilets. Works to start on Consort way toilets this financial year running into 2020 /2021
Cemeteries & Chapel	0.0	8.3	0.0	(8.3)		0.0	0.0	0.0	0.0	0.0	
Allotments	4.0	0.0	0.0	0.0		0.0	4.0	0.0	4.0	0.0	
Woodmansterne sports club	0.0	0.0	20.0	0.0		0.0	20.0	0.0	0.0	(20.0)	Drainage works. Slippage due to delays in specifying works. Work will be picked up in 2020/21.
CCTV Rolling Programme	30.0	22.2	0.0	0.0		0.0	52.2	3.6	6.0	(46.2)	The CCTV service is currently being reviewed. The outcome of the review and any budget impact will be developed and reported by Qtr. 4
Rolling Programmes	**1,786.0**	**588.5**	**390.0**	**97.0**	**0.0**	**435.0**	**3,296.5**	**1,162.1**	**2,412.6**	**(883.9)**	
Commercial Investments	25,000.0	0.0	0.0	0.0		0.0	25,000.0	10,752.5	11,752.5	(13,247.5)	Allocated capital funding for investment in new developments and commercial assets and activities that, in addition to local regeneration and place-shaping benefits, deliver a sustainable net income stream to the revenue budget. There has been approximately £10.8m of expenditure in Q3 to fund the purchase of land for the Horley Business Park with additional £1m spend on further acquisitions forecast for quarter 4.
Commercial Investments	**25,000.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**25,000.0**	**10,752.5**	**11,752.5**	**(13,247.5)**	
Revenue Contribution to Capital (Miscellaneous projects)	0.0	0.0	0.0	0.0	85.0	0.0	85.0	85.0	85.0	0.0	Harlequin - Projector and printer - £78k. Pittwood - £50k temporary funding allocation for 2019/20 - *(no longer required - Richard R)* Transaction team additional ICT spend items - £65k (for Civica Icon upgrade and implementation- £50k plus additional icon installation charge £15k). Fenches pond works - £20k forecast spend in 2019/20. Great Workplace Phase 1 (Depot refurbishment) - £150k
Revenue Contribution to Capital	**0.0**	**0.0**	**0.0**	**0.0**	**85.0**	**0.0**	**85.0**	**85.0**	**85.0**	**0.0**	
Total Capital Budget	**45,926.8**	**1,456.3**	**470.0**	**0.0**	**324.0**	**820.0**	**48,997.1**	**14,593.8**	**20,639.2**	**(28,357.9)**	**-58%**

KEY PERFORMANCE INDICATORS (KPIs) – 2020/21

The Council's KPIs have undergone a thorough update ahead of 2020/21 in order to ensure that they continue to be robust and demonstrate performance against key corporate objectives.

The KPIs to be reported on for 2020/21 are detailed in the table below:

Ref.	Portfolio Holder	Indicator
KPI 1	Cllr Schofield	The % of Council Tax collected
KPI 2	Cllr Schofield	The % of Business Rates collected
KPI 3	Cllr Knight	The % of positive homelessness prevention and relief outcomes
KPI 4	Cllr Biggs	Net housing completions
KPI 5	Cllr Biggs	Net affordable housing completions
KPI 6	Cllr Bramhall	Cleansing - performance in Local Environmental Quality surveys
KPI 7	Cllr Bramhall	Number of missed bins per 1,000 collected
KPI 8	Cllr Bramhall	The % of household waste that is recycled and composted
KPI 9	Cllr Bramhall	Refuse and Recycling - revenue expressed as a % of the service's costs (annually reported in Q4)
KPI 10	Cllrs Schofield and Archer	Movement in investment income as a % of the Council's budget (annually reported in Q4)
KPI 11	Cllr Horwood	Number of visits to the Council's leisure centres (annually reported in Q4)
Contextual performance information provided on an annual basis:		
	Cllrs Horwood and Ashford	Intervention service performance (not a KPI, contextual measures)
	Cllr Schofield	Fraud service performance (not a KPI, contextual measure)
	Cllr Lewanski	Corporate complaints information (not a KPI, contextual)

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RISK MANAGEMENT

Strategic risks for 2020/21

The table below details the strategic risks that have been identified for 2020/21:

Ref.	Description	Portfolio Holder
SR1	**Brexit** The UK's withdrawal agreement with the European Union includes a transition period where the pre-Brexit trade arrangements will continue to apply. The transition period ends on 31 December 2020, where, if successfully negotiated, new trade arrangements covering goods and services will be put in place. The impacts of any changes that result are difficult to predict, though it is possible that they could negatively impact the economy, therefore leading to an increase in the number of households requiring the Council's support. If new trade arrangements aren't negotiated then the transition period will elapse without a trade deal being in place, resulting in a no-deal Brexit which will likely have adverse effects on the economy.	Cllr Schofield
SR2	**Financial sustainability** The Council operates in a challenging and uncertain financial context. Whilst the outcome of the Government's ongoing Fair Funding Review and Business Rates Reset remain unknown, it is expected that once implemented they will result in further significant reductions in funding. The Council will therefore be increasingly reliant on income derived from investments, fees and charges and commercial activities – the ability to do so, however, may be restricted by changes in legislation, regulations and codes of practice. The failure to generate additional income will jeopardise the delivery of corporate objectives. Managing this risk is dependent on Officers and Members remaining ambitious in challenging circumstances.	Cllr Schofield
SR3	**Local government reorganisation** A reorganisation of local government could be prompted by a range of scenarios and circumstances, including the financial failure of an authority within Surrey or as part of a new devolution agenda. The funding pressures impacting the wider sector may precipitate such circumstances. The results of a possible reorganisation are uncertain, though it could adversely affect this Council and the delivery of services for residents.	Cllr Brunt
SR4	**Partner public sector funding decisions**	Cllr Schofield

Ref.	Description	Portfolio Holder
	The public sector is experiencing significant funding pressures. Budgetary decisions made by other public service providers will impact this borough's residents and businesses as well as the Council itself. In response the Council may be required to increase services or the support provided which could have funding and resource implications.	
SR5	**Organisational capacity and culture** The Council has adopted an ambitious Corporate Plan, supported by a capital investment, housing and Great People strategy. Delivering on these plans will require a continually ambitious and integrated organisation and culture, with Members and Officers working in a collaborative way in the taking of timely decisions. The failure to be ambitious will risk the delivery of these objectives.	Cllr Lewanski
SR6	**Economic prosperity** A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that benefits local people. Economic prosperity cannot be taken for granted and the current economic outlook is uncertain. Prevailing economic conditions have a direct impact on the Council's financial position and likewise impacts upon the demand for Council services, particularly in terms of income derived from paid for services and the collection of monies owed. Challenging financial circumstances for residents may also increase their reliance on Council services.	Cllr Humphreys
SR7	**Welfare reform** The borough's residents are being affected by a combination of welfare reforms, increasing housing costs and economic changes. This increases the risk of household budgets being stretched and some residents being threatened with homelessness. The latter could result in an increase in cost pressures on the Council as our services are increasingly relied upon.	Cllr Knight
SR8	**Cyber security** Organisations are at an ever-increasing risk of cyber-attack as the use of digital systems and technologies increases. More sophisticated attacks and new variants of malicious software underscore the risk of corporate defences being compromised. The effects of a cyber-attack are wide and varied though at their worst could result in data destruction, disruption to the delivery of services and data theft.	Cllr Lewanski
SR9	**Fraud** Due to the wide range of activities being undertaken by the Council, there is a risk of fraud being committed which therefore requires robust systems and processes to be in place.	Cllr Schofield
SR10	**Horley Business Park** If the Council fails to take forward a vision with partners, this key development will be delayed. This will have an impact on the prosperity of the borough and the financial sustainability of the Council.	Cllr Archer

Ref.	Description	Portfolio Holder
SR11	**Gatwick Airport** Gatwick Airport has announced its intention to expand, through intensification of its existing operations and by bring its emergency runway into routine use as a second runway. It intends to submit a Development Consent Order for this second runway in 2020/21, with a decision anticipated by the Secretary of State in 2022/23. As a key employer, this intensification, as well as a decision (either way) on the second runway, could have a long-term impact on the local economy and infrastructure.	Cllr Humphreys

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

SIGNED OFF BY	Head of Legal and Governance
AUTHOR	Catriona Marchant, Democratic Services Officer
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TO	Overview and Scrutiny Committee
DATE	Thursday 20 March 2020
EXECUTIVE MEMBER	Not applicable

KEY DECISION REQUIRED	No
WARDS AFFECTED	All Wards

SUBJECT	Overview and Scrutiny Committee's Work Programme 2020

RECOMMENDATIONS

i. To consider the proposed future work programme for the Overview and Scrutiny Committee, set out in **Annex 1;** and
ii. To note the Action Tracker (**Annex 2**) from the last meeting.

REASONS FOR RECOMMENDATIONS

The work programme for the Overview and Scrutiny Committee was recommended by the Overview and Scrutiny Committee at its meeting on 14 February 2019 and was agreed by Council on 11 April 2019. The Proposed Work Programme 2020/21 is scheduled to come to the Committee at its 19 March 2020 meeting.

Arrangements for implementing the work programme have progressed and the latest plans are outlined in **Annex 1**.In addition an Action Tracker (**Annex 2**) which sets out the resolutions and requests from the previous meeting is added to the Agenda.

This is a standing item to keep the Committee informed and to prepare for upcoming business.

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 2020
The Work Programme 2020 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.

Action Tracker
The Action Tracker sets out the Resolutions and requests for information from the previous meeting.

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 and Action Tracker 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.

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

COMMUNICATION IMPLICATIONS

9. There are no communication implications.

RISK MANAGEMENT CONSIDERATIONS

10. There are no risk management considerations.

CONSULTATION

11. Consultation with the Chair and Vice-Chair of the Overview and Scrutiny Committee will take place as part of the Agenda planning process of each meeting.

POLICY FRAMEWORK

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

13. 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

ANNEXES

- Annex 1 – Future Work Programme 2020
- Annex 2 – Committee Action Tracker

REIGATE AND BANSTEAD BOROUGH COUNCIL:

OVERVIEW AND SCRUTINY COMMITTEE WORK PROGRAMME

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

Date of issue: 11 March 2020

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
16 April 2020								
Helen Stocker, Finance Manager	Deputy Leader and Portfolio Holder for Finance	Interim Head of Finance and Assets	**Annual Governance Statement** The Council is required to publish an annual statement on its corporate governance arrangements. This should accompany the Council's annual Statement of Accounts. Statutory regulations recommend that the body charged with overall responsibility for governance within the Council should review and endorse the statement prior to its formal signature by the Leader of the Council and the Chief Executive.	16 Apr 2020			Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Pat Main, Interim Head of Finance and Assets	Deputy Leader and Portfolio Holder for Finance	Director of Finance and Organisation	**External Audit Plan 2019/20** To endorse the draft External Audit Plan for 2019/20.	16 Apr 2020			Open	
Kirsty Jane Hill, Democratic Services Officer	Portfolio Holder for Investment and Companies	Head of Legal and Governance, Interim Head of Finance and Assets	**Companies Performance Update** To receive an update on the performance of Council companies.	19 Mar 2020			Part exempt	
Catherine Rose, Head of Corporate Policy	Portfolio Holder for Neighbourhood Services	Director of Place	**Environmental Sustainability Strategy** To agree the Council's overall approach in relation to environmental sustainability		26 Mar 2020		Open	KEY
Catriona Marchant, Democratic Services Officer	Chairman of the Overview and Scrutiny Committee	Head of Legal and Governance	**Overview and Scrutiny Committee: Annual Report 2019/20** To consider the Annual Report of the Committee's work.	16 Apr 2020		28 May 2020	Open	
To be scheduled								
Simon Rosser, Head of	Portfolio Holder for Investment	Director of People	**A Local Authority Trading Company for Provision of**				Part exempt	KEY

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Revenues, Benefits and Fraud	and Companies		**Revenues, Benefits and Fraud Services, and Loan Facilities** Incorporation of the company and associated governance requirements.					

Contact: **Democratic Services**
Email: Democratic@reigate-banstead.gov.uk
Phone: 01737 276182
Address: Town Hall, Castlefield Road, Reigate, Surrey, RH2 0SH

Action tracker - Overview and Scrutiny Committee 2019/20 – Updated 10 March 2020

Meeting 2019/20	Subject and request	Action	Who	When	Completed and Archived
20 Feb 2020	Item 6 – Portfolio Holder Briefing – Place Portfolios	**Supporting local businesses** – it was noted that 37 business support grants worth £36,978 had been awarded since April 2019 to help local businesses. Members asked for a written response giving more detail on how the grants had been used by local businesses.	Request to officers	In progress	
20 Feb 2020	Item 6 – Portfolio Holder Briefing – Place Portfolios	**Borough boundary road signs** – Members referred to the 'Welcome to Reigate and Banstead Borough Council' Borough Boundary road sign on the northern carriageway A217 which needed repairs. Members asked if the Strategic Head of Neighbourhood Services could follow-up this request.	Request to officers	In progress	
20 Feb 2020	Item 6 – Portfolio Holder Briefing – Place Portfolios	**Wildflower verges** – Members asked for more information on the planned wildflower planting sites which would be supplied in a written answer to the Committee.	Request to officers	In progress	
23 Jan 2020	Item 5 – Portfolio Holder Briefings – People Portfolios	**Harlequin theatre** – Members requested information on the box office financial takings.	Request to officers	In progress	

17 Dec	Item 5 – Budget Scrutiny Panel Report: Service and Financial Planning 2020/21	**Trust Funds** – Members asked officers to confirm the actions necessary to gain approval to spend capital sums relating to the Reigate Baths Trust Fund and Commons Trust. Officers to report back with the outcome and options.	Request to officers	In progress	Collection work on the trust documents is on-going and once available they will be reviewed by Head of Legal and Governance.
17 Oct	Item 6 – Portfolio Holder Briefing – Organisation Portfolios	**Procurement** – Members requested sight of the review report of the procurement and contract management processes and its recommendations when completed.	Request to officers	In progress	The review has been carried out and the draft report is underway. A summary will be prepared to share with Members.
17 Oct	Item 9 – Future Work Programme – October 2019	**Projects Reporting** – Members requested further detailed project and programme information to understand the current performance of the major development projects: Marketfield Way, Cromwell Road, Lee Street and Pitwood Park. This followed a written response emailed to Committee Members on 15 October 2019.	Request to officers	Completed	A set of monthly theme dashboards that are shared with Portfolio Holders are now made available to all Members via ModGov intranet Library.