Agenda

Executive

Thursday, 19 November 2020 at 7.30 pm

Remote meeting via video link

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

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

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

Mari Roberts-Wood
Interim Head of Paid Service

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

1. Minutes (Pages 5 - 10)

To approve the minutes of the meeting of the Executive held on 17 September 2020.

2. Apologies for absence

To receive any apologies for absence.

3. Declarations of interest

To receive any declarations of interest.

4. Commercial Strategy (Pages 11 - 30)

Executive Member for Investment and Companies.

5. Appointment to Outside Bodies 2020/21 (Pages 31 - 38)

Leader of the Council.

6. Service & Financial Planning 2021/2022 (Pages 39 - 148)

The Deputy Leader and Executive Member for Finance.

7. Treasury Management Half Year Report 2020/2021 (Pages 149 - 180)

The Deputy Leader and Executive Member for Finance.

8. Council Tax Base 2021/22 (Pages 181 - 186)

The Deputy Leader and Executive Member for Finance.

9. Delegated Authority to Enforce Legal Provisions Relating to Coronavirus, Made Under The Public Health (Control of Disease) Act 1984, Including All Associated and Subsequent Regulations

Report to follow.

10. Statements

To receive any statements from the Leader of the Council, Members of the Executive or the Interim Head of Paid Service.

11. Any other urgent business

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

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

12. Exempt business

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

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

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

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

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

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

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

BOROUGH OF REIGATE AND BANSTEAD

EXECUTIVE

Minutes of a meeting of the Executive held as a Remote - Virtual Meeting on 17 September 2020 at 7.30 pm.

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

Also present: Councillors M. S. Blacker, J. C. S. Essex, N. D. Harrison, S. A. Kulka and S. Sinden.

30. MINUTES

RESOLVED that the minutes of the meeting of the Executive held on 28 July 2020 be approved.

31. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Bramhall.

32. DECLARATIONS OF INTEREST

There were none.

33. DELIVERING CHANGE IN HORLEY TOWN CENTRE

The Executive Member for Place and Economic Prosperity, Councillor Humphreys, introduced the report which sought approval for the scope and funding of the *Delivering Change in Horley Town Centre* programme. The programme would deliver a comprehensive and coordinated set of projects within the Town Centre and was comprised of four complementary projects:

a) The refurbishment of the subway to provide an improved link into the town centre for pedestrians and cyclists
b) Public realm improvements to further improve the look and feel of the High Street, building on the Council's recent investment in the precinct
c) The installation of pay-on-exit parking in two of the Council's main car parks to provide more convenient parking for town centre visitors
d) Work to bring forward the development of the High Street Car Park site to deliver much needed new homes through a mixed-use residential led scheme.

Councillor Humphreys explained that the programme of projects was based on what local stakeholders had said that they wanted in the town. It would deliver the Council's aspirations to invest in its town centres, drive economic prosperity and deliver more affordable homes, as set out in the Five-Year Plan.

In response to a query from a Visiting Member, the Leader of the Council explained that the feasibility study for the development would consider the potential impact on town centre car parking.

RESOLVED:

1) The scope of the Horley Town Centre revitalisation programme as set out in the report be approved.
2) That the programme is progressed in accordance with the key stages as set out in the report.
3) That a total of £600,000 already included in the Council's approved Capital Programme 2020–2025 be allocated to undertake the High Street public realm improvement works in the town centre in accordance with the scope outlined in the report.
4) That a total of £37,600 be approved from the Council's Commercial Ventures (Feasibility Studies) Reserve to progress a feasibility and options study in relation to the development of the High Street Car Park to deliver a mixed-use housing led scheme in accordance with the policy and site allocation set out in the Council's adopted Development Management Plan (funding to be capitalised should the project proceed).
5) That a total of £53,900 is approved from the Council's Capital Programme for the delivery of pay-on-exit car parking at the Victoria Road and Central car parks in accordance with the report.
6) The Head of Place Delivery be authorised in consultation with the Executive Member for Place and Economic Prosperity and Head of Finance to agree provisional budget allocations to (i) progress the High Street Car Park project to planning and (ii) deliver the project within the Capital Programme.
7) The Head of Place Delivery be authorised in consultation with the Executive Member for Place and Economic Prosperity to make the necessary consultancy and contractor appointments to complete the feasibility studies and design development for the Delivering Change in Horley Town Centre programme.
8) The Head of Place Delivery be authorised in consultation with the Executive Member for Place and Economic Prosperity to undertake and complete the procurement, design and management of the works and to enter into any documentation required as part of the workstreams.
9) That the Head of Place Delivery be authorised to enter into all necessary agreements with partners including Network Rail and Surrey County Council in order to undertake works to the public highway and on privately owned structures.
10) That the Head of Neighbourhood Services, in consultation with the Executive Member for Neighbourhood Services, be authorised to enter into a contract for the supply, installation and maintenance of pay-on-exit equipment at the Central Car Park and Victoria Road Car Park.
11) That the Head of Neighbourhood Services, in consultation with the Executive Member for Neighbourhood Services, be authorised to make amendments to the Reigate & Banstead Parking Order (2019) including the placing of advertisements.
12) Following the successful completion of Stage 1 of the High Street Car Park development project and a further report to Executive that the Head of Place

Delivery be authorised to submit a planning application(s) for the redevelopment of the High Street site.

13) That the Head of Place Delivery be authorised to enter into any highway agreements including Section 278 agreements.
14) That the Head of Place Delivery, in consultation with the Executive Member for Place and Economic Prosperity and Head of Finance, be authorised to make any necessary changes to the scope and the funding of the programme provided they it does not require any additional funding from the Council's capital programme.

Reason for decision:

To progress the Delivering Change in Horley Town Centre programme (the Programme), a comprehensive programme of investment that will deliver and unlock maximum benefits for the town centre. The Programme recognises the role of Horley as an important local centre in a strategically important location, and the opportunity that is presented now to accelerate the Council's programme of transformation.

Alternative options: As set out in the report.

34. FIVE YEAR PLAN PERFORMANCE REPORT 2019/20

The Executive Member for Corporate Direction and Governance, Councillor Lewanski, explained that 2019/20 represented the final year of the Reigate & Banstead 2015-2020 Corporate Plan. The plan period had covered a challenging time for the Council, as central funding for local authorities had been taken away, whilst the need to support communities had continued. Despite that context, the plan was ambitious in its goals and was supported by sound financial management, smart ways of working, and dedicated staff.

In response to questions from Visiting Members, the Interim Head of Paid Service undertook to provide more information after the meeting to those Members present, and the Overview and Scrutiny Committee, on:

a) The comparative annual total amount of Community Infrastructure Levy developer contributions, since CIL was introduced in 2016; and
b) Clarification of the outcome for those homelessness applicants that did not secure affordable accommodation as a result of their application.

The report had been noted by the Overview and Scrutiny Committee on 10 September 2020. A new plan for the period 2020-2025 had been adopted, and progress against that plan would continue to be reported annually to the Executive.

RESOLVED: To note the progress during the final year of the Council's 2015-2020 Five Year Plan priorities.

Reason for decision: 2019/20 represented the final year of the Council's 2015-2020 Five Year Plan, which commenced in 2015-16.

Alternative options: As set out in the report.

35. QUARTER 1 2020/21 PERFORMANCE REPORT

The Executive Member for Corporate Direction and Governance, Councillor Lewanski, presented the report on the Council's performance for Quarter 1 2020/21. Of the ten Key Performance Indicators (KPIs) reported, six were on target or within the agreed tolerance. Three KPIs were off target (Red rated) and the Council was unable to report on one indicator.

Of those indicators rated Red, KPI 6 (Net housing completions) and KPI 7 (Net affordable housing completions) were off target and outside of tolerance primarily due to the slowdown in the sector as a result of the COVID-19 pandemic. Contextually, there were over 2,000 housing units under construction within the borough, with over 300 of those being built at an affordable rate.

KPI 10 (Recycling performance), was reported one quarter in arrears, with Quarter 4 2019/20 performance reported as part of Quarter 1. Against a target of 57%, 51.4% had been achieved. This was primarily due to a reduction in garden waste materials collected at the kerbside.

Councillor Schofield, Executive Member for Finance and Deputy Leader of the Council, reported on the Council's Revenue and Capital Budget position for Quarter 1 2020/21 (March to June 2020).

The projected full year Revenue Budget outturn was £24.22m against a management budget of £25.90m, resulting in a forecast underspend for the year of £1.68m (6.5%). The full year Capital Programme forecast was 24% below the approved Programme for the year, the variance was as a result of £30.10m slippage, and a £0.38m net underspend. In response to a question from a Visiting Member, Councillor Schofield explained that unused capital budgets would be rolled forward in order to complete projects.

Councillor Schofield cautioned that due to the COVID-19 pandemic, the Council was incurring costs and income losses that could not have been foreseen. The Government had announced the provision of funding to offset such losses, however the terms and extent of that support remained unclear.

The overall impact on the Collection Fund was particularly challenging to forecast, as many of the expected impacts had been mitigated in the short term through one-off Government support. It would, however, be some time before the longer-term impacts on council tax and business rates income streams could be confirmed. The observations of the Overview and Scrutiny Committee had been circulated and considered by the Executive, and the Leader agreed that the impact on the Collection Fund would continue to be closely monitored.

Councillor Schofield stressed that whilst the Council would work to minimise the impacts of the pandemic, any unfunded costs and income losses would have to be borne by the Council, through use of contingency budgets or Reserves.

In response to questions from Visiting Members, the Leader recognised the impact of the necessary temporary suspension of garden waste collection on overall recycling performance but highlighted that there had been a sustained increase in other forms of recycling. It was encouraging that the recycling provision for flats would continue to be rolled out, when resources allowed, and that there had been

over 500 new requests for garden waste bins, which was indicative of behaviour change amongst residents.

Councillor Knight acknowledged that whilst developers had been cautious in their approach to building affordable housing during the pandemic, the Council had two affordable housing schemes under construction.

RESOLVED to note

1) The Key Performance Indicator performance for Q1 2020/21 summarised in the report and at Annex 1.
2) The revenue full year outturn forecast variance at the end of Q1 2020/21 of £1.68m (6.5%) lower than budget.
3) The potential financial implications to the Council in respect of the COVID-19 pandemic, as set out in the report.
4) The full year Capital Programme forecast at the end of Q1 of £30.48m (24%) below the approved Programme for the year.

Reason for decision: For the Council's performance to be reviewed.

Alternative options:

a) To note the report and make no observations or comments
b) To note the report and make observations or comments to the Head of Projects and Performance and/or Head of Finance.

36. RISK MANAGEMENT - QUARTER 1 2020/21

The Executive Member for Corporate Direction and Governance, Councillor Lewanski, updated the Executive on risk management for Quarter 1 of 2020/21. During the quarter, one new Strategic Risk had been identified - *COVID-19, second wave and/or a local lockdown*. The Executive also noted that there were no Operational Risks that were red rated.

Councillor Lewanski explained that the Audit Committee received an update on risk management at its meeting on 9 September. The Audit Committee felt that SR3 'Local government reorganisation' and SR5 'Organisational capacity and culture' which were rated as Amber in Quarter one, should be rated Red due to the current circumstances surrounding them.

The Leader urged caution around the rating for Local government reorganisation, since there was yet to be sufficient information from the Government to make an adjustment to the risk rating. The Executive would consider the ratings during its preparations for reporting on Quarter 2.

RESOLVED:

1) That the Executive note the Q1 2020/21 update on risk management provided in annex 1.
2) That the Executive approve the new strategic risk identified in Q1 2020/21 (COVID-19: second wave/local lockdown), for inclusion on the strategic risk register.

Reason for decision: In accordance with the Council's risk management strategy, the Executive is required to receive regular updates on risk management.

Alternative options:

a) Note the report and approve the newly identified strategic risk for inclusion on the strategic risk register.
b) Note the report and not approve the newly identified strategic risk for inclusion on the strategic risk register.

37. STATEMENTS

The Leader of the Council was pleased to announce that the Council had secured £180,000 of government funding for emergency accommodation support, as part of the Next Steps Accommodation Programme.

38. ANY OTHER URGENT BUSINESS

There was none.

39. EXEMPT BUSINESS

There was none.

The Meeting closed at 8.16 pm

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SIGNED OFF BY	Commercial and Investment Director
AUTHOR	Catherine Rose, Head of Corporate Policy
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EMAIL	Catherine.Rose@reigate-banstead.gov.uk
TO	Executive
DATE	Thursday, 19 November 2020
EXECUTIVE MEMBER	Portfolio Holder for Investment and Companies

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT	Commercial Strategy: Part 1

RECOMMENDATIONS

That:

(i) The Executive approves the Commercial Strategy: Part 1 at Annex 1.

(ii) The Executive supports the ongoing development of Part 2 of the Commercial Strategy and notes that this will be brought to a future Executive meeting for approval

REASONS FOR RECOMMENDATIONS

Having an approved Commercial Strategy will ensure that the Council takes commercial decisions in a clear, consistent and effective way, and in a manner consistent with corporate objectives and its statutory responsibility to promote economic, environmental and social wellbeing in the borough.

EXECUTIVE SUMMARY

To deliver the Council's corporate priorities, as set out in Reigate & Banstead 2025, we need to generate surplus income which can then be reinvested into providing frontline services for our residents.

The Council's Medium Term Financial Plan (MTFP) identifies the scale of the potential funding gap that the Council is likely to be faced with – as much as over £5.5m within the next five years. It is vital, therefore, that as well as continuing to operate in an efficient way, and providing excellent value for the taxpayer, we also do more to act commercially to generate additional funds.

Following the member task group review of commercial activity in 2018, and the establishment of the Commercial Ventures Executive Sub Committee and a new commercial directorate in 2019, Part 1 of Commercial Strategy at Annex 1 now provides a framework for the Council's future commercial activity.

This 'Part 1' sets out the overarching direction and parameters for the Council's commercial activity. The definitions and principles that it includes, and the categories of activities it sets out, are intended to assist in the understanding of why this Council needs to undertake commercial activity, and how the funding allocated in this year's budget and proposed in next year's budget will be focused. Part 1 of the Commercial Strategy includes a Commercial Activity Action Plan, progress on which it is recommended be reported annually. The Action Plan will support delivery of new income generation opportunities for inclusion in future MTFP forecasts.

Following the agreement of Part 1, Part 2 of the Strategy will be developed, which will provide more detail about the implementation of commercial activity, particularly investment activity. Once developed, the intention is that Part 2 will be regularly updated to take account of market conditions, project progress and corporate financial projections.

As a subsidiary strategy to the Corporate Plan, providing more detail as to how an objective within the Corporate Plan will be implemented, the Executive has the authority to approve the Commercial Strategy. The Strategy has been developed in consultation with Commercial Ventures Executive Sub Committee members.

Executive has authority to approve the above recommendations

STATUTORY POWERS

1. The Localism Act 2011 introduced the General Power of Competence, which allows local authorities to operate more commercially, and undertake a range of different business ventures.

BACKGROUND

2. Since the Council's 2015-2020 Corporate Plan was adopted, the Council has had an ambition to be an increasingly commercial organisation.
3. In 2018, a member task group reviewed the Council's commercial arrangements in place at that time, and recommended a number of changes in approach, including the creation of a new Commercial Ventures Executive Sub Committee (CVESC) and a good practice Framework and Checklist to guide future commercial activity. The CVESC was set up in May 2019.
4. In parallel to this process, a new directorate has been established, headed by the Commercial and Investment Director and supported by staff resources from across the Council. The role of this directorate is to work with the CVESC to formulate, test, agree and progress the Council's commercial activity.

5. In early 2020, the Council agreed its new corporate plan, Reigate & Banstead 2025. The plan sets out the Council's priorities and explains how it will focus its resources and delivery services to those living, working and spending time in the borough.

6. Recognising the financial challenges that the Council is faced with, Reigate & Banstead 2025 includes the objective to "generate additional income and build our financial resilience, in order to sustain services, through responsible and sustainable commercial activities". It explains that the Council will develop a Commercial Strategy to inform its income generation activities.

7. The Commercial Strategy is being presented to the Executive in two parts. Part 1 (considered here) sets out the overarching direction and parameters for the Council's commercial activity, building on the 'funding our services' objective in the corporate plan. It is intended to provide clarity and aid understanding of the definitions and principles that will underpin our commercial activity. It also outlines the organisational priorities that will guide this activity and underpin spending decisions associated with funding allocated in the current 2020/21 and draft 2021/22 budget.

8. Part 2 of the Strategy will be brought to a future Executive meeting. This will focus primarily on the implementation of investment activities and include more detail about decision making criteria, the delivery model available etc. Once developed, the intention is that Part 2 will be regularly reviewed and updated by the CVESC to take account of market conditions, project progress and corporate financial projections.

KEY INFORMATION

The financial imperative to be commercial

9. In recent years, the Council has received no revenue support grant from central government, so its ability to fund the services it provides comes primarily from Council Tax, with some additional funding from a retained portion of the business rates it collects. Further changes to the way central government funds local authorities are anticipated, which make it even more important that the Council continues along the path towards becoming financially self-sustaining.

10. The Council's latest Medium Term Financial Plan (MTFP), published in July 2020, outlines the budget pressures that will need to be addressed by the Council from 2021/22 onwards.

11. The table below, taken from the MTFP, forecasts the Council's budget gap as follows:

	Approved Budget 2020/21	Forecast Budget 2021/22	Forecast Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26
Forecast gap	nil	£1.866m	£3.956m	£4.626m	£5.286m	£5.536m
Annual increase in gap	-	£1.866m	£2.090m	£0.670m	£0.660m	£0.250m
Gap as a % of 2020/21 budget requirement	-	10.1%	21.5%	25.1%	28.7%	30.1%

12. There are various tools at the Council's disposal to reduce the budget gap, but the MTFP identifies maximising our income and commercial activity as key strands of the Council's budget setting activity in future years.

Definition and commercial guiding principles

13. The Council has made considerable efficiency savings in recent years, and continues to look for opportunities to make more. However there is a limit to the extent that such savings can be made without compromising service quality or ceasing to provide locally-valued but non-statutory services. If the Council wishes to deliver its corporate plan ambitions, it also needs to become more commercial.

14. By being commercial, we mean that the Council will seek to generate income to provide a financial surplus, which it will then reinvest in local Council services. To achieve this, more work will also need to be done to create a commercial culture within the Council.

15. The Commercial Strategy (at Annex 1) identifies some fundamental principles that will underpin all the Council's commercial activities:

    a. Principle 1: Our commercial activity will be ethical, and consistent with the Council's statutory responsibility to promote economic, environmental and social wellbeing in the borough, and our corporate objectives

    b. Principle 2: Any commercial decisions will be based on a robust assessment of the business case using consistent criteria (to be detailed in Part 2 of this Strategy), and appropriate due diligence and risk assessment

    c. Principle 3: Surplus income generated through our commercial activities will be used to ensure the financial sustainability of the Council and continued delivery of services for local people.

Commercial activity focus

16. The Commercial Strategy also outlines what the commercial activity focus of the Council will be over the coming years. In summary, this will include:

    a. Becoming more business-like in our day-to-day activities – including the way in which we set fees and charges, how we generate income from selling the (non-statutory) services we provide, and how we undertake procurement and contract management

    b. Increasing capital and revenue returns through our assets and investments – including making best use of our property assets, and investing to generate new sources of revenue income

17. Recognising that the second of these comes with a wide range of associated considerations, following agreement of the Part 1 Commercial Strategy at Annex 1,the Part 2 Strategy will be developed to specifically focus on the Council's future framework for investment and explain in more detail the approach the Council will take. This will include consideration of how changing market circumstances will be monitored and how the Council will balance financial yields and social value considerations as it considers investment opportunities.

A commercial culture

18. The Strategy sets out the role of the Commercial Directorate, the Commercial Ventures Board and the Commercial Ventures Executive Sub-Committee. It will be essential that the organisation continues to ensure that staff and councillors are supported to develop the skills to think and act commercially; and as appropriate, support, training and development opportunities will be provided to relevant officers and members.

19. However, recognising that in some cases the relevant commercial skills may not exist within the Council, external consultants may be commissioned to ensure that our commercial activity is founded on robust evidence and advice.

Monitoring, reporting and review

20. The Part 1 Commercial Strategy at Annex 1 includes a Commercial Activity Action Plan. The Action Plan will support delivery of new income generation opportunities for inclusion in future MTFP forecasts.
21. The CVESC reports annually on the performance of the Council's current companies and will, from 2021, prepare a report explaining the progress that has been made on delivering against this Action Plan, and its Investment Programme. The report will be published on the Council website and reported to the Overview & Scrutiny Committee.
22. The Commercial Strategy is intended to have a lifespan of 3 to 5 years and will be reviewed on an annual basis in conjunction with the MTFP and other supporting strategies. Recognising the current climate of economic volatility and market changes, it is intended that Part 2 of the Strategy will be reviewed and updated more frequently.

OPTIONS

23. Options available to the Executive are:
    a. Option 1: To approve the Commercial Strategy included at Annex 1. This option is recommended. Having an up-to-date strategy in place will ensure clarity and transparency about what the Council is seeking to achieve through its commercial activity, and the processes and governance that it will put in place to achieve these things. It will ensure that clear agreed parameters are in place to inform the ongoing development of Part 2 of the strategy, minimising the risk of potentially abortive work.
    b. Option 2: Not to approve the Commercial Strategy included at Annex 1. This option is not recommended. Reigate & Banstead 2025 commits the Council to having a commercial strategy in place to inform its income generation activities. Delay to the approval of the strategy will constrain or delay the Council's ability to progress with commercial activity, which will impact on the longer-term financial sustainability of the organisation.

LEGAL IMPLICATIONS

24. There are no direct legal implications associated with the approval of the Commercial Strategy, although the Strategy notes that work to review and improve our contract management procedures and practices will help ensure these contribute to our Commercial Strategy.
25. The Strategy explains that any commercial decisions will be based on a robust assessment of the business case and appropriate due diligence. Where the relevant specialist skills do not exist within the organisation, external legal advice may be taken to inform this process.

FINANCIAL IMPLICATIONS

26. Securing a robust financial future for the Council is the objective that is driving the Council's commercial activity, as set out elsewhere in this report.
27. The Commercial Strategy provides more information about the parameters that will guide the Council's commercial investment activity. It is intended to be read in conjunction with the Capital Investment Strategy 2021/22 that was approved by Executive in July 2020 and sets out an overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of council services.
28. A significant constituent of future commercial activities will require investment in capital assets. In setting its budget for 2020/21, the Council agreed to allocate £50 million in the approved Capital Programme towards commercial activities including implementation of the Commercial Strategy and building the required capacity and skills. At that time it was noted that, over the medium term, the scale of investment required would have to further increase if the full budget challenge is to be addressed through commercial activities.
29. At 31 March 2020 the revenue budget also included the allocation of £1.898 million in an earmarked reserve to fund feasibility expenses when developing new commercial opportunities for consideration. This funding helps ensure that business cases are based on sound evidence and that potential risks are quantified before decisions are made.
30. Further information about the budgetary implications of implementation of the Commercial Strategy in future years is set out in the Service and Financial Planning 2021/22 report elsewhere on this agenda.

EQUALITIES IMPLICATIONS

31. Under the Equality Act 2010, we have a duty to have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other prohibited conduct; and advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not share it. This duty applies to all decisions made in the course of exercising the Council's public functions.
32. The Commercial Strategy Part 1 does not have any direct implications for staff, residents or other service users including those with protected characteristics. Rather it sets out broad parameters for the delivery of commercial activity by the Council.
33. The requirement for equality impact to be assessed is incorporated within the Council's Project Management Framework. It will be important that the equality impacts of individual commercial projects are fully considered and that, in developing proposals, consideration is given to how positive impacts can be increased for those with protected characteristics, as well as how negative impacts can be reduced.

COMMUNICATION IMPLICATIONS

34. The Commercial Strategy will be publicly available on the Council's website.

35. No dedicated communications are planned in relation to the Commercial Strategy. However, communications activity may take place in relation to specific commercial activities referenced in the Strategy: this will be considered on a case by case basis.
36. It should be noted that, when consultation was undertaken on the draft corporate plan, references to commercialism prompted concerns among a number of respondents, either because they did not know what the term meant or because they were wholly or partially against a local authority operating commercially.
37. The Strategy at Annex 1 explains in more detail what commercialism means for Reigate & Banstead. However, in communicating about specific commercial activities the Council is undertaking, it will be important that clear explanations continue to be provided about why commercial activity is needed and its purpose (that is, to generate a surplus to reinvest in services for local people).

RISK MANAGEMENT CONSIDERATIONS

38. The future financial sustainability of the Council is an identified risk on the Strategic Risk Register. The risk register recognises that the Council is expecting to be increasingly reliant on income from fees, charges and its treasury and commercial investments. It identifies a range of mitigating action, including ensuring that the Council continues to invest in skills and expertise to support delivery of the Council's financial and commercial objectives while managing associated risks.
39. Organisational capacity and culture is also an identified strategic risk, recognising that remaining an efficient and effective Council will require a continually ambitious organisation and culture, including both officers and members.
40. The Commercial Strategy at Annex 1 recognises these strategic risks and provides information to inform the achievement of controls and implementation of mitigating actions. The Strategy also sets out how risks associated with individual commercial projects and activities will be managed.

OTHER IMPLICATIONS

41. Human Resources: Considerations around embedding a commercial culture within the organisation are set out in paragraphs 16 and 17 of this report and in the Strategy itself. Further information about the resourcing of the commercial directorate are also included in service & financial planning proposals for 2021/22.
42. Environmental: No direct environmental implications have been identified associated with the Commercial Strategy. However it will be important that the environmental implications (positive or negative) of commercial projects and activities are fully considered within business cases and through the decision-making process.
43. Covid-19 pandemic: Whilst no specific implications arising from the current Covid pandemic have been identified for the Commercial Strategy, the experience of recent months demonstrates the need for the Council to take a flexible and evidence-based approach to its commercial activity. The Strategy places the Council in a strong position to continue to do this in the coming months and years.

CONSULTATION

44. The Commercial Ventures Board (comprised of senior Council officers) and members of the CVESC have been consulted as part of the preparation of this strategy. The Overview and Scrutiny Committee is due to consider the Strategy at its December 2020 meeting.

POLICY FRAMEWORK

45. The production of a Commercial Strategy is consistent with the Council's recently adopted corporate plan.
46. As noted in the Financial Implications section, delivery of the Commercial Strategy will continue to be a key consideration in service and financial planning; and provides the long-term solution for this Council to be able to agree a balanced budget year on year.

BACKGROUND PAPERS

1. Commercial Governance Review 2018 – Report to Executive, March 2019: available online at https://reigate-bansteadintranet.moderngov.co.uk/documents/s3542/Commercial%20Governance%20Review%202018.pdf
2. Changes to Executive Sub-Committees – Report to Executive, May 2019: available online at https://reigate-bansteadintranet.moderngov.co.uk/documents/s4815/Commercial%20Governance%20Changes%20to%20Executive%20Sub-Committees.pdf
3. Reigate & Banstead 2025: available online at www.reigate-banstead.gov.uk/rbbc2025
4. Medium Term Financial Plan, July 2020: available online at https://reigate-bansteadintranet.moderngov.co.uk/documents/s9657/Annex%201%20-%20Medium%20Term%20Financial%20Plan%20202122%20to%20202526%20-%20FINAL.pdf
5. Capital Investment Strategy 2021/22: available online at https://reigate-bansteadintranet.moderngov.co.uk/documents/s9659/Enc.%201%20for%20Capital%20Investment%20Strategy%202021 22%20-%20FINAL%20-%20Copy.pdf

Funding our services: A Commercial Strategy

Part 1: What being commercial means for Reigate & Banstead

Contents

1. Executive Summary

1.1 To deliver the Council's corporate priorities, as set out in our new Corporate Plan, Reigate & Banstead 2025, the Council faces tough decisions about funding. To avoid significant increases in Council Tax, the Council is looking to how it can generate surplus income in order that those funds can be reinvested into the provision of frontline services for our residents.

1.2 The Council's Medium Term Financial Plan (MTFP) identifies the scale of the potential funding gap that the Council is likely to be faced with – as much as over £5.5m within the next five years.

1.3 It is vital, therefore, that as well as continuing to operate in an efficient way, and provide excellent value for the taxpayer, the Council looks to do more to act commercially to generate additional funds.

1.4 In doing so, through this Commercial Strategy, the Council is committing to three guiding commercial principles (see section 5):

- **Principle 1:** Our commercial activity will be ethical, and consistent with the Council's statutory responsibility to promote economic, environmental and social wellbeing in the borough, and our corporate objectives as well as in line with all relevant advice and guidance
- **Principle 2:** Any decisions which have a commercial aspect will be based on a robust assessment of the business case using consistent relevant criteria, and appropriate due diligence and risk assessment
- **Principle 3:** Surplus income generated through our commercial activities will be used to ensure the financial sustainability of the Council and continued delivery of services for local people.

1.5 Part 1 of this Commercial Strategy explains more about the commercial activity that the Council is proposing to undertake, how we will embed commercial thinking across the organisation, and how commercial decisions will be taken. It sets out the overall direction and parameters for our commercial activity, building on our Corporate Plan objective.

1.6 Part 2 of the Strategy (to be published following agreement of Part 1) will provide more detail about the implementation of the guiding principles set out above and explained within this Part 1 document, specifically in relation to investment activity.

1.7 We will report annually on our commercial activity progress and keep this strategy under regular review to ensure it remains fit for purpose.

2. Setting the scene

Our Corporate Plan

2.1 In 2020, the Council agreed its new Corporate Plan, Reigate & Banstead 2025[1]. The plan sets out the Council's priorities and explains how we will focus our resources and deliver services to those living, working and spending time in the borough. These priorities include supporting vulnerable residents and local communities, strengthening

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

our local towns and centres, making sure our Reigate & Banstead remains an attractive place to live and moving towards being a more environmentally sustainable borough.

2.2 To deliver the Council's corporate priorities, Reigate & Banstead 2025 includes the objective to "Generate additional income and build our financial resilience, in order to sustain services, through responsible and sustainable commercial activities". Some of the ways the Council will do that are then summarised in the plan (Figure 1).

Figure 1: Reigate & Banstead 2025 extract: Funding our services

To achieve our corporate objective to generate additional income and build our financial resilience, in order to sustain services, through responsible and sustainable commercial activities, we will:

- Develop a commercial strategy to inform our income generation activities
- Expand our Council Tax and Business Rates collection and counter fraud services for other organisations where it makes commercial sense to do so
- Investigate other opportunities to sell or diversify our services and pursue these where supported by a robust business case
- Invest in new property assets or development opportunities in our economic area where these will provide a reliable revenue income stream or longer term capital receipt and help us sustain services
- Use our existing property assets to generate revenue income or capital receipts for the Council, including by bringing some of them forward for development

Funding the services we provide

2.3 The Council carries out a wide range of service and activities which benefit residents, businesses and visitors to the borough. These are the principal purpose of the Council's work and it is with a view to supporting and retaining these services that the Council wishes to formalise its Commercial Strategy.

Figure 2: Services provided by Reigate & Banstead Borough Council

- Waste & recycling collection
- Street cleaning
- Council car parks and parking enforcement
- Council greenspaces and allotments
- Housing Register and homelessness services
- Collection of local taxes and counter-fraud services
- Leisure and community centres and the Harlequin
- Local Plan and planning applications
- Community safety
- Business support
- Licensing and environmental health
- Community development and family support

2.4 We receive no revenue support grant from central government. Our ability to fund the services the Council provides comes primarily from Council Tax, with some additional funding including from some money we are able to retain from the business rates that we collect.

Figure 3: A note about Council Tax

Reigate & Banstead Borough Council collects Council Tax on behalf of a number of organisations, including Surrey County Council and the Surrey Police & Crime Commissioner. Of the Council Tax we collect, we are able to retain around 11.5% for spending on Borough Council services (see Figure 2). In 2020/21, this is equivalent to around £232.46 per year for the average household. Nonetheless, Council Tax represents a significant source of funding for the Council (approx. £14m in 2020/21). The amount we are able to increase our share of Council Tax is subject to restrictions by the government, for example, in 2020/21 increases were limited to 1.99% or £5 unless a referendum demonstrates local support for a higher level of increase.

2.5 It is the Council's aim to become financially self-sustaining; this means that the Council would not to need to rely on income from central government to provide our services. Instead we want to generate more income ourselves through responsible and sustainable commercial activities. This will ensure we are in a robust financial position and will be able to continue to deliver the services that local residents and businesses need.

2.6 This Commercial Strategy provides more detail about how we will deliver the "Funding our Services" Corporate Plan objective; and use commercial activity to deliver a financial return to help fund the services we provide within the borough.

2.7 As a public body, it is important that we are transparent about our commercial strategy and the commercial decisions that we take, and that any such decisions are consistent with (and do not undermine) our statutory functions. Central to our commercial approach is therefore that we will consider all commercial investment in the context of our responsibility to promote economic, environmental and social wellbeing in the borough.

3. The scale of the funding challenge

3.1 Every year, the Council publishes a Medium Term Financial Plan (MTFP), looking forward five years[2]. This document sets out the scale of the challenge for this Council in terms of reaching the goal of being financially self-sustaining.

3.2 The 2021/22-2025/26 MTFP published in July 2020 outlines the budget pressures that will need to be addressed by the Council from 2021/22 onward, including:

a. Making budget provision for future pay and pension increases
b. Budgeting for the costs of approved borrowing to fund planned Capital Programme commitments
c. The impacts of further government funding reductions anticipated in 2022/23
d. Revenue and capital budget growth to deliver priorities in the Corporate Plan; and
e. The ongoing impacts of the COVID-19 pandemic, for example forecast reductions in income.

3.3 Taking all of this into account, the MTFP forecasts the Council's budget gap as follows:

[2] The MTFP is agreed by the Executive annually. The 2021/22 to 2025/26 MTFP is available at https://reigate-banstead.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=1413&Ver=4

Figure 4: MTFP Forecast Revenue Budget Gap (July 2020)

	Approved Budget 2020/21	Forecast Budget 2021/22	Forecast Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26
Forecast gap	nil	£1.866m	£3.956m	£4.626m	£5.286m	£5.536m
Annual increase in gap	-	£1.866m	£2.090m	£0.670m	£0.660m	£0.250m
Gap as a % of 2020/21 budget requirement	-	10.1%	21.5%	25.1%	28.7%	30.1%

3.4 There are various tools at the Council's disposal to reduce the budget gap, but the MTFP identifies maximising our income and commercial activity as being key strands of the Council's budget setting activity in future years.

3.5 For this reason, funding is and will continue to be allocated within the Council's annual budget to support commercial activity. In 2020/21 this included:

a. The Feasibility Studies (Commercial Ventures) reserve, established to ensure that funding is available to prepare business cases and obtain professional advice for new initiatives designed to deliver new sustainable income streams; and
b. A Capital Programme allocation of £50m for commercial investment.

4. What do we mean by 'becoming more commercial'?

4.1 As outlined above, we want to become a financially self-sustaining Council. This will mean that we will not have to rely on any funding from central government. We consider that this will be essential to mitigate the very real risk that, in the future, financial support from central government will be withdrawn completely.

4.2 In theoretical terms, to become financially self-sustaining we either need to reduce what we spend on service provision, or generate income to continue to fund the services we provide.

4.3 In practical terms, we need to do both.

4.4 The Council has made considerable efficiency savings in recent years and continues to look for opportunities to make more. However there is a limit to the extent that such savings can be made without compromising service quality or ceasing to provide locally valued but non-statutory services.

4.5 Therefore, if we wish to continue to deliver on our Corporate Plan ambitions, we also need to become more commercial.

4.6 By 'being commercial' we mean we will seek to generate income to provide a financial surplus which we will then reinvest into local Council services. To do this we will need to continue the work to grow the commercial culture within the Council (which includes both officers and members) by encouraging skills and behaviours that support a positive approach to commercial work and to delivering our commercial strategy.

5. Commercial Activity Principles

5.1 There are some fundamental principles that we are setting to underpin all our commercial activities. In setting and applying these principles, there can be reassurance that any commercial activity that is undertaken by the Council is done so in a way that is consistent with our statutory roles and responsibilities and our adopted Corporate Plan.

a. **Principle 1:** Our commercial activity will be ethical, and consistent with the Council's statutory responsibility to promote economic, environmental and social wellbeing in the borough, and our corporate objectives as well as in line with all relevant advice and guidance

b. **Principle 2:** Any commercial decisions will be based on a robust assessment of the business case using consistent criteria (as detailed in Part 2 of this Strategy), and appropriate due diligence and risk assessment

c. **Principle 3:** Surplus income generated through our commercial activities will be used to ensure the financial sustainability of the Council and continued delivery of services for local people.

5.2 In relation to capital investment, these principles will be applied in addition to any other principles set out in the Council's Capital Investment Strategy.

6. Generating income to provide a financial surplus

6.1 There are a range of ways in which the Council can generate income, in addition to its ability to collect Council Tax. Section 10 of this Strategy provides more information about the activity that we will undertake to generate income to provide a financial surplus.

Becoming more business-like in our day to day activities:

Setting fees and charges

6.2 The Council collects fees and charges for a range of services. Some of these are statutory and/or the Council has no discretion over *whether* to collect them or the level of the fee or charge.

6.3 There are however some fees and charges where the Council does have discretion to set the terms of collection and the collection amount. In these instances, it is important that the Council fully recovers its costs for providing the service, promptly raises the monies due and minimises the levels of arrears and debt write offs.

6.4 The Council's Fees and Charges Policy[3] sets a framework for the review of existing charges or any new charges proposed. It explains in more detail the legislation that exists that governs the Council's ability to charge and generate income. As part of the commercial work, that Policy and its implementation is currently being reviewed. The outcomes of that review are expected to be published in early 2021.

[3] Latest version at the time of writing available at https://reigate-banstead.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=1404&Ver=4

6.5 One aspect of our commercial strategy is therefore to ensure that our approach to setting fees and charges reflects the need for the Council to become more commercial and cover its costs.

Generating income from selling the services we provide to other organisations or new customers

6.6 The Localism Act 2011 introduced the General Power of Competence, which allows local authorities to operate more commercially, and undertake a range of different business ventures.

6.7 The Council already generates income from discretionary services it provides (such as garden waste collection) and through selling its expertise to other public sector organisations (for example, undertaking fraud investigation for other local authorities)

6.8 An important strand of our commercial strategy is to continue to explore opportunities to maximise the trading and income generation opportunities from our services, whilst retaining our high quality core and statutory service offer. There are a range of different delivery models which the Council can use to undertake service trading activities, including (but not limited to) the creation of Local Authority Trading Companies.

Procurement and contract management

6.9 A further opportunity for the Council to become more business-like in its day-to-day opportunities is through the letting of contracts and the procurement of services. This has the potential to enable (for example) added value, economies of scale, reduced costs or more favourable terms.

6.10 The Council's ongoing work to review and improve our procurement and contract management procedures and practices will help ensure these contribute to our commercial strategy.

Increasing capital and revenue returns through our assets and investments:

Making best use of our property assets

6.11 The Council owns a number of property assets, including operational buildings and public spaces, and buildings that it rents out to community users or commercial tenants. We publish a register of the assets that we hold on the Council website[4] along with an Asset Management Strategy.

6.12 We can take a commercial approach to using these assets in a variety of ways, including:

a. Ensuring that space within operational Council buildings is used efficiently, and where space is not needed for operational uses options to rent it out are explored
b. Making sure that our commercial leases are well-managed and our commercial rents reflect market rates
c. Disposing of assets which no longer make commercial sense for the Council to retain
d. Bringing forward property assets for redevelopment to deliver corporate priorities, investing our capital to deliver improved income generation.

[4] https://www.reigate-banstead.gov.uk/info/20089/land_and_property/275/asset_management

6.13 The Council is undertaking a review of its property assets and asset management approach to ensure that our property portfolio helps contribution to our commercial strategy.

Investing to generate new sources of revenue income

6.14 The Council is also able to invest in new sources of revenue income. This could be property assets, or other income generating opportunities.

6.15 Some general principles to guide our investment activity are already set out in the Council's Capital Investment Strategy[5]. This includes how risks will be assessed and value for money secured.

6.16 Recognising that this aspect of our commercial strategy comes with a wide range of associated considerations, Part 2 of this Commercial Strategy will focus specifically on our future framework for investment and explains in more detail the approach we will take as we implement our strategy, including how a balance will be struck between financial yields and social value considerations.

7. Building the commercial culture

7.1 If the Council is to successfully deliver on its commercial objectives and the actions and priorities set out in this strategy, it is essential that a commercial culture is embedded within the organisation at necessary points.

7.2 This means ensuring that staff and councillors understand the Council's commercial objectives and are able to support them through their day to day work and decision making. It also means ensuring that the Council has the skills and resources available to make delivery of our commercial strategy a success.

7.3 A lot of work has already been done in this area, but it is important that it continues.

The Commercial Directorate and the Commercial Ventures Board

7.4 In support of the Council's commercialism agenda, a new directorate within the Council has been established, headed by the Commercial and Investment Director, and supported by staff resources from across the Council.

7.5 Together this team has developed this Commercial Strategy and will be responsible for its implementation. This will include:

a. Aligning the Council's commercial work with corporate objectives including place shaping, delivering social value and environmental sustainability
b. Promoting business awareness within the Council
c. Developing and creating new commercial opportunities for the Council
d. Determining how commercial projects are managed and reported on a standard basis to ensure clear and correct governance
e. Continuing to develop, maintain, record and update the Council's investment framework and clear criteria on which the Council will make commercial decisions
f. Baselining and reporting on the performance of current assets
g. Coordinating business planning and financial modelling to assist in achieving a balanced and agile portfolio of investments

[5] See https://reigate-banstead.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=1413&Ver=4

h. Engaging with external agents in relation to the types of development opportunities the Council wants to explore
i. Providing advice to decision makers on opportunities to improve, develop or redevelop assets to ensure asset value is retained or increased
j. To monitor and report on risks, conflicts and performance indicators to ensure procurement and governance compliance

7.6 To ensure strategic oversight within the organisation (and mirroring the governance structure (see Section 8)) a Commercial Ventures Board (CVB) has been established to allow relevant senior Council officers to review, input into and monitor the delivery of commercial activities. The Commercial Ventures Board supports the operation of, and decision-making by, the Council's formal governance structures.

7.7 The Commercial directorate (via the CVB or other means) may also provide advice in relation to non-commercial projects being progressed by other directorates as to potential commercial opportunities arising from such projects.

Project and risk management

7.8 The Council has a well established project management framework. This, in addition to our Commercial Governance Framework and Checklist (see Section 8) will be used to ensure that commercial projects are:

a. Properly planned, controlled and managed to achieve their objectives
b. Appropriately prioritised so that the Council's resources are used effectively
c. Have the right visibility and levels of approval within Council governance groups; and
d. Support the Council's corporate objectives

7.9 Risk assessment and control/management is an inherent part of the Council's project management framework, with risk assessed at the project inception stage and risk registers maintained and regularly reviewed throughout project delivery. Part 2 will provide more information about how risk will be assessed in relation to commercial investment decisions.

Supporting staff and councillors to think and act commercially

7.10 Acting commercially is not new for the Council, which has been undertaking income generating activity for a number of years.

7.11 However, it is important that the organisation continues to ensure that staff and councillors are supported to develop the skills to think and act commercially. To do this, and to assist in the development of this strategy, we will provide support, training and professional development opportunities to relevant officers and members as required.

7.12 Embedding commercial thinking, along with the other measures outlined in this section, will ensure that for all projects (even where income generation is not the primary driver) the potential to generate commercial benefits is considered from the outset along with the delivery of other commercial objectives.

Use of external expertise

7.13 Whilst supporting staff and councillors to operate more commercially is a central part of our commercial strategy, we recognise that in some cases the relevant commercial skills may not exist within the Council.

7.14 Where this is the case, the Council will commission expert external support to ensure that its commercial activity is founded on robust evidence and advice. This could include (but may not be limited to) legal, financial and property market advice. Where possible, this external expertise will be sought on a partnership basis to help secure added value and contribute to the building of further organisational capacity.

Funding the development of robust business cases

7.15 Recognising the central importance of robust background work to fully test potential commercial opportunities, the Council has established – through its budget setting process – a Commercial Ventures Feasibility Reserve specifically to aid in the development of business cases for new initiatives designed to deliver additional sources of funding. This reserve can be accessed by services across the organisation to help develop commercial propositions.

Communicating our commercial strategy

7.16 Acting commercially to generate income streams to fund Council services is a central part of our Corporate Plan. However, we recognise that there are challenges around communicating our need to operate commercially and explaining how this relates to our core responsibility to deliver important statutory and non-statutory services for local residents.

7.17 It will be essential that – in communicating about specific commercial activities that the Council is undertaking –clear explanations continue to be provided about why commercial activity is needed, and its purpose and the local benefits that it secures.

8. Governance and decision making

8.1 The Council's Corporate Plan highlights the importance of transparency when it comes to the commercial decisions that the Council takes.

8.2 The Council is in the process of establishing robust governance and decision making structures that ensure that commercial decisions are evidence-based, clearly justified and undertaken in a transparent and accountable way.

Commercial Ventures Executive Sub Committee

8.3 In 2019, the Commercial Ventures Executive Sub Committee (CVESC) was set up to monitor the performance of, and take decisions on, the Council's existing and potential commercial ventures and other investments.

8.4 Comprised of a minimum of three members, including the Leader, Deputy Leader and Executive Members with responsibility for Finance and Investments it meets regularly to take decisions on commercial projects.

8.5 It also exercises the shareholder function of the Council with regard to its existing and future companies (see below) and is authorised to agree the incorporation and winding up of companies.

8.6 Further information about the work of the CVESC can be found in the Committees section of the Council website[6].

[6] https://reigate-banstead.moderngov.co.uk/mgCommitteeDetails.aspx?ID=328

Commercial Governance Framework

8.7 In 2018, a member task group reviewed the Council's commercial arrangements in place at that time and recommended (along with the establishment of the CVESC) use of a Commercial Governance Framework to assist the Council's commercial decision making.

8.8 This framework[7], and the accompanying checklist, is used by the CVESC to ensure that a transparent and structured approach is taken to the initiation, planning, execution and closure of commercial projects.

Council-owned companies and other commercial entities

8.9 The Council currently has interests in three companies; Greensand Holdings, Horley Business Park Development LLP and Pathway for Care Ltd. The CVESC exercises the function of the Council as shareholder or partner in relation to these companies and will do so for any other commercial entities established by the Council (alone or in partnership) in the future.

8.10 As part of delivering this Commercial Strategy, a review is being undertaken of the Council's current company structures and planned future activities to ensure that it is fit for purpose. This will include advice on suitable tax and accounting arrangements. Part 2 of the strategy will provide more information about the delivery models available to the Council.

9. Monitoring and review

Monitoring and reporting progress

9.1 Section 10 of this Part 1 Commercial Strategy presents our Commercial Activity Action Plan. This action plan will be kept under review by the Commercial Ventures Board and Commercial Ventures Executive Sub Committee.

9.2 Part 2 of this Strategy will include our Investment Programme, which will provide more detailed information about the investment opportunities that the Council will seek to explore and (as appropriate) progress.

9.3 The Commercial Ventures Executive Sub Committee reports annually on the performance of the current companies and will, from 2021, prepare a report explaining the progress that has been made on delivering the Commercial Activity Action Plan and the Investment Programme. This report will be published on the Council website.

Review of our Commercial Strategy

9.4 This Part 1 Commercial Strategy is intended to have a lifespan of three to five years. Recognising that economic volatility and market changes are an inevitability, we will consider annually whether a review of the Part 1 Strategy is required. Part 2 of the Strategy, and documents in support of our commercial investment, will be reviewed more frequently to ensure that decisions are made in light of up to date local information and intelligence.

[7] Adopted in response to the 2018 Commercial Governance Review – see https://reigate-banstead.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=223&Ver=4

10. Commercial activity action plan

Theme	Activity	Timeframe
Becoming more business-like in our day to day activities:		
Setting fees and charges	Implement review of fees and charges and update policy	2020/21
	Implement updated fees and charges policy	Q1 2021
Generating income from selling the services we provide to other organisations or new customers	Continue to explore opportunities to maximise income from selling our revenues, benefits and fraud investigation services	By Q1 2021
	Explore other opportunities for income generation	Q2 2021 onwards
Procurement and contract management	Expand skills and resources within the Council	2020/2021
Increasing capital and revenue returns through our assets and investments:		
Making best use of our property assets	Evaluate and rebase current holdings	Ongoing
Increasing skills and resources within the Council	Exploring partnering opportunities	Ongoing
Investing to generate new sources of revenue income	Implementing robust investment criteria and maintaining an update understanding of market yields to ensure appropriate opportunities are explored and that a balanced portfolio is maintained – further information to be provided in Part 2 of this strategy	Ongoing
Developing a commercial culture		
Transformation work and appropriate recruitment	Review additional necessary steps following roll-out of the revenues, benefit and fraud investigation services	Q2 2021
Governance and decision-making		
Implement effective holding structure	Ensure efficient structure in place for planned and current activities	2020/2021
Annual approval of business plans for Council subsidiaries	Member and officer training to ensure business plans are robust and well considered	2021

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

SIGNED OFF BY	Head of Legal and Governance
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TO	Executive
DATE	Thursday, 19 November 2020
EXECUTIVE MEMBER	Leader of the Council

KEY DECISION REQUIRED	No
WARDS AFFECTED	(All Wards);

SUBJECT	Appointment to Outside Bodies 2020/21

RECOMMENDATIONS

(i) To appoint representatives to serve on the outside bodies listed within the schedule of nominations for contested vacancies, set out in Annexe 1, for

- **Age Concern (Merstham, Redhill and Reigate)**
- **Borough of Reigate and Banstead Arts Council**
- **Gatwick Airport Consultative Committee (GATCOM) & GATCOM Steering Group**
- **Surrey Hills Board**

for the period listed in Annexe 1

(ii) **To note the vacancies, set out in Annexe 1, for the Discretionary Relief Panel, Horley Town Management Group, YMCA East Surrey Children and Young People's Advisory Group, and YMCA East Surrey Health and Wellbeing Advisory Group**

REASONS FOR RECOMMENDATIONS

To ensure that the Council is represented on a range of organisations and bodies working with the community and Borough.

EXECUTIVE SUMMARY
The Council appoints representatives to serve on numerous outside bodies, including local community stakeholders and regional and national organisations. The Council shares a mutual interest in supporting and delivering public services for residents with the organisations. Where the number of nominations exceeds the number of vacancies, these appointments are determined by the Executive. There are a number of vacancies for the current municipal year which are either contested or still vacant following the nominations process. These are listed in Annexe 1.
Executive has authority to approve the above recommendations.

STATUTORY POWERS

1. Representation on outside bodies is made in accordance with the Local Government Act 1972 and the Local Government Act 2000.

BACKGROUND

2. Appointed representatives perform an important role in engaging with these organisations; building strong relationships between the Council and its partners; and helping to inform policymaking by feeding back information on local needs and best practice.
3. Nominees for uncontested vacancies were duly appointed by the Head of Legal and Governance on 26 October 2020 under delegated authority arising from 1.14 of the Officer Scheme of Delegation within the Council's Constitution. The decision notice is available on our website.
4. Appointments where the number of nominations exceeds the number of vacancies are referred to the Executive for determination. There are a number of vacancies for the current municipal year which are either contested or vacant following the nominations process. These are listed in Annexe 1.
5. Group Leaders have recommended that, where possible, these appointments will be made until the end of the 2021/22 municipal year. This is to provide an extended appointment period for members which will ensure their engagement with these organisations over the next 18 months.

KEY INFORMATION

Considerations when determining appointments

6. Appointments to outside bodies are made irrespective of political allegiance to ensure that the most suitable applicant is selected having regard to the requirements of the appointment, applicable local knowledge, skills and the attributes of the nominees.
7. In some cases, an organisation may have expressed a preference for nominees within a specified ward area; or nominees with particular skills or knowledge to fulfil

the role effectively. Following a review of the Council's records with each of the outside bodies concerned, this information is included (if known) within Annexe 1.

OPTIONS

8. **The Executive may appoint any combination of nominees listed within the schedule at Annexe 1**

   This is recommended to ensure that the Council remains represented on a range of organisations and bodies working with the community and Borough.

9. **The Executive may ask officers to seek new nominations; or**

   This is not recommended where the number of nominees already exceeds the number of vacancies, as this would delay the appointment of representatives.

10. **Not to appoint any representatives.**

    This is not recommended as it would:

    - harm the reputation of the Council; and
    - lead to a loss of engagement with local community stakeholders and regional and national organisations with whom the Council shares a mutual interest in supporting and delivering public services for residents.

LEGAL IMPLICATIONS

11. Representatives appointed to serve on an outside body may be expected to act as a trustee and their conduct may be regulated by the Trustee Act 1925 / 2000, if applicable and relevant Charity Law.
12. Appointed representatives will therefore need to consider whether their appointment(s) could lead to a conflict of interest with their membership of the Council and its committees; and, whether to update their information on the Council's Register of Interests.

FINANCIAL IMPLICATIONS

13. There are no direct financial implications arising from this report. Those Members formally appointed to external organisations as the Council's representative are able to claim expenses in accordance with the Members' Allowance Scheme. These costs can be met from existing resources.

EQUALITIES IMPLICATIONS

14. It is important that appointments to outside bodies are made by the Council in a fair and representative way best suiting the interests and diversity of Borough residents. The individual merits of each nominee should therefore be considered against the requirements of each organisation (if specified).
15. Due to the sensitive nature of the services supported by some of these organisations, they may express a preference that an appointed representative is of a particular gender.

COMMUNICATION IMPLICATIONS

16. None.

RISK MANAGEMENT CONSIDERATIONS

17. None.

OTHER IMPLICATIONS

18. None.

CONSULTATION

19. A review of the Council's register of outside bodies was conducted in April 2020 to confirm the details of any vacancies.
20. Group Leaders were provided with details of these vacancies and given the opportunity to make nominations.
21. All remaining contested vacancies which could not be resolved in consultation with the Group Leaders are referred to the Executive for determination.

POLICY FRAMEWORK

22. None.

BACKGROUND PAPERS

- Officer Delegated Decision – "Appointments to Outside Bodies 2019/20 – Uncontested Vacancies", 26 October 2020: https://reigate-banstead.moderngov.co.uk/ieDecisionDetails.aspx?ID=760

Annex 1 – Contested Appointments and Vacancies
Outside Bodies Appointments 2020

Outside Body	Purpose of Organisation	Community Partnerships Information	Number of positions held on Outside Body	Eligibility/Skills required by appointed member	CONSERVATIVE PARTY NOMINATIONS	GREEN PARTY NOMINATIONS	RESIDENTS' ASSOCIATION NOMINATIONS	LIBERAL DEMOCRATS NOMINATIONS	2020/21 Nomination (s)	2020/21 Substitute (s)
Age Concern (Merstham, Redhill & Reigate)*	To help older people to live independently in their own homes for as long as they wish; to help overcome social isolation and loneliness and to help them live life to the full; and to work towards improving opportunities for older people in order to enable them make a valued contribution to the local community.	Age Concern Merstham Redhill and Reigate are one of the Councils 7 commissioned organisations. They will receive £15,000 funding for 2020/21. They have 7 members of staff and are part of the Older People's Sector Strategy group planning how the elderly can better be served. The Community Partnerships team have a close relationship with all main contacts and would be able to support with any question's members have.	1 for the period 2020/21 and 2021/22	Knowledge of issues affecting older people, experience and understanding of older people, broad knowledge base of council processes, fundraising skills an advantage.	**Councillor Kelly**	**Councillor Sinden**	None	None	**Contested**	Permitted
Borough of Reigate and Banstead Arts Council*	The Borough of Reigate & Banstead Arts Council is a voluntary charitable body whose principal role is to promote all aspects of the Arts in the Borough. Committee members include representatives from local arts groups plus members and officers from the local council.	None	1 for the period 2020/21 and 2021/22	None	**Councillor Horwood**	**Councillor Brown**	None	None	**Contested**	None
Gatwick Airport Consultative Committee (GATCOM) & GATCOM Steering Group	To provide a Forum for local people, businesses, other stakeholders and the aviation industry to discuss matters of mutual concern, and to seek a balance between the various interests and the essential needs of air transport. GATCOM Steering Group reports to the Consultative Committee.	None	1 + Deputy for the period 2020/21 and 2021/22	Executive Member preferred; General interest in the aviation industry and associated environmental issues	**Councillor Horwood** **Councillor Biggs (Deputy)**	**Councillor Essex**	None	None	**Contested**	1 permitted

Outside Body	Purpose of Organisation	Community Partnerships Information	Number of positions held on Outside Body	Eligibility/Skills required by appointed member	CONSERVATIVE PARTY NOMINATIONS	GREEN PARTY NOMINATIONS	RESIDENTS' ASSOCIATION NOMINATIONS	LIBERAL DEMOCRATS NOMINATIONS	2020/21 Nomination (s)	2020/21 Substitute (s)
Surrey Hills Board	The Surrey Hills Board consists of Core (funding) and Advisory (non-funding) members consisting of representatives from local authorities, public bodies and agencies, landowners, land managers and farmers, and other special interest groups. The Board was established in 2008 with the main purpose of; helping to conserve and enhance the landscape, promote public understanding and enjoyment and to strengthen the rural economy of the Surrey Hills area. The Surrey Hills Board have a key responsibility for overseeing the promotion and implementation of the Management Plan policies.	None	1 for the period 2020/21 and 2021/22	To represent the interests of the local authority on the Board, and be able to represent the interests of the Board within Reigate & Banstead BC.	**Councillor Absalom**	**Councillor McKenna**	None	None	**Contested**	1 permitted
Discretionary Rate Relief Panel	Panel is for settling appeals - not for determining the relief decision.	None	5 for the period 2020/21 and 2021/22	None	Councillors Knight, Lewanski, Schofield, Turner	None	None	None	**Vacancy (1)**	N/A
Horley Town Management Group	To provide an integrated approach to coordinate, and so carry out more efficiently, many of the tasks that a wide range of individuals, bodies and authorities carry out in town centres. To improve the attractiveness of town centres, to capitalise on their natural assets, and to provide a forum for dealing with problems.	None	Up to 3 for the period 2020/21 and 2021/22	Horley Ward Members	Councillor Lynch	None	None	None	**Vacancy (2)**	1 permitted

Outside Body	Purpose of Organisation	Community Partnerships Information	Number of positions held on Outside Body	Eligibility/Skills required by appointed member	CONSERVATIVE PARTY NOMINATIONS	GREEN PARTY NOMINATIONS	RESIDENTS' ASSOCIATION NOMINATIONS	LIBERAL DEMOCRATS NOMINATIONS	2020/21 Nomination (s)	2020/21 Substitute (s)
YMCA East Surrey Children and Young People's Advisory Group (new Group - merge of the Children's Services and Youth Services Sub Committees)	The Children and Young People's Advisory Group is accountable to the Board of Management and provides support and strategic direction for the Association's work with children up to the age of 12, young people aged 13 – 19 and children with disabilities or complex needs, up to the age of 30. Key areas of work include short breaks for children and young people with disabilities, universal out of school child care, youth work , early help, family centre work, sports and physical activity schemes and counselling.	RBBC work with YMCA youth services via Get Connected, JAG and other community safety groups/initiatives. The YMCA are very engaged with community development (CD) networks and we have worked together on projects to target areas of youth ASB. There are strong relationships with Community Safety and Community Development. There is also a strong link with the Wellbeing and Intervention team. Tracey Agnew in Community Development is working with the YMCA on a large scale bid to the National Lottery for youth work across the Borough as a response to the Get Connected Work. RBBC supported a bid for training for volunteers which the YMCA are providing (again through Get Connected). In the past we have supported Heads Together (the YMCA youth counselling service).	1 for the period 2020/21 and 2021/22	An understanding of the issues facing vulnerable young people with experience of working with this age group desirable.	None	None	None	None	**Vacancy**	1 permitted

Outside Body	Purpose of Organisation	Community Partnerships Information	Number of positions held on Outside Body	Eligibility/Skills required by appointed member	CONSERVATIVE PARTY NOMINATIONS	GREEN PARTY NOMINATIONS	RESIDENTS' ASSOCIATION NOMINATIONS	LIBERAL DEMOCRATS NOMINATIONS	2020/21 Nomination (s)	2020/21 Substitute (s)
YMCA East Surrey Health and Wellbeing Advisory Group (formally Adult Services Sub Committee)	The Health and Wellbeing Advisory Group is accountable to the Board of Management and provides support and strategic direction for the Association's work with adults. Key areas of work include health and wellbeing for both universal and targeted clients including those with ongoing health conditions, disabilities and rehabilitation for those recovering from strokes and heart conditions.	The YMCA Adult committee brings together stakeholders to help inform and guide the strategic development of the offer of services to adults across the borough. They have developed a strong offer of sports and leisure services and a number of health and wellbeing services for adults including social prescribing and rehabilitation support after serious illness and surgery. In 2020/21 Community Partnerships have provided East Surrey YMCA with £2833 medium grant contribution towards the cost of a Disability Sports Coordinator, that will increase the number of disabled adults engaging in inclusive sport. In addition, Community Partnerships have provided a £2000 small grant to support a walking for health project to help adults engage in exercise, especially those recovering from serious illness.	1 for the period 2020/21 and 2021/22	An understanding of the Health and wellbeing requirements for the community both in universal fitness and targeted work with any experience working in these fields desirable.	None	None	None	None	**Vacancy**	1 permitted

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

SIGNED OFF BY	Interim Head of Finance
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TO	Executive
DATE	Thursday, 19 November 2020
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance

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

SUBJECT:	**SERVICE & FINANCIAL PLANNING 2021/22, INCLUDING COUNCIL TAX POLICY CHANGE**

RECOMMENDATIONS:

(i) That the national and local policy context (Annex 1) be noted.

(ii) That the service proposals set out in this report which seek to respond to this context and deliver our corporate priorities, be endorsed.

(iii) That the draft business plans for 2021/22 to 2023/24 be approved, and that Heads of Service be authorised to finalise the plans for their service areas, in consultation with the relevant Portfolio Holders.

(iv) That the following be approved for consultation under the Council's budget and policy framework:

a) Medium Term Financial Plan Summary (Annex 2)

b) Revenue Budget Savings and Additional Income proposals totalling (£2.094) million (Annex 3)

c) Revenue Budget Growth proposals totalling £0.812 million (Annex 3)

d) Forecast ongoing income budget pressures in 2021/22 as a consequence of the COVID-19 pandemic totalling £1.610 million (Annex 2)

e) Capital Programme Growth and Reprofiling proposals resulting in a net reduction in the five-year Capital Programme of (£0.286) million (Annex 4)

f) Revenue Reserve Balances at 1 April 2020 of £35.391 million (Annex 6.1)

(v) That the Fees & Charges Policy (Annex 5) be approved.

(vi) That the Reserves Policy (Annex 6.2) be approved.

(vii) That the Medium Term Financial Plan forecast for 2022/23 onwards (Annex 2) and proposed actions to address the forecast revenue budget gap be noted.

(viii) That the modified housing benefit schemes, whereby prescribed war disablement pensions and war widow's pensions are disregarded, be continued.

(ix) That the Executive recommends to the Council the adoption of a new council tax policy to apply a 300% council premium for properties that have been empty for more than 10 years with effect from 1 April 2021.

REASONS FOR RECOMMENDATIONS:

Recommendations (i) to (vii): To ensure that the Council continues to plan and manage its resources well, deliver high standards of service and meet the aims and objectives of its corporate plan for 2020-2025.

Recommendation (viii) and (ix): To ensure that council tax and housing benefits policy supports delivery of Council objectives.

EXECUTIVE SUMMARY:

The primary objectives of the service and financial planning process are to ensure that the Council continues to be financially sustainable, and that we are able to effectively deliver our services and corporate priorities.

Reigate & Banstead Borough Council is recognised as being a leading local authority that delivers high quality services.

Our five year corporate plan looks to build on and further develop the work we have been doing, as well as expanding our efforts to support environmental sustainability, affordable housing and the wellbeing of our residents.

As always, we are seeking to ensure that the borough remains a great place to live and work, and to maintain and improve the quality of our services, all whilst securing savings and investment to remain financially sustainable.

The Council's Medium Term Financial Plan (MTFP) was updated and reported to Executive in July 2020. It covered:

- Objectives and priorities for the 2021/22 budget

- Context to budget-setting, including updates on the national economic forecast, local government funding, Corporate Plan priorities and specific factors to be taken into account when developing budget proposals for 2021/22
- Key budget information, including the 2019/20 budget outturn position, current year budgets and forecast new budget pressures and saving opportunities
- Updates on the capital programme and treasury management
- Information about the service and financial process and budget-setting timetables
- A summary of budget risks and sensitivities and how they will be managed.

Updated MTFP forecasts are presented in this report (Annex 2)

The supporting Reserves and Fees & Charges policies are presented once again for approval.

The Council no longer receives Revenue Support Grant from Government and faces the prospect of a forecast reduction in retained business rates, resulting in significant financial pressures over the medium term.

The Revenue Budget for 2020/21 that was approved in February 2020, was agreed before the impacts of the COVID-19 pandemic on the UK became apparent. It does not therefore consider the significant additional financial impacts that are now faced during 2020/21 on service income and expenditure budgets and on Collection Fund income forecasts for council tax and business rates. At the time of preparing this report the global pandemic was still underway and there remains considerable uncertainty about the impacts on Council finances; both for the remainder of 2020/21 and any ongoing impacts in income receipts that will have to be resourced in future years.

Nevertheless, the Council remains in a relatively strong position to respond to these challenges. In recent years, we have established ring-fenced revenue reserves to manage financial risks, however, use of reserves represents a short term tactic. We continue to work towards becoming a more commercial organisation and generating new sources of income to secure our long-term financial stability. Our 2021/22 budget proposals recognise that we need to continue to invest in our capacity and staff to achieve this.

The Council is working to develop its Strategy to support future commercial and investment activity around our Corporate Plan objective to be financially self-sufficient. This will consider the degree and type of investment which might be supported and the scope within which this might take place. Part 1 of the Commercial Strategy is elsewhere on the agenda of this Executive meeting.

The budget proposals detailed in this report are based on analysis of a range of data and evidence, and the result of extensive discussions over recent months between the Executive and Management Team. This report provides a condensed version of those discussions, describing the national and local context and the service and budget proposals which have been put forward in response.

The provisional budget proposals set out within this report include revenue budget savings and additional income proposals and revenue budget growth proposals.

While much of the detail is included in this report, work on some aspects of Central Budgets and confirming the sources of funding will continue and the outcome will be presented in the final budget proposals in January.

At the time of preparing this report the Council faces a potential budget gap of around £0.600 million in 2021/22 after implementing the actions as described in this report. Over the short-term, once again we expect to be able to manage this budget challenge without compromising our financial sustainability or ability to deliver high quality services. The extent to which any residual forecast budget shortfall will have to be funded from drawing on Reserves will be confirmed in the final budget report in January.

The report also presents Capital Programme proposals resulting in a small net reduction over next five years. The final Capital Programme for 2021/22 to 2025/26 will be confirmed in the January budget report; no further significant growth proposals are anticipated at the time of preparing this report.

If the Executive accepts the budget recommendations in this report, further work will be undertaken over the coming weeks to test and refine the proposals, including consultation with the Overview & Scrutiny Committee's Budget Scrutiny Panel. This will help ensure that the Council adopts a balanced budget for 2021/22 and is in the best position to prepare for anticipated budget challenges in 2022/23 onwards.

The report includes a recommendation to introduce an additional long-term empty property premium of 300 % for properties empty for more than 10 years and confirmation of the policy to disregard certain pensions when calculating housing benefits. It also confirms that the Local Council Tax Reduction scheme will remain unchanged, other than to reflect changes in allowances and premiums in line with Government benefits.

Executive has authority to approve the recommendations (i) to (vii).
Recommendations (viii) and (ix) are subject to approval by Full Council.

STATUTORY POWERS

1. The Local Government Act 1972 requires the Council to set the associated annual budget as part of proper financial management. This report is part of that process.
2. The Local Government Act 1992 requires councils to set a balanced budget and announce the Council Tax level by 11 March each year. Section 65 of the Act requires the Council to consult representatives of those subject to non-domestic rates in the Borough about its proposals for expenditure for each financial year.
3. The Chief Finance Officer has a key role to play in fulfilling the requirements of the statutory duty under the Local Government Act 2003 to keep the authority's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.
4. Council Tax Reduction Scheme: Section 13A(2) of the Local Government Finance Act 1992 (as amended) requires billing authorities to make a reduction scheme for persons in financial need or classes of persons that the authority considers – in general – to be in financial need. Section 13A(1)(c) of this Act gives billing authorities the power to reduce a liability to an extent that is seen fit.

5. The council tax that local authorities can charge for the long-term empty premium was changed when the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, came into force from 1 April 2019.

6. Sections 134(8)(a) and 139(6)(a) of the Social Security Administration Act 1992 allow local authorities administering schemes for housing benefit to modify those schemes to disregard prescribed war disablement pensions and war widow's pensions.

SERVICE & FINANCIAL PLANNING

Service Context

7. It is important that our service plans respond to the context in which they will be implemented, in order to provide effective services that meet the needs of residents, communities and businesses. The local, national and regional context that has informed our service plans is summarised below.

Reigate & Banstead 2025 - Our five year corporate plan

8. The Council plan for 2020-25 sets out the organisation's vision, priorities, aims and objectives, and informs Council decisions at every level. The vision set out in 'Reigate & Banstead 2025' is to be recognised by our residents, businesses and partners as a leading Council. This means:

- Delivering quality services and support
- Providing value for money
- Making the borough a great place to live, work and visit
- Being proactive about tackling climate change and reducing our environmental impact
- Being flexible and sustainable, responding to the needs and demands of our borough, residents, businesses; and
- Operating as an increasingly commercial organisation.

9. The corporate plan seeks to deliver against the vision, with priorities grouped around the three themes of People, Place and Organisation. These priorities have been taken into account in developing the 2021/22 service and financial planning proposals.

Service Plans

10. Each Council service has reviewed its future direction in light of the wider context in which it operates, and its role in delivering our updated corporate plan priorities. These plans set out the direction of Council services, including key changes and priorities.

11. The following paragraphs highlight areas where changes to the way in which the Council carries out its business are planned, or where substantive revenue savings, income or growth is proposed.

Communications and Customer Contact: The ongoing response to, and recovery from, the COVID-19 pandemic has relied heavily on data and insight. The service has therefore established a Data and Insight team to support the Council's emergency response and recovery structures. The initial focus on COVID-19 may need to be extended, particularly if there is a protracted second wave. The pandemic has also resulted in increased levels of customer contact, inhibiting opportunities for leveraging further efficiencies.

Housing and Homelessness: The Council continues to make positive progress in preventing homelessness. The economic fallout from the COVID-19 pandemic,

however, could result in increased homelessness and the need for the Council to provide support to affected residents, including through the provision of temporary emergency accommodation. Government requirements in this area may also change, as demonstrated by the need to house all rough sleepers during the first phase of the pandemic. The Council will continue to strive to deliver affordable housing in the borough through the Housing Strategy.

Planning: whilst the proposals are at an early stage, the government's recent White Paper on changes to the planning system could result in significant work being required in adopting a new local plan. The Council has concerns on the current proposals' impact on the delivery of affordable housing in the borough and has responded to the proposal accordingly. The impact of any possible changes will be closely monitored

National and Regional Context

12. Legislation, policies from national government, and decisions made by partner organisations (eg. Surrey County Council), will continue to have a significant effect on our residents, and therefore on the support and services that the Council provides. Annex 1 provides a summary of the international, national and sub-national context within which this Council will need to operate in 2021/22.

13. The overarching context remains one where there is increasing demand for Council services, whilst simultaneously experiencing a reduction in funding and resources. The Council is continuing to work to respond to this challenge by increasing efficiencies and generating income, but this context presents an increasing pressure of work to meet the needs of our residents.

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

Brexit

15. The continuing uncertainty in the transition period following the UK's exit from the European Union in January 2020 and the potential implications thereof also continues to be consideration for the Council. The Council will continue to work with the Government, partners (including the Surrey Local Resilience Forum), and local businesses to understand whether there will be direct effects for the local area. The potential influence upon the wider national economy will also reflect upon the borough.

FINANCIAL CONTEXT

16. The Council continues to manage its finances well and has continued to deliver significant service improvements and priority projects despite increasing pressures on resources.

Chancellor's Winter Economy Plan 2020

17. In September it was announced that there would be no Autumn Budget from the Chancellor due to the pandemic and it would be replaced with a Winter Economy Plan (which was presented to Parliament on 25 September).

18. There were three policy announcements in the Plan:

- Support for employment: Job Support Scheme and extension to self-employed income support scheme grants.
- Easing burdens on business: extension of the temporary VAT reduction, VAT deferrals, and various other financing measures.

- Support for public services: outlining the £24.3bn support approved since the Plan for Jobs in July.

19. Issues most relevance to local government from the Plan included:

- Extension to VAT reduction (to 5%) for certain supplies of hospitality, holiday accommodation and admission to attractions from 13 January to 31 March 2021; which could benefit authorities providing these services.
- £500m increase to the infection control (Track & Trace) fund, which was previously announced by the Health Secretary.
- £60m funding for police and local government for enforcement measures such as marshals.

20. Key economic updates in the Plan:

- GDP in April was 25% lower than in February, and whilst it has slowly grown since May, it is estimated that July's GDP was still 12% lower than February.
- Consumer spending fell by 80% at its lowest point, but retail sales were now 2.8% higher than in the same month in 2019 (though it should be noted that this may simply be deferred activity which would otherwise have taken place earlier in the year).
- Employment had fallen by 695,000 between March and August, and the number of vacancies being advertised was 40% lower than in the same month in 2019.
- The Government had spent around £190bn supporting people, businesses and public services since the start of the pandemic.

<u>Spending Review 2020</u>

21. The Government would usually be expected to conduct a multi-year spending review every two to four years. However, there has not currently been such a review since 2015, and the review in 2019 covered only the financial year 2021/22. This set out departmental spending allocations for the year. These allocations included increases in spending on schools, social care and the NHS, but no additional funding for local authorities. Even for the departments receiving increases to their allocations, real per capita spending remains significantly below pre-2008 levels.

22. In October 2020 the Government confirmed that Spending Review20 would also be for one year (2021/22) only due to the require to focus on the national response to the COVID-19 pandemic. At the time of preparing this report the date of publication had been confirmed to be on 25 November in order to then allow time for publication of the provisional local government funding settlement (usually received at the end of December).

23. The Government has indicated that Spending Review20 will focus on three areas:

- Providing departments with the certainty they need to tackle COVID-19 and deliver the Government's plan for jobs to support employment
- Giving public services enhanced support to fight COVID-19 alongside delivering frontline services
- Investing in infrastructure to deliver the Government's "*ambitious plans to unite and level up the country, drive our economic recovery and build back better*".

It is currently expected to be a 'roll over' settlement with no significant changes to funding allocations.

24. Given the ongoing political focus and uncertainty due to the COVID-19 pandemic, it remains unclear when the next longer-term spending review will take place. Some provisional spending totals were set out in the 2018 Autumn Budget for the years up to 2024/25. These provisional totals continue to underpin the official fiscal forecasts and therefore provide an indication of what might be expected.

Local Government Funding Inquiry

25. In late October 2020 it was announced that the Housing, Communities and Local Government Committee will consider what approach the Government should take to funding local government as part of the 2020 spending review. It will investigate the current financial health of local authorities and their ability to deliver services, including the additional pressures caused by the COVID-19 pandemic. In light of continued delays to the multi-year spending review, the Committee Inquiry will also examine the impact of single year settlements on the ability of councils to plan and deliver services in the long-term.

Fair Funding Review

26. The Government was scheduled to complete its Fair Funding Review of local government funding this year, with the outcomes introduced in 2021/22. The review was intended to set new funding baselines and confirm any transitional arrangements. However, following the delay in the longer-term spending review, the Fair Funding Review has also been postponed once more.

27. Given the Government's current primary focus on the COVID-19 pandemic, it is unclear when this will be completed. Before its introduction, we would expect there to be an opportunity to respond to consultations on indicative allocations.

Business Rates Growth: Reset and 'Alternative' System

28. The Government's stated aim is to balance risk and reward through a system of Resets, Safety Nets, Levies, Tier Splits and Pooling. It has also stated an intent to simplify the rating system by looking again at appeals, while addressing income volatility and introducing more simplification. As with other planned reviews, it remains uncertain when this work will be completed.

Government Funding

29. The Council therefore still expects to see a significant decline in Government funding support over the medium term as our retained business rates receipts are cut, a reduction of up to £2.300 million, including loss of 'Negative RSG Grant' of £1.5 million.

30. The table below summarises how Government funding has changed for the Council in recent years and current forecasts for 2021/22 onwards.

Table 1: BUSINESS RATES FORECAST	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
Forecast Business Rates Resources	2.500	2.300	2.300	1.700	1.600	1.400
Less 'Negative RSG Grant'	-	-	-	(0.700)	(1.000)	(1.200)
Net Forecast	**2.500**	**2.300**	**2.300**	**1.000**	**0.600**	**0.200**
Annual Reduction	-	(0.200)	-	(1.300)	(0.400)	(0.400)

Table 1: BUSINESS RATES FORECAST	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Cumulative Reduction	-	(0.200)	(0.200)	(1.500)	(1.900)	(2.300)

31. These forecasts will be updated when the outcome of Spending Review20 and the provisional local government settlement are known.

Specific Grants

32. There is still an expectation that these will be rolled into the funding system when 75% business rates retention is introduced (expected as part of the longer-term Spending Review post 2021/22).

New Homes Bonus

33. At the time of preparing this report it remained unclear whether 2020/21 was the final year of New Homes Bonus allocations.

Council Tax Reform

34. There is a possibility of increased freedoms (primarily for social care precepting authorities), but this also remains uncertain.

Partner Funding

35. Surrey County Council continues to face severe financial constraints. This is already impacting a range of statutory and non-statutory services, from social care to highways and parking, to support for socially excluded groups and the voluntary sector. SCC implemented £82 million of cuts in 2020/21 and has previously forecast a budget gap of £57 million in 2021/22 rising to £134 million by 2024/25. These included reductions in funding for the Adult Social Care service and the Children, Schools and Families service.

36. County service reductions will impact on residents in this borough, and make it more difficult for us to deliver on our own corporate priorities within the context of our already challenging financial position. In recent years much work has been undertaken to put this Council in the best place possible to respond to SCC funding cuts, and this work will need to continue. Financial constraints at the county level mean that this Council needs to continue to work closely with the County Council and other partners to ensure that residents continue to receive the services they need, delivered in an efficient and cost-effective way.

COVID-19 Pandemic

37. To date the pandemic has impacted on:

- Expenditure budgets – significant unbudgeted costs have been incurred to deliver the Council's emergency response to the pandemic.
- Income budgets – there have been material shortfalls in income receipts across many services compared to budget
- Collection fund recovery performance – council tax and business rates income receipts have been distorted by short-term relief measures introduced by Government at the same time as underlying economic pressure on taxpayers and delays in recovery processes during lockdown. The full picture will take some time to emerge.

- Financial responsibilities – local authorities were asked to take on new responsibilities at short notice to support Government in distributing new reliefs, grants and benefits.

Further details of are set out at Appendix 4 of the MTFP attached at Annex 2.

Medium Term Financial Planning

38. The Council has been planning for this loss of Government funding, with the objective to become financially self-sufficient going forward. In order to achieve self-sufficiency the Council needs to continue to find budget efficiencies whilst also generating new sustainable sources of additional income.

39. The Council's updated MTFP, summarised at Annex 2, was approved in July 2020 and sets out the financial direction of the Council over the medium term to ensure that the Council plans and manages its resources effectively. It sets out the priorities that will be taken into account when preparing the draft budget for 2021/22

Medium Term Financial Plan Forecasts at November 2020

40. At the time of preparing this report MTFP forecasts indicate that it will be possible to balance the 2021/22 budget through savings opportunities in Central Budgets, use of earmarked Reserves and a call on the General Fund Balance. However there is a forecast budget gap over the medium term: £2.554 million for 2022/23 rising to £4.014 million, the primary cause of being anticipated Government funding reductions. This gap is before taking account of any ongoing COVID-19 impacts on income budgets.

41. The final position and MTFP forecasts for 2021/22 will be detailed in the January budget report. Many of the measures that will be used to balance the budget for 2021/22 will once again be one-off cost reductions, including calling on Reserves to address any residual budget gap.

42. Reliance on one-off measures such as the use of Reserves is not without risks and will not be sustainable over the long-term. Going forward, solutions that reduce costs or increase income on a permanent basis will have to be identified for 2022/23 onwards. These are likely to include:

- Pursuing commercial investments to generate new income streams – after taking into account the costs of associated borrowing
- Considering options for asset sales to realise capital receipts and reduce or avoid new borrowing costs
- Implementing the outcome of the fees and charges review that is now underway; and
- Reviewing in-year budget monitoring forecasts to identify new opportunities for savings and efficiencies.

Commercial Strategy

43. While service efficiencies and council tax increases are important, their contribution to addressing the financial challenges faced by the Council is limited. It is therefore important that the Council also becomes an increasingly commercial organisation. This means generating new net income streams to support service delivery. This requires investment – and will have an element of commercial risk – but it will also enable the Council to develop and grow into a self-sustaining organisation. As set out above, this will be supported by the developing commercial approach and associated plans.

44. The Commercial Ventures Executive Sub-Committee, supported by other Executive Members, has been working to develop the Council's commercial agenda. This has included consideration of the scale and appropriate type of investments, the

geographic area of any investment activities, and the opportunities for partnership working.

45. The current MTFP financial model does not include any assumptions about new commercial income streams or when they might be achieved. This will only be possible when individual business cases have been approved and delivery timescales are confirmed.

46. The Commercial Strategy Part 1 is included elsewhere on the agenda of this meeting. Approval of this document will allow work to continue on preparing forecasts for inclusion in future MTFP modelling.

REVENUE BUDGET

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

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

- **Central Budgets**: These are costs incurred and income received that are not service-specific, eg. Pension Fund deficit contributions and treasury management costs and income.
  Also included in this block is the Headroom Contingency budget.

- **Sources of Funding**: These income budgets are general, non-service specific income sources. They include other grant funding from Central Government and our share of Non-Domestic Rate income.
  For 2020/21 it includes the continued impact (benefit) of the one-off elimination of 'Negative Revenue Support Grant'. Over the medium term this is expected to cease resulting in a significant budget pressure.

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

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

<u>Revenue Budget Outturn 2019/20</u>

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

49. As reported in the 2019/20 Statement of Accounts, the final outturn for Service budgets at the end of the year was £0.470 million (3.5%) higher than the management budget however, the overall provisional outturn, including Central Items, was £2.087 million (11.9%) lower than budget.

Table 2: REVENUE BUDGET OUTTURN 2019/20	Original Budget	Revised Budget	Year End Outturn	Year End Variance
	£m	£m	£m	£m
Service Budget	12.148	13.606	14.076	0.470
Central Budgets	4.147	3.870	1.313	(2.557)
Total	**16.295**	**17.476**	**15.389**	**(2.087)**

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

- Finance: £0.640m over budget as a result of additional work required during the 2018/19 audit of the Statement of Accounts, additional work relating to major projects including the Horley Business Park land purchase, Marketfield Way and Baseball, and the use of interim staff to both cover vacancies and to improve finance processes.
- Benefits Team and Benefits Paid/Subsidy Received: £0.573m over budget due to reduced DWP grant, additional consultancy and printing costs, increased Bed & Breakfast placement costs, additional statutory costs and income shortfall due to suspension/cessation of Court recovery as a result of COVID 19 at year-end.
- Harlequin Theatre: £0.221m over budget due to delay in cinema opening and staff costs higher than budget.
- Development Services: £0.200m lower than budget due to underspends on Consultancy.
- Fleet: £0.219m above budget due to expenditure on spare parts to keep the ageing Fleet running.
- Projects & Assurance: £0.105m lower than budget due to vacant posts
- Headroom Contingency: £0.737m lower than budget because funds have not been required during the year.
- Interest on borrowing: £0.086m lower than budget.
- Senior Management Team: £0.202m lower than budget due to vacant Director post.
- Property and Facilities: £0.322m lower than budget due to new rental income from Salfords Industrial Units offset by lower income from Warwick Quadrant and Marketfield Way.
- Refuse and Recycling: £0.341m lower than budget net (income is £0.703m higher than budget, offset by overtime and temporary staff costs to cover sickness and additional staff costs for recycling service to flats and extra expenditure on new bins).

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

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

<u>2020/21 Revenue Budget</u>

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

Table 3: BUDGET SUMMARY 2020/21	Budget 2020/21 £m
1. Net Cost of Services	14.276
2. Central Budgets	3.980
3. One off: Advance Payment of Employer's Pension Costs	6.204
NET EXPENDITURE 2020/21	**£24.460m**
4. Council Tax	14.100
5. National Non-Domestic Rates	2.900
6. New Homes Bonus – 2020/21 allocation from Central Government	1.789
7. Net Contribution (to)/from Reserves: • New Homes Bonus – 2020/21 allocation paid into Reserves – (£1.789m) • Use of funds from the General Fund Balance and Pension Reserve to fund the advance Employer's Pension Contribution of £6.204m • Use of funds from the General Fund Balance to support the 2020/21 Revenue Budget £1.256m[1]	5.671
NET SOURCES OF INCOME 2020/21	**£16.295m**

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

54. Excluding the one-off pension contribution the underlying 2020/21 budget is £18.256 million. This is the figure referenced in MTFP budget modelling at Annex 2 (Appendix 2).

Central Budgets

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

Table 4: CENTRAL BUDGETS	**Approved Budget 2020/21 £m**
Budget Contingencies	1.941
New Posts Budget	0.159
Insurance	0.482
External Audit Fees	0.050
Treasury Management	0.376
Minimum Revenue Provision	0.528
Employer Secondary Pension Contribution	0.375

Table 4: CENTRAL BUDGETS	Approved Budget 2020/21 £m
Apprenticeship Levy	0.069
Central Budgets	**3.980**

Budget Contingencies

56. The Headroom Contingency Budget was originally established during in 2012/13 to '*mitigate the reduction in Central Government revenue funding'.* It currently stands at £1.0 million.

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

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

Revenue Budget Funding

58. The sources of funding for the £18.256 million revenue budget in 2020/21 are set out in the table below.

Table 5: REVENUE BUDGET FUNDING	Budget 2020/21 £m
National Non-Domestic Rates	2.900
Council Tax	14.100
Net Contribution from Reserves	1.256
TOTAL	**18.256**

Revenue Budget-Setting Assumptions 2021/22

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

Council Tax

- To increase by the referendum limit – assumed to be £1.99% (subject to confirmation by Government)
- Plus an increase due to growth in the taxbase of 1% per annum
- The impacts of local discounts, exemptions and the local council tax support scheme will be taken into account when preparing income forecasts. Also the ongoing impacts of the COVID-19 pandemic on collection performance and take up of the Local Council Tax Support Scheme.

Government Funding	• Fair Funding Review and loss of Negative RSG Grant will not impact in 2021/22
Retained Business Rates Income	• Reset of Business Rates will not impact in 2021/22
Fees & Charges	• The Fees & Charges Policy is attached at Appendix 5. For budgeting purposes it is assumed that fees and charges will increase in line with the Policy and that all fees and charged will be reviewed to ensure they comply.
Investment Income and Borrowing	• Investments and borrowing will be forecast in line with forecast balances (reserves) and Capital Programme investment plans
Pay Inflation	• An allowance for a pay award has been included in the draft Budget, in addition to forecast contractual pay increases. • This provides the option for pay rises but the specific rate of increase will be subject to established consultation processes.

Employer Pension Costs	• As part of budget-setting 2020/21 The approved approach was:
	  ○ To maintain the primary employer contribution rate at 15% of salaries. This has been factored into the 2021/22 base budget.
	  ○ To pay the secondary employer rate as an advance lump sum of £6.204 million in April 2020 funded from the earmarked reserve set aside for this purpose plus a contribution from General Fund Reserves at the beginning of 2020/21. This represents a saving of £0.397 million compared to payment in three annual instalments from 2020/21 to 2023/24.
	  ○ To plan to rebuild the Pensions Reserve ready for the next revaluation in 2022
	• Subsequent to budget-setting Surrey Pension Fund confirmed that it is no longer necessary to budget for £0.375 million each year for additional historic employer pension costs because they had been taken into account in the 2019 fund revaluation and reflected in updated employer contribution rates for 2020/21 onwards). This Central budget will therefore be deleted in 2021/22 onwards.

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

2020/21 Revenue Budget Monitoring

60. The full year forecast for Service budgets at the end of Period 6 (September 2020) is £0.166 million (1.1%) higher than the management budget while Central budgets are reporting a £1.879 million (27.4%) underspend, resulting in an overall forecast of £1.713 million (6.95%) lower than budget.

2021/22 Service Budget Proposals

61. Service budget proposals are summarised below:

Table 6: SERVICE BUDGET PROPOSALS	Approved Budget 2020/21 £m	Proposed Budget 2021/22 £m	Net Service Budget Increase / Decrease £m
ORGANISATION			
Organisational Development & HR	0.852	0.852	-
Finance	1.123	1.262	0.139
Projects & Performance / Environment / Management Team	1.859	1.882	0.023
Legal & Governance / Property / Commercial	0.232	0.415	0.183
IT	1.784	1.784	-
PLACE			
Planning	0.755	0.755	-
Economic Prosperity	0.398	0.388	(0.010)
Place Delivery	0.275	0.295	0.020
Neighbourhood Operations	3.110	3.226	0.116
PEOPLE			
Community Development	1.583	1.588	0.005
Communications & Customer Contact	0.851	0.851	-
Wellbeing & Intervention	0.443	0.443	-
Housing, Revenues, Benefits & Fraud	1.012	1.227	0.215
Deletion of vacant funded posts	-	(0.350)	(0.350)
TOTAL	**14.277**	**14.618**	**0.341**

62. Service savings, additional income and growth proposals are detailed at Annex 3 and result in the following net budget movements:

Table 7.1: SERVICE BUDGET PROPOSALS FOR 2021/22			
		FTE	£m
Budget Movements:			
Annex			
3.1	Services – Pay	(2.0)	(0.189)
3.2	New Strategies – Pay	2.0	0.143
3.3	Services – Non-Pay	-	0.269
3.5	New Strategies – non-Pay	-	0.023
3.6	Government Funding Reductions	-	0.095

Table 7.1: SERVICE BUDGET PROPOSALS FOR 2021/22		
	FTE	£m
NET BUDGET GROWTH	-	**0.341**

63. In addition the following ongoing impacts are forecast on income budgets as a consequence of the COVID-19 pandemic.

Table 7.2: SERVICE BUDGET PROPOSALS FOR 2021/22 – ESTIMATED COVID INCOME LOSSES	£m
Budget Movements:	
COVID-19 Pandemic – Ongoing Impacts on Income Budgets (2021/22 forecast only) • Community Centres - £0.200m • Harlequin - £0.050m • Parking - £1.200m • Commercial Waste - £0.160m	1.610

Service Fees & Charges

64. Income from fees and charges in 2020/21 contributes £16.4 million to support service delivery. The Policy on Fees & Charges is attached at Annex 5.

65. A review of Fees & Charges is being carried out during 2020/21 to support delivery of Medium Term Financial Plan and Commercial Strategy targets for increasing sustainable income streams to support the budget. Actions that are planned to implement the review include:

- Improving the Council's strategic approach to fees and charges;
- Charging for new services and for those not currently charged for; and
- Investing in expanding existing charged for services that have scope for growth.

Commercial Income

66. The Medium Term Financial Plan includes the objective of:

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

67. Delivery of this objective is supported by the allocation of additional funds in the Capital Programme to purchase or develop assets that will generate new income streams as well as supporting delivery of corporate objectives. These purchases will be financed through prudential borrowing therefore provision will have to be made in the revenue budget for the costs of repaying that debt. It will also be necessary to ensure that borrowing for this purpose complies with Government and CIPFA guidance, specifically 'borrowing in advance of need'.

Example Investment Returns

68. In order to generate £2.0 million additional net income to the revenue budget (for example) would require borrowing and re-investment in income-generating assets of circa £106 million [based on prevailing PWLB rates at the time of preparing this report].

Central Budget Proposals 2021/22

69. Proposed changes to Central budgets are summarised in the table below.

Annex	**Table 8: CENTRAL BUDGETS**	Approved Budget 2020/21 £m	Proposed Budget 2021/22 £m	Net Central Budget Increase / Decrease £m
3.4	Budget Contingencies • delete Headroom Contingency because there is adequate coverage for budget risks in Reserves • delete central salary contingency budget – no longer required • visa sponsorship and central training budgets – minor updates	1.941	0.806	(1.135)
3.4	New Posts Budget • delete budget – no longer required because a New Posts Reserve has been established instead	0.159	-	(0.159)
3.4	Insurance • contract inflation	0.482	0.511	0.029
3.4	External Audit Fees • contract inflation	0.050	0.067	0.017
2 (App2)	Treasury Management & MRP • estimated increase in borrowing costs to fund the approved Capital Programme – actual increase to be confirmed in the final budget proposals in January	0.904	1.404	0.500
3.4	Employer Pension Contribution • delete residual central pension budget – sum is no longer payable to Surrey Pension Fund following the 2019 revaluation	0.375	-	(0.375)
	Apprenticeship Levy • to be updated when final salary costs are confirmed at year-end	0.069	0.069	-
	Central Budgets	**3.980**	**2.857**	**(1.123)**

70. While the majority of Central Budgets have been reviewed while preparing this report, as highlighted in the table above, further work is in progress in order to confirm some of these budgets for inclusion in the final budget proposals in January 2020.

Revenue Budget Funding 2021/22

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

Table 9: REVENUE BUDGET FUNDING	Approved Budget 2020/21 £m	Draft Budget 2021/22 £m
Council Tax	(14.100)	(14.500)

Table 9: REVENUE BUDGET FUNDING	Approved Budget 2020/21 £m	Draft Budget 2021/22 £m
National Non-Domestic Rates	(2.900)	(2.900)

Use of Reserves

72. Based on the outcome of services & financial planning work to date it is likely to be necessary to call on earmarked reserves and a contribution from the general fund balance in order to achieve a balanced budget in 2021/22. The latest MTFP at Annex 2 is based on the following assumptions regarding use of Reserves. These figures will be updated in the final budget report in January when the outstanding budget items (as explained in this report) are confirmed.

Table 10: POTENTIAL USE OF RESERVES 2021/22	£m
Govt Funding Risks Reserve *Housing Benefit subsidy reduction*	(0.095)
Commercial Risks Reserve *Redhill hotel income reduction*	(0.040)
General Fund Contribution *Subject to final budget proposals*	(0.549)

73. Work is still in progress to update the above Funding forecasts for inclusion in the final budget proposals. Factors to be taken into account will include:

Council Tax	• The final recommendation on the council tax increase will be included in the January budget report following confirmation of the referendum limit by Government. • Council tax income forecasts for 2021/22 will be dependent on the outcome of work that is currently in progress to forecast the council tax base for 2021/22. This is more challenging this year due to the increasing numbers of local council tax support scheme claimants as a consequence of the COVID-19 pandemic.
National Non-Domestic Rates	• Includes retained Business Rates, Negative RSG Grant, Fees and Charges and Other Grants. These are expected to be confirmed in the Spending Review20 and Provisional Settlement announcements in November/December.
Contributions To/From Reserves	• Options for drawing on Reserves will be finalised for inclusion in the January budget report.

Forecast Budget Gap at November 2020

74. The forecast budget gap over the next five years is set out below. Further details are provided in the MTFP at Annex 2 (Appendix 2).

Table 11.1: MEDIUM TERM REVENUE BUDGET FORECAST (at November 2020)	Approved Budget 2020/21 £m	Forecast Budget 2021/22 £m	Forecast Budget 2022/23 £m	Forecast Budget 2023/34 £m	Forecast Budget 2024/25 £m	Forecast Budget 2025/26 £m
FORECAST GAP	**Balanced**	**Balanced**	**2.554**	**3.414**	**3.964**	**4.104**
Annual Increase in Gap	-	**Balanced**	2.554	0.860	0.550	0.140
Gap as % of 2020/21 budget requirement	-	**n/a**	13.99%	18.76%	21.77%	22.54%

75. However, in addition there are forecast to be impacts on service income budgets in 2021/22 as a consequence of the COVID-19 pandemic as set out in the table below

Table 11.2: MEDIUM TERM REVENUE BUDGET FORECAST (at November 2020)	Approved Budget 2020/21 £m	Forecast Budget 2021/22 £m	Forecast Budget 2022/23 £m	Forecast Budget 2023/34 £m	Forecast Budget 2024/25 £m	Forecast Budget 2025/26 £m
FORECAST GAP	**Balanced**	**Balanced**	**2.554**	**3.414**	**3.964**	**4.104**
COVID-19 – 2021/22 income impacts • Community Centres - £0.200m • Harlequin - £0.050m • Parking - £1.200m • Commercial Waste - £0.160m		1.610	TBC			
Income Losses to be funded by calling on the Government Funding Risks Reserve		(1.610)	TBC			
FORECAST GAP	**Balanced**	**Balanced**	TBC			

76. There is no indication at the time of preparing this report whether Government support for COVID-19-related income losses will continue into 2021/22 therefore the above forecasts are based on the assumption that they will have to be funded through drawing on the Council's own Reserves.

77. Work is continuing on forecasts for income impacts beyond 2021/22 and an update will be provided in the January budget report.

78. Over the medium term the Council's strategy is to invest to realise new sustainable sources of income. This is dependent on successful delivery of schemes identified through the new Commercial Strategy.

79. While the above analyses indicate that the 2021/22 budget can be balanced through calling on Reserves other options for addressing the gap continue to be considered and will be finalised in the January budget report. They include:

- Identification of further savings, income generation opportunities or budget efficiencies (net of any new pressures identified); and
- Use of any unallocated grants.

80. Over the medium term the Council's strategy is to invest to realise new sustainable sources of income. This is dependent on successful delivery of schemes identified through the new Commercial Strategy.

USE OF RESERVES

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

82. Reserves can be held for four reasons:

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

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

84. The Council's Reserves Policy is attached at Annex 6.2

85. Current Revenue Reserves are summarised below and detailed at Annex 6.1

Table 12: RESERVES SUMMARY	Balance at 1 April March 2019 £m	Balance at 1 April 2020[1] £m
General Fund Balance	12.547	3.246
Other Earmarked Reserves	23.042	32.145
TOTAL	**35.589**	**35.391[2]**

Notes
1: Balances after decisions made during budget setting for 2020/21 to redistribute funds between Reserves.
2: Balance after drawing £6.204 million in April 2020 for the advance Pension Fund contribution that was approved during budget-setting for 2020/21.

86. The legal requirement for the Council to agree a balanced budget means that Council may be required to draw on its reserves to address any shortfall between forecast expenditure and forecast income.

87. The Council has set a minimum level of unallocated General Fund reserves of 15% of the net revenue budget, which equates to £2.738 million (for 2020/21). The unallocated balance on the General Fund at 1 April 2020 of £3.246 million, is compliant with this limit.

NEW HOMES BONUS

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

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

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

91. In previous years this funding was set aside in an Earmarked Reserve for general use. During budget-setting 2020/21 a sum equivalent to the accumulated funds was transferred to a new Earmarked Reserve to support implementation of the Housing Delivery Strategy. Details at Annex 6.2.

92. Forecast residual New Homes Bonus receipts (from previous year's allocations) are set out in the table below

Table 13: NEW HOMES BONUS	2021/22 £m	2022/23 £m
New Homes Bonus	0.858	0.325

COUNCIL TAX

93. Council Tax Precepts 2020/21

Table 14: ANALYSIS OF COUNCIL TAX INCOME BY PRECEPTOR 2020/21			
Authority	Band D Equivalent	£000	% share
Surrey County Council	1511.46	92,393.7	74.94
Surrey Police & Crime Commissioner	270.57	16,245.6	13.18
Reigate & Banstead BC	232.46	14,210.0	11.53
Band D Equivalent	**2014.49**	**122,849.3**	**99.65**
Horley Town Council		404.7	0.33
Salfords & Sidlow Parish Council		38.5	0.03
		123,292.5	**100.0**

94. The referendum cap is expected to be confirmed with the Provisional Local Government Funding Settlement Announcement in December. It is anticipated to be the higher of 1.99% or £5 for district councils.

95. Final recommendations will be included in the January Budget and Council Tax reports when the referendum cap has been confirmed by the Government.

Local Council Tax Support Scheme

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

Council Tax Collection Performance 2019/20

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

Council Tax Options 2021/22

98. Each 1% increase in Council Tax generates £0.141 million additional income for this borough. A 1.99% increase would yield c£0.280 million additional income; a £5 increase would yield c£0.300 million.

99. Council tax income forecasts for 2021/22 will be dependent on the outcome of work that is currently in progress to forecast the council tax base for 2021/22. This is more challenging this year due to the increasing numbers of local council tax support scheme claimants as a consequence of the COVID-19 pandemic.

Council Tax Forecasts

100. For MTFP modelling purposes, based on a 1.99% increase and a 1% increase in the taxbase (rounded to £0.400 million), the Council Tax income forecast at November 2020 is set out below:

Table 15: COUNCIL TAX FORECAST	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
Forecast Resources	13.700	14.100	14.520	14.960	15.410	15.880
Annual Increase in Income	-	0.400	0.420	0.440	0.450	0.460
Cumulative Increase in Income		0.400	0.820	1.260	1.710	2.170
Band D	£227.46	£232.46	£237.09	£241.80	£246.62	£251.52
Band D Increase	-	£5.00	£4.63	£4.71	£4.82	£4.90

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

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

COVID-19 Impacts

103. It is still early in the 2020/21 financial year to forecast with any accuracy how the pandemic will impact council tax collection performance in future years. The latest assessment of the potential impacts is set out at Annex 2 (Appendix 4).

Council Tax Policy

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

- Homes that have been empty and substantially unfurnished for more than two years and less than five years will be charged a Council Tax long term empty

premium equivalent to 100% of the Council Tax in addition to their current Council Tax.

- Homes that have been empty and substantially unfurnished for five years and more will be charged a Council Tax long term empty premium equivalent to 200% of the Council Tax.

105. As these changes help deliver a county-wide initiative to reduce the number of empty properties throughout Surrey, the County Council is proposing to reallocate its share of the increased funding that results from changes in Empty Homes policies. Under this commitment the Boroughs and Districts will receive reallocated funding where agreed conditions are met. The Country Council has issued draft proposals for distribution of the funds during 2020/21. The sum that will be made available and proposals for its use will be included in the January budget report.

Council Tax Premium for Properties Empty for 10+ Years

106. Further to the Executive Report decision on 18 April 2020, we are now seeking to implement the next stage of Council Tax Premiums for domestic properties that have been empty and unfurnished for a continuous period of 10 or more years.

107. The Government believes that these changes could help to reduce the number of empty homes by incentivising owners to bring their properties back into use and therefore help to meet the current housing shortage in the borough, with the secondary benefit of raising additional revenue for the precepting authorities.

108. The amounts that local authorities can charge for the long-term empty premium was changed when the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, came into force from 1 April 2019.

109. This allows local authorities to further increase the premium to 300% from April 2021 where a property has been empty and substantially unfurnished for ten years.

110. In addition to raising more council tax, any homes that could be brought back into use would help to ease the housing shortage and have a positive impact on the number of people approaching the Council for housing.

111. There will be a financial impact for the owners of long term empty properties, but in cases where an owner demonstrates financial hardship, the legislation allows the Council to reduce the council tax charge at its discretion.

112. The number of properties affected will be very low. There are forecast to be 12 properties that would be affected in 2021/22.

113. Approval is sought to bring in the new premium for these properties with effect from April 2021.

Housing Benefit – local disregard for War Widows and War Pensioners

114. Sections 134(8)(a) and 139(6)(a) of the Social Security Administration Act 1992 allow local authorities administering schemes for housing benefit to modify those schemes to disregard prescribed war disablement pensions and war widow's pensions.

115. Residents who receive these prescribed pensions, will receive a higher rate of housing benefit as those incomes will be disregarded in the calculation of the award.

116. Following a recent audit, it was recommended that we seek a further commitment and decision from the Executive that this disregard should continue. The last formal decision would have been made around 1992, when the powers came into effect.

117. In 2019/20, the Housing Benefit expenditure on this client group was £20,594, and the central government subsidy claimed back was £15,446. Therefore, the scheme cost the Council £5,148.

118. The recommendation is to continue the modified scheme, so as not to cause any financial hardship to those residents who receive these pensions.

Local Council Tax Support Scheme

119. The local council tax support scheme will remain unchanged, other than to reflect increases in allowances and premiums in line with national benefits.

BUSINESS RATES (NATIONAL NON-DOMESTIC RATES)

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

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

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

123. As explained above, in 2022/23, the Council expects to see further significant decline in Government funding support as retained business rates receipts and Negative RSG Grant' are phased out. It remains unclear how these reductions will be implemented but we are assuming this will be clearer when the outcome of the Fair Funding Review and Business Rates Reset are announced.

Business Rates Pooling

124. A small number of Surrey authorities are once again planning to establish a voluntary Business Rates Pool for 2021/22 with Surrey County Council using the same methodology as in previous years. This Pool is not open to Reigate & Banstead due to the relative size of our business Rates Levy change.

Business Rate Appeals

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

Business Rates Collection Performance 2019/20

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

COVID-19 Impacts

127. It is still relatively early in the 2020/21 financial year to forecast with any accuracy how the pandemic will impact business rates collection performance. The latest assessment of the potential impacts is set out at Annex 2 (Appendix 4).

CAPITAL PROGRAMME 2021/22 ONWARDS

Capital Investment Strategy and Capital Programme

128. The latest Capital Investment Strategy was approved by Executive in July 2020 and sets out how the Council plans to invest in assets to generate income. Proposals for new schemes in the Capital Programme are detailed in this report.

2020/21 to 2024/25 Approved Capital Programme

129. The Capital Programme that was approved in January 2020 and the unspent balance on previously-approved schemes is summarised below:

Table 16: APPROVED CAPITAL PROGRAMME	2019/20 Brought Forward £m	2020/21 Approved £m	2021/22 Projected £m	2022/23 Projected £m	2023/24 Projected £m	2024/25 Projected £m	TOTAL £m
FINANCE & ORGANISATION:							
Strategic Property	0.552	4.385	1.332	1.658	1.374	1.258	**10.559**
IT Services	0.144	0.225	0.425	0.375	0.385	0.325	**1.879**
Organisational Development	0.000	0.280	0.260	0.260	0.260	0.260	**1.320**
PEOPLE SERVICES:							
Housing	10.266	16.990	11.405	11.334	1.334	1.334	**52.663**
Wellbeing & Intervention	0.000	0.140	0.040	0.040	0.040	0.040	**0.300**
Community Partnerships	0.069	0.030	0.030	0.030	0.030	0.030	**0.219**
PLACE SERVICES:							
Neighbourhood Operations	0.148	3.927	2.822	1.202	1.202	1.202	**10.503**
Place Delivery	4.336	20.021	24.442	15.100	0.000	0.000	**63.899**
Economic Prosperity	-	0.100	0.100	0.100	0.100	0.100	**0.500**
CORPORATE:							
Commercial Investment Strategy	13.977	50.000	0.000	0.000	0.000	0.000	**63.977**
TOTAL CAPITAL PROGRAMME	**29.492**	**96.098**	**40.856**	**30.099**	**4.725**	**4.549**	**205.819**

130. Some of the sums allocated in the approved Capital Programme are intended to demonstrate a commitment to invest, rather than specific spending plans. For some capital schemes relating to Housing and Commercial projects there will therefore a requirement for further reports to Executive or to the Commercial Ventures Executive Sub Committee when the business cases for specific investment proposals have been developed.

Capital Programme Growth 2021/22 onwards

131. Capital Programme growth proposals that have been developed as part of the service and financial process are detailed at Annex 4 and summarised below:

Table 17: CAPITAL PROGRAMME GROWTH PROPOSALS AT NOVEMBER 2020	2021/22 Projected £m	2022/23 Projected £m	2023/24 Projected £m	2024/25 Projected £m	2025/26 Projected £m	TOTAL £m
ORGANISATION:	0.250	-	-	0.050	0.060	**0.360**
PEOPLE SERVICES:	-	0.021	0.021	0.021	0.021	**0.084**
PLACE SERVICES:	(0.427)	(0.153)	0.255	(0.172)	0.339	**(0.158)**
TOTAL CAPITAL GROWTH	**(0.177)**	**(0.132)**	**0.276**	**(0.101)**	**0.420**	**(0.286)**

132. Current capital growth proposals are relatively low in value for 2021/22, reflecting the significant increase in investment that was approved for 2020/21. The main reasons for the 2021/22 growth proposals include:

- Continued investment in ICT assets
- Investment in implementation of the Council's Environmental Sustainability strategy and asset management plans
- Contribution to the new Surrey-wide transit site; and

In total the value of growth bids to date is offset by reprofiling of existing capital allocations to reflect updated service delivery needs

133. Work is still in progress to develop other proposals that will be reported in January, if they are finalised by then. They include:

- New schemes to support the Housing Delivery Strategy
- Options for investment in Community CCTV;
- Investment in IT systems and system enhancements; and
- Options for investment on Community Centres.

Capital Programme Funding

134. Sources of funding for the 2020/21 Capital Programme are explained below:

Table 18: CAPITAL FUNDING	
Capital Reserves	• Previously the Council benefitted from access to significant capital reserves following the sale of its housing stock. Over recent years these reserves have been utilised to invest in the capital programme. The remaining balance was nil at March 2020.
Capital Receipts	• Sale of capital assets results in a capital receipt that can be used to invest in new capital assets or to repay prudential borrowing. • The main source of capital receipts over the duration of this Capital programme relate to delivery of major schemes including Marketfield Way redevelopment, Pitwood Park and the Cromwell Road Housing developments. These capital receipts have been factored into forecast funding requirements.

Table 18: CAPITAL FUNDING	
Capital Grants & Contributions	• Forecasts of the future grant funding allocation for Disabled Facilities works have been updated to reflect forecast allocations. • They also include the Council's share of Section 106 and CIL funding. • Funding equivalent to the historic New Homes Bonus grant allocation has been allocated to support implementation of the Housing Delivery Strategy • At 31 March they comprised: ○ Section 106 contributions £12.772 million ○ Community Infrastructure Levy £8.721 million ○ Other Capital Grants & Contributions £3.263 million
Prudential Borrowing	• The primary source of long-term funding for the Capital Programme is now prudential borrowing, mainly from the Public Works Loans Board (PWLB). • Loans are managed through the approved Treasury Management Strategy and policies. • Interest on borrowing is paid to the PWLB and charged to the annual revenue budget along with the Minimum Revenue Provision that is necessary to set aside funds for eventual repayment of the loan principal. These costs have to be taken into account when setting a balanced Revenue Budget. • There are increasing restrictions on the type of capital expenditure that is eligible for prudential borrowing. Borrowing to fund investment solely for commercial gain is not permitted.
Revenue Budget Contributions	• There is no expectation that significant capital expenditure will be funded from the revenue budget in 2021/22.

Capital Programme – Revenue Budget Implications

135. As explained above, the Council no longer has significant capital reserves, therefore, while a small number of schemes will be continued to be funded from capital grants and other contributions, the majority of the approved Capital Programme must be funded through prudential borrowing. The costs of repaying this borrowing fall on the revenue budget as treasury management costs in Central budgets.

136. Treasury management budgets will be updated to reflect the costs of borrowing for the approved Capital Programme for 2021/22 onwards net of interest on forecast balances. Details will be confirmed in the Treasury Management Strategy for 2021/22 that is reported to Executive and Full Council for approval in March/April each year.

137. The costs of managing and maintaining new capital assets will have to be taken into account in the revenue budget as new assets come into use. Budgets will also have to be set for any new income streams generated.

BUDGET SETTING TIMETABLE

138. The timetable for approval of the 2021/22 budget is summarised below:

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

OPTIONS

139. Service & Financial Planning: the following options are available to the Executive:

    a) Approve the proposed budget and financial planning changes set out within the report, for consultation under the terms of the Constitution.

    This option is recommended for approval, to ensure that our service and financial plans are agreed in good time to adopt a balanced budget for 2021/22.

    b) Only approve some of the proposed budget and financial planning changes set out within the report, for consultation under the terms of the Constitution.

    This option is not recommended, as it would undermine the service plans and would present a budget gap for 2021/22.

    c) Reject the proposed budget and financial planning changes set out within the report, and request that further work be undertaken to develop new proposals for consultation under the terms of the Constitution.

    This option is not recommended as it would delay the budget consultation process, undermine service planning and leave the Council and risk of failing to adopt a balanced budget for 2021/22.

140. Council tax premium on empty properties: the following options are available to the Executive:

a) To adopt the proposed premium of 300% for properties that have been empty for more than 10 years.
b) To reject the recommended premium of 300% for properties that have been empty for more than 10 years.

141. Modified housing benefit scheme: the following options are available to the Executive:
    a) To continue the modification.
    b) To reject the recommended continued application of the modification.

LEGAL IMPLICATIONS

142. Service & financial planning: There are no direct legal implications arising from the recommendations in this report subject to the Council adopting a balanced budget for 2021/22 by 11 March 2021 to meet the requirements of the Local Government Finance Act 1992.

143. Council tax premium on empty homes and modified housing benefit scheme: there are no direct legal implications arising from the recommendations in this report.

FINANCIAL IMPLICATIONS

144. Service & financial planning: these are addressed throughout the report.

EQUALITIES IMPLICATIONS

145. An Equalities Impact Assessment of the final service & Financial planning proposals will be undertaken and will be provided as a background paper to the January budget report. This will include, where possible, consideration of the effect that COVID-19 is having on residents' income, particularly those are now claiming benefits for the first time.

146. Council tax premium on empty homes: the proposal impacts on 12 properties that are forecast to be be affected and is not anticipated to have equalities implications.

147. Modified housing benefit scheme: the proposal provides financial benefits to claimants in receipt of specified pensions.

COMMUNICATION IMPLICATIONS

148. Service & financial planning: the Council continues to offer value for money for Council residents – in 2020/21, the average household pays just £4.48 per week to the Borough Council in Council Tax, which pays for the wide range of services that the Council delivers, including household waste and recycling collections, street cleaning, greenspaces maintenance, leisure and community centres, and statutory and regulatory services such as licencing, environmental health and planning.

149. Central to Council's communications and engagement strategy is not only to promote the good work that the Council does and the great services it provides, but also to make sure that our annual service and financial planning process reflects what our residents and businesses need. Development of the 2020-2025 corporate plan was supported by extensive consultation with residents and other partners to ensure that our priorities remain relevant up to 2025.

150. Council tax premium on empty homes: information about the premium will be made available to affected taxpayers and published on the Council's website.

151. Modified housing benefit scheme: information about the modification is made available to eligible claimants and published on the Council's website.

RISK MANAGEMENT CONSIDERATIONS

152. The Council has strong risk management arrangements in place to ensure that any risks are identified and managed, with regular reports provided to the Audit Committee and the Executive.

153. The risks relating to the long term financial sustainability of the Council remain on the strategic risk register and controls and mitigating actions are regularly reviewed. Property investment, which is a key aspect of securing our long term financial sustainability and can be affected by wider macro-economic circumstances, is a strategic financial risk for which controls are in place and mitigating actions being implemented.

154. Other strategic risks, which the Council recognises need to be managed relate to partner organisation's decisions in relation to future funding and recycling credits.

155. Strategic financial risks: these are set out at Annex 2 (Appendix 3).

156. Service & financial planning: the service and financial plans contained within this report are aimed at minimising risks and ensuring that the Council continues to deliver great services whilst managing budgets and other resources well. The Medium Term Financial Plan and Capital Investment Strategy include analyses of forecast budget risks and the mitigating action that is planned.

157. Council tax premium on empty homes: there are no significant financial risks associated with this proposal.

158. Modified housing benefit scheme: there are no significant financial risks associated with this proposal.

HUMAN RESOURCE IMPLICATIONS

159. Service & financial planning: the Council will need to grow in the future if the Council is to succeed in our ambitious approach to becoming self-sufficient. The Council will need the capacity and skills to enable the organisation to diversify and to become more commercial, whilst also expanding our service provision as outlined in the earlier sections of this report.

160. The service and financial planning proposals for 2021/22 result in no change in FTE.

Table 19: Staff Establishment - FTE Movements 2020/21 to 2021/22			
STAFF ESTABLISHMENT 2020/21 (including fixed term posts)			**534.0**
New Posts to be Created as part of 2021/22 Service & Financial Planning Growth			
Annex			
3.1	Additional Accountant post to support delivery of increased treasury management and Statement of Accounts service demands in 21/22 onwards	1.0	
3.1	Additional waste collection crew to meet increased household demand	3.0	
3.1	Deletion of vacant funded posts	(6.0)	
3.2	Establishment of the Commercial Team to support delivery of the Commercial Investment Strategy	2.0	**0.0**

Table 19: Staff Establishment - FTE Movements 2020/21 to 2021/22	
STAFF ESTABLISHMENT 2020/21 (including fixed term posts)	**534.0**
FORECAST STAFF ESTABLISHMENT 2021/22	**534.0**
NET INCREASE/DECREASE	**0.0**

161. The final budget proposals and Medium Term Financial Plan forecasts will includes provision for an annual cost of living pay award for staff. This award is subject to negotiations with staff representatives and will depend on a variety of factors, including economic conditions, inflation levels and staff recruitment and retention considerations. The budget forecast also includes an allocation for contractual pay increases for some staff (primarily incremental pay rises linked to achieving appraisal targets).

CONSULTATION

162. Consultation will be carried out in line with the Council's budget and policy framework. This includes consideration by the Overview & Scrutiny Committee.

163. The Overview & Scrutiny Committee has established a Budget Scrutiny Panel to support this work. The Panel is scheduled to meet on 3 December. It is anticipated that the Panel's report will be considered by the Overview & Scrutiny Committee on 9 December. Any comments or recommendations will be reported to the Executive meeting on 17 December 2020.

164. Section 65 of the Local Government Finance Act 1992 requires the Council to consult representatives of those subject to non-domestic rates in the borough about its proposals for expenditure for each financial year. This will be done through activities coordinated by the Economic Prosperity Team, including business networking events and using the Council's business e-newsletter.

POLICY FRAMEWORK

165. The budget proposals within this report form part of the Council's budget and policy framework. The annual budget is developed to ensure that the Council can deliver its corporate plan and services to residents and businesses.

166. Council tax premium on empty homes: the proposal supports delivery of the Council's Housing Delivery Strategy.

167. Modified housing benefit scheme: the proposal supports the Council's priority of providing targeted and proactive support for our vulnerable residents.

Background Papers:

Empty Homes Policy, report to Executive on 18 April 2019

Medium Term Financial Plan Update, report to Executive on 28 July 2020

Capital Investment Strategy 2021/22, report to Executive on 28 July 2020

*Service Plans, 2021/22 to 2024/25, c*opies of Service Plans can be viewed in the Members' Section of the Modern.Gov Library.

List of Annexes:

1 Policy Context
2 Medium Term Financial Plan - Summary
3 Revenue Budget – Growth, Income and Savings Proposals
4 Capital Programme - Growth Proposals
5 Fees & Charges Policy
6.1 Revenue Reserves at 1 April 2020
6.2 Reserves Policy

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POLICY CONTEXT

The international, national and sub-national context in which the Council will need to operate in 2021/22

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1. Coronavirus (COVID-19)

Coronavirus (COVID-19) was declared a pandemic by the World Health Organisation on 11 March 2020. Since then, it's impact internationally, nationally and locally has been dramatic – not only its impact in health term, but also the economic and social impact of the response measures that have been implemented.

It remains to be seen what the specific impact of COVID-19 (its scale/nature) will be in 2021/22; what is certain is that there will be continuing implications for this Council, both direct and indirect.

As well as the potential direct financial and service impact for the Council (covered elsewhere), there will be wider social, economic and environmental impacts. These are addressed in the sections of this Annex that follow.

2. International Context

The Global Economy:
The operation of international financial markets, and the worldwide geopolitical landscape, will influence future global economic conditions, commodity prices, inflation and interest rates. These in turn impact on national economies and on the nature of the demands based on the Local Government Sector.

The coronavirus pandemic and the global response has seen significant reductions in global economic output, along with associated increases in unemployment, business closures and recessive pressures. Whilst governments around the world are taking a range of steps to mitigate this impact, their medium to long term success remains to be seen, with global economic uncertainty set to continue into 2021/22, and possibly beyond.

Brexit:
The Brexit transition period looks set to end on 31 December 2020, with the UK Government not having exercised the option to extend the transition agreement. Negotiations between the UK Government and the EU are ongoing in relation to a new UK-EU trade agreement, however a range of significant issues remain to be resolved, increasing the likelihood of a no-deal Brexit, which could have adverse effects on the UK economy. Until the details of any potential agreement become available it remains unclear what the potential economic and policy implications of Brexit will be for the borough. The Council will continue to monitor the advice and guidance issued by the Government and Local Government Association and take relevant steps to prepare for January 2021 and beyond into 2021/22. The Council also continues to engage with the Surrey Local Resilience Forum on emergency planning proposals related to Brexit.

Global Climate Change and Environmental Degradation:
The planet continues to experience a wide range of threats to the environment, including air pollution, waste plastics, loss of habitats & biodiversity, water scarcity, and, in particular, global warming and climate change. Unless addressed, these present significant risks to the continued security and quality of many people's lives globally, and to the global economy. These risks have been highlighted by the increased prevalence of extreme weather events, flooding and wildfires across the globe.

The Paris Climate Agreement, adopted by the UK and 195 other countries, represented a milestone in securing a commitment to limit global temperature increases and the emission of greenhouse gases. Whilst progress implementing this commitment has been impacted by other global events and interests, the need for nations to address the climate challenge has been gaining increased public recognition in recent months. To tackle this challenge requires global structural change, as well as national and local action (see below).

Recyclate Markets:
The price that the Council receives for the recycled material it collects is influenced by international markets. Demand from large economies (eg China) drives prices for materials, so when growth in these markets falters, the price for materials also reduces. Similarly, demand for plastic materials is impacted by the international oil market. The pandemic has resulted in even more market uncertainty, making it virtually impossible to predict future recyclate prices with any confidence.

In the past, the sale of recyclates has generated considerable income for the Council. However, the current market, coupled with the ongoing uncertainty arising from COVID, means that the Council cannot rely on this being the case in the coming year(s). Whilst paper prices continue to fluctuate, our income from paper is expected to net to zero this year, and costs associated with the disposal of mixed recycling are continuing to increase.

In addition, the current three year agreement over recycling management costs paid by Surrey County Council to the Borough Council expires this year and an agreement for future years remains to be finalised.

Recyclate costs are identified as an operational risk for the organisation, and this risk will continue to be monitored and managed as far as possible.

3. National Context

National Economy and Industrial Strategy:
The impact of coronavirus on the national economy has been dramatic. The pandemic, and national response, tipped the UK into recession, with the country experiencing a dramatic fall in GDP, business closures and rising unemployment. At the same time public spending to support both healthcare services and businesses has increased public debt to the highest level in recent memory.

Whilst it has been projected that the economy will return to growth in 2021, the speed and nature of this return to growth is uncertain, as is its impact at a local level. More generally, it can be expected that Government spending in the coming years will need to be tightened, potentially impacting on future local government funding settlements (with the Fair Funding Review and Business Rates reform still awaited).

A potential 'positive' arising from the ongoing pandemic is the opportunity to 'build back better'. Government has confirmed its commitment to support economic recovery, with recent announcements about support for infrastructure delivery and 'green growth'. To achieve this ambition will require continued financial and policy commitments and support from Government, but the opportunity to capture local benefits in this area must be pursued by the Council as we move into 2021/22.

As noted above, Brexit continues to present a further risk to the national economy which will also shape national economic policy and industrial strategy in future months and years.

Welfare System:
Changes to the welfare system, triggered by national austerity measures, continue to impact on the most vulnerable in our society.

Universal Credit, combining a range of previous benefits, is approximately 54% rolled out nationally (and within this borough), with implementation in Reigate & Banstead having commenced in October 2018. The current target for full national roll-out is September 2024. As has been the case in most areas where the scheme has been implemented, this has presented some challenges for recipients and the Council, which the Council has worked to address. The Council introduced its Money Support Service to advise residents and help prevent them encountering financial difficulties. The Council also administers Discretionary Housing Payments on behalf of the Government, with funding increasing by 34% in the last 2 years

The ongoing response to the pandemic is expected to lead to an increase in unemployment (see below), which will in turn mean that the pressure for welfare support will also increase, across a wider section of the population than in recent years. This will mean both increased direct pressures for the Council to administer and support this process, as well as wider demands for community support, money support and other engagement with residents. The Council has also been responsible for the administration of the allocation and distribution of business support grants and self-isolation payments as part of the COVID response and it is currently unknown whether this additional resourcing pressure will continue into next year.

Planning Policy:
The Government has been consulting on major changes to the planning system. Whilst the outcomes of this consultation exercise remain to be seen, indications are that in the future, national planning policy will remove many elements of local choice and control, and replace them with centrally determined standards.

A central national objective of changes to the planning system remains securing the delivery of more homes: while the proposed changes may potentially remove some obstacles to housing development, there are significant concerns that it could also lead to a reduction in standards, and more low-quality housing, which does little to address the real needs of the population.

These changes have the potential to substantially change how development planning takes place in the borough.

Environmental Policy:
At a national level, in 2019 the UK Government amended the Climate Change Act 2008 to commit the country to a target of net-zero greenhouse gas emissions by 2050. This target is supported by a range of current and emerging legislation.

Earlier this year the Committee on Climate Change published its annual report to Parliament about reducing UK emissions. Their report identified that there are still gaps in policy at a national level which limit the ability to make progress against national targets, for example policy in relation to existing residential and commercial building stock. The report urged Government to make swift progress on ensuring the appropriate policy levers are in place, including to support the work of local authorities.

Future legislation will include a new Environment Act (currently the Environment Bill) which will set long-term legally binding environmental targets, beyond climate change mitigation. Targets in relation to issues such as air quality, biodiversity and waste reduction will be relevant to the Councils work in future years. The Environment Bill also proposes a new independent watchdog, the Office for Environmental Protection, which is intended to hold the Government to account on environmental issues. The Council will need to continue to have regard to the implications of its activities for the environment, both in terms of compliance with current and emerging legislation and to minimise contributing to worsening global conditions.

Local Government Reorganisation:
Whilst Surrey has not been included in the most recent wave of authorities invited to submit locally-led proposals for unitary local government, local government reorganisation remains a possibility that may need to be considered in future years.

4. Sub-National Context

Health & Wellbeing:
Healthcare is a national issue, and one that has been at the forefront this year due to the ongoing pandemic. Whilst funded nationally, it is delivered locally, and remains of central importance to the health and wellbeing of Reigate & Banstead residents.

At the sub-regional level, Surrey Heartlands is the Integrated Care System (ICS) for the county. This partnership has been established with the aim of enabling health organisations, local authorities and other partners to take

collective responsibility for the health of the local population, and managing resources while providing high quality health services. Sitting below the ICS are integrated care partnerships (ICPs) which are groups of more locally based health and care organisations; whilst Surrey County Council has responsibility for Public Health.

There is an ongoing role for this Council to work closely with the Surrey Heartlands ICS, Surrey CC and the Surrey Downs ICP to ensure that health services are provided in a joined up and holistic way, and that the work that we do in relation to resident wellbeing complements that of the health sector. A wide range of our Borough Council services have the ability to contribute to securing resident wellbeing, including planning, greenspaces, leisure, community partnerships, housing, family support, economic prosperity, environmental health and licensing. COVID-19 has demonstrated the importance of local areas in supporting resident wellbeing (for example through increase use of our parks and countryside) and there is a continuing opportunity for the Council to maximise its support in this area.

Economic Prosperity:
Reigate & Banstead sits at the heart of Coast to Capital Local Enterprise Partnership (LEP) area and the Gatwick Diamond. The LEP's Strategic Economic Plan identifies the pivotal role of Gatwick Airport and the surrounding area within the sub-regional economy, and sets out priorities for economic growth and investment in future years.

In its Coronavirus Economic Impact Assessment, dated August 2020, the LEP estimates that the Coast to Capital area could lose up to 17% of GVA during 2020 and that to return to pre-COVID GVA levels by 2029, regional GVA growth would need to at least double to 5% by 2026. It has therefore identified five 'foundations of productivity' – business environment, people, places, infrastructure and ideas – around which it will need to build a framework for economic recovery.

Analysis by the LEP suggests that as of August 2020 around 30% of Reigate & Banstead employees were on government support schemes. Analysis at a finer grain of detail by Surrey County Council through its COVID impact assessment work suggests that a number of wards within the borough saw over 25% of the working population being furloughed over the summer with some of the highest economic impacts being felt in the south of the borough. This may be as a result of the impact on airport-related employment in these areas.

It remains to be seen what the longer term economic implications are for the sub-region of the pandemic. It will be important that the Council continues to work in partnership with the LEP to target support and investment to support those sectors of the economy worst hit, to help support residents into education and training, and to do so in a way that facilitates a sustainable local economic recovery from COVID.

The Local Housing Market:
Housing affordability in the borough and surrounding areas has for many years been such that local residents, young families and local employees on moderate incomes are often unable to buy their own homes. Recent years have

seen average house prices in excess of 12 times local wages. Whilst recent circumstances have led to some uncertainty in the housing market, demand appears to have been buoyed by stamp duty reductions such that there is no clear sign of any significant reduction in prices, and wages would still need to increase considerably to meaningfully improve affordability.

Similarly, private rents in the borough remain high, with the average 2 bed monthly rent being around £1,075. This compares to a maximum local housing allowance rate of just under £950. With local jobs at risk as a result of the pandemic, including in traditionally lower income sectors such as the service and hospitality sector, it is likely that more households will struggle with housing costs in the coming year.

At the same time, social housing (particularly social rented housing) remains in high demand in the borough, with higher cost affordable rented social homes being beyond the reach of many households. As well as demand from families for social housing, the Council is receiving more approaches from single people with more complex needs at risk of homelessness.

The Homelessness Reduction Act, which expanded our duties to assist those at risk of homelessness, is now in its third year. The three-year ringfenced funding from Government is therefore due to end this year, with uncertainty about whether the increased work and responsibility for the Council arising from the Act will continue to attract Government funding into future years.

The Government response to the initial COVID crisis resulted in the Council placing more households into emergency accommodation in the spring, in particular single households. Whilst many of these households have successfully been helped into private rented sector, social rented or supported accommodation, a number of these cases are still open. In the event of increasing unemployment, demand for the Council's housing services, and for affordable housing, will continue to increase.

<u>The Local Commercial Market:</u>
Local commercial markets have been reasonably buoyant in recent years; however the national (and global) economic impact of coronavirus has and will continue to have a local impact.

High street businesses and properties continue to experience challenges due to the COVID restrictions in place and competition with online retailers. Supermarkets have fared well throughout the pandemic, and anecdotally some local convenience shops have benefitted as people have chosen to shop closer to home. Increased and ongoing demand for on-line shopping suggests that the warehousing sector will continue to be strong.

The future of the office market remains uncertain. Greater levels of working from home may impact the demand for office accommodation, however in the medium term tenants may require additional space if social distancing regulations continue. It remains to be seen if demand for office space in local town centre (rather than city centre) locations increases as employers are more reluctant to commute into London daily – current rental yields certainly indicate this position at the moment.

In light of the widespread market uncertainty (both COVID and Brexit related) the income generated from Council assets remains potentially vulnerable, as recognised in the strategic risk register. The Commercial Ventures Executive Sub Committee will need to continue to monitor this and where necessary decide on mitigation actions.

Local Environmental Sustainability:
In 2020 Surrey County Council published its Climate Change Strategy. This sets out an ambitious plan for the county to achieve zero net carbon by 2050, and includes a range of actions and activities that will need to be implemented at the borough level, in conjunction with measures outlined in our own Environmental Sustainability Strategy.

It will be important that the Council works closely with Surrey County Council (and other local partners) to deliver on shared environmental and climate objectives, to lobby for further powers and funding from central government and to deliver maximum benefits from the resources that are available.

Transport and Other Infrastructure:
Funding and delivering the infrastructure to support growth remains a challenge, and one which is largely outside the control of the Council. Transport for the South East (TfSE) (the sub-national transport body) submitted its bid for statutory status in July 2020; and once formally established will have devolved responsibility for transport in the region. TfSE has recognised the important regional radial and orbital transport routes that cross Reigate & Banstead and is now instigating five area studies that will form the basis of its investment plans and future spending on road and rail in the future.

The recognition of key corridors such as the A23/M23/Brighton Mainline corridor and M25/North Downs Line by TfSE is to be welcomed, however it remains the case that the criteria for transport investment used by the government and other agencies render it challenging to justify transport spending in areas such as Reigate & Banstead, which are relatively prosperous and which do not have the capacity to deliver the large amounts of housing that are often expected to secure investment.

At a local level, the Council continues to collect the Community Infrastructure Levy, which is now being allocated to assist with the delivery of a range of infrastructure projects across the borough. However, the funds that the Levy generates will not be sufficient to address the overall infrastructure funding gap, which the most recent Surrey Infrastructure Study estimated at £96m for the borough.

In terms of aviation, the industry has been hard hit by the coronavirus pandemic, with Gatwick Airport predicting that could take 4-5 years for passenger and flight numbers to return to pre-COVID levels, and the organisation proposing a companywide restructure. The negative implications of this for local employment are highlighted above. Gatwick Airport has indicated that it is committed to understanding and taking account of local issues as it recovers, and the breadth of potential local impact (economic, social and environmental) must be recognised. At the time of writing, Gatwick Airport maintains that it remains committed to its plans to bring its existing

standby runway into routine use and that it intends to undertake public consultation on this proposal in mid 2021.

The Council will need to continue to monitor airport activity and engage constructively with the airport in relation to its response to the ongoing pandemic and any future growth plans.

MEDIUM TERM FINANCIAL PLAN - SUMMARY

2021/22 to 2025/26
November 2020

APPENDICES

Introduction

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

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

1. Medium Term Financial Plan Objectives

The objectives of this MTFP are to help us:

- Provide a robust financial framework to assist decision-making processes
- Manage council finances within the context of a forward-looking service & financial planning framework
- Prioritise resources to align spending plans with our vision and strategic objectives and resident priorities
- Recognise the ongoing funding challenges that will need to be addressed through changes to how services are delivered, realising new sources of income and delivery of cashable budget savings, or a combination of all three
- Maintain council tax resource levels
- Maintain a balanced budget and continue to strengthen that position
- Maintain the General Fund reserve at a minimum of 15% of the annual net Revenue Budget to cover significant unforeseen expenditure
- Maintain Earmarked Revenue Reserves for specific purposes, consistent with achieving our priorities and managing risks. The use of Earmarked Revenue Reserves will be in line with the Reserves Policy and will be reviewed annually
- Help confirm the affordable level of capital investment required to support our strategic and financial priorities while remaining within prudential borrowing limits
- Ensure that fees and charges are set at an appropriate level and that they take into account comparative levels of charge and ability to pay, in line with the Policy
- Demonstrate probity, prudence and strong financial control
- Manage financial risks
- Continually review budgets to ensure resources are targeted on key objectives
- Continue to improve our approach to commissioning and procurement to ensure value for money for local taxpayers
- Support new ways to ensure financial sustainability and maximise income to deliver our priorities. This includes the development of commercial projects to capture both revenue income and capital growth opportunities.
- Pursue opportunities for securing external funding

- Support opportunities for working in collaboration with partners where this will support our priorities and improve service value for money.

2. Medium Term Financial Plan Priorities

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

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

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

- Impact of the **COVID-19 Pandemic**. The latest assessment of the potential financial impacts for this Council is set out at Appendix 4.

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

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

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

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

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

- A **Financial Review** of the historic budget outturn position and of our base budget to ensure maximum value is obtained from those resources already

allocated – effectively to ensure financial discipline and good housekeeping are maintained.

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

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

3. Medium Term Financial Plan Context

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

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

The Economy and Public Spending
There remains considerable uncertainty in financial and economic forecasts. In October 2020, HM Treasury reported to Parliament:

- *UK GDP grew by 2.1% in August 2020 compared to June, the fourth consecutive monthly increase following April's 19.5% decline. Despite this, August GDP was 9.2% below the pre-pandemic levels seen in February 2020.*
- *GDP grew by 8.0% in June-August compared to the previous three month period (March-May).*
- *All the headline sectors provided a positive contribution to three – month growth in June - August. The services sector grew by 7.1%, production by 9.3% and construction by 18.5%. However, output in all of these sectors remain lower than in February, by 9.6% in services, 6.0% in production and 10.8% in construction.*
- *The economy declined by 19.8% in the latest calendar quarter (April-June 2020). This was revised down from the initial estimate of a 20.4% fall, but still represents the biggest fall in quarterly GDP on record.*
- *In cash terms, GDP was £2,214 billion in 2019.*

- *In their July Fiscal sustainability report, the Office for Budget Responsibility (OBR) forecast a fall in growth in 2020 of between 10.6% and 14.3%.*
- *The Treasury's October 2020 survey of independent forecasts for GDP growth showed an average forecast of -10.2% for 2020 and 6.3% for 2021.*

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

Table 1: FORECAST INTEREST RATES	**Dec 2020 %**	**June 2021 %**	**Dec 2021 %**	**June 2022 %**	**Dec 2022 %**	**June 2023 %**
Forecast Bank Rate	0.10	0.10	0.10	0.10	0.10	0.10

Source: *Link Asset Management November 2020*

Inflation

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

Table 2: FORECAST INFLATION (CPI)	**2020 (Q4) %**	**2021 (Q3) %**	**2022 (Q3) %**	**2023 (Q3) %**
Forecast CPI	0.3	1.8	2.0	2.2

Source: *Link Asset Management October 2020*

Economic Growth

Economic growth – as measured by Gross Domestic Product (GDP)

- *In August's Monetary Policy Report, the Bank of England predicted that GDP would not return to its 2019 level until 2022 after a recovery in 2021, with GDP peaking at 3% in 2022.*
- *Meanwhile the unemployment rate was expected to rise through the year peaking at 7.5%.*

Source: *Link Asset Management October 2020*

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

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

Local Government Funding

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

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

- April 2011 – New Homes Bonus introduced
- April 2013 - Business Rates Retention introduced
- October 2015 – 100% BRR and Funding Review announced
- April 2016 – Government and LGA working groups set up and start meeting
- Early 2017 - Call for evidence on Fair Funding and Business Rates Retention consultation
- April 2017 – New Homes Bonus scheme changes
- May 2017 election – Business Rates Retention primary legislation falls; Fair Funding Review to continue
- Summer 2017 – announcement of move to 75% Business Rates Retention; confirmation of new Business Rates Baseline and continuation of Fair Funding Review – all for 2021/22
- July 2018 – new simplified Business Rates Reset first suggested
- December 2018 – no figures beyond 2020/21 available; indications that 'Negative Revenue Support Grant' will result in significant funding reductions for councils like Reigate & Banstead
- December 2018 – new consultations on Fair Funding Review, Business Rates Retention and confirmation of a full Reset of Business Rates growth
- December 2019 - Spending Round19 – one-year settlement for 2020/21 only
- July 2020 - Spending Review20 – delayed to autumn 2020 due to Government's COVID-19 pandemic response.
- October 2020 - Spending Review20 – the Government confirmed that this would be another one year review to be published on 25 November 2020

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

Fair Funding Review

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

Business Rates Growth: Reset and 'Alternative' System

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

Business Rates Revaluation

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

New Homes Bonus:

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

Specific Grants:

- There is still an expectation that these will be rolled into the funding system when 75% business rates retention is introduced. It remains to be confirmed whether this will be deferred to 2022/23.

Negative RSG Grant:

- Expected to also be deferred to 2022/23. Further information may be announced as part of Spending Review20.

Council Tax:

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

Local Government Funding – Current Position

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

The Chancellor announced on 24 March 2020 that the planned Spending Review 2020

would be delayed beyond July to enable the Government to remain focused on responding to the COVID-19 pandemic.

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

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

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

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

In September it was announced that there would be no Autumn Budget from the Chancellor due to the pandemic and it would be replaced with a Winter Economy Plan (which was presented to Parliament on 25 September.

There were three policy announcements in the Plan:

- Support for employment: Job Support Scheme and extension to self-employed income support scheme grants.
- Easing burdens on business: extension of the temporary VAT reduction, VAT deferrals, and various other financing measures.
- Support for public services: outlining the £24.3bn support approved since the Plan for Jobs in July.

Issues most relevance to local government from the Plan included:

- Extension to VAT reduction (to 5%) for certain supplies of hospitality, holiday accommodation and admission to attractions from 13 January to 31 March 2021; which could benefit authorities providing these services.
- £500m increase to the infection control (Track & Trace) fund, which was previously announced by the Health Secretary.
- £60m funding for police and local government for enforcement measures such as marshals.

Key economic updates in the Plan:

- GDP in April was 25% lower than in February, and whilst it has slowly grown since May, it is estimated that July's GDP was still 12% lower than February.
- Consumer spending fell by 80% at its lowest point, but retail sales were now 2.8% higher than in the same month in 2019 (though it should be noted that this may simply be deferred activity which would otherwise have taken place earlier in the year).

- Employment had fallen by 695,000 between March and August, and the number of vacancies being advertised was 40% lower than in the same month in 2019.
- The Government had spent around £190bn supporting people, businesses and public services since the start of the pandemic.

In October 2020 the Government confirmed that Spending Review20 would also be for one year (2021/22) only due to the require to focus on the national response to the COVID-19 pandemic. At the time of preparing this report the date of publication had been confirmed to be 25 November in order to then allow time for publication of the local government funding settlement (usually received at the end of December).

The Government has indicated that Spending Review20 will focus on three areas:

- Providing departments with the certainty they need to tackle COVID-19 and deliver the Government's plan for jobs to support employment
- Giving public services enhanced support to fight COVID-19 alongside delivering frontline services
- Investing in infrastructure to deliver the Government's "*ambitious plans to unite and level up the country, drive our economic recovery and build back better*".

It is currently expected to be a 'roll over' settlement with no significant changes to funding allocations.

Given the ongoing political focus and uncertainty due to the COVID-19 pandemic, it remains unclear when the next longer-term spending review will take place. Some provisional spending totals were set out in the 2018 Autumn Budget for the years up to 2024/25. These provisional totals continue to underpin the official fiscal forecasts and therefore provide an indication of what might be expected.

In October 2020 the Local Government Association (LGA) published a report which highlighted that English councils received at least 448 individual government grants between 2015/16 to 2018/19 in an increasingly "fragmented and reactive" use of public funding. The LGA is calling on the Government to use the Spending Review to end this fragmented funding of council services and the meeting demand pressures through individual and often one-off grants.

In late October 2020 it was announced that the Housing, Communities and Local Government Committee will consider what approach the Government should take to funding local government as part of the 2020 spending review. It will investigate the current financial health of local authorities and their ability to deliver services, including the additional pressures caused by the COVID-19 pandemic. In light of continued delays to the multi-year spending review, the Committee Inquiry will also examine the impact of single year settlements on the ability of councils to plan and deliver services in the long-term.

Service & Financial Planning: Government Funding Assumptions

For the purposes of preparing this MTFP and the draft 2021/22 budget the following has been assumed:

- No further changes to total local government funding as a result of Spending Review20.

- The most far-reaching funding changes will be delayed to 2022/23 onwards

  When implemented, we anticipate that the funding changes will reduce this Council's Government funding by £0.200 million in year one followed by a further £1.3 million and £0.4 million in each of the two subsequent years (£2.3 million in total). This is as a consequence of the removal of 'Negative RSG' grant and the Business Rates reset.
- No other transitional funding arrangements for these changes
- Council taxbase growth of 1.0% per annum and council tax increases continue to be capped at a maximum of 1.99% or £5.

  For 2021/22 the ongoing impacts of the COVID-19 pandemic on collection performance and take up of the Local Council Tax Support Scheme will have to be taken into account when forecasting the taxbase.
- Funding from New Homes Bonus to cease in 2021/22 (no new allocations).

4. Corporate Plan Priorities

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

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

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

The Plan includes:

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

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

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

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

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

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

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

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

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

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

5. Budget-Setting Priorities 2021/22

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

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

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

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

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

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

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

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

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

6. Revenue Reserves

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

Reserves can be held for four reasons:

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

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

The level of Reserves is being reviewed throughout service & financial planning with the aim of presenting the final recommended use of reserves in 2021/22 onwards as part of the January budget report. This will include an assessment of the adequacy and allocation of current reserves and the associated risks and opportunities.

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

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

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

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

Table 3: USEABLE REVENUE RESERVES	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
General Fund Balance	6.075	6.717	8.737	5.912	12.547	12.547	3.246
Earmarked Reserves	9.526	10.963	13.485	19.075	21.703	25.042	32.145

Table 3: USEABLE REVENUE RESERVES	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Total Reserves	**15.601**	**17.680**	**22.222**	**24.987**	**34.250**	**37.589**	**35.391**[1]
Reserves as a % of the Net Revenue Budget	119.14%	135.01%	169.70%	190.81%	261.55%	287.05%	193.81%

Note: balance excludes £6.204m advance pension contribution

Opportunity Cost of Holding Reserves

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

Assessing the Adequacy of Reserves

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

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

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

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

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

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

- Inflation and interest rate projections.
- Estimate and timings of capital receipts.
- Treatment of planned efficiency savings.
- Financial risks involved in major funding arrangements.

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

Capital Reserves

In addition the Council holds Capital Reserves to help fund delivery of the Capital Programme. At 31 March they comprised:

- Section 106 contributions £12.772 million
- Community Infrastructure Levy £8.721 million
- Other Capital Grants & Contributions £3.263 million

7. Medium Term Financial Plan Forecast 2021/22 onwards

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

They include:

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

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

The key factors that will influence the forecast gap include:

Service Expenditure	• New budget pressures have been identified through the service & financial process and the approach to funding them

	will be confirmed when the final budget proposals are reported in January. • Legacy impacts of the COVID-19 pandemic on service income budgets
Central Budgets	• Treasury Management costs will rise significantly over the MTFP period as a consequence of the borrowing requirement to fund the approved Capital programme • Opportunities to delete redundant Central budgets and contingency sums.
Council Tax	• Council tax setting assumptions • Legacy impacts on recovery performance of the COVID-19 pandemic
NNDR	• Removal of Negative RSG Grant and the Business Rates reset • Legacy impacts on recovery performance of the COVID-19 pandemic
Use of Reserves	• Funding for the 2019/20 budget includes drawing £1.256 million from the General Fund Reserve. If equivalent savings, efficiencies or new sources of income are not identified for 2021/22 this requirement to call on Reserves will continue to increase and further reduce available balances. • In previous years the budget outturn position has been a revenue budget underspend of at least £1.0 million. If this were to continue the net impact on reserves would not be significant, however the COVID-19 pandemic means that there is a reduced likelihood of an underspend on this scale in 2020/21.

The latest forecast is set out at Appendix 2.

8. Capital Investment Strategy

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

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

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

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

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

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

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

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

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

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

Medium Term Capital Programme

While Revenue Budget expenditure is concerned with the day-to-day running of services our Capital Programme is concerned with investment in the assets required to deliver services or delivery new income streams. The Medium-Term Capital Programme sets out how capital resources will be used to achieve our vision and corporate priorities.

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

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

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

Capital Programme – Revenue Budget Implications

As explained above, with the exception of earmarked s106 funds, the Council no longer has significant capital reserves, therefore, while a small number of schemes will be continued to be funded from capital grants and other contributions, the majority of the approved Capital Programme must be funded through prudential borrowing. The costs of repaying this borrowing fall on the revenue budget as treasury management costs in Central budgets.

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

The cost of managing and maintaining new capital assets will also have to be taken into account in the revenue budget as new assets come into use.

9. Treasury Management & The Prudential Code

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

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

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

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

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

The Prudential Code

CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the 'Prudential Code') provides the framework for councils' capital investments. The key feature of the prudential system is that councils should determine the level of their capital investment – and how much they borrow to finance that investment – based on their own assessment of what they can afford, not just for the current year but also for future years.

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

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

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

10. Medium Term Financial Plan Risks & Sensitivities

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

SR2: Financial sustainability

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

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

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

- *The most significant risks relate to the extent to which the Government will fund the unplanned expenditure that is being incurred to deliver the Council's COVID-19 responsibilities at the same time as experiencing material reductions in income from fees and charges and local taxes. If this substantial financial burden is not mitigated through direct Government support these unplanned financial pressures will have an adverse impact on the Council's capacity to deliver against its Corporate Plan ambitions in future years.*

Details of the mitigating actions are set out at Appendix 3.

Operational Risk Register – Budget-Setting
The principles and assumptions contained within this MPFP are aimed at ensuring that the Council is financially sustainable and continues to deliver high quality services.

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

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

Perceived Risk	Impact	Likelihood	Preventative Action
Failure to remain up to date with changes in relevant legislation, regulations and guidance	High	Low	Ensure that all relevant information is taken into account when producing MTFP and budget forecasts.
Changes in legislation affecting the scope of services and the cost of carrying them out	Medium	Medium	Maintain regular contact with Heads of Service regarding developments that have potential financial implications.

Perceived Risk	Impact	Likelihood	Preventative Action
Local Government Financial Settlement worse than forecast	High	Medium	Model a range of MTFP and budget scenarios and strategies.
Outdated MTFP assumptions and/or significant variations due to economic factors	High	Low	Regularly review and update assumptions.
Inaccurate budget assumptions	High	Medium	Regularly review and update assumptions.
Unexpected financial events	High	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Deliverability of new income streams against forecast timescales	High	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Demographic and demand-led pressures	Medium	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Reduction in existing fees & charges income	Medium	Low	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Contract risks e.g. contractor viability, non-delivery	Medium	Low	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks. Maintain regular contact with Heads of Service regarding developments that have potential financial implications.
COVID-19 financial risks	High	High	Legacy impacts of the pandemic include ongoing cost pressures and income reductions. These are discussed in more detail at Appendix 4.

Sensitivity Analysis

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

Table 4: SENSITIVITY	Change	Estimated Annual Impact £000
Business Rates Income	+/- 1%	£8
Staff Costs		£285
Non-Pay Costs		£140
Fees & Charges		(£160)
Council Tax/Taxbase		£141

Budget Uncertainties & Risks

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

The Economy:

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

Future Government Funding:

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

Revenue Budget Savings:

- following the significant budget reductions in recent years, it has become increasingly difficult to generate additional ongoing savings. If the Council is

to deliver financial sustainability then we will need to continue our efforts to become a more commercial organisation and fully explore income generating opportunities involving, for example, property investment, partnership working and providing services for other organisations. Government and CIPFA guidance on 'borrowing in advance of need' is likely to limit some of the options that may otherwise have been considered to deliver new commercial income streams.

Corporate Plan 2025:

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

Budget Risks:

- Given the uncertainty over future economic conditions and the business rates regime, it is prudent to maintain our capacity to protect services from unforeseen financial pressures. Once used, however, it may prove difficult to replenish reserves.
- Despite significant improvements in recent years the Pension Fund remains a risk over the longer term as the future economic downturns may impact on the value of Fund investments and liabilities.

COVID-19 Pandemic

- The potential financial risks and uncertainties arising from the COVID-19 pandemic are set out at Appendix 4. It is likely to be some time before the full impacts are confirmed.

MTFP and Budget Monitoring and Review

The updated MTFP position has been reported as part of the draft Budget report in November.

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

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

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

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

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

Fees & Charges Policy.	Sets out a corporate view of the fees and charges levied by the Council for consideration each year.
Annual Council Tax Report	Approved by Full Council in February each year

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

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

Service & Financial Planning Timetable
The timetable for Service & Financial Planning 2021/22 is set out in the covering report.

12. CIPFA Financial Management (FM) Code

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

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

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

The Code has several components, comprising:

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

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

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

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

Table 5: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	
Section 1: The responsibilities of the chief finance officer and leadership team	
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.
B	The authority complies with the CIPFA *Statement on the Role of the Chief Finance Officer in Local Government.*
Section 2: Governance and financial management style	
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.

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

13. CIPFA Resilience Index

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

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

The assessment makes reference to the following:

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

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

Table 6: CIPFA RESILIENCE INDEX INDICATORS	This Council's Relative Risk Compared to Similar Councils (November 2020)	This Council's Prospects over the Medium Term
Reserves Sustainability – increase in reserves over recent years	Medium	Planned use of previously un-allocated reserves (for example for investment in Housing) means that this position will be harder to maintain
Level of Reserves – compared to the annual revenue budget	Low	
Changes in reserves over recent years	Low	
Interest payable compared to recent budget	Low	Planned growth in the Capital Programme and associated borrowing means that this position will not be maintained.
Gross external debt	Low	
Fees & Charges - as % of service budgets	Higher than Average	Implementation of the new Fees & Charges Policy and planned review should improve the Council's position against this indicator if it results in new and/or increased sources of income.
Ratio of Council tax contribution to revenue budget	Low	Risk may increase if budget increases without the ability to levy a proportionate increase in council tax.
Funding growth - compared to Government baseline	Increasing	This risk is expected to increase as Government funding reduces and the ingoing impacts of the COVID-19 pandemic on income budgets are confirmed.

14. Conclusion

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

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

APPENDICES

1. Revenue Budget 2020/21
2. Medium Term Revenue Budget Forecast 2021/22 to 2025/26
3 Strategic Financial Risks
4. COVID-19 Pandemic – Financial Implications

ANNEX 2

APPENDIX 1

REVENUE BUDGET 2020/21

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

NOTE

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

ANNEX 2

APPENDIX 2

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

MEDIUM TERM REVENUE BUDGET FORECAST		Approved Budget 2020/21 £m	Cumulative Impact 2021/22 £m	Cumulative Impact 2022/23 £m	Cumulative Impact 2023/24 £m	Cumulative Impact 2024/25 £m	Cumulative Impact 2025/26 £m
20/21 Adjusted Budget Requirement		**18.256**					
Bfwd Budget Pressure One-off use of Reserves in 2020/21			1.256	1.256	1.256	1.256	1.256
Budget Pressures / Savings at November 2020							
Pay cost inflation/contractual increases			0.600	1.200	1.800	2.400	3.000
Additional borrowing costs for previously-approved Capital Programme			0.500	0.500	1.000	1.000	1.000
Budget Report Annex							
3.1	Services - Pay		(0.189)	(0.189)	(0.189)	(0.189)	(0.189)
3.2	New Strategies - Pay		0.143	0.143	0.143	0.143	0.143
3.3	Services – Non-Pay		0.269	0.269	0.269	0.269	0.269
3.4	Central Budgets		(1.623)	(1.623)	(1.623)	(1.623)	(1.623)
3.5	New Strategies – Non-Pay		0.023	0.023	0.023	0.023	0.023
3.6	Government Funding Reductions		0.095	0.095	0.095	0.095	0.095
Council Tax							
Assumed 1.99% pa. increase plus 1.0% taxbase growth			(0.400)	(0.820)	(1.260)	(1.710)	(2.170)
Business Rates							
Loss of 'Negative RSG' grant and impact of Business Rates Reset			-	1.700	1.900	2.300	2.300
One-Off Funding in 2021/22							
Govt Funding Risks Reserve *HB subsidy reduction*			(0.095)	-	-	-	-
Commercial Risks Reserve *Redhill hotel income reduction*			(0.040)	-	-	-	-
General Fund Contribution *Subject to final budget proposals*			(0.539)	-	-	-	-

MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2020/21 £m	Cumulative Impact 2021/22 £m	Cumulative Impact 2022/23 £m	Cumulative Impact 2023/24 £m	Cumulative Impact 2024/25 £m	Cumulative Impact 2025/26 £m
Forecast Gap at November 2020 Compared to 2020/21 Budget – *before ongoing COVID Impacts*	**0.000**	**Balanced**	**2.554**	**3.414**	**3.964**	**4.104**
Annual Increase in Gap		**n/a**	2.554	0.860	0.550	0.140
Gap as % of 2020/21 budget requirement		**n/a**	13.99%	18.76%	21.77%	22.54%

Plus Potential Impacts on 2021/22 Income Budgets of the COVID-19 Pandemic

Estimated Income Losses			
COVID-19 – estimated 2021/22 income impacts • Community Centres - £0.200m • Harlequin - £0.050m • Parking - £1.200m • Commercial Waste - £0.160m		1.610	TBC
Additional One-Off Funding Drawdown in 2021/22			
Income Losses to be funded by calling on the Government Funding Risks Reserve		(1.610)	TBC
Forecast Gap at November 2020 Compared to 2020/21 Budget – *including estimate for ongoing COVID-19 impacts*	**0.000**	**Balanced**	TBC

There is no indication at the time of preparing this report whether Government support for COVID-19-related income losses will continue into 2021/22 therefore the above forecasts are based on the assumption that they will have to be funded through drawing on the Council's own Reserves.

Work is continuing on forecasts for income impacts beyond 2021/22 and an update will be provided in the January budget report.

Over the medium term the Council's strategy is to invest to realise new sustainable sources of income. This is dependent on successful delivery of schemes identified through the new Commercial Strategy.

ANNEX 2

APPENDIX 3

EXTRACT: STRATEGIC RISK REGISTER
STRATEGIC FINANCIAL RISKS

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
SR2	**Financial sustainability** The Council is now operating in a uniquely challenging and uncertain financial context. In the wake of the COVID-19 pandemic and likely recession which will follow, the Council faces a period of unprecedented financial uncertainty. The ongoing financial settlement with the Government also remains unclear with the Fair Funding Review and Business Rate Reset and Revaluation being delayed. There most significant risks relate to the extent to which the Government will fund the unplanned expenditure that is being incurred to deliver the Council's COVID-19 responsibilities at the same time as experiencing material reductions in income from fees and charges and local taxes. If this substantial financial burden is not mitigated through direct	PM Portfolio Holder: Cllr Schofield	We prepared updated Medium-Term Financial Plan (MTFP) revenue budget forecasts and a five-year capital programme during service and financial planning for 2020/21 onwards. These are being used to confirm the extent of the financial challenges faced and support strategic service and financial planning decisions. We will continue to implement the actions detailed in the Capital Investment Strategy that was approved by Executive in January 2020. This will help ensure that capital investment decisions support delivery of the Council's strategic and financial objectives.	We will continue to ensure that strong financial management arrangements are in place and continue to invest in skills and expertise to support delivery of the council's financial and commercial objectives while managing associated risks. The Council's Medium-Term Financial Plan was reported to the Executive in July 2020. This sets out the forecast budget challenges over the coming five years. It will form the basis for service & financial planning for 2021/22 onwards. The specific outcomes of the Fair Funding Review and Business Rates Reset remain unknown; however it is expected to result in significantly reduced funding. COVID-19 has resulted in material new financial risks,	**R**	**Treat**	**14.10.20**	**-**

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
	Government support these unplanned financial pressures will have an adverse impact on the Council's capacity to deliver against its Corporate Plan ambitions in future years.		We prepared the Treasury Management Strategy 2020/21 for approval (under COVID-19 delegation powers) in April 2020. This will ensure that treasury investments achieve target returns within approved security and liquidity limits.	both in 2020/21 and potentially over the medium term. Additional unbudgeted expenditure has been incurred to deliver the authority's response and budgeted sources of income have been impacted by reduced demand during lockdown. Government funding received to date is likely to address a significant proportion of the one-off cost pressures but there remains uncertainty about funding support for lost income from fees & charges and local taxes in 2020/21 as well as about whether income levels will return to pre-COVID levels in the remainder of the year and beyond. In Q2 the Council has submitted the first claim to Central Government for lost income as a result of the COVID-19 pandemic. The importance of: (i) adopting and implementing strategies that support sustainable income generation and (ii) taking forward income generating				

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
				projects such as Horley Business Park, remains a high priority.				
SR4	**Partner public sector funding decisions** The public sector is experiencing significant funding pressures. Budgetary decisions made by other public service providers will impact this borough's residents and businesses as well as the Council itself. The COVID-19 pandemic has increased pressure on public services. These pressures will result in reduced partner capacity which may require the Council to increase services and support provided. This could have negative funding and resource implications.	PM Portfolio Holder: Cllr Schofield	We will continue to maintain relationships with key partners across the public sector. This supports good information sharing, including future service and financial information	We expect to continue to hold meetings to discuss priorities and funding between the Leader, Executive and key partners such as SCC, Police and Raven Housing Trust. We will seek to align Council and partner priorities around the new Corporate Plan wherever possible, to ensure that all services are meeting the needs of our residents and businesses. We will seek to understand the funding decisions taken by partners at the earliest opportunity, and engage with them to consider the implications and avoid/minimise any negative impact on the borough. As noted in SR3 above, the financial distress or failure of a partner or neighbouring authority could result in changes to the structure of local government in Surrey.	**A**	**Treat**	**14.10.20**	**-**

COVID-19 Pandemic – Financial Implications

at November 2020

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

Government Funding

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

To date, relative to the scale of forecast financial impacts, the Council has received a the financial support as summarised the table below from Government and other agencies to offset the impacts on its budget.

Table 4.1: EMERGENCY GRANT (not ring-fenced)	**£m**
Emergency Grant allocation 1 • Equates to 64p per household.	0.042
Emergency Grant allocation 2 • Equates to £22.70 per household.	1.481
Emergency Grant allocation 3 • Equates to 3.09p per household.	0.203
Emergency Grant allocation 4 • Equates to £2.25 per household.	0.148
	1.874

Table 4.2: OTHER SPECIFIC GRANTS AND FUNDING ALLOCATIONS	**£m**
Rough Sleepers accommodation funding. • In addition, £39.7k has been received from Surrey County Council from their Emergency Grant allocation to contribute to the cost of temporary accommodation for rough sleepers.	0.002 0.040
Next Steps Accommodation Funding - £180.3k • Contribution towards B&B costs	0.180
Reopening High Streets Safely Fund • Allocated to prepare for the reopening of non-essential retail	0.132
Emergency Assistance Grant for Food & Essential Supplies • Allocated via Surrey County Council	0.089
Compliance & Enforcement Grant • For enforcement of measures to support public health including social distancing	0.058
Test & Trace Scheme - for payments to individuals who have to self-isolate and are unable to claim benefits	

• general claims • discretionary claims • admin funding	0.048 0.029 0.027
Clinically Extremely Vulnerable Funding • share of Surrey County Council grant allocation	0.067

Income Compensation Scheme

In addition the Council is able to claim for reimbursement of a proportion of some COVID-19-related income losses. There terms of this reimbursement are quite specific:

- The scheme involves a 5% deductible rate, whereby authorities will absorb losses up to 5% of their planned (budgeted) 2020/21 sales, fees and charges income, with the Government compensating them for 75p in every pound of relevant loss thereafter. By introducing a 5% deductible Government argued that it is accounting for an acceptable level of volatility, whilst shielding authorities from the worst losses.
- Income from commercial activities is not eligible of reimbursement under the scheme
- Claims have to be certified by the Council's Chief Financial Officer and may be subject to audit.

This Council's share of income funding had not been confirmed at the time of preparing this report; the first claim for £1.086m (for eligible income losses in April to July) has been submitted.

The total COVID-19 Emergency funding allocated so far to this Council to cover expenditure incurred and lost income is therefore in the region of £2.5 million and a further £1.0 million has been claimed for income losses so far. However, as set out below, the forecast costs and loss of income forecast will potentially exceed the grants awarded.

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

While the Government published 'Our Plan to Rebuild' in May 2020 it remains uncertain as to how long the lockdown restrictions are likely to last and when the Recovery phase will end.

This means that accurate forecasting of the full financial impacts for this Council is remains challenging at this time and other updates will be provided through in-year financial monitoring and budget reports.

At the time of preparing this report, while the pandemic continues, there is also not yet confidence that that these financial impacts will not continue into 2021/22; or whether Government funding support will continue.

Other COVID-19 Funding

The Council has also received the following funding from Government:

- Council Tax Hardship funding - £0.755m
- Business Grants funding - £23.8m
- Business Grants funding – Discretionary Scheme - £1.13m
- Business rates – extended retail relief funding - £18.69m
- Business rates – nursery/local newspapers relief funding - £0.700m
- November 2020:
  - Local Restrictions Support Grants - £2.975 million (grants to businesses on the rating list)
  - Additional Restrictions Support Grants - £22.095 million (grants to other businesses)

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

Expenditure Pressures

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

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

The financial impacts have been modelled based on lockdown restrictions lasting throughout 2020/21 in line with the parameters specified in the MHCLG's monthly COVID-19 financial impacts monitoring return. These assumptions are subject to regular review. The most return to MHCLG covers the period to 30 September. The figures quoted in this report for cost and income pressures are based on actual figures and full-year forecasts at 30 September.

The forecast additional expenditure for 2020/21 is summarised in the table below which follows the categories specified by MHCLG for the monthly financial data return:

Table 4.3: MHCLG EXPENDITURE CATEGORY	**Full Year Forecast at 30.9.20 £M**	**Type of Expenditure Incurred**
Housing Rough Sleepers	0.288	Temporary accommodation for Rough Sleepers and additional demand for B&B accommodation

Table 4.3: MHCLG EXPENDITURE CATEGORY	**Full Year Forecast at 30.9.20 £M**	**Type of Expenditure Incurred**
Environment & regulatory – waste Management	0.099	Garden Waste – admin costs and vehicle hire
Finance & Corporate	0.076	Stationery, marketing materials and licensing for outdoor seating
Finance & Corporate	0.001	Vehicle Hire – cemetery
Other - PPE (non-Adult Social Care) April 2020	0.055	Staff remote working – IT systems and support
Other	0.441	Staff and volunteer Training and Professional Support
Other	0.002	Revs and Bens Compliance and Checks for Business Grants
Other - shielding	0.288	Voluntary Action Reigate & Banstead - VARB and YMCA Welfare Calls over a 10-week period Shielded Food Parcels and Communication
Other - PPE (non-Adult Social Care) April 2020	0.097	Purchase of PPE for staff and volunteers
Other - excluding service areas listed	0.152	Publicity materials – e.g. social distancing banners Funding support - Voluntary Sector contributions Provisional Cost of support for Leisure Services Provider Support for Shielded Residents – including welfare calls, visits, foodbank and meals
Total Forecast Impact 2020/21	**1.498**	

<u>Income Reduction Pressures</u>

In addition to incurring additional expenditure, the Council is also impacted by a significant reduction in budgeted income streams.

Overall, COVID-19 financial impacts are forecast to be more significant for the Council's income budgets compared to the additional expenditure incurred. This is in line with other district and borough councils, which tend to rely on fees and charges income as a greater portion of their budget.

Table 4.4: MHCLG INCOME CATEGORY	**Full Year Forecast at 30.9.20 £M**	**Type of Income Loss**
Recreation & Sport	0.263	Leisure Services Provider - reduced Management Fee
	0.254	Community Centres – room hire, activities, catering
Cultural & Heritage	0.889	Harlequin – ticket sales, room bookings, event catering and concessions
Planning & Development	0.360	Planning Fees
Commercial Income losses	0.319	Commercial Rents – (including Redhill Market)
Other Sales, Fees & Charges income losses	2.213	Car Parking charges
Waste Management	0.477	Garden Waste charges
	0.251	Trade Waste charges
Other Sales, Fees, & Charges income losses	0.171	Reduction in Revenues & Benefits income from external Clients
	0.034	Private Hire licence fees
Total Forecast Impact 2020/21	**4.713**	

The main areas impacted include:

- Car parks usage and income from season tickets fell significantly following closure of council car parks on 30 March and the announcement that councils were required to make parking free for key workers.

  Income from Pay and Display is forecast to reduce by £1.3 million compared to budget. whilst the bulk of expenditure associated with car parks, such as business rates and insurance, will still be incurred. The Council's policy with regard to residents who have paid for annual parking permits was reviewed and an extension was agreed, reducing forecast income by £200k. In addition many local businesses have applied for refunds on prepaid permits for staff.

  A further impact is the reduction on forecast parking ticket revenue: the predicted loss of income until the end of March is £60k

- It is anticipated that across a range of other services including Planning, Building Control, Local Land Charges and Redhill Market income will fall significantly below budget in 2020/21 and there has been a temporary waiver of the monthly management fee received from the Leisure services provider - £263k.

- The increased risk to recovery of commercial rental income is estimated to be £200k. The most significant risk relates to Travelodge which applied for a Company Voluntary Arrangement (CVA), a legally binding agreement with the company's creditors to allow a proportion of the debts to be paid back over time,

and some to be written off, typically lasting between two and five years. The Council is in negotiations with another hotel chain to take on the lease.

- The Revenues, Benefits and Fraud team experienced a reduction in recovery costs of £127k while magistrates courts were closed. Their income from contracted work for other councils has also reduced due to decisions by client authorities to pause recovery action.

- Pausing the garden waste collection service from March to June 2020 has resulted in a £477k reduction in income.

It is important to note that the Council's income budgets are not all based on an assumption of a 100% collection rate. Where appropriate, a level of arrears is assumed and a provision is made for bad debts. It is currently too soon to forecast whether the existing bad debt provisions will be sufficient to address all non-recovery as a consequence of COVID-19. An increase in the provision would require a call on revenue Reserves. This will be assessed as part of the year-end financial closedown.

Capital Programme Impacts

The Capital Programme 2020/21 to 2024/25 was approved in February 2020. No material changes to forecast expenditure or capital receipts have been identified to date. The main impacts are likely to be in terms of the timing of expenditure and income as some delays (slippage) may arise. The latest forecasts will be reported as part of quarterly capital programme monitoring and where necessary reports will be presented on specific schemes if any significant impacts are identified.

COVID-19 Pandemic: Summary Financial Implications

Overall the pandemic represents a material financial risk to the Council's budget and financial position. The information presented in this report represents the forecast at November 2020 based on the impacts during the first six months of 2020/21 and is likely to increase as more information becomes available. The financial impacts of a deficit on the Collection Fund (further details below) will add to these pressures.

The current estimate of the net adverse financial impact in 2020/21 is up to £1.0m after taking account of COVID-19 grant funding.

Table 4.5: FORECAST COVID-19 FINANCIAL IMPACTS 2020/21	**Full Year Forecast at 30.9.20 £M**
Additional Expenditure	1.498
Income Losses	4.747
Government Grants	(2.546)
Government COVID-19 Income Reimbursement: • April – July Claim • August – November claim (est.) • December to March claim (est.)	 (1.086) (1.000) (1.000)

Table 4.5: FORECAST COVID-19 FINANCIAL IMPACTS 2020/21	Full Year Forecast at 30.9.20 £M
Net Unfunded Estimated Cost of COVID19 in 2020/21	**£0.613m**

In principle this can be funded through the Headroom Contingency sum that is included in the 2020/21 budget and other forecast budget underspends during the year, however that would leave no remaining capacity to address other in-year budget risks without having to call on the Council's Reserves.

The Net Revenue Budget requirement for 2020/21 is £18.26m. As a percentage of the net budget requirement therefore, the potential combined net loss of income and additional costs could be more than 5.4%.

An alternative measure (to allow comparison with other councils) is to calculate the impacts in relation to the Council's 'Core Spending Power', the Government's standard measure which takes into account the authority's annual local government settlement funding assessment, forecast council tax income and its new homes bonus allocation. This Council's core spending power for 2020/21 is £18.43m therefore the impact of the COVID-19 pandemic remains in the region of 5.4% of its Core Spending Power.

Options for Mitigation of the Financial Impacts

The main options for mitigating the financial impacts of COVID-19 include:

- Continue to lobby Central Government for additional funding in recognition of the impacts on district Councils and their ability to deliver services. The Council is actively working with other councils and networks on this.

- Look to make offsetting savings and efficiencies where possible before calling on the unallocated balance of the Headroom Contingency Budget of £1.0m that is built into the 2020/21 Revenue Budget. This in turn would require a call on the General Fund Balance to release the resources to do so.

- Make use of Earmarked Revenue Reserves to close the gap. This has implications for the projects and services and other potential risks that were intended to be funded from these resources.

- Potentially apply capitalisation to some of the costs and financial impacts to enable the Council to borrow and fund them on a long-term basis. Local authorities are lobbying for greater flexibility from Government in this area. This may include using capitalisation flexibilities to cover costs from forecast future capital receipts and this may include making targeted asset sales to support this.

Further updates on the forecast costs and income and how they might be funded will be included in the quarterly budget monitoring reports and the final 2020/21 budget report in January.

Longer-Term Outlook

The preceding sections have focused on the short-term financial impacts for the Council in 2020/21. Of potentially greater concern is the impact of the projected economic downturn on public expenditure and local government finances and what that means for public sector funding over the longer term.

UK public sector net is estimated to have been £36.1 billion in September 2020, £28.4 billion more than in September 2019 and the third-highest borrowing in any month since records began in 1993.

Once the immediate crisis is over and lockdowns have ended, the IMF have indicated that governments will have to raise taxes and put the brakes on public spending to bring their books closer to balance.

This need to bring down public debt is going to come into play alongside an economic contraction unprecedented in modern times. This will not only place additional pressure on Government funding but is also likely to have considerable impact on the Council's ability to raise additional income.

In recent years, local government has been increasingly relying on business rates as a source of income, which will in future years be less buoyant. In addition to the medium-term impact of the economic effects of COVID-19, in January 2021 the UK's transition period with the EU comes to an end, and it is still not clear what the nature of the final exit agreement will be and what impact that will have on the economy.

In the labour market it is reported that 9.6m people were furloughed and classed as economically inactive at a cost of £41.4 billion. It is uncertain how the long-term effects on unemployment rates will work through the economy. At August 2020 The UK unemployment rate was estimated at 4.5%, 0.6 percentage points higher than a year earlier and 0.4 percentage points higher than the previous quarter.

The number unemployed was expected to increase as furlough payments from Government reduced from 80% to 70% in September and to 60% in October. The scheme closed to all new entrants from 10 June. Any increase in unemployment and / or furloughing of employees will also affect the sums the Council has to pay in Council Tax support, the amount collected in Council Tax and may have further knock-on effects to the business rates base and income from all sources – including car parking, planning and commercial rents.

Collection Fund Impacts

The in-year cash flow impact of business rate and council tax income shortfalls will be accounted for through the Collection Fund and eventually impact on the budgets of all precepting authorities (the County Council, the Police & Crime Commissioner and the Government), as well as this Council.

The latest forecast for Collection Fund impacts were set out in the September financial return to MHCLG

Table 4.6: FORECAST COLLECTION FUND IMPACTS	**Forecast Total Impact 2020/21**
MHCLG Category:	**£m**
Business Rates losses (after reliefs)	3.450
Council Tax receipt losses	4.200
Total Collection Fund losses	**7.650**

The precepting authorities have a legal right to expect the billing authority to pay over their full precept when it becomes due, regardless of actual collection rate performance or take-up of Council tax support.

In response to COVID-19 the Government has rescheduled the dates when its 2020/21 share of business rates income from the Collection Fund is payable to help ease the initial cashflow impacts on billing authorities. This means that we can defer the payments which were due to have been paid over in April, May and June by six months.

Council Tax Collection

The two main risks to council tax income are:

- An increase in households claiming council tax support

  At the time of preparing this report the number of working age support claimants has increased by 400 claims (11.22%) to 3,964. Pensioner claimants are broadly the same

- If the collection rate falls below 99% due to non-payment.

  At 31 October the impacts on recovery were as follows:
  - 2020/21 debt: at end of October 2020 was 65.45%, down by 1.37% or £1.7m.

The full picture will take some time to confirm however it is forecast that. Despite current strong performance, the council tax Collection Fund will be in a deficit position by year-end 2020/21 as households and businesses find it increasingly difficult to pay as the recession deepens and Government support reduces. This deficit will have to be recovered from the precepting authorities. On 2 July the Government announced that 2020/21 Collection Fund losses may be recovered over three years rather than one; the details of how this will be implemented have recently been confirmed and are being considered.

A further risk to this Council, as the billing authority, is the Collection Fund cash flow risk; if council tax support takes up increases and collection rates fall, then the sums due to be paid to the Government and precepting authorities would be higher than the cash collected. The Government has provided some support by rescheduling the dates when its 2020/21 share of business rates income from the Collection Fund is

payable to help ease the initial cashflow impacts on billing authorities however the precepting authorities have confirmed that they expect sums due (based on the original forecasts) to be paid on time and in full.

Local Council Tax Support Scheme (LCTS)

The Government has allocated a hardship fund for those households that are struggling financially as a result of COVID-19 and this Council has been allocated additional funding of £0.754m. Those households that are already on LCTS but still pay a contribution towards their Council Tax are being credited with an additional £150 of support. These LCTS credits were processed in April and revised bills were sent to individual households reflecting the lower amounts due.

In addition, Government Hardship Funding of £754,507 has also been provided to make short term discretionary payments to those that are affected by the LCTS and are struggling financially. This funding is being distributed on a case by case basis as people contact the Council to discuss their situation. At 31 October £415,252 had been allocated to 3,177 households.

Business Rates

Business rates are collected by this council with the majority of income received being paid over to the Government along with a share to the County Council.

In May 2020 the Government extended 100% rate relief to all businesses in the leisure and hospitality sector, regardless of size. This has reduced the sums to be collected during 2020/21 from £54m to £35m.

- The majority of businesses have now received the 100% Expanded Retail, for retail, hospitality and leisure, which totals £18,693,015 (1,010 businesses) .
- Nurseries have now received relief which totals £700,624 (25 nurseries).

The details on how local authorities are to be compensated for this income reduction are still to be confirmed by Government, but at this stage it is expected that the Government will reimburse the 19.4 million reduction in full.

It is currently unclear how businesses will clear any arrears of business rates due, but it is assumed that cash collected will fall and arrears will increase. An assessment will therefore need to be made about the provision for bad debt which may arise in 2020/21 and beyond and any changes to the appeals provision going back to 2010 in some cases. This will influence the level of income to the General Fund in 2020/21 to 2022/23.

To help mitigate this type of risk the council has already established a ‘Government Funding Reduction Risks‘ reserve which currently has a balance of £3.28m. In principle this Reserve is available to help offset fluctuations to income paid from the Collection Fund to the General Fund as well as the impacts of other funding changes including ‘Negative RSG’, the Business Rates reset and the planned Fair Funding Review. However, the scale of COVID-19 risks was not taken into account when the Reserve was created and it will be necessary to review its adequacy as part of the next Medium-Term Financial Plan review.

Unlike Council Tax where all income losses relating to the borough's income share fall on this council, as part of the local government funding system, the Government sets a 'floor' below which an authority's business rates income will not drop as a result of a national 'safety net' mechanism.

Business Rates Recovery
At 30 October the impacts on recovery were as follows:

- 2020/21 debt: at the end of October 2020 collection performance was 68.7%, up by 0.85% compared to October 2019.

It is difficult to assess the underlying position due to the value of COVID-19 reliefs that have been awarded.

Cash Management.
Unlike some authorities which are facing a severe cashflow crisis, this Council remains in a good position to fund service provision without resorting to short-term borrowing.

Business Support Grants
In April 2020 the Government paid £23.8 million to the Council to administer the business support grant scheme. When the scheme ended in September 2020 £22.54 million had been paid to 1,714 local businesses. This first round of grants was only available to companies on the rating list at mid-March 2020.

The Government subsequently announced an extension to the scheme for those businesses who may pay rent to a landlord, which includes rent and a contribution to rates. For that reason, they would not appear on the rating list. These businesses include:

- Businesses in shared office premises
- Permanent market traders with fixed asset costs
- Charities in small properties
- Bed and breakfast businesses that pay council tax

Funding of £1.156 million was made available for these grants. When the scheme ended in September 2020 £1.130 million had been paid to 161 businesses.

In November 2020 further funding was provided for grants to be distributed to businesses affected by the November lockdown:

- Local Restrictions Support Grants - £2.975 million (grants to businesses on the rating list); and
- Additional Restrictions Support Grants - £22.095 million (grants to other businesses).

Other COVID-19 Financial Implications
On 28 April the Government announced that implementation of the Fair Funding Review and the move to 75% Business Rates Retention planned for 2021/22 was deferred for at least a year. Both changes had been identified in the Council's MTFP as potentially adding to the authority's budget pressures in future years.

The current assumption is that this means the loss of Negative Revenue Support Grant (is also being pushed back a year; this will probably only be confirmed when the outcome of the Spending Review20 is announced in the late Autumn.

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REVENUE BUDGET

SERVICE & CENTRAL BUDGET GROWTH, INCOME AND SAVINGS PROPOSALS 2021/22

Service & Central Revenue Budget Growth, Income and Savings Proposals 2021/22

3.1 Services - Pay

Head of Service	Service	Growth £M	Income / Savings £M	FTE Impact	Description
Peter Boarder	Place Delivery	0.020	-	-	Principal Development Manager post – permanent budget funding
Pat Main	Finance	0.045	-	1.0	Additional Accountant post to support delivery of increased treasury management and Statement of Accounts service demands in 21/22 onwards
Morag Williams	Waste & Recycling	0.096	-	3.0	Additional waste collection crew to meet increased household demand
All	All	-	(0.350)	(6.0)	Deletion of vacant funded posts
Total		**0.161**	**(0.350)**	**(2.0)**	

3.2 New Strategies - Pay

Caroline Waterworth	Commercial Ventures	0.143	-	2.0	Establishment of the Commercial Team to support delivery of the Commercial Investment Strategy

Service & Central Revenue Budget Growth, Income and Savings Proposals 2021/22

3.3 Services – Non- Pay

Head of Service	Service	Growth £M	Income / Savings £M	FTE Impact	Description
Simon Bland	Markets	-	(10.0)	-	Redhill Market – net saving from new contract
Frank Etheridge	Emergency Planning	0.010	-	-	Emergency Planning contract fee increase
Morag Williams	Fleet	0.012	-	-	MOT income budget review to match service capacity
Morag Williams	Neighbourhood services	0.008	-	-	New Surrey Transit Site contribution
Justine Chatfield	Community Development	0.005	-	-	Grant expiry
Richard Robinson	Housing	-	(0.040)	-	Re-baselining of misc. non-pay budgets
Caroline Waterworth	Property Services	0.040	-	-	Redhill hotel - lease renegotiation
Mari Roberts-Wood	Chief Executives		(0.010)		Saving on Corporate Subscriptions

Service & Central Revenue Budget Growth, Income and Savings Proposals 2021/22

3.3 Services – Non-Pay (cont'd)

Head of Service	Service	Growth £M	Income / Savings £M	FTE Impact	Description
Pat Main	Finance	0.023	-	-	Contracted services – increases on renewal
Pat Main	Finance	0.060	-	-	Corporate financial service subscriptions – increases on renewal
Pat Main	Finance	0.011	-	-	Financial systems – licence fee increases
Simon Rosser	Revenues, Benefits & Fraud	0.065	-	-	IT system consultancy/software costs to meet enhanced service requirements
Simon Rosser	Revenues, Benefits & Fraud	0.036	-	-	Contracted services – increases on renewal
Simon Rosser	Revenues, Benefits & Fraud	0.038	-	-	Printing contract – increased volumes
Simon Rosser	Revenues, Benefits & Fraud	0.021	-	-	Postage – increased volumes
Total		**0.329**	**(0.060)**	**-**	

Service & Central Revenue Budget Growth, Income and Savings Proposals 2021/22

3.4 Central Budgets

Head of Service	Service	Growth £M	Income / Savings £M	FTE Impact	Description
Pat Main	Central Budgets	-	(1.000)	-	Headroom Contingency budget (no longer required)
Pat Main	Central Budgets	-	(0.150)	-	Central salary contingency (no longer required)
Pat Main	Central Budgets	-	(0.159)	-	Central new posts budget (replaced by New Posts Reserve)
Pat Main	Central Budgets	0.029	-	-	Insurance – premium increase
Pat Main	Central Budgets	0.017	-	-	External audit fees – increase
Pat Main	Central Budgets	-	(0.375)	-	Central employer pension contribution budget
Kate Brown	Central Budgets	0.005	-	-	Visa sponsorship fees (post Brexit)
Kate Brown	Central Budgets	0.010	-	-	Corporate Training budget increase
Total		**0.061**	**(1.684)**	**-**	

Service & Central Revenue Budget Growth, Income and Savings Proposals 2021/22

3.5 Implementation of New Strategies – Non-Pay

Head of Service	Service	Growth £M	Income / Savings £M	FTE Impact	Description
Cath Rose	Environmental Sustainability	0.023	-	-	Establishment of service budgets

3.6 Government Funding Reductions

Head of Service	Service	Growth £M	Income / Savings £M	FTE Impact	Description
Simon Rosser	Housing Benefits	0.095	-	-	Government subsidy reduction

CAPITAL PROGRAMME
SERVICE CAPITAL GROWTH PROPOSALS
2021/22 TO 2025/26

Capital Programme - Growth Proposals – 2021/22 to 2025/26

Head of Service	Growth Proposal	Growth 21/22 £M	Growth 22/23 £M	Growth 23/24 £M	Growth 24/25 £M	Growth 25/26 £M	Total £m
ORGANISATION							
Darren Wray	IT Services - investment In equipment replacement	-	-	-	0.050	0.060	**0.110**
Cath Rose	Environmental Strategy Delivery - investment in projects that support delivery of the Environmental Strategy	0.250	-	-	-	-	**0.250**
Total		**0.250**	**--**	**-**	**0.050**	**0.060**	**0.360**

PEOPLE SERVICES							
Richard Robinson	Housing – asset maintenance rolling programme	-	0.021	0.021	0.021	0.021	**0.084**

Capital Programme - Growth Proposals – 2021/22 to 2025/26

Head of Service	Growth Proposal	Growth 21/22 £M	Growth 22/23 £M	Growth 23/24 £M	Growth 24/25 £M	Growth 25/26 £M	Total £m
PLACE SERVICES							
Morag Williams	Workshop refurbishment	-	0.160	-	-	-	**0.160**
Morag Williams	Vehicles & Plant– re-profiling of existing capital allocations	(0.554)	(0.313)	0.255	(0.172)	0.339	**(0.445)**
Morag Williams	Contribution to new Surrey Transit site	0.127	-	-	-	-	**0.127**
TOTAL		**(0.427)**	**(0.153)**	**0.255**	**(0.172)**	**0.339**	**(0.158)**

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FEES & CHARGES POLICY

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

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

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

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

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

The Policy excludes:

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

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

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

Aims and Objectives

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

The objectives of the Fees & Charges Policy are:

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

Charging and Trading Legislation

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

These include:

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

Standard Charging Principles

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

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

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

All fees and charges will:

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

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

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

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

Authority to Set and Vary Charges

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

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

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

Policy Review

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

November 2019

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REVENUE RESERVE BALANCES AT 1 APRIL 2020

	Balance at 1.4.20 £m	Purpose
General Fund Balance	**£3.246m**[1]	Acts as a buffer against unpredicted budget pressures. The minimum level required is £2.6m

Earmarked Revenue Reserves	Balance at 1.4.20 £m	Purpose
Housing Delivery Strategy Reserve	19.079	Established as part of budget-setting 2020/21 – to support delivery of the Council's Housing Delivery Strategy. Funded from the equivalent of the balance on previous years' New Homes Bonus grant allocations plus the 2020/21 allocation.
Government Funding Reduction Risks Reserve	3.280	Reviewed as part of budget-setting 2020/21 – earmarked for the purpose of mitigating the planned reduction in Government funding pending delivery of new sustainable income streams.
Commercial Risks & Volatility Reserve	4.000	New reserve created as part of budget-setting 2020/21 - earmarked for the purpose of mitigating the impacts of delays in delivery of new sustainable commercial income streams.
Corporate Plan Delivery Fund (CPDF)	1.000	Provides time-limited funding to deliver key priorities, Corporate Plan objectives and invest–to–save initiatives, including investment in new technology.
Insurance Reserve	0.250	Provides cover against uninsured losses.
New Posts Reserve	0.750	Established to provide initial funding for new permanent posts created during the year to support delivery of new corporate initiatives. Thereafter the intention is to build these posts into the approved budget in the following year.
Homelessness Prevention	0.611	Established to account separately for the funding set aside for homelessness prevention.
Feasibility Studies (Commercial Ventures) Reserve	1.898	Established to ensure that funding is available to prepare business cases and obtain external professional advice for new initiatives designed to deliver new sustainable commercial income streams.
Feasibility Studies (Infrastructure Initiatives) Reserve	0.250	Established as part of budget-setting 2020/21 – to fund the Council's contribution to councils in Surrey collectively funding the development of infrastructure feasibility studies so that bids can be made for full project funding when bidding rounds become available.
Environmental Sustainability	0.250	Established at the end of 2019/20 to fund Investment in delivery of the Environmental Sustainability Strategy.

Earmarked Revenue Reserves	Balance at 1.4.20 £m	Purpose
Economic Development Initiatives Reserve	0.777	Established as part of budget-setting 2020/21 – to fund initiatives to raise awareness amongst local people of quality local employment opportunities.
Total Earmarked Revenue Reserves:	**£32.145m**	

Total Revenue Reserves:	**£35.391m[2]**

Notes
1: Balances after decisions made during budget setting for 2020/21 to redistribute funds between Reserves.
2: Balance after drawing £6.204 million in April 2020 for the advance Pension Fund contribution that was approved during budget-setting for 2020/21.

RESERVES POLICY

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

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

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

Reserves can be held for four reasons:

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

Such reserves are generally referred to as Earmarked Revenue Reserves.

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

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

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

Policy principles:

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

November 2019

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

SIGNED OFF BY	Interim Head of Finance
AUTHOR	Jane Heppel
TELEPHONE	Tel:
EMAIL	jane.heppel@reigate-banstead.gov.uk
TO	Executive Overview & Scrutiny Council
DATE	Thursday, 19 November 2020 Wednesday, 9 December 2020 Thursday, 10 December 2020
EXECUTIVE MEMBER	Portfolio holder for Finance

KEY DECISION REQUIRED	No
WARDS AFFECTED	(All Wards);

SUBJECT	Treasury Management Half Year Report 2020/21

RECOMMENDATIONS

RECOMMENDATIONS:

Note the Treasury Management Performance for the year to date and note the updated prudential indicators.

REASONS FOR RECOMMENDATIONS

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

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

(i) **Prudential and Treasury Indicators and Treasury Strategy** – sets the framework for treasury management activities in the following financial year. The Treasury Management Strategy and Performance Indicators for 2020/21 were previously approved by the Chief Executive under Section 4 of the Constitution, as approved by the Mayor who authorised this under Section 4.5 of the Constitution (Urgent Decision-Making) due to the COVID-19 restrictions.

(ii) **Half-Year Treasury Management Report** – updates Members on the current borrowing and investment position, whilst amending prudential indicators and revising policies where necessary.
This report.

(iii) **Annual Treasury Management Outturn Report** – a backward-looking review focussing on the previous year's performance.
The outturn report for 2019/20 was reported to Executive on 28 July 2020 and approved by Council on 24 September 2020 however several of the figures were at a draft stage at that time so Appendix 2 contains an updated outturn report with figures consistent with the draft accounts.

EXECUTIVE SUMMARY

This report sets out treasury management performance for 2020/21 including performance against the Prudential and Treasury Management Indicators.

It will be presented to the 19 November 2020 Executive and full Council on 10 December will be asked to approve the recommendations. It will also be considered by Overview & Scrutiny Committee on 9 December. [Committee reporting timescales have been amended for this cycle in response to the COVID-19 pandemic].

2020/21 has been an exceptionally challenging year for treasury management due to uncertainty in the financial markets caused by COVID-19 and the Brexit negotiations. The Council has been holding funds at a higher level than expected due to the vital role it has played in passing on grants to support businesses during the pandemic, and to provide additional business rates reliefs. It has, however, ensured that these funds were passed on as soon as possible to those in need and will continue to do so in the next lockdown.

Overall performance is currently forecast to be better than budget. This is primarily as a result of the borrowing facility not being utilised due to slippage in the 2019/20 capital programme. An additional loan to a related company was made just after the 2020/21 forecasts were prepared, which will bring in significant additional interest. This offsets generally lower than historic performance on investments, which are however outperforming many LIBID benchmarks.

At the half year, the position is that:

- Borrowing remains at £14M, unchanged from the closing position for 2019/20

- Investments in Money Market Funds now stand at £25.545M, up from £15M at the end of 2019/20

- Investment property has risen due to the investment in Reading Arch Road which cost £0.986M

- Fixed term investments and long-term investments in companies have been unchanged in the period since year-end and remain at £31.847M

The forecast yearend position is for:

- Borrowing to rise to £68,879M, depending on the requirements of the capital and commercial investment programme. We anticipate this borrowing occurring no earlier than January 2021

- Investments in both fixed term and long-term company investments to remain stable at £31.847M, subject to commercial opportunities arising

- Additional Money Market Funds to be opened and then others to mature and close, to provide funding for the capital programme

- The government's Debt Management Office (DMO) facility to continue to be used as a very low risk very low return option for cash balances which exceed immediate need but are required for COVID-19 responses.

STATUTORY POWERS

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

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

3. This report meets these statutory requirements and incorporates the needs of the Prudential Code to ensure adequate monitoring of Capital Expenditure Plans and the Council's Prudential Indicators

BACKGROUND

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

5. The Treasury Management Strategy and Performance Indicators for 2020/21 were previously approved by the Chief Executive under Section 4 of the Constitution, as approved by the Mayor who authorised this under Section 4.5 of the Constitution (Urgent Decision-Making) due to the COVID-19 restrictions.

FORWARD VIEW

6. The first half of the year has been necessarily a response to the COVID-19 situation, but it will be important to make time to reflect on the strategic implications of the experience in the upcoming Treasury Management Strategy 2021/22.

7. As Councillors have already noted, it will be important to revisit the investment targets and risk envelope for investments in light of the changed economic environment. Going forward, given the scale of the Council's capital investment plans, this section of the Strategy will be subject to ongoing review to ensure that it reflects the costs of actual borrowing plus a margin for the required level of return on this type of investment

8. The Council regularly consults with its Treasury management analysts and monitors their daily briefings from on any changes in the risk profile of individual MMFs, as well as tracking communications from the MMF institutions themselves.

9. Our Treasury advisors have recently reported that, so far, the current COVID-19 crisis has not let to an increase in redemption activity for MMFs. Should this occur the MMF regulations require MMFs to follow specified processes which are designed to mitigate against the impacts of this activity.

10. We will continue to monitor our approach to MRP and estimated loss allowances in relation to investments in trading companies to ensure that we remain prudent in our ability to protect the General Fund from any unforeseen losses arising.

11. We will also use the upcoming Treasury Management Strategy as an opportunity to ensure investing activity is consistent with our local Carbon Reduction targets and mindful of the risks of investing in potentially obsolete technologies.

12. The Treasury Management Strategy (TMS) for 2021/22 will be set after approval of the 2021/22 to 2025/26 capital programme and its financing are approved as part of budget setting in January. The Strategy will be taken in draft to Overview and Scrutiny in February, and then in its final format to Executive in March for consideration and approval by Council in April.

13. The Treasury Management Strategy 2021/22 will take account of residual ongoing COVID-19 risks such as the returns available in the market for investment, and the impact on the timing of expected capital receipts.

KEY INFORMATION

Issues

14. Performance during 2020/21 is reported at Appendix 1.

<u>COVID-19 Pandemic - Extraordinary Circumstances</u>

15. One of the most significant challenges from a treasury management perspective was the revised timescales for receipt of planned and emergency Government funding. This encompassed both grants for the Council and grants to be passported on to support businesses.

16. The treasury and investment impacts of the COVID-19 pandemic which started in late 2019/20 include:
    - Less predictable cashflows due to receipt of planned and additional Government funding at short notice and taking on new responsibilities for paying grant funding to businesses on behalf of Government;
    - Incurring unplanned expenses as the authority's emergency response plan was implemented;
    - A reduction in income receipts across all services and the Collection Fund
    - A dramatic reduction in market return on all investments particularly those with lower risks, which were needed during unprecedented financial certainty

17. The revised timescales for receipt of planned and emergency funding created a significant challenge from a treasury management perspective. They made cashflow forecasting less certain, which meant that large cash balances could not be avoided. At the same time with staff working remotely and banks having no immediate answer which avoided the need for 'wet' signatures on documentation, new investments and call accounts could not be easily setup to take the excess funding.

18. We estimate that in quarter one the net inflow due to COVID-19 funding was £4.261M, and quarter two delivered a further £4.565M, totalling £8.826M. This is due to the government's cash support being received early in the financial year: the benefit of this will unwind during the year to leave a worse off financial position by yearend.

Investments

19. The underlying economic environment continues to remain challenging for the Council due to market uncertainties driven by Brexit and tariff tensions between USA and China. The approach of maintaining short-term investments with high quality counterparties has continued, which allows the Council to be responsive when allocating funding to approved projects.

20. To manage the associated risks, investments are limited to a small group of banks and some building societies where they meet the Council's Treasury Management Strategy. The returns on investment continue to be low, albeit with a marginal improvement.

21. The Council is seeking to reduce its investment counterparty risk (i.e. those institutions it is 'safe' to invest with) by further diversifying its investment portfolio.

22. Borrowing options are currently being considered in preparation for meeting the forecast cash funding requirements of the Capital Programme. The chief objective when borrowing is to strike an appropriate risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the authority's long-term plans change.

Treasury Management Strategy

23. The Treasury Management Strategy Statement, (TMSS), for 2020/21 was approved before the start of the year. There are no policy changes to the TMSS in this report, which focusses on updating the in-year position in the light of the updated economic position and budgetary allocations previously approved.

The Council's Capital Position (Prudential Indicators)

24. This part of the report is structured to update:
- The Council's capital expenditure plans
- How these plans are being financed
- The impact of changes in capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

Prudential Indicators for Capital Expenditure

25. Table 1 sets out the latest estimates for capital expenditure and any changes since the Capital Programme original budget was approved earlier this year.

26. The Capital Programme forecast has been updated to take account of 2019/20 carry-forwards, re-profiling of projects and new project approvals.

Table 1: CAPITAL EXPENDITURE AND FINANCING	2019/20	2020/21			
	Actual at 31 Mar 20 £'000	Budget at 1 Apr 20 £'000	Budget including approved growth at 30 Sep 20 £'000	Actual Cap Ex to date 30 Sep 20 £'000	Forecast including approved growth 31 Mar 21 £'000
Capital expenditure	17,956	96,100	125,455	10,283	78,230
Financed by:					
Capital Grants	2,513	1,843	2,651	1,268	3,693
Capital Receipts	863	8,805	8,805	4,003	4,408
Funding equivalent to historic New Homes Bonus allocation		10,000	10,000		250
Revenue contribution	304				
Capital Reserves	1,236				
Prudential Borrowing	13,040	75,452	103,999	5,012	69,879
TOTAL CAPITAL FUNDING	**17,956**	**96,100**	**125,455**	**10,283**	**78,230**

27. The borrowing element of the table increases underlying indebtedness by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue budget charges for the repayment of debt (the Minimum Revenue Provision - MRP).

Prudential Indicator: Capital Financing Requirement (CFR)

28. Table 2 sets out the Capital Financing Requirement (CFR), which is the underlying external need to incur borrowing for a capital purpose.

Table 2: PRUDENTIAL INDICATOR – CFR	2019/20	2020/21		
	Actual at 31 Mar 20 £'000	Budget at 1 Apr 20 £'000	Budget including approved growth at 30 Sep 20 £'000	Forecast including approved growth 31 Mar 21 £'000
Opening balance - CFR	**18,826**	**58,695**	**31,699**	**31,699**
Add prudential borrowing (table 1)	13,040	75,452	103,999	69,879
Less MRP	(167)	(528)	(528)	(203)
Less PFI and Finance Lease repayments	-	-	-	-
Net movement in CFR	12,873	74,924	103,471	69,676
Closing balance CFR	**31,699**	**133,619**	**135,170**	**101,375**

29. The borrowing need in 2019/20 resulted in a closing Capital Financing Requirement (CFR) of £31.699m, comprising £14m of short-term external borrowing, and £17.699m of internal borrowing.

30. Internal borrowing is a '…*treasury management practice whereby an authority delays the need to borrow externally by temporarily using cash held for other purposes, such as insurance funds held in earmarked reserves*…' (source: National Audit Office) This borrowing will be repaid over time by way of the Minimum Revenue Provision.

31. The minimum revenue provision (MRP) charge is the means by which capital expenditure, which is financed by borrowing (internal & external) or credit arrangements, is paid for by council taxpayers. Local authorities are required each year to set aside some of their revenue budget as provision for this debt. There will be a requirement to make a minimum revenue provision (MRP) toward the repayment of borrowing in 2020/21 of £203k. The Council is not required to make a minimum revenue provision for loans to companies or investment properties as an estimated loss allowance is made instead under IFRS9.

32. Table 3 sets out the performance to date against the limits set out in the Treasury Management Strategy and the likely position to yearend.

Table 3: COMPARISON OF BORROWING PARAMETERS TO ACTUAL EXTERNAL BORROWING	2019/20 Actual £000	2020/21 Forecast £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Opening CFR	**18,826**	**31,699**	**101,375**	**108,651**	**110,037**
In Year addition to CFR	12,873	69,676	7,276	1,386	2,576
Closing CFR	**31,699**	**101,375**	**108,651**	**110,037**	**112,613**
External Borrowing	14,000	54,879	7,276	1,386	2,576
Authorised Limit	**80,000**	**161,500**	**161,500**	**161,500**	**161,500**
Operational Boundary	**70,000**	**151,500**	**151,500**	**151,500**	**151,500**

Prudential Indicator: Limits to Borrowing Activity

33. The Operational Boundary 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.

34. A key prudential indicator is to ensure that over the medium term, net borrowing, (borrowing less investments) will only be for a capital purpose. Gross external borrowing should therefore not, except in the short term, exceed the total of the CFR in the preceding year plus the estimate of any additional CFR for 2019/20 and next two financial years. This allows some flexibility for limited early borrowing for future years. Table 3 sets out gross borrowing not exceeding the total of the CFR over the 5-year period. The Council complies with this requirement, as shown in Table 3.

Prudential Indicator- Authorised Limit

35. The Council sets limits on borrowing activity. The Authorised Limit represents the limit beyond which borrowing is prohibited, unless further approval is obtained from Council. The Authorised Limit is unchanged and is set out in table 3 above.

Investment Portfolio 2020/21

36. A detailed commentary on the economy and interest rates, as provided by the Council's treasury advisor, Link Asset Services, can be found in section 2, Appendix 1 to this report.

37. In summary, the investment market remains difficult in comparatively low interest rates and the continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its consequent impact on banks, prompts a low risk and short-term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low. Table 4 sets out the net treasury investment position as at 30 September 2020 and the projected position at 31 March 2021.

Table 4: INVESTMENT PORTFOLIO – TREASURY INVESTMENTS	Actual 31 Mar 2020		Actual 30 Sep 2020		Forecast 31 Mar 2021	
	£'000	%	£'000	%	£'000	%
Banks	5,000	10	-	-		
Building Societies	18,000	38	13,000	35		
Aberdeen Liquidity Fund	10,022	21	5,000	13	5,000	33.3
Black Rock			5,000	13	5,000	33.3
Federated MMF	5,000	10	5,000	13		
Goldman Sachs International	10,000	21	-	-		
GS Sterling Liquid Reserve			5,000	13	5,000	33.3
LGIM Sterling Liquidity 4			5,000	13		
TOTAL TREASURY INVESTMENTS	**48,022**	**100**	**38,000**	**100**	**15,000**	**100**

38. Following investment in the capital programme, treasury investments were £38 million at 30th Sept 2020. Cash requirements will be closely monitored to assess any borrowing necessary by the end of the financial year to meet the requirements of the capital programme.

39. Table 5 sets out total investments, including non-treasury investments such as investment in property and council-owned companies.

Table 5: INVESTMENT PORTFOLIO – NON-TREASURY INVESTMENTS	Actual 31 Mar 2020		Actual 30 Sep 2020		Forecast 31 Mar 2021	
	£'000	%	£'000	%	£'000	%
Third Party Loans						
Subsidiaries – Greensand Property Holdings Ltd	13,595	20	13,595	20	13,595	20
Companies - Horley Business Park Development LLP	602	1	602	1	602	1
Associate – Pathway for Care Ltd	1,100	2	1,100	2	1,100	2
Investment Property	52,906	77	53,892	77	53,892	77
TOTAL NON-TREASURY INVESTMENTS	**68,203**	**100**	**68,203**	**100**	**69,189**	**100**

40. The figures above are shown gross of any impairment for credit loss but without any rolled-up interest.

41. The treasury investment portfolio yield for the first 6 months of the year was 1.48% which compares favourably to the benchmark of the London Interbank Bid Rate (LIBID) of 0.35%.

42. The budgeted investment return for 2020/21 is £0.629 million, and performance to date and forecasts to yearend are consistent with achieving that budget. The details will be presented in the quarter two monitoring.

Table 6: Investment Performance at 30 September 2020.

Benchmark	Benchmark Return	Investment Performance
12-month LIBID	0.25%	1.48%

Approval Limits

43. The Treasury Management Strategy specifies the maximum sums that can be invested with any one organisation. There was a period when the Council breached its limit on the maximum sum to be invested in a single institution, as specified in the 2020/21 Treasury Management Strategy, by retaining funds for COVID-19 in the operational bank accounts. This was due to the receipt of significant emergency funding at short notice from the Government. The breach has subsequently been addressed by opening additional investment accounts with new institutions, after agreeing new processes for doing so which allowed for remote working and social distancing

Table 7: Breaches of maximum limits with a single institution

Quarter	Days in period	Days above limit	Average above limit
One	65	53	£7,535,745
Two	66	61	£6,985,146

Borrowing Strategy

44. The Borrowing Strategy has been updated to reflect the Capital Financing Requirement as set out in Table 3 above. It is anticipated that borrowing of up to £55 million will be undertaken during second half of 2020/21 to deliver the Capital Programme.

OPTIONS

Executive has three options:

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

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

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

Executive is asked to approve Option 1.

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

46. The financial implications of the Treasury Outturn 2019/20 were reflected in the budget section of the Quarter 4 Performance Report to Executive on 24 June 2020. There are no additional direct financial implications that arise from this report. The financial impacts of this report will be reflected in the 2021/22 budget proposals and 2020/21 forecast outturn.

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

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

RISK MANAGEMENT CONSIDERATIONS
49. Key risks are managed in accordance with Prudential Code indicators, including ensuring Security, Liquidity and Yield for investments. Further details are provided at Appendix 1.
OTHER IMPLICATIONS
50. There are no other implications relating to this report.
CONSULTATION
51. Executive will consider this report at its meeting on 19 November 2020. It will also be presented to the Overview & Scrutiny Committee on 30 November 2020.
POLICY FRAMEWORK
52. This report is submitted in accordance with the Council's Treasury Management Policy.
BACKGROUND PAPERS
• Executive 19 March 2020 – *Treasury Management Strategy 2020/21* • Executive 28 July 2020 – *Treasury Management Outturn Report for 2019/20*

APPENDIX 1

TREASURY MANAGEMENT HALF YEAR REPORT
2020/21

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1. Economic and interest rates (provided by LINK Asset Services)

1.1 *Economics Update*

***"UK**: As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:*

- *The fall in **GDP** in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.*
- *The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.*
- *It forecast that there would be excess demand in the economy by Q3 2022 causing CPI **inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.*

*It also squashed any idea of using **negative interest rates**, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be "less effective as a tool to stimulate the economy" at this time when banks are worried about future loan losses. It also has "other instruments available", including QE and the use of forward guidance.*

*The MPC expected the £300bn of **quantitative easing** purchases announced between its March and June meetings to continue until the "turn of the year". This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.*

*In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the "medium-term projections were a less informative guide than usual" and the minutes had multiple references to **downside risks,** which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused.*

In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six-month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the

hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid-September.

*Overall, **the pace of recovery** is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.*

*There will be some **painful longer-term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.*

*One key addition to **the Bank's forward guidance** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate*

The Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

***US.** The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked its inflation target from 2% to maintaining an average of 2% over an unspecified time period i.e. following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long term bond yields duly rose after the meeting. The Fed also called on Congress to end its political*

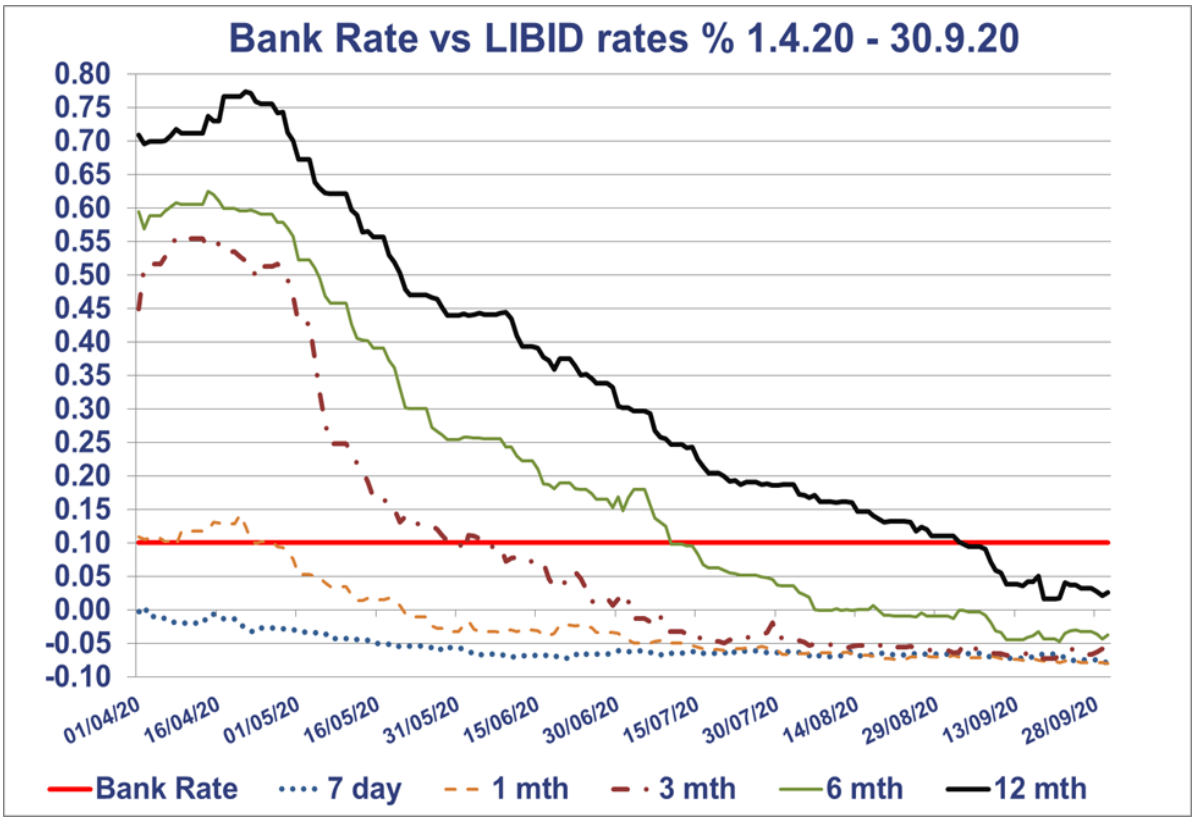
disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

EU. *The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.*

China. *After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.*

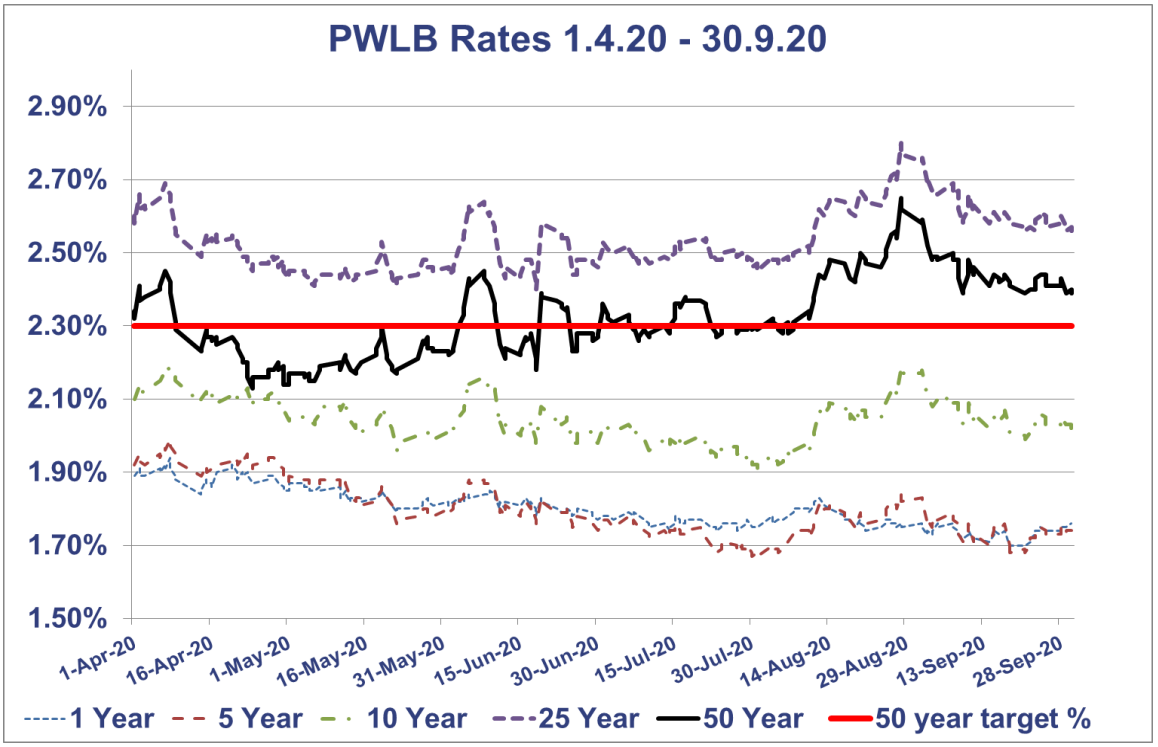
Japan. *There are some concerns that a second wave of the virus is gaining momentum and could dampen economic recovery from its contraction of 8.5% in GDP. It has been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.*

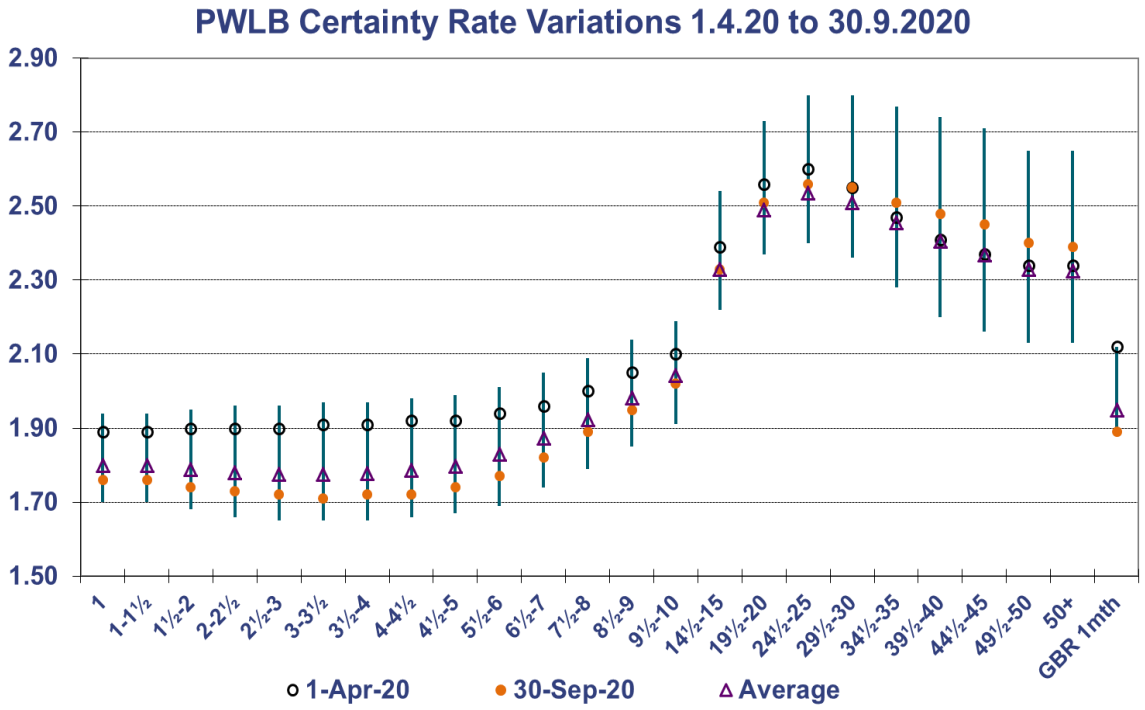
World growth. *Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis."*



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	0.00	0.14	0.56	0.62	0.77
High Date	01/04/2020	02/04/2020	20/04/2020	08/04/2020	14/04/2020	21/04/2020
Low	0.10	-0.07	-0.07	-0.06	-0.01	0.11
Low Date	01/04/2020	19/06/2020	21/08/2020	28/08/2020	25/08/2020	28/08/2020
Average	0.10	-0.05	-0.01	0.14	0.25	0.41
Spread	0.00	0.08	0.22	0.62	0.63	0.66

Link Group Interest Rate View 11.8.20										
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50





	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.70%	1.67%	1.91%	2.40%	2.13%
Date	18/09/2020	30/07/2020	31/07/2020	18/06/2020	24/04/2020
High	1.94%	1.99%	2.19%	2.80%	2.65%
Date	08/04/2020	08/04/2020	08/04/2020	28/08/2020	28/08/2020
Average	1.80%	1.80%	2.04%	2.54%	2.33%

2. Capital Expenditure and Financing and Capital Financing Requirement (CFR)

Table 1: APPROVED CAPITAL EXPENDITURE PROGRAMME	**2019/20** Budget £'000	**2019/20** Actual £'000	**2020/21** Budget £'000	**2020/21** Forecast £'000	**2021/22** Projected £'000	**2022/23** Projected £'000	**2023/24** Projected £'000	**2024/25** Projected £'000
TMSS Capital Budget 2020/21	45,927	17,956	96,100	78,230	40,855	30,099	4,725	4,549
Approved Capital Growth								
TOTAL Capital Expenditure	**45,927**	**17,956**	**96,100**	**78,230**	**40,855**	**30,099**	**4,725**	**4,549**

Table 2: APPROVED CAPITAL EXPENDITURE FINANCING	**2019/20** Budget £'000	**2019/20** Actual £'000	**2020/21** Budget £'000	**2020/21** Forecast £'000	**2021/22** Projected £'000	**2022/23** Projected £'000	**2023/24** Projected £'000	**2024/25** Projected £'000
Capital Reserves	1,017	1,236	-		-	-	-	-
Capital Receipts	362	863	8,805	4,408	24,488	26,778	-	-
Capital Grants and Contributions	3,048	2,513	1,843	3,693	1,600	1,187	1,187	1,187
Revenue Contribution		304						
Funding equivalent to historic New Homes Bonus allocation			10,000	250	7,000			
Total Financing	**4,427**	**4,916**	**20,648**	**8,351**	**33,088**	**27,965**	**1,187**	**1,187**
Borrowing Need	41,500	13,040	75,452	69,879	7,767	2,134	3,538	3,362
TOTAL Capital Expenditure	**45,927**	**17,956**	**96,100**	**78,230**	**40,855**	**30,099**	**4,725**	**4,549**

Table 3: PROJECTED CAPITAL FINANCING REQUIREMENT	**2019/20** Budget £'000	**2019/20** Actual £'000	**2020/21** Budget £'000	**2020/21** Forecast £'000	**2021/22** Projected £'000	**2022/23** Projected £'000	**2023/24** Projected £'000	**2024/25** Projected £'000
Opening Balance	15,046	18,826	31,699	31,699	106,623	113,743	115,088	117,803
Borrowing Need	41,500	13,040	75,452	69,879	7,767	2,134	3,538	3,362
Less Minimum Revenue Provision / Voluntary Revenue Provision	(188)	(167)	(528)	(203)	(647)	(789)	(823)	(859)
Total CFR	**56,358**	**31,699**	**106,623**	**101,375**	**113,743**	**115,088**	**117,803**	**120,306**

3. Approved Countries for Investments at 30 September 2020

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 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

AAA	**AA+**
Australia	Canada
Denmark	Finland
Germany	USA
Luxembourg	**AA**
Netherlands	Abu Dhabi (UAE)
Norway	France
Singapore	**AA-**
Sweden	Belgium
Switzerland	Hong Kong
	Qatar
	U.K.

APPENDIX 2

ANNUAL TREASURY MANAGEMENT OUTTURN REPORT (UPDATE)
2019/20

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1. Purpose

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

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

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

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

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

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

2. Summary

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

Table 1: PRUDENTIAL AND TREASURY INDICATORS	**2018/19 Actual £000**	**2019/20 Original Budget £000**	**2019/20 Revised Budget £000**	**2019/20 Actual £000**
Capital Expenditure:				
General Fund (see Table 2)	39,235	45,927	20,827	17,956
Total	**39,235**	**45,927**	**20,827**	**17,956**

Table 1: PRUDENTIAL AND TREASURY INDICATORS	2018/19 Actual £000	2019/20 Original Budget £000	2019/20 Revised Budget £000	2019/20 Actual £000
Capital Financing Requirement: In year change				
General Fund	15,046	39,869	14,769	13,040
Total	**15,046**	**39,869**	**14,769**	**13,040**
Gross Borrowing:				
Long Term credit arrangements	-	-	-	-
External Debt	12,000	40,000	14,900	14,000
Total	**12,000**	**40,000**	**14,900**	**14,000**
Investments:				
Longer than 1 year	25,000	13,000	13,000	13,000
Under 1 year	23,000	35,000	35,000	30,401
Total	**48,000**	**48,000**	**48,000**	**48,401**
Net Borrowing / (Net Investment)	**(36,000)**	**(8,000)**	**(33,100)**	**(34,401)**

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

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

<u>COVID-19 Pandemic - Extraordinary Circumstances</u>
The treasury and investment impacts of the COVID-19 pandemic which started in late 2019/20 include:

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

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

The Treasury Management Strategy specifies the maximum sums that can be

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

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

3. Introduction and Background

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

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

4. Capital Expenditure and Financing

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

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

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

Table 2: CAPITAL FINANCING	**2018/19 Actual £000**	**2019/20 Original Budget £000**	**2019/20 Revised Budget £000**	**2019/20 Actual £000**
Capital Programme Expenditure	39,235	45,927	20,827	18,030
Less: amounts not defined as Capital by statute	-	-	-	(74)
Total Capital Expenditure				**17,956**
Financed By:				
Capital Grants	3,966	3,048	3,048	2,513

Table 2: CAPITAL FINANCING	2018/19 Actual	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Actual
Capital Receipts	20,133	462	462	863
Revenue Contribution	90	-	-	304
Capital Reserves	-	2,417	2,417	1,236
Total Finance	**24,189**	**5,927**	**5,927**	**4,916**
Borrowing in Year	**15,046**	**40,000**	**14,900**	**13,040**

5. Overall Borrowing Need

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

Table 3: CAPITAL FINANCING REQUIREMENT (CFR)	2018/19 Actual £000	2019/20 Original Budget £000	2019/20 Revised Budget £000	2019/20 Outturn £000
Opening balance	3,781	15,045	18,826	18,826
Add unfinanced capital expenditure (Table 2 above)	15,045	40,000	14,900	13,040
Less MRP/VRP	-	(131)	(131)	(167)
Less PFI & finance lease repayments	-	-	-	-
In year change in CFR	15,045	39,869	14,769	12,873
Cumulative Capital Financing Requirement (CFR)	**18,826**	**54,914**	**33,595**	**31,699**

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

Reducing the CFR – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that the costs of borrowing to fund capital assets are charged to the revenue budget over the life of the asset. In order to achieve this the Council is required to make an annual charge to the revenue budget, the Minimum Revenue Provision (MRP) to reduce its CFR. This is effectively repayment of the associated borrowing.

The CFR can also be reduced by:

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

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

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

Table 4: GROSS BORROWING POSITION	**2018/19 Actual £000**	**2019/20 Original Budget £000**	**2019/20 Revised Budget £000**	**31 March 2020 (2019/20) Actual £000**
Gross External Borrowing Position (Table 1)	**12,000**	**40,000**	**14,900**	**14,000**
Cumulative CFR (Table 3)	18,826	58,695	33,595	31,699
(Under) / Over Funding of CFR	**(6,826)**	**(18,695)**	**(18,695)**	**(17,699)**

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

The Operational Boundary – the Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary are acceptable subject to the

Authorised Limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator confirms the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the 'Net Revenue Stream' (the Council's revenue budget).

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

6. Treasury Position at 31 March 2020

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

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

Table 6: DEBT PORTFOLIO	31 March 2019 Principal £000	Rate / Return %	Average Life (years)	31 March 2020 Principal £000	Rate / Return %	Average Life (years)
Market Loans	-	-	-	-	-	-
Total Debt	**12,000**	**0.96%**	**3 months**	**14,000**	**1.07%**	**1.2 years**
CFR (Table 3)	18,827			34,684		
Over / (Under) Borrowing	**(6,827)**			**(20,684)**		

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

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

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

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

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

Table 9: INVESTMENT PORTFOLIO	Actual 31 March 2019 £000	Actual 31 March 2019 %	Actual 31 March 2020 £000	Actual 31 March 2020 %
Money Market Funds	0	0%	25,000	52%
Total	**48,000**	**-**	**48,000**	**-**
Bond funds	-	-	-	-
Property funds	-	-	-	-
Total managed externally	**-**	**-**	**-**	**-**
TOTAL TREASURY INVESTMENTS	**48,000**	**100%**	**23,000**	**100%**

Table 10: INVESTMENT PORTFOLIO	Actual 31 March 2019 £000	Actual 31 March 2019 %	Actual 31 March 2020 £000	Actual 31 March 2020 %
Non-Treasury Investments				
Third party loans & share capital:	-	-	-	-
Subsidiaries – Greensand Property Holdings Ltd	2,321	2%	12,584	19%
Companies – Horley Business Park Development LLP	734	1%	604	1%
Associate – Pathway for Care Ltd [1]	912	1%	1,100	2%
Investment Property	98,445	96%	52,906	78%
TOTAL NON-TREASURY INVESTMENTS	**102,412**	**100%**	**67,194**	**100%**
Treasury investments	48,000	32%	23,379	26%
Non-Treasury investments	102,412	68%	67,194	74%
TOTAL – ALL INVESTMENTS	**150,412**	**100%**	**90,573**	**100%**

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

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

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

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

Total	**48,000**	**48,000**	**48,000**

Borrowing Outturn 2019/20

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

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

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

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

7. Investment Outturn 2019/20

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

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

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

Table 13: USABLE RESERVES	**2018/19 Actual £000**	**2019/20 Actual £000**

General Fund Balance	12,547	7,939
Earmarked Reserves	25,042	33,652
Usable Capital Receipts	**627**	581
Capital Grants Unapplied	**16,038**	23,922
Total	**54,254**	**66,094**

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

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

8. Other Treasury Management Matters

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

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

ANNEX1

PRUDENTIAL AND TREASURY INDICATORS

1.1 PRUDENTIAL INDICATORS	2018/19 Actual £000	2019/20 Original Budget £000	2019/20 Revised Budget £000	2019/20 Actual £000
Capital Expenditure				
General Fund (Table 2)	39,235	45,927	20,827	17,956
Ratio of net financing costs to net revenue stream				
General Fund	(4.98%)	(2.37%)	(2.37%)	(7.87%)
Gross Debt				
Brought forward 1 April	-	12,000	12,000	12,000
Carried forward 31 March	12,000	16,400	14,000	14,000
In year borrowing requirement	12,000	4,400	2,000	2,000
Capital Financing Requirement				
Opening CFR (Table 3)	3,781	15,046	18,826	18,826
In year CFR change (Table 3)	15,046	41,312	14,769	12,873
Closing CFR (Table 3)	18,826	54,914	33,595	31,699
Annual change in Capital Financing Requirement				
General Fund	15,046	39,868	14,769	12,873

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

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

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

SIGNED OFF BY	Interim Head of Finance
AUTHOR	Jane Heppel
TELEPHONE	Tel: 01737 276768
EMAIL	Jane.Heppel@reigate-banstead.gov.uk
TO	Executive
DATE	Thursday, 19 November 2020
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT	Council Tax Base 2021/22

RECOMMENDATIONS

That Executive approve a Council Tax Base for 2021/22 for the purpose of setting the Collection Fund budget of 61,354.3 Band D equivalents, this being a net increase in the Tax Base on 2020/21 of 0.37% after allowing for growth of 1.56% and an increase in local concessionary tax support as a result of COVID 19.

REASONS FOR RECOMMENDATIONS

The Tax Base has to be determined for the following financial year before 31 January each year and reported to the Ministry of Housing, Communities and Local Government and precepting authorities. This is in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992.

The Council's Constitution requires that the Council Tax Base shall be approved by the Full Council

EXECUTIVE SUMMARY

The Council Tax Base is the measure of the relative taxable capacity of each of the three separate tax-raising areas of the Borough: Reigate & Banstead Borough as a whole, the Horley Town Council area and the Salfords & Sidlow Parish Council area. It becomes the basis for Council Tax setting for all precepting authorities including the County and Police and Crime Commissioner.

The number of dwellings in each area which are in the valuation list as at 14th September each year is submitted to MHCLG, and this is then adjusted according to local knowledge to become the Tax Base for council tax setting purposes for the following financial year.

The recommendation is that the Band D equivalent Tax Base be adopted for each area as follows:

Area / Town / Parish	Band D 2020/21	Band D 2021/22	% Change
Borough Council	61,128.8	61,354.3	0.4%
Horley Town Council	10,191.7	10,395.4	2.0%
Salfords and Sidlow Parish Council	1,416.5	1,413.3	(0.2%)

The above recommendation is subject to approval by Full Council.

STATUTORY POWERS

1. Section 67 of *The Local Government Finance Act 1992* (as amended by Section 84 of the *Local Government Act 2003*) requires a local authority to determine its Council Tax Base for the following financial year before 31 January each year.

BACKGROUND

2. The Council Tax Base is
   a. the total number of dwellings expected to be in occupancy during the financial year,
   b. at their relevant bandings A-G
   c. less expected reliefs e.g. single person discounts and disabled reliefs
   d. add premiums e.g. empty home premium
   e. less expected Council Tax Support
   expressed as units of the Band D Council Tax.

3. Individual dwellings are placed in bands by the Valuation Office Agency from A to H according to their relative market value. The Council is notified of those bandings as each property comes into the listing.

4. The council tax charged to occupants of those dwellings is then increased or decreased proportionately according to the following ratios:

Band	Ratio
A	5/9
B	6/9
C	7/9
D	8/9
E	9/9
F	11/9
G	13/9
H	15/9
	18/9

5. The status of council tax billpayers themselves can then mean that the council tax bill is reduced according to their circumstances, and reliefs they may be able to claim, as well as the local council tax support scheme.

6. Reigate and Banstead Borough Council are a Billing Authority as well as a Collecting Authority for council tax.

7. As a Billing Authority they will use the Tax Base to set a Council Tax requirement and then a Band D Council Tax for Reigate and Banstead

8. As a Collecting Authority Reigate and Banstead's Tax Base is then used by other Billing Authorities in one of two ways.

    a. Major preceptors such as the County Council and Police and Crime Commissioner then include this Tax Base within their Tax Base as a whole to calculate their overall Council Tax Requirement

    b. Town and Parish Councils set a precept based on their element of the Reigate and Banstead total Council Tax Base.

9. As a Collecting Authority, Reigate and Banstead will then collect all of the Council Tax for all preceptors from council tax payers and distribute it to the other preceptors according to an agreed timetable during the year.

10. At the end of the financial year Reigate and Banstead will calculate the surplus or deficit on the fund for the year being the difference between the Band D average Tax Base x Band D Council Tax and the amount actually collected in year. The relevant proportion of any surplus or deficit then becomes a call on the General Fund in the following financial year.

11. It is therefore important to set a reasonable estimate for the Council Tax Base to give sound financial planning for all precepting authorities in Reigate and Banstead.

KEY INFORMATION

Key Assumptions and Calculations

12. The September Tax Base is adjusted for:
    - Estimates relating to the number and speed at which dwellings will be added to the list;
    - Estimates of the number of taxpayers likely to receive Local Council Tax Support
    - Estimates of the collectability of council tax due during the year

13. It has been an exceptionally difficult year to make these estimates in the light of the COVID-19 situation which has placed pressure on Local Council Tax Support and made estimating housing completions more difficult than usual.

14. The estimates are built up as follows:

15. The assumptions making up the forecasts are:

    a. That all housing sites which are currently under construction and expected to complete in 2021/22 will deliver new houses in a standard distribution across the period October 2020 to March 2022

    b. That all housing sites which are currently under construction and expected to complete in 2022/23 will deliver new houses in a standard distribution across the period April 2021 to October 2022

    c. That the economic impact of COVID will continue to be felt into 2021/22 and that the levels of local concessionary tax support for those of working age will increase to January 2021 and recover slowly to pre COVID January 2020 levels by January 2022

    d. That local concessionary tax support for pensioners will be stable across the period

    e. The collectability and non-payment will be at the historic low levels of only 0.3% of the Tax base.

Table 1 – DETAILED TAX BASE FORECAST	Borough	Horley	Salfords and Sidlow
Tax Base as at 14th Sept	65,238.3	11,077.8	1,497.6
Local Concessionary Tax Support	(4,655.8)	(961.0)	(80.0)
Growth in terms of new houses	956.5	309.9	
Gross Tax Base	**61,538.9**	**10,426.7**	**1,417.6**
Non-Collection allowance	(184.6)	(31.3)	(4.3)
Tax Base for Budgeting	**61,354.3**	**10,313.3**	**1,413.3**

16. This compares to the previous year as follows:

Table 2 – COMPARISON WITH PRIOR YEAR TAX BASE	2020/21	2021/22	Difference
Tax Base as at 14th Sept	65,126.2	65,238.3	112.1
Local Concessionary Tax Support	(3,813.5)	(4,655.8)	(842.3)
Growth in terms of new houses	-	956.5	956.5
Gross Tax Base	**61,312.7**	**61,538.9**	**226.2**
Non-Collection allowance	(183.9)	(184.6)	(0.7)
Tax Base for Budgeting	**61,128.8**	**61,354.3**	**225.5**

OPTIONS

17. The methodology for setting the Council Tax Base must be robust and estimates must be based on reasonable assumptions. These are explained in the Key Information section.

LEGAL IMPLICATIONS

18. The calculation of the Tax Base must be in accordance with Regulation 4 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992.

FINANCIAL IMPLICATIONS

19. At current Council Tax levels, a Band D has the following impact (at 2020/21 prices)
    - £2,014.49 Change in the amount paid by the average Band D taxpayer
    - £232.46 Change in the amount received by Reigate and Banstead Council

EQUALITIES IMPLICATIONS

20. There are no specific equalities implications arising from this report.

COMMUNICATION IMPLICATIONS

21. There are no specific communications implications arising from this report.

RISK MANAGEMENT CONSIDERATIONS

22. There are no specific risk management implications arising from this report.

OTHER IMPLICATIONS

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

CONSULTATION

24. There is no consultation requirement associated with the recommendations in this report.
POLICY FRAMEWORK
25. The corporate plan includes the priority ‘be a financially self-sustaining Council’.
BACKGROUND PAPERS
None.