

# Agenda

## Overview and Scrutiny Committee

Wednesday, 9 December 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:

#### N. D. Harrison (Chair)

S. T. Walsh

M. S. Blacker

G. Buttironi

J. C. S. Essex

R. J. Feeney

K. Foreman

J. Hudson

N. C. Moses

S. Parnall

J. Paul

J. E. Philpott

K. Sachdeva

S. Sinden

R. S. Turner

### Substitutes:

**Conservatives:** F. Kelly, J. P. King, R. Michalowski, C. M. Neame and C. Stevens

**Residents Group:** G. Adamson, J. S. Bray and C. T. H. Whinney

**Green Party:** H. Brown, S. McKenna and R. Ritter

**Liberal Democrats** S. A. Kulka

For enquiries regarding this agenda;

**Contact:** 01737 276182

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**Mari Roberts-Wood**  
Interim Head of Paid Service

**1. Apologies for absence and substitutions**

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

**2. Minutes** (Pages 7 - 14)

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

**3. Declarations of interest**

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

**4. Portfolio Holder Briefing - Organisation Portfolios** (Pages 15 - 32)

To receive briefings from the three Portfolio Holders – Organisation – Executive Members for Finance & Governance, Investment and Companies and Corporate Policy and Resources.

**5. Budget Scrutiny Panel: Service and Financial Planning 2021/22 - To Follow**

To receive a report from the Budget Scrutiny Panel to i) consider the provisional budget proposals for 2021/22 and make recommendations to the Executive in line with the Council's budget and policy procedure rules.

**6. Environmental Sustainability Strategy update** (Pages 33 - 36)

To receive an update on the Environmental Sustainability Strategy and that:

- (i) the Committee considers the Environmental Sustainability Strategy and makes any observations
- (ii) any observations be reported to the relevant Executive Member with a request that they be taken into account as the Strategy is implemented and through the annual reporting and review process.

**7. Q2 2020/21 performance report** (Pages 37 - 82)

To consider the Performance Report for Quarter 2 (2020/21) including Revenue and Capital Budget Monitoring report and to make any observations.

**8. Commercial Strategy - Part 1**

(Pages 83 - 102)

To recommend that the Committee:

- (i) notes the Commercial Strategy: Part 1, as approved by the Executive at its meeting of 19 November 2020 and set out in Annex 1.
- (ii) makes any observations to the Portfolio Holder for Investment and Companies on the Commercial Strategy: Part 1 and to support the ongoing development of Part 2 of the Commercial Strategy.

**9. Treasury Management Half Year Report 2020/2021**

(Pages 103 - 134)

To note the Treasury Management Performance for the year 2020/21 to date and note the updated prudential indicators.

**10. Future Work Programme**

(Pages 135 - 148)

To consider updates to the Work Programme for the Overview and Scrutiny Committee for 2020/21 and to consider the Action Tracker from the previous meeting.

**11. Executive**

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

**12. Any other urgent business**

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

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



### **Our meetings**

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



### **Streaming of meetings**

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



### **Accessibility**

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



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

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## **BOROUGH OF REIGATE AND BANSTEAD**

### **OVERVIEW AND SCRUTINY COMMITTEE**

Minutes of a meeting of the Overview and Scrutiny Committee held at Remote – via Teams on Thursday, 22 October 2020 at 7.30 pm.

Present: Councillors N. D. Harrison (Chair), S. T. Walsh (Vice-Chair), M. S. Blacker, G. Buttironi, J. C. S. Essex, R. J. Feeney, K. Foreman, J. Hudson, N. C. Moses, S. Parnall, J. Paul, J. E. Philpott and S. Sinden

Also present: Councillors T. Archer, M. Brunt, S. Schofield

#### **32. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies for absence were received from Councillor K. Sachdeva and Councillor R. Turner.

#### **33. MINUTES**

The Minutes of the previous meeting on 10 September 2020 were approved.

#### **34. DECLARATIONS OF INTEREST**

There were no Declarations of Interest.

#### **35. MEDIUM TERM FINANCIAL PLAN 2021/22 TO 2025/26**

Members considered the Medium Term Financial Plan 2021/22 to 2025/26 (MTFP). This Plan was adopted by the Executive in July 2020 as the framework for the budget elements of Service and Financial Planning for 2021/22 onwards.

Councillor T. Schofield, Portfolio Holder for Finance, introduced the item. It continued to be a challenging financial situation as government funding reduces further. Local authorities have to use resources efficiently and seek new sustainable funding streams. Budget preparations for next year had started well despite the extra work going into the emergency response to COVID-19 which had added further complexity. It was uncertain yet how much government funding for COVID-related income losses would be.

Members had asked 32 Advance Questions. These ranged from fees and charges, investments and commercial opportunities, council tax, revenue reserves balances and the impact of COVID-19. Written responses had been provided to Members. More answers would be given as part of the budget scrutiny process. Councillor T. Schofield confirmed that both Service and Central budgets would be presented in

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October 2020

Minutes

the November budget report (where available) this year for review by the Budget Scrutiny Panel meeting in early December. It was noted that the MTFP forecasts did not yet include any forecast income in relation to any future new investments that might be made.

Members raised questions and made comments on the following topics:

- **Commercial investments** – Members asked if the £50m budget allocated for investment opportunities (for consideration by the Commercial Ventures Executive Sub-Committee) would be spent this year. Councillor T. Archer, Executive Member for Investments and Companies, said that the Council was being prudent about its assumptions for increasing new commercial income streams. It was noted that the Council was benefiting from previous investments with a return of around £4m a year. The Sub-Committee would continue to look cautiously at investment opportunities. It was confirmed that part of the £50m budget allocation in the Capital Programme will fund Project Baseball (an initiative to build a crematorium in the Woodhatch area which was announced earlier in the week and was now open to public consultation).
- **Government funding assumptions** – Members asked about planning for reduced government funding (such as business rates income) which was predicted to be £2.3m in total over the next three years. This was not a confirmed figure, but it was referenced as a planning assumption (based on the information currently available) until the Government confirms the actual changes.
- **Budget provision for future pay and pensions increases** – Members asked if pension increases were due to an increase in staff or a general pension increase. It was confirmed that figures in the Plan were the pension element of any agreed pay rises. The Local Government Pension Scheme managed by Surrey County Council was fully funded overall. Once the outcome of the pay negotiations was known, this would be included in the budget.
- **Financial difficulties of neighbouring local authorities** – Members asked about the potential impact on the Council and on Surrey local authorities of the reported financial difficulties of the neighbouring local authorities such as the London Borough of Croydon. It was noted that a number of London boroughs were facing acute financial challenges which had been exacerbated due to COVID-19 and increased demands and costs, particularly on social care. The Management Team and Members were keeping a close eye on any potential impact on the Council.
- **Fees and charges** – The Medium Term Financial Plan outlines the key principles of the Fees and Charges Policy which focuses on charging for Council services in a transparent and consistent manner. Fees and charges had not been reviewed for some time and increasing the potential for income from this source could contribute to becoming financially self-sufficient. Members commented that a balance needed to be struck on the level of charges: raising fees too much (such as for planning pre-application meetings) would reduce the number of people wanting to use these services. Also, residents were facing significant financial challenges due to COVID-19. Businesses who were struggling would also be affected if charges, such as car parking charges, were increased. Members were reassured that a balanced view would be taken so there was not a negative impact on

demand for services. Work was ongoing to benchmark the costs of similar services provided in the market to set the right level of fees and charges. The Council was very sensitive to the fact that many residents had faced a considerable drop in income.

- **Budget impact assessment** – Members asked if the Finance team was carrying out an equality impact assessment as part of the budget setting process, including looking at the effect COVID-19 was having on residents' income, particularly those who had moved onto Universal Credit for the first time. This year's budget round would be particularly challenging. The Council needed to be agile and proactive to meet the needs of residents during this emergency. Councillor T. Schofield confirmed that the Council was very aware of the current financial impact on residents and this was part of the ongoing budget discussions. A budget impact assessment would be carried out and feed into the budget-setting process. Leader of the Council, Councillor M. Brunt, told Committee Members that it was recognised that residents would need more Council support in the next one to three years. This was part of the work of the recovery teams and is a factor in next year's budget discussions and the continued push for more government funding.

Committee Members welcomed the comments from Executive Members. Their observations would be fed into the Executive meeting in November.

**RESOLVED** – that the Medium Term Financial Plan 2021/22 to 2025/26 financial period be noted, and the Committee's observations and comments be considered by the Executive.

## 36. CAPITAL INVESTMENT STRATEGY 2021/22

Members reviewed the Capital Investment Strategy that was adopted by Executive in July 2020 in support of service and financial planning for 2021/22 onwards.

Councillor T. Schofield, Portfolio Holder for Finance, introduced the item. The Strategy sets out the approach to capital investment and forms a key part of the Council's governance arrangements. It ensures that investment and financing plans can be prioritised and makes sure that capital decisions take account of stewardship, value for money, prudence, sustainability, affordability and risks. The Strategy also sets out the approach to evaluating and monitoring assets owned by the Council. The Commercial Ventures Executive Sub-Committee has responsibility for evaluating use of assets and potential future capital investments.

Members had asked 10 Advance Questions. These ranged from issues such as commercial returns, working with external advisers on investment planning and reviewing commercial opportunities. Written responses had been provided to Members with further answers to come. More detailed answers would also be given as part of the budget scrutiny process.

- **Capital receipts and repaying grants** – Members asked why a grant might need to be repaid after the sale of an asset. It was confirmed that sometimes the terms of an historic grant funding agreement specified repayment of the grant after an asset was sold.
- **Woodhatch Crematorium** – it was noted that the funding for this project would come from the £50m budget set out in the approved Capital

# Agenda Item 2

Programme. All proposals for use of this capital allocation were considered by the Commercial Ventures Executive Sub-Committee against appropriate governance criteria and a commercial checklist before approval. If the Crematorium project was approved, then spending on this item would be clearly reported in quarterly budget monitoring reports.

Councillor T. Archer, Portfolio Holder for Investments and Companies confirmed that the new Commercial Strategy would be considered by Overview and Scrutiny at its December meeting. This would include principles to guide decision-making on potential commercial investments and activities.

**RESOLVED** – that the Capital Investment Strategy for the 2020/21 financial period be noted and the Committee’s observations and comments be considered by the Executive.

## 37. COMPANIES PERFORMANCE UPDATE - AUTUMN 2020

Members received an update from Councillor T. Archer, Portfolio Holder for Investment and Companies, on the performance of the companies, currently owned or part-owned by the Council.

These companies are Greensand Holdings Limited, Horley Business Park Development LLP and Pathway for Care Limited. It was noted in the report to the Committee that all these companies are currently considered to be performing in line with the Council’s current objectives and expectations. The Annual Report and Financial Statements for Greensands Holdings and Horley Business Development for the year ended 31 December 2019 were provided in Annex 1 and Annex 2 to the report. Pathway for Care’s Unaudited Financial Statements for the year ended 31 July 2019 were provided in Annex 3.

Greensands Holdings Limited is a property investment and development company set up to facilitate the Council’s property investment activities and wholly owned by the Council. The company generates an income from one of its property holdings and provides an income to the Council through its repayments and interest on the loan.

Horley Business Park Development LLP is a joint venture which was set up to bring forward planning subsequent development, of employment land in the Horley area. It does not currently generate a profit but is working towards the future development of the proposed Horley Business Park as a long-term project. The Council has a 50 per cent share of the company.

Pathway for Care provides supported living facilities and support for their vulnerable residents in the borough and surrounding areas. The Council is a minority shareholder in the company. Members had been provided with a written answer on debtors and recoverability of payments by the company. It was noted that the debtors are almost exclusively other Local Authorities - payment is often made substantially in arrears but Pathway for Care have previously advised that recovery rates are high. Further details have been requested from Pathway for Care and details on their deferred tax asset. A further update would be provided to Members as soon as that was received.

It was confirmed that work was ongoing to develop a longer-term commercial strategy. This will set out recommendations on the best way to structure the Council's trading companies as well as how to help shape and direct the future actions of the Council around commercially relevant activities. This Commercial Strategy would be brought to the next Committee meeting on 9 December.

Members asked if the company accounts presented at the Commercial Ventures Executive Sub-Committee meeting in September could be made public. It was confirmed that the accounts were published on the public website as part of the Overview and Scrutiny Committee papers.

Chair, Cllr N. Harrison, thanked Councillor T. Archer, Portfolio Holder for Investment and Companies, the Interim Head of Finance, and the Director of Commercial and Investment Services, for their work and responses to Members' questions.

**RESOLVED** that:

- (i) the Companies Performance Update – Autumn 2020 as set out in the report to the Committee and the Exempt information be noted;
- (ii) the observations of the Committee be noted by the Commercial Ventures Executive Sub-Committee at its meeting on 5 November 2020.

### **38. RECOVERY SCRUTINY PANEL UPDATE**

Members received the Recovery Scrutiny Panel's feedback on the COVID-19 recovery work to date following its meeting on 14 October 2020. This included a presentation to the Panel on achievements to date and Minutes from the meeting.

Councillor T. Schofield summarised the discussion from the Panel meeting. A number of questions had been raised by Panel Members which included second wave preparations, locality meetings, business support activities, support for residents with Council Tax arrears and the response to the increase in fly tipping. It was noted that the focus of the Panel is the recovery of RBBC services and operations from the impact of COVID-19 response initiatives. However, it was recognised that this needs to be placed in the context of ongoing Covid response activities and second wave planning. The written answers would be circulated to all Committee Members.

- **Kickstart programme for young unemployed people** – as the current job furlough scheme was due to end shortly, Members asked about the Kickstart scheme. Kickstart is a central Government scheme to provide funding to employers to create job placements for 16 to 24-year-olds on Universal Credit. It was confirmed that this scheme was being supported by the 'Supporting local businesses and the local economy to recover' workstream. It was not yet known how much funding would be available to the Council from this scheme.

In addition, funding from the Department for Work and Pensions had been confirmed for a joint project with Tandridge District Council to set up an East of Surrey Youth Hub to support young people to access training and skills development, work experience and employment opportunities. This was part

# Agenda Item 2

of the ongoing work to tackle youth unemployment which was rising in the borough.

**RESOLVED** – that the Recovery Scrutiny Panel’s feedback and Minutes from the Panel meeting on 14 October 2020, and the observations of the Committee be noted.

## 39. CONSTITUTION OF BUDGET SCRUTINY PANEL

Members considered and agreed the membership, timetable and scope of work of the Budget Scrutiny Review Panel during 2020/21. The Panel meeting was due to take place on 3 December 2020 and was open for any Member to attend.

The Committee confirmed that the Panel nominations which were:

Conservative:	Councillors K. Foreman, R. Michalowski, C. Neame and S. Parnall
Green:	Councillor J. Essex
Liberal Democrats:	Councillor J. Philpott
Residents’ Association:	Councillor N. Harrison

**RESOLVED** that:

(i) The membership of the Budget Scrutiny Review Panel and the timetable for the preparation of the Budget for 2020/21 be agreed as set out in the report and confirmed at the meeting.

(ii) The scope of the Budget Scrutiny Review Panel work during 2020/21 be agreed as set out in the report.

## 40. FUTURE WORK PROGRAMME

The Committee’s Forward Work Programme was discussed. The Commercial Strategy report had moved to the next meeting on 9 December. The December meeting had a crowded agenda so consideration would be given to allow enough time to debate these items.

Members thanked Executive Members attending the meeting for their full responses. They also thanked Officers for their written responses to Members’ Advance Questions which had helped to focus discussions.

## 41. EXECUTIVE

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

## 42. ANY OTHER URGENT BUSINESS

There were no items of urgent business.

## 43. EXEMPT BUSINESS

**RESOLVED** – that members of the Press and public be excluded from the meeting for the consideration of Item 12 of the agenda (Medium Term Financial Plan Update (Exempt)) under Section 100A(4) of the Local Government Act 1972 on the grounds that:

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

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

## 44. COMPANIES PERFORMANCE UPDATE, AUTUMN 2020 (EXEMPT)

Additional commercially sensitive supporting information was detailed in the Exempt report set out in Part 2 on the agenda. Councillor T. Archer introduced the report and a wide range of issues were discussed which included:

**Greensands Holdings Limited** – interest charges on loans, the structure of Greensands Holdings, how it generates payments to the Council and the return on investments, current valuation of Crown House, gross rent and annual yield.

**Horley Business Park Development Limited** – joint venture discussions, current assets, future development costs, medium and longer term risks for investments.

**Pathway for Care Limited** – it was noted that the Council had a 10 per cent share in this company and held £1.1m redeemable preference shares in the company redeemable in 2023 which is reflected in the Council's financial accounts. The 2020 management accounts were reviewed.

The Meeting closed at 9.15 pm

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# Agenda Item 4



<b>SIGNED OFF BY</b>	Director of Commercial and Investments
<b>AUTHOR</b>	Catriona Marchant, Democratic Services Officer
<b>TELEPHONE</b>	01737 276066
<b>EMAIL</b>	catriona.marchant@reigate-banstead.gov.uk
<b>TO</b>	Overview and Scrutiny Committee
<b>DATE</b>	Wednesday, 9 December 2020
<b>EXECUTIVE MEMBER</b>	Deputy Leader and Portfolio Holder for Finance & Governance, Portfolio Holder for Corporate Policy and Resources and Portfolio Holder for Investment & Companies

<b>KEY DECISION REQUIRED</b>	N
<b>WARDS AFFECTED</b>	(All Wards);

<b>SUBJECT</b>	Portfolio Holder Briefing - Organisation Portfolios
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## RECOMMENDATIONS

**To note the Portfolio Holder Briefing on the Organisation Portfolios, as set out in this report, and to provide any observations for consideration by Executive Members.**

## REASONS FOR RECOMMENDATIONS

To consider the progress of work in the Organisation Portfolios, as of December 2020, including achievements relating to the Borough Council's emergency response to COVID-19.

# Agenda Item 4

## EXECUTIVE SUMMARY

1. This report provides an overview of the activities undertaken within the Organisation Portfolio areas in the municipal year to date.
2. The three Organisation Portfolios are Finance, Corporate Direction & Governance, and Investment and Companies.

## KEY INFORMATION

### Executive Portfolios

3. Following the Annual Council meeting on 29 May 2019, the Leader of the Council appointed the members of the Executive for the municipal year 2019/20 on 30 May 2019. Each member of the Executive undertook an area of responsibility, known as a portfolio. Executive Members continued in their roles in 2020/21 with some additional changes.
4. For operational purposes, these portfolios are aligned with the three themes of the Council's current and emerging Corporate Plans, these being People, Place and Organisation.
5. The three portfolios aligned with the Organisation theme are Finance & Governance, Corporate Policy & Resources, and Investment & Companies.
6. The areas of responsibility of these portfolios are as follows:
  - **Finance & Governance:** Finance and budgets oversight, Internal Audit, service and financial planning, legal services and procurement, Democratic and Elections, Council Tax, Business rates, Counter Fraud, Corporate Debt Recovery and Revenue & Benefits trading.
  - **Corporate Policy & Resources:** Corporate policy, Environmental Strategy, performance and risk management, PMO, IT, Organisational Development & HR, Customer Contact and Communications.
  - **Investment & Companies:** Commercial agenda, investment acquisitions and assets & facilities.

### Portfolio Objectives

7. Following their appointment, Executive Members agreed objectives for their portfolio areas.
8. Progress against these objectives was assessed by the Committee last year. Due to the Council's reprioritisation of services and emergency response to the COVID-19 pandemic, objectives were not updated and agreed for 2021/22. The information provided for the consideration of this Committee is therefore an update on business as usual against benchmarks used as part of objectives agreed last year, or draft benchmarks. Information is also provided detailing Portfolio Holder achievements during the emergency response to the pandemic.

9. Progress to date is set out in the presentation slides to the Committee (Annex 1 to this report).

## **Overview and Scrutiny**

10. As part of the Overview and Scrutiny Committee's role of holding the Executive to account, members of the Executive provide regular briefings to the Committee on their portfolios and key items of business within these areas.
11. To reflect the coordinated approach of Portfolio Holders within the Corporate Plan themes, these briefings are presented by theme.
12. The members of the Overview and Scrutiny Committee are invited to consider the briefing provided, and to offer any observations to the Portfolio Holders. These observations will then be considered to help inform future activities within these portfolios.

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# Organisation

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## Portfolio Updates

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



# Finance & Governance

## Finance

- **Progress 2020/21**

Update to MTFP approved by Executive in July and refreshed in the November budget report

2021/22 Capital Investment and Treasury Management Strategies approved

Regular updates to Executive on Covid-19 budget impacts; monthly returns submitted to MHCLG and first income loss claim submitted

Draft Statement of Accounts 2018/19 published; significant work undertaken over recent months to review asset categories and ensure compliance with Code of Practice

- **Budget 2021/22**

Service & Financial Planning progressing on schedule with report to 19 November Executive and Budget Scrutiny Panel on 3 December

At November, forecast 2021/22 revenue budget gap can be balanced through use of reserves but ongoing the impacts of income loss due to Covid is a significant concern

Capital Programme proposals for 2021/22 onwards are relatively modest following significant growth this year; to be funded through prudential borrowing

# Finance & Governance (cont)

## Governance

### Progress 2020/21

- Moved all member committees and mayoral functions to virtual meetings, and events (including Remembrance Day) to preserve transparent accessible democratic process during the pandemic.
- Democratic and Governance Task group revised the Member Code of Conduct (adopted by Council), Protocol on Officer Member relations, Code of Corporate Governance, developed and implemented a protocol for Group Leader meetings, and reviewed and implemented the process for electing the Mayor.
- Creation and administration of the Audit Committee and the Recovery Scrutiny Panel.
- Supporting the conferment of an Alderwoman and an Alderman.
- The Evaluating Overview and Scrutiny Panel have made recommendations to improve how the Committee operates.
- Preparing a review of the Constitution including the Standards Committee processes to reflect best practice and transparent principles.

# Revenues, Benefits & Fraud

## Council Tax & Business Rates Collection

- At the end of Period 8, Council Tax collection for 2020/21 was at 74.62%, down on last year by 1.30% which equates to £1.6m. Around 2,500 accounts had their payments deferred to February and March 2021 from the start of the year, which has affected the in-year collection rate
- At the end of Period 8, Business Rates collection for 2020/21 was at 76.90%, up on last year by 0.48%. With the increased reliefs for businesses in the retail, hospitality and leisure industries, this has significantly reduced the amount to be collected. The value of the reliefs is reimbursed by central government
- The first 2020/21 Magistrates Court date is on 16<sup>th</sup> December 2020, for both Council Tax and Business Rates
- From November, the RBBC recovery team has been providing a recovery function on behalf of Waverley Borough Council, as part of its commercial work

# Revenues, Benefits & Fraud (cont)

## Counter Fraud

- Total savings in Q1 and Q2 from identifying fraud are £100,042.72 (based on Cabinet Office assumptions). The savings relates to housing and Council Tax fraud.

## Business Grants & Covid Support

- In the initial grant schemes 1,875 businesses were paid grants totalling £23,760,000
- The Local Restrictions Support Grants (Closed) has seen 390 businesses paid a total of £644,488 up to 01/12/20
- The Additional Restrictions Grants (discretionary) has seen 28 businesses paid a total of £41,016 up to 29/11/20
- Local Restrictions Support Grants (Open) expected to apply from 3/12/20
- Test & Trace Payments – eligible for people told by the NHS to self-isolate and will lose earnings. 59 payments of £500 had been made up to 01/12/20

# Legal & Procurement

## Legal - Progress 2020/21

- Recruitment of Head of Legal & Governance and Deputy Monitoring Officer in May 2020;
- The skills and resilience of the legal team are being increased by:
  - junior members of the team progressing from paralegal and legal secretary to a trainee solicitor and paralegal respectively;
  - Recruitment of a property lawyer and planning lawyer- interviews are in December.
- Data protection and Information Governance will move from IT to Legal Services in December, ensuring all legal governance functions are under a single service.

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## Land Charges - Progress 2020/21

- Undertaking a review of Local Land Charge questions to improve accuracy and efficiency. Working with the Business Improvement Team to migrate Building Control Data to increase the quality of land charges information.

## Procurement - Progress 2020/21

- Undertaking a review of the Contract Procedure Rules within the Council's Constitution. Building on the success of centralising the procurement service.

# Corporate Policy & Resources

## Performance management and PMO

- KPIs updated for 2020/21 following recommendations from the all-party working group.
- New performance reporting template introduced which provides additional contextual information.
- Dashboards now provided for members for Organisation, Place and People projects, providing regular updates on the delivery of key Council projects.
- Future focus: Continued efficient and effective reporting and operation of the project boards.

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## Corporate Policy including Environmental Strategy

- New Corporate Plan and Environmental Sustainability Strategy – now developed and agreed fall within this portfolio to oversee implementation.
- Future focus: Will include implementation of sustainability activities and monitoring and reporting on the first full year of the Corporate Plan.

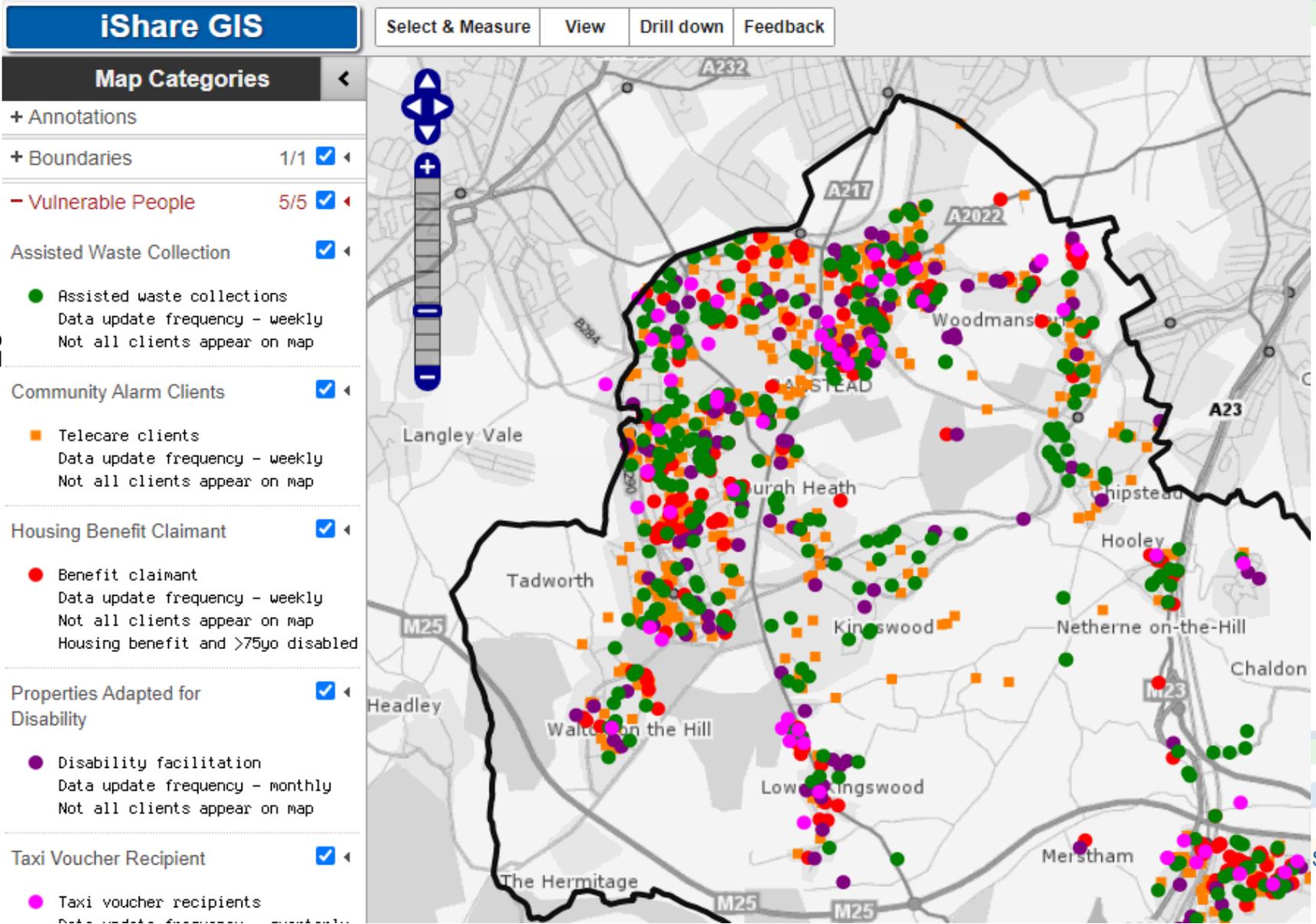
# Communications and Customer Contact Data & Insight

## Objectives & Progress

- **Communications and Customer Contact Data & Insight** – The COVID-19 pandemic has required Communications and Customer Contact to concentrate almost exclusively on supporting Reigate & Banstead Borough Council's emergency response. In doing so, there has been the opportunity for progression of key objectives from the business plan. This includes development of the councils communications channels (including those for the digitally-excluded) and provision of an enhanced resident contact interface, particularly via social media, as well as the traditional phone and website contact channels.
- 26. • **Data & Insight** –The newly created Data & Insight team has been re-focused away from its more broader work, to provide intelligence to inform the organisation's COVID response work. This has allowed our response and services to remain relevant, co-ordinated and efficient. By way of example, the next slide illustrates work by the team to identify locations of vulnerable people in a specific area – using assisted waste collection, community alarm user, housing benefit claimant, taxi voucher scheme and property adaptations for disability data. This enabled targeted and relevant support, interventions and communications to be provided to those audiences.

# Communications and Customer Contact Data & Insight (cont)

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# Organisational Development & HR

## Human Resources - BAU Statistics

- Continued to successfully run our monthly staff and member payrolls whilst working remotely
- Since March 2020 HR have supported the advertising/recruitment of 68 roles and worked with managers to ensure we onboarded 66 new starters
- Apprenticeship engagement has continued –
  - Currently we have 7 apprentices (Level 2 through to Level 6 – degree level)
  - Currently recruiting a further 2 apprentices (Level 2/3 and Level 3)
  - 9 existing employees are upskilling via apprenticeships (Level 3 through to Level 7 – Masters level)
- Latest rolling year (1.10.19 – 30.9.20) figures:
  - Turnover – 9%
  - Sickness absence –

	Total	Short Term	Long Term
Average Days Sick per employee	8.1	4	4.1

# Organisational Development & HR (cont)

## Organisational Development / HR- Covid

- Planned launch work for OD strategy paused whilst the organisation focuses on the immediate response to the pandemic - immediate OD priority shifted to staff wellbeing and supporting our staff given the different ways of working needed
- Staff survey - late summer 2020 with a wellbeing focus
  - 388 surveys completed = an overall response rate of 66%
    - online staff – 92% response rate
    - offline staff – 22% response rate
  - Staff reported feeling valued, supported, proud, committed but also stressed, exhausted, anxious, irritated
  - Top challenges for online and offline staff reviewed
  - Our net promotor score – based on the responses to the question ‘how likely are you to recommend RBBC as a good place to work to a friend or family member’ is +39 (up from +27 in January 2017, and -13 in June 2014)
- Lockdown 1 response – redeployed 90 staff to support RBBC’s response to Covid
- Lockdown 2 response – so far approx. 50 staff have been redeployed

# Information Technology

## Progress 2020/21

- IT have delivered transformational change to the Council since the beginning of the Covid-19 pandemic. Systems have been rapidly implemented to enable staff and Council Members to work remotely and securely. New processes have been developed to ensure IT systems deliver high availability.
- The CRM system has been developed to enable the delivery of Welfare support to those in need and ensuring that personal data is held securely.
- Video conferencing facilities have been and continue to be developed to enable the delivery of Council Committee meetings online.
- IT Projects continue to be delivered with particular focus on improving resilience and Disaster Recovery capability.

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# Covid-19: Recovery

## **Deputy Leader:**

- Lead Executive member in relation to Covid recovery; chair of the Recovery Steering Group; regular attendance at meetings of all five workstream to ensure strategic oversight; core member of Finance & Income workstream

## **Executive Member for Corporate Policy and Resources:**

- Chair of the Finance & Income recovery workstream, which has provided ongoing review of the financial impact of Covid, commercial property income streams, revenues collection (eg Council tax) and will continue to provide a steer on financial and commercial considerations associated with Covid recovery and the 'new normal'

## **Executive Member for Investment and Companies:**

- Chair of the Council Services and Projects recovery workstream, including advising on the safe reintroduction of services and activities put on hold as a result of the first Lockdown. This workstream will continue to have oversight of the recovery of projects and services, including any impacted by ongoing Covid restrictions

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<b>SIGNED OFF BY</b>	Director of Place
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<b>TO</b>	Overview & Scrutiny Committee
<b>DATE</b>	9 December 2020
<b>EXECUTIVE MEMBER</b>	Portfolio Holder for Corporate Policy and Resources

<b>SUBJECT</b>	Environmental Sustainability Strategy
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<b>RECOMMENDATIONS</b>
<p><b>(i) That the Committee consider the Environmental Sustainability Strategy and make any observations</b></p> <p><b>(ii) That any observations be reported to the relevant Executive Member with a request that they be taken into account as the Strategy is implemented and through the annual reporting and review process</b></p>
<b>REASONS FOR RECOMMENDATIONS</b>
In order that any comments from the Committee can be fed into ongoing work to progress the delivery of the agreed Environmental Sustainability Strategy.
<b>EXECUTIVE SUMMARY</b>
<p>A commitment to produce a new Environmental Sustainability Strategy was included in the 'Reigate &amp; Banstead 2025 corporate plan.</p> <p>This covering paper provides a brief introduction to the Environmental Sustainability Strategy, including its scope and proposals for progress reporting.</p> <p>This paper should be read in conjunction with the report presented to the Executive on 28<sup>th</sup> July 2020, which includes more information about the Strategy and (as annexes) the Environmental Sustainability Strategy, Action Plan and Performance Indicators.</p>

<b>INTRODUCTION</b>
<p>1. The Environmental Sustainability Strategy (the 'ES Strategy') was considered and approved by the Executive in July 2020. The Executive report and ES Strategy are available to Committee members on the website at: <a href="https://reigate-banstead.gov.uk">https://reigate-</a></p>

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[banstead.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=1413&Ver=4](https://banstead.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=1413&Ver=4)

This covering report should be read in conjunction with that report.

2. Following the Executive meeting, a call-in request was made by some members of the Overview & Scrutiny Committee. The call-in was considered by the Committee on 27 August 2020. The papers associated with the call-in are available at: <https://reigate-banstead.moderngov.co.uk/ieListDocuments.aspx?CId=135&MId=1735&Ver=4>.
3. Having considered the call-in, the Committee resolved that the Executive's decision to approve the ES Strategy should be implemented without delay. At that meeting it was also clarified that the ES Strategy and Action Plan would come for scrutiny at Committee's December meeting.
4. Committee members may, in particular, wish to consider:
  - The level of ambition in the Strategy and the priority areas of focus within each theme (summarised in Table 1 of this report)
  - The climate change aims (outlined in para 12 of this report); and
  - The overall scope and ambition of the Action Plan (appended as Annex 2 to the July Executive report).

## BACKGROUND

5. The 2015-202 Corporate Plan did not include Environmental Sustainability or tackling climate change as a priority for the Council.
6. In preparing the new 2020-2025 corporate plan, 'Reigate & Banstead 2025'<sup>1</sup>, it was considered (based on public consultation as well as a review of local information and the wider policy context within which the Council operates) that a new objective on Environmental Sustainability should be included. This objective is to:  
*"Reduce our own environmental impact, support local residents to do the same, and make sure our activities increase the borough's resilience to the effects of climate change".*
7. Reigate & Banstead 2025 explains that, in working to achieve this objective, the Council would publish a new ES Strategy.
8. As such, work to prepare the new Strategy took place from autumn 2019 to spring 2020. This work was undertaken by consultants Waterman Infrastructure & Environment, and included the collation of information from the Council, review of options, and engagement with officers and members on strategy content.
9. The Executive agreed the Strategy in July 2020, along with confirmation that it recognises the need for urgent action on climate change and sustainability issues.

## SCOPE AND CONTENT OF THE STRATEGY AND ACTION PLAN

10. The report provided to the Executive in July provides an overview of the content of the ES Strategy and members are referred to that report. Without repeating that content here, in summary:

<sup>1</sup> Available at [www.reigate-banstead.gov.uk/rbbc2025](http://www.reigate-banstead.gov.uk/rbbc2025)

- a. The ES Strategy is made up of three documents: the main strategy document, an action plan and a set of performance indicators.
- b. The Strategy, action plan and performance indicators are presented on the basis of three topic themes: Energy and Carbon, Low Impact Consumption, and the Natural Environment. There is also an overarching theme, 'Effective Implementation'.
- c. The main strategy document introduces each theme, defines the Council's 2050 vision for each topic theme, priority areas of focus within each theme and explains in general terms the ways in which the Council will seek to make progress towards achieving its vision.
- d. The Action Plan identifies objectives for each theme, and activities which the Council will undertake for each objective, with associated timeframes.
- e. For each of the priorities and topic objectives, performance indicators are defined, with targets or directions of travel and information about who has responsibility for implementation.

**Table 1: Strategy themes and priority areas of focus**

Strategy theme	Priority area of focus
Energy and carbon	<ul style="list-style-type: none"> <li>• Energy minimisation</li> <li>• Renewable energy</li> <li>• Low carbon transport</li> <li>• Embodied carbon</li> </ul>
Low impact consumption	<ul style="list-style-type: none"> <li>• Waste reduction</li> <li>• Water efficiency</li> <li>• Responsible sourcing</li> </ul>
Natural environment and biodiversity	<ul style="list-style-type: none"> <li>• Ecological enhancement</li> <li>• Sustainable drainage</li> <li>• Environmental impact and pollution prevention</li> </ul>

## Climate change aims

11. Tackling climate change is an important element of the ES Strategy. This element is included within the Energy and Carbon theme, although actions within the other themes also contribute to addressing the climate challenge.
12. The ES Strategy sets out the Council's aims to:
  - a. Achieve carbon neutrality (as an organisation) across its scope 1 and 2 emissions<sup>2</sup> by 2030; and
  - b. Work with partners to achieve carbon neutrality across the Borough (in line with Government targets) by 2050.

## Proposals for monitoring, reporting on progress and strategy review

13. In approving the ES Strategy, the Executive agreed that progress in delivering the Strategy will be reported annually. The Executive report explains that this annual report will be made to the Overview & Scrutiny Committee and placed on the Council website.

<sup>2</sup> See para 18 of the July Executive Report. Scope 1 covers emissions from the direct combustion of fuels (eg petrol, gas). Scope 2 covers emissions from purchased electricity.

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14. For the avoidance of doubt, today's agenda item does not represent a formal annual progress report.
15. The July Executive report also explains that – as well as annual reporting – it will be important that the Strategy itself is regularly reviewed to take account of the local progress that has been made, the latest evidence, policy and technological advancements.
16. In practical terms, the annual reporting process will provide the opportunity to consider progress, and identify any new, updated or changing priorities or activities within the Action Plan. It is anticipated that the main Strategy document will be updated every three to five years.

## **Cross party member group**

17. In July, the Executive agreed that a cross party member task group should continue to meet to review and provide feed back on the implementation of the ES Strategy.
18. The group met in November. Members received a progress update on various projects, and provided feedback to the Portfolio Holder and officers about how activity to deliver the ES Strategy should be prioritised. Outside of the meeting, group members have also been provided with email updates and invitations to input into the consideration of sustainability opportunities and challenges arising from Covid-19.
19. The group will meet approximately four times per year. As part of the formal annual reporting process (see para 15), the Overview & Scrutiny Committee will be provided with a summary of the group's involvement.

## **BACKGROUND PAPERS**

1. Reigate & Banstead 2025: [www.reigate-banstead.gov.uk/rbbc2025](http://www.reigate-banstead.gov.uk/rbbc2025)
2. Report to Executive July 2020 (including Strategy annexes): <https://reigate-banstead.moderngov.co.uk/ieListDocuments.aspx?CIId=137&MIId=1413&Ver=4>

# Agenda Item 7



<b>SIGNED OFF BY</b>	Head of Corporate Policy Interim Head of Finance
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<b>TO</b>	Overview and Scrutiny Committee
<b>DATE</b>	Wednesday, 9 December 2020
<b>EXECUTIVE MEMBER</b>	Deputy Leader and Portfolio Holder for Finance Portfolio Holder for Corporate Direction and Governance

<b>KEY DECISION REQUIRED</b>	N
<b>WARDS AFFECTED</b>	(All Wards)

<b>SUBJECT</b>	Q2 2020/21 Performance Report
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<b>RECOMMENDATIONS</b>
<p>That the Committee note:</p> <ul style="list-style-type: none"> <li>(i) The Key Performance Indicator performance for Q2 2020/21 and make any observations to the Executive; and</li> <li>(ii) The revenue and capital budget position at Q2 2020/21 and make any observations to the Executive;</li> <li>(iii) That the Committee notes the recommendation of Executive to Council:</li> </ul>

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- **The allocation of an additional allocation of £0.054 million in the Capital Programme for the Horley Pay-on-Exit parking to be funded through prudential borrowing.**

## **REASONS FOR RECOMMENDATIONS**

For the Council's performance to be reviewed.

## **EXECUTIVE SUMMARY**

This report provides an overview of the Council's performance for Q2 2020/21, including Key Performance Indicator (KPI) reporting, as well as revenue and capital budget monitoring.

Of the ten KPIs reported in Q2, seven are on target or within the agreed tolerance. Two KPIs are off target and outside of tolerance (therefore red rated) and we are unable to report on one. Additional detail is provided in the report below as well as at Annex 1.

The Revenue Budget full year outturn forecast variance at the end of Q2 for Service budgets is £0.17m (1.1%) higher than the management budget. Central budgets are reporting £1.75m (18.6%) lower than budget, resulting in an overall forecast of £1.58m (6.4%) lower than budget.

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. The potential financial implications are set out in Annex 3 (Section 3) to this report. The situation continues to be monitored closely and use of budget contingencies and Reserves may be necessary to offset any costs or income losses that are not funded by Government.

The full year Capital Programme forecast at the end of Q2 is £46.81m (37%) below the approved Programme for the year. The variance is as a result of £46.76m slippage and a £0.05m net underspend.

In a report to Executive on 17 September 2020 Members approved the allocation of £0.054 million additional capital resources to the Horley Pay-on-Exit parking project. As this sum is not included in the Capital Programme 2020/21 to 2025/26 that was approved by Council in February 2020 it will be necessary to seek approval from Council for this supplementary budget allocation, funded through prudential borrowing.

**The Committee has the authority to approve the above recommendations**

## **STATUTORY POWERS**

1. Following the abolition of Best Value Performance Indicators (BVPI) in 2008 and the National Indicator Set (NIS) in 2010, there is no statutorily imposed framework for local authorities to manage performance.

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2. 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.
3. 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.
4. 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.

## **BACKGROUND**

5. Each quarter the Overview and Scrutiny Committee and Executive receives an update on the Council's performance. The report provides an overview of KPI as well as budgetary performance.
6. KPIs are service level performance measures and are set in order to demonstrate performance against key corporate objectives.
7. A cross-party member working group was convened in the last financial year in order to help develop the indicators for 2020/21. The performance indicators for 2020/21 were approved by the Executive at its meeting on 25 June 2020.
8. Quarterly budget monitoring is a key financial control mechanism that demonstrates that the Council is fulfilling its responsibilities for managing public funds.

## **KEY INFORMATION**

### **Key Performance Indicators – Q2 2020/21**

9. Ten performance indicators are reported on in Q2 2020/21, the full detail of which is provided in Annex 1.
10. Of the ten indicators, seven are on target or within the agreed tolerance.
11. Two indicators are red rated:
  - KPI 7 – Net affordable housing completions
  - KPI 10 – Recycling performance (Q1 2020/21 performance)
12. Affordable housing completions are off target and outside of tolerance. Whilst the number completed so far this year is low and reflective of the slowdown in construction earlier in the year due to the pandemic, it is expected that affordable units will be completed in batches at several sites across the borough later in the year as the construction sector picks up. 363 affordable housing units are currently under construction in the borough.
13. The Council's recycling performance (KPI 10) is also off target. Performance is reported one quarter in arrears, with Q1 performance reported in Q2. In Q1 the tonnage and composition of household waste has changed significantly, a trend seen across Surrey and which has resulted from the COVID-19 pandemic. Compared with Q1 2019/20, over 520 tonnes of additional refuse was collected in Q1 of this year.

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14. The suspension of the garden waste service also weighed on recycling performance, with this resulting in a shortfall of around 2,000 tonnes of garden waste. The Council also offered an amnesty on 'excess waste' being presented, particularly whilst Community Recycling Centres were closed. Additionally, the project to rollout kerbside recycling to flats in the borough was also suspended to focus on waste collections. In combination, this has resulted in the collected waste able to be recycled and composted being lower in absolute and percentage terms.
15. In order to further improve recycling rates, the planned rollout of full kerbside recycling services to flats and properties with communal bin areas will recommence in the New Year. This will deliver the opportunity to recycle more to around 8,000 properties. Along with Surrey Environment Partnership we will also take part in a communications campaign to encourage further participation in our food recycling service and address issues of contamination (the wrong items in recycling bins) to improve the quality and value of material collected.

## Revenue Budget Monitoring

16. The 2020/21 Original Revenue Budget approved by Council in February 2020 is £24.46m.
17. At the end of Q2 the projected full year outturn is £23.02m against a management budget of £24.6m, including £1.44m one-off funding from the Corporate Plan Delivery Fund (CPDF) Reserve and Feasibility Studies (Commercial Ventures) Reserve), resulting in an overall net underspend of £1.58m (6.4%). As set out in the table below.

<b>Table 1: REVENUE BUDGET MONITORING QUARTER 2 2020/21</b>	<b>Original Budget £m</b>	<b>In-Year Adjustments £m</b>	<b>Management Budget £m</b>	<b>Year-End Outturn £m</b>	<b>Year End Variance £m</b>
Service Budgets	14.90	0.30	15.20	15.37	0.17
Central Budgets	9.56	(0.16)	9.40	7.65	(1.75)
<b>Total</b>	<b>24.46</b>	<b>0.14</b>	<b>24.60</b>	<b>23.02</b>	<b>(1.58)</b>

## Service Budgets

18. The 2020/21 Original Budget for Services approved by Council in February 2020 is £14.90m. At the end of Q2 the projected full year outturn is £15.37m against a management budget of £15.20m resulting in an overspend of £0.17m (1.1%).
19. The £0.17m overspend is mainly as a result of:
  - £0.47m overspend in Finance, which is mostly attributable to the costs of interim staff covering vacant posts and additional support for the closure of accounts and advising on development projects. Permanent staff recruitment has now been completed with all staff in post by October. The Head of Finance post is still covered on an interim basis.
  - Other overspends within Finance relate to £0.06m increased cost of financial software and £0.02m transactional related charges from the Council's banking provider. These pressures will be addressed during 2021/22 Service and Financial Planning.
  - £0.42m combined overspend in Benefits Team and Benefits Paid/Subsidy Received. The Head of Service currently expects around £0.22m of pressures

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to arise directly as a result of COVID-19 [reported separately within section 3 at Annex 2]. A £0.10m reduction in Housing Benefit subsidy is expected due to an increase in private supported accommodation in the borough, for which the Council is not fully reimbursed by the government. The subsidy rate on all Housing Benefit expenditure is expected to be 99.3% of net expenditure, less than the usual rate of 99.6% that was received in the years leading up to 2019/20.

- £0.16m of Printing and Software related cost pressures in the Revenues, Benefits & Fraud service are expected to continue from 2019/20. This budget is being reviewed as part of the 2021/22 Service and Financial Planning process.
- Services carried out for other local authorities and some private entities by the Revenues, Benefits & Fraud service are expected to make a net loss in 2020/21 as the service continues to build its contract base. This loss is currently forecast at £0.17m of which £0.08m is directly related to COVID-19 [reported separately within section 3 at Annex 2] and £0.09m relates to the underlying trading position. Losses are expected to reduce as more work is brought on stream and additional contracts are confirmed.
- £0.29m overspend in Refuse and Recycling due to expected overspend of £0.06m on temporary staff and £0.05m on overtime. COVID-19 has resulted in £0.05m of additional expenditure and £0.04m of reduced income in this service area [reported separately within section 3 at Annex 2].
- £0.09m underspend in Electoral Services: As elections will no longer take place in 2020/21 due to COVID-19, the unspent budget will be carried forward to 2021/22.
- £0.05m underspend in Greenspaces due to several vacant operative posts. It is anticipated that these vacancies will be filled in a few months. COVID-19 is likely to result in around £0.09m of lost income [reported separately within section 3 at Annex 2].
- £0.17m underspend in Projects and Assurance due to three vacant posts
- £0.20m underspend in Building Control due to £0.12m underspend on salaries (vacancies and maternity leave) offset by £0.18m of Consultancy cost to cover these posts and £0.20m underspend relating to the provision in the budget of a partnership loss that is not currently expected to be drawn upon this year.
- £0.06m underspend in Car Parking – vacancies are expected to last for remainder of year. COVID-19 is expected to have a material adverse impact on the income receipts this year. Currently an expected loss of £1.6m is predicted [reported separately within section 3 at Annex 2].

20. Further details are provided at Sections 1 and 2 of Annex 2.

## Central Budgets

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21. The 2020/21 Original Budget for Central budgets approved by Council in February 2020 is £9.56m. At the end of Q2 the projected full year outturn is £7.65m against a management budget of £9.40m resulting in an underspend of £1.75m (18.6%).
22. This underspend is mainly as a result of
  - £1.008m forecast underspend in Treasury Management: This is due to the net effect of increased income from loans and investments, including interest on the second loan to Greensand Holdings Limited (for the purchase of land at Horley).
  - £0.770m forecast underspend in Budget Contingencies and New Posts Budget.
23. Any shortfall in Government funding support for COVID-19 expenditure or income losses [reported separately within section 3 at Annex 2] or other significant unbudgeted costs will result in a call on budget contingencies in 2020/21.
24. Further details are provided at Sections 1 and 2 of Annex 2.

## **COVID-19 Pandemic – Forecast Budget Impacts at November 2020**

25. The Revenue Budget for 2020/21 that was approved by Council 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.
26. This report reflects the most up to date forecasts for the financial impacts of the COVID-19 pandemic, the details of which are set out within section 3 at Annex 2. The underlying analyses are evolving on a weekly basis therefore the position at the time of preparing this report is very different to that which would have been reported at 30 September. Under the circumstances it is more appropriate to report current (at November 2020) forecasts.
27. 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.
28. 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.

<b>Table 2: FORECAST COVID-19 FINANCIAL IMPACTS 2020/21</b>	<b>Full Year Forecast at November 2020 £M</b>
Additional Expenditure	1.498
Income Losses	4.747
Government Grants	(2.546)
Government COVID-19 Income Reimbursement:	
• April – July Claim	(1.086)
• August – November claim (est.)	(1.000)
• December to March claim (est.)	(1.000)
<b>Net Unfunded Estimated Cost of COVID19 in 2020/21</b>	<b>£0.613m</b>

29. In principle this budget pressure 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 also call on Reserves.
30. The Net Revenue Budget requirement for 2020/21 is £18.258m. 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%.
31. 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.
32. Other potential impacts on Council resources relate to the Collection Fund where income receipts from council tax and business rates are impacted by a range of

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factors, as explained at Section 3 of Annex 2. Over the short-term, during 2020/21, a range of measures have been implemented by the Government to help mitigate the impacts on the precepting authorities. However the ongoing adverse impacts on income levels in 2021/22 onwards remain to be confirmed.

33. Further updates on forecast impacts on costs and income and how they might be funded will continue to be included in the quarterly budget monitoring reports and in the final 2021/22 budget report to Executive in January.
34. Further details are provided at Section 3 of Annex 2.

## Capital Programme Monitoring

35. At Q2, the Capital programme budget is £125.04m (including £29.49m of approved carry-forward capital allocations from 2019/20).
36. The forecast full year expenditure is £78.23m which is £46.81m (37%) below the approved Programme for the year. The variance is as a result of £46.76m slippage and a £0.05m net underspend.
37. The £0.05m net underspend is mainly as a result of:
  - £0.24m of Disabled Facilities Grant (DFG). COVID-19 has had an impact on the number of referrals for DFG works, with these stopping during the early part of lockdown. Works in properties were also suspended for several weeks, due to contractors halting their entire operations and vulnerable clients unwilling to allow works in their homes. Work is now underway again, but a lower than budget spend over the year is expected.
  - £0.04m underspend of Handy Person Scheme. COVID-19 has resulted in fewer applications being received and progressed for Small Works Grants and Loans than might otherwise be expected.
38. The £46.76m forecast slippage is mainly due to:
  - £4.34m forecast slippage against the planned spend on the Marketfield Way. Slippage is due to the extended period it has taken to conclude the build contract and in securing all necessary consents.
  - £3.0m forecast slippage against the planned spend on the Beech House, London Road. Negotiations with tenant (AIG) are still ongoing, slightly delayed by the COVID-19 pandemic. Current assumption is a revised £2.1m major works to be carried out in 2021/22 but this is subject to a review by external advisors. Property Services are reviewing options and will recommend the final sum to the Commercial Ventures Executive Sub-Committee once the review completed.
  - £4.23m forecast slippage against the planned spend on the Cromwell Road Development. Spend profile has changed following contract signature and is slightly behind the original profiled schedule.
  - £1.59m forecast slippage against the planned spend at Pitwood Park

Tadworth. Spend profile has changed following contract signature and is slightly behind original profiled schedule, but lower slippage than expected in Q1.

- Housing Delivery is forecasting a £9.76m slippage against the £10m Capital allocation in 2020/21. The £0.24m forecast expenditure this year relates to the procurement of the design team to include professional services such as quantity surveyor, project manager, architect, civil, structures and building services consultants together with a wide range of technical consultants, procurement of supporting surveys and documentation required for the planning application and future development of the site.

39. Further details are provided at Annex 3.

## **Capital Programme – Supplementary Budget Approval**

40. In a report to Executive on 17 September 2020 Members approved the allocation of £0.054 million additional capital resources to the Horley Pay-on-exit parking project. As this sum is not included in the Capital Programme 2020/21 to 2025/26 that was approved by Council in February 2020 it will be necessary to seek approval from Council for this supplementary budget allocation, funded through Prudential borrowing.

## **OPTIONS**

41. The Committee has two options:
- Option 1: note the report and make no observations/comments to the Executive.
  - Option 2: note the report and many observations/comments to the Executive.

## **LEGAL IMPLICATIONS**

42. There are no legal implications arising from this report.

## **FINANCIAL IMPLICATIONS**

43. There are no additional financial implications arising from this report.

## **EQUALITIES IMPLICATIONS**

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

## **COMMUNICATION IMPLICATIONS**

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

## **RISK MANAGEMENT CONSIDERATIONS**

46. There are no risk management implications arising from this report. The annual budget report and supporting strategies include full risk assessments of budget proposals.

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<b>OTHER IMPLICATIONS</b>
47. There are no other implications arising from this report.
<b>CONSULTATION</b>
48. The performance report has been reviewed by the Council's Corporate Governance Officer Group.
49. There are no other consultations implications arising from this report.
<b>POLICY FRAMEWORK</b>
50. Robust performance management is integral to measuring the extent to which policy objectives have been achieved.
<b>BACKGROUND PAPERS</b>
None.

## ANNEXES

1. Key Performance Indicators
2. Revenue Budget Monitoring
3. Capital Programme Monitoring

## Q2 2020/21 Key Performance Indicators

### Summary

KPI	Status	Portfolio Holder
KPI 1 – Council Tax collection	AMBER	Cllr Schofield
KPI 2 – Business rates collection	GREEN	Cllr Schofield
KPI 3 – Staff turnover	GREEN	Cllr Lewanski
KPI 4 – Staff sickness	GREEN	Cllr Lewanski
<sup>47</sup> KPI 5 – Homelessness positive outcomes	GREEN	Cllr Knight
KPI 6 – Housing completions	GREEN	Cllr Biggs
KPI 7 – Affordable housing completions	RED	Cllr Biggs
KPI 8 – Local Environmental Quality Surveys	Unable to Report	Cllr Bramhall
KPI 9 – Missed bins	GREEN	Cllr Bramhall
KPI 10 – Recycling	RED	Cllr Bramhall

## KPI 1 – The % of Council Tax collected

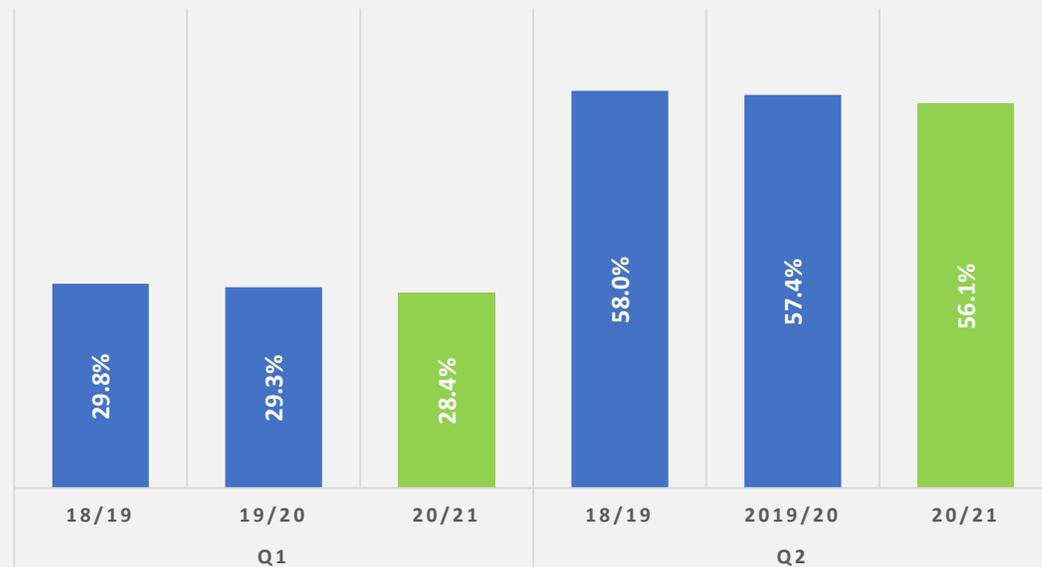
	TARGET	ACTUAL	STATUS
Q1	29%	28.43%	AMBER
Q2	57%	56.11%	AMBER
Q3	85%		
Q4	98.8%		

### Description

This indicator measures the percentage of Council Tax collected by the Council. The performance reported is cumulative for the year to date. A tolerance of 1% is applied each quarter.

### Narrative

Collection of Council Tax is down by £1.15m from target. Over 2,000 accounts have deferred payment to February and March 2021. There has also been an increase in tax-payers moving to 12-monthly payments. Court action for recovering Council Tax arrears is currently on hold due to the closure of the courts.



## KPI 2 – The % of Business Rates collected

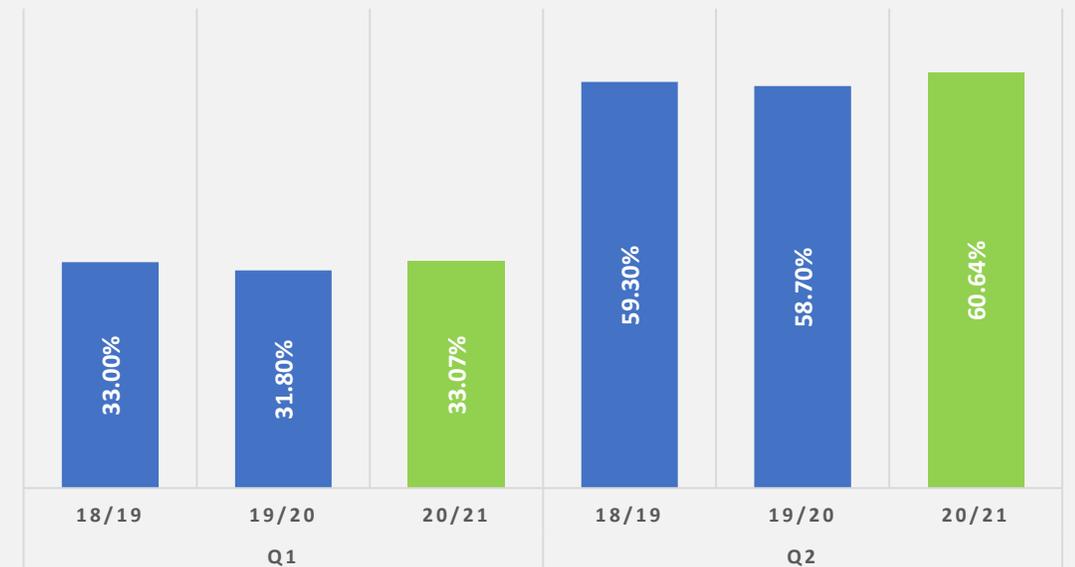
	TARGET	ACTUAL	STATUS
Q1	31%	33.07%	GREEN
Q2	58%	60.64%	GREEN
Q3	85%		
Q4	99.8%		

### Description

This indicator measures the percentage of non-domestic rates (NNDR) collected by the Council. The performance reported is cumulative for the year to date.

### Narrative

The total amount of Business Rates collectable has reduced by around £19m. This is due to the COVID-19 expanded relief for retail, hospitality, leisure businesses and nurseries. This money will be repaid by central government.



## KPI 3 – Staff turnover

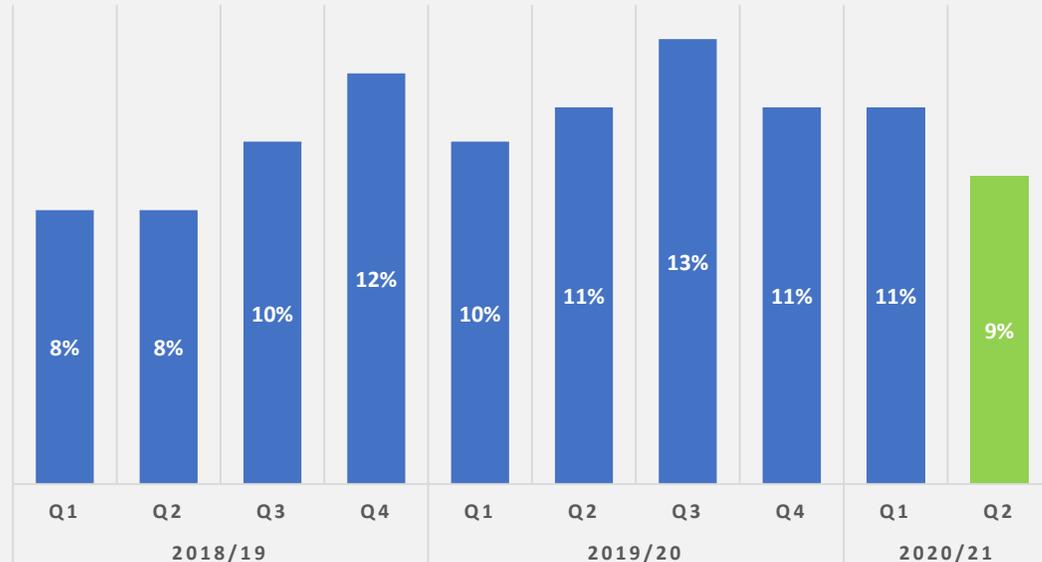
	TARGET	ACTUAL	STATUS
Q1	12%	11%	GREEN
Q2	12%	9%	GREEN
Q3	12%		
Q4	12%		

### Description

This indicator tracks the percentage of staff that leave the organisation on a voluntary basis. The performance reported is for a cumulative rolling 12 month period.

### Narrative

Staff turnover has continued to be within target throughout Q2 with a reduction when compared to Q1.



## KPI 4 – Staff sickness absence

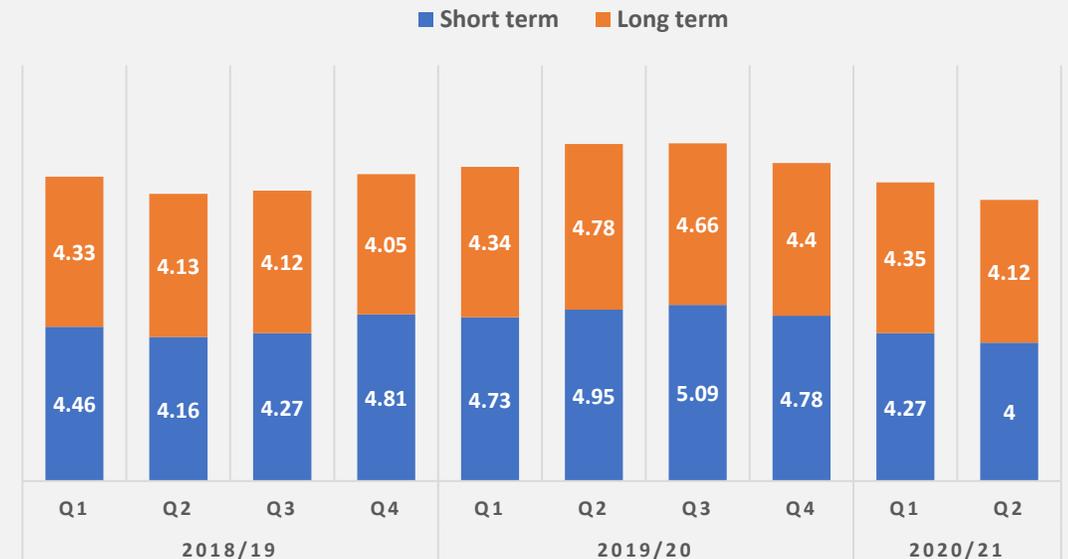
	TARGET	ACTUAL	STATUS
Q1	4 days	4.27 days	AMBER
Q2	4 days	4 days	GREEN
Q3	4 days		
Q4	4 days		

### Description

This indicator tracks the average duration of short term sickness absence per employee. The performance reported is for a cumulative rolling 12 month period.

### Narrative

Q2 has seen an improvement in performance, with the average duration of short term sickness per employee reducing from 4.27 to 4 days.



# KPI 5 – The % of positive homelessness prevention and relief outcomes

	TARGET	ACTUAL	STATUS
Q1	55%	70%	GREEN
Q2	55%	80%	GREEN
Q3	55%		
Q4	55%		

## Description

This indicator measures the Council’s performance in preventing and relieving homelessness where a household has approached the Council for support and where the Council has a statutory obligation to provide it under the Homelessness Reduction Act. Prevention and relief are terms that are defined by the Act.

Additional information on homelessness and the responsibilities placed on local authorities is available on the [government’s website](#).

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## Narrative

Q2 has seen the continuation of the Council’s high performance in homelessness prevention and relief. This is due to continued successful multi-agency working.

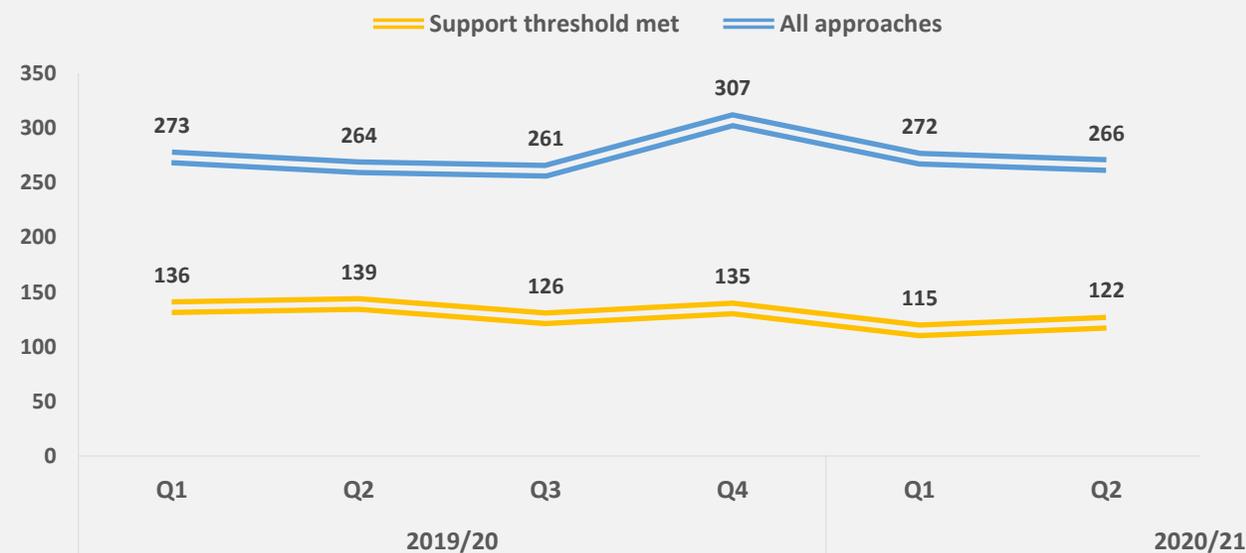
Homelessness approaches continue to be high, especially given that the courts have only recently recommenced evictions. The Housing service has seen an increase in approaches from single persons, many of whom have complex needs.

Additional contextual performance information is provided overleaf.

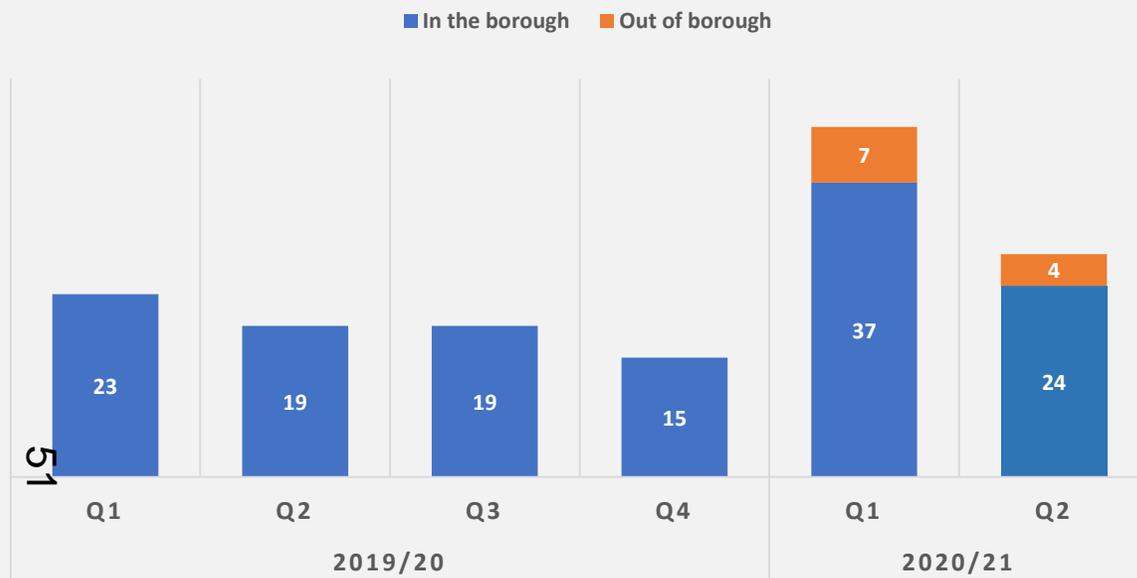
### Positive homelessness prevention and relief outcomes



### Homelessness approaches (contextual)



## Average number of households in temporary emergency accommodation (contextual)



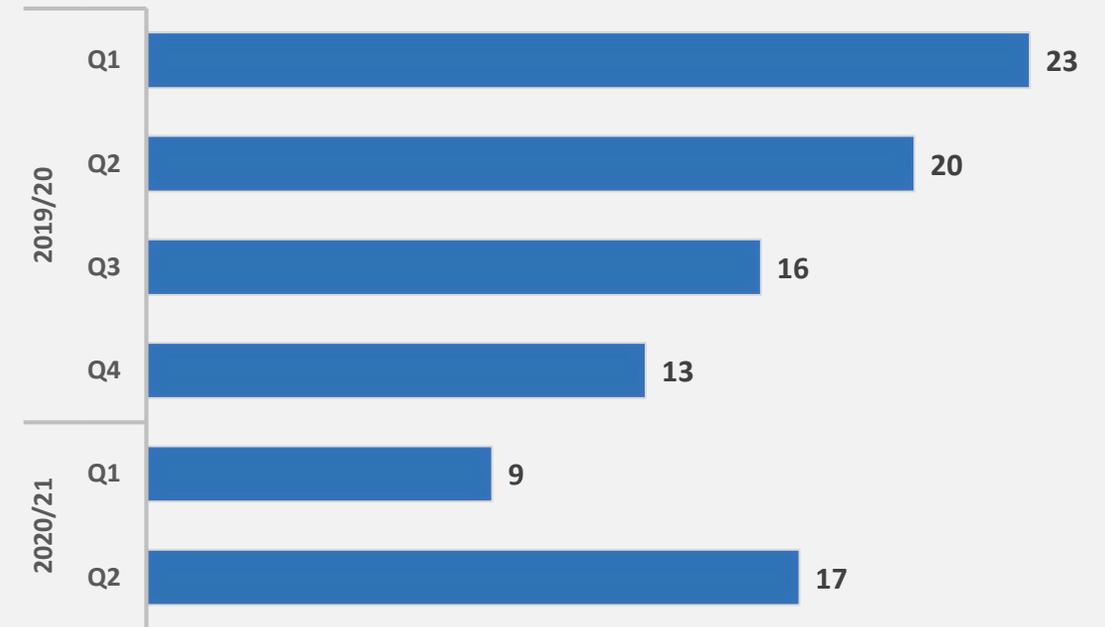
*Out of borough data not available for 2019/20.*

The **average number of households placed in temporary emergency** accommodation remains higher than usual. Of the 28 in Q2, 24 were under the usual homelessness duty, with the remaining 4 being the accommodation of rough sleepers.

Out of borough placements continue to be low, however.

In Q2 the **Council owned accommodation** has been operated at a reduced capacity in order to ensure its availability for emergency placements as commercial providers had closed. It reopened in September at a reduced capacity from normal due to COVID-19 social distancing measures. Occupancy in Q2 was 13%.

## Main duty acceptances (contextual)



In Q2 there were 17 **main duty homelessness acceptances**.

Whilst this has increased compared to quarter 1, this is in line with previous quarters.

The main housing duty is a duty to provide accommodation until more secure accommodation is found.

# KPI 6 and KPI 7 - Housing completions

## KPI 6 - Net housing completions

	TARGET	ACTUAL	STATUS
Q1	115	45	RED
Q2	230	277	GREEN
Q3	345		
Q4	460		

## KPI 7 - Net affordable housing completions

	TARGET	ACTUAL	STATUS
Q1	25	0	RED
Q2	50	2	RED
Q3	75		
Q4	100		

### Description

KPI 6 measures the number of net residential housing completions that have taken place in the borough, whilst KPI 7 details the number of these which are affordable. The targets mirror those set in the Council's Development Management Plan. Performance reported is cumulative for the year.

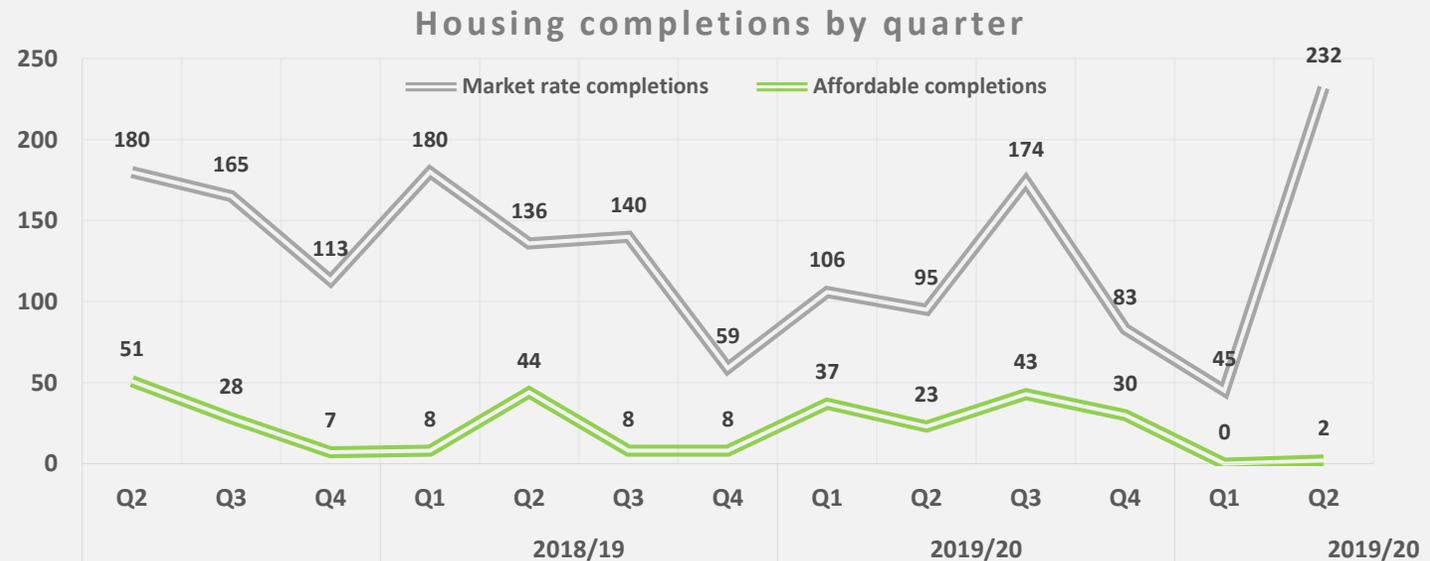
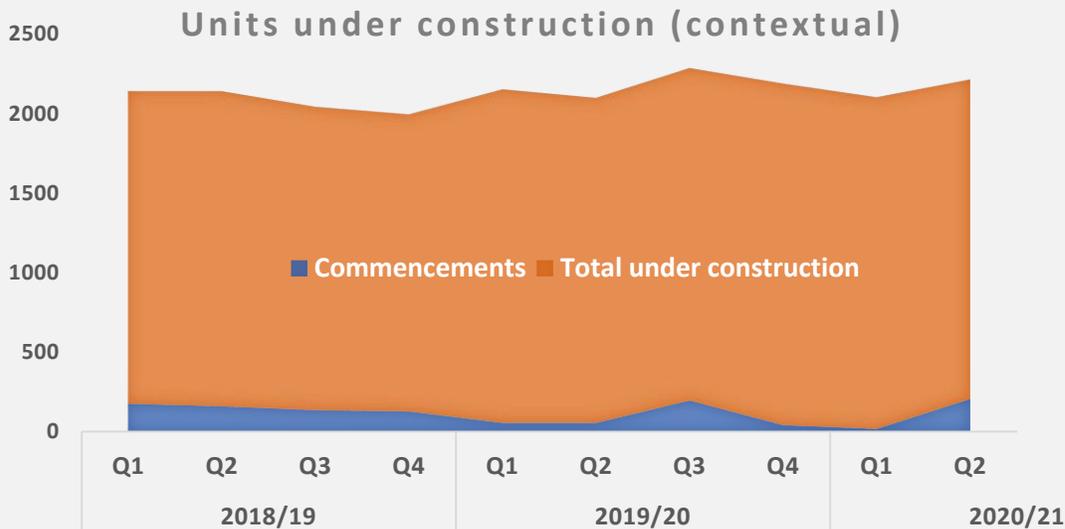
Given the fluctuations in housing completions throughout the year (see below graph), a tolerance of 60 applies each quarter for KPI 6, whilst a tolerance of 10 applies for KPI 7.

### Narrative

In Q2 there has been a notable increase in **completions for market rate dwellings (KPI 6)**. Of the 232 completions in Q2, 124 were from a permitted development site.

This increase has not been matched by an increase in **Affordable Housing Completions (KPI 7)** however, with 2 completions in Q2. As the construction sector continues to pick up, it is expected that the delivery of affordable housing in batches at a range of sites in the borough will come through later in the year.

The latest data available indicates that in Q2 there were 206 commencements. This number of commencements is the highest seen in the last 3 years. The data also shows that, at the end of the Q2 there were 2,066 units under construction. Of these, a total of 363 are affordable units, up from 305 in Q1.



## KPI 8 - Performance in Local Environmental Quality surveys

	TARGET	ACTUAL	STATUS
Q1	90% of sites grade B	Unable to Report	Unable to Report
Q2	90% of sites grade B	Unable to Report	Unable to Report
Q3	90% of sites grade B		
Q4	90% of sites grade B		

### Description

Local Environmental Quality Surveys (LEQs) are a robust and well recognised methodology for measuring the cleanliness of places.

The methodology is developed and maintained by [Keep Britain Tidy](#). It is important to independently review local environmental quality to identify key issues and assess standards. It's also crucial to monitor the impact and effectiveness of campaigns and interventions that aim to reduce littering and improve local places.

### Narrative

Due to the COVID-19, LEQs were unable to be carried out due to the additional duties placed on the team by the pandemic. This indicator will recommence later this year.

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

	TARGET	ACTUAL	STATUS
Q1	10	1.33	GREEN
Q2	10	1.49	GREEN
Q3	10		
Q4	10		

### Description

This indicator tracks how many refuse and recycling bins have been missed per 1,000 that are collected. Performance is measured and reported on quarterly.

### Narrative

Despite the continuing challenges presented by the Covid-19 pandemic the Council has maintained a reliable statutory waste collection service for residents.

# KPI 10 – Recycling: The percentage of household waste that is recycled and composted

		TARGET	ACTUAL	STATUS
19/20	Q1	57%	55.9%	AMBER
	Q2	57%	55.5%	AMBER
	Q3	57%	54.2%	AMBER
	Q4	57%	51.4%	RED
20/21	Q1	60%	49.9%	RED

## Description

This indicator measures the percentage of household waste collected by the Council at the kerbside that is recycled and composted. Performance is reported one quarter in arrears, with Q1 2020/21 performance reported in Q2 2020/21. The target for this indicator has incrementally increased in recent years in pursuance of the 60% recycling target set in Surrey's Joint Waste Management Strategy, to which the Council is a signatory.

## Narrative

In Q1 the tonnage and composition of household waste has changed significantly, a trend seen across Surrey. Compared with Q1 2019/20, over 520 tonnes of additional refuse was collected in Q1 of this year.

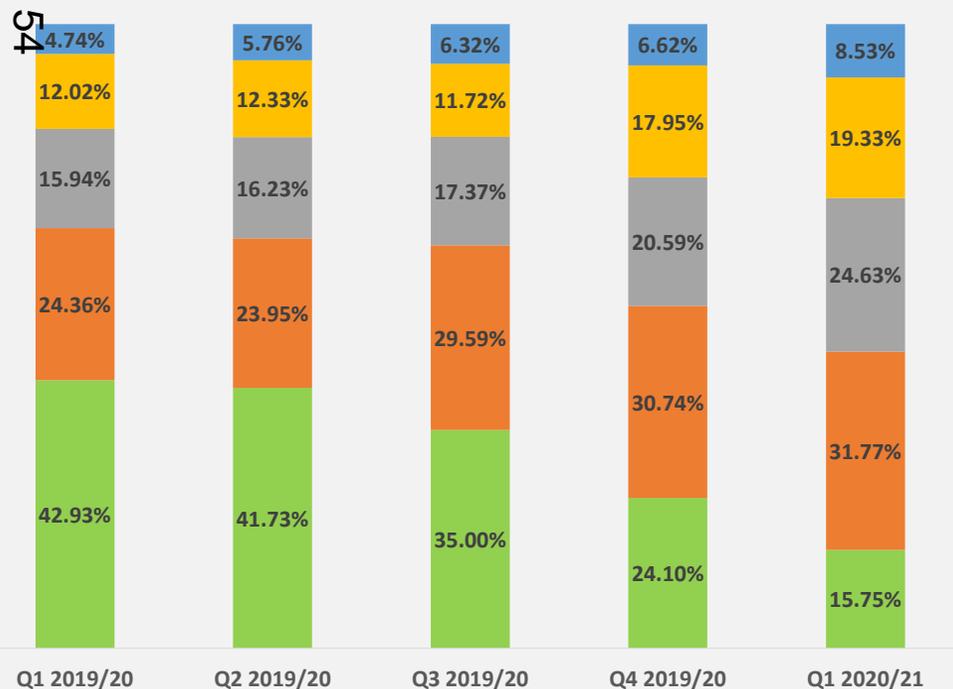
It is not clear how long the effect of the COVID-19 pandemic will impact waste collection services as residents spend more time at home and present increased waste at their doorstep. The suspension of the garden waste service also weighed on recycling performance, with the suspension of collections resulting in a shortfall of around 2,000 tonnes of garden waste. The Council also offered an amnesty on 'excess waste' being presented, particularly whilst Community Recycling Centres were closed. Additionally, the project to rollout kerbside recycling to flats in the borough was also suspended to focus on waste collections.

In order to further improve recycling rates, the planned rollout of full kerbside recycling services to flats and properties with communal bin areas will recommence in the New Year. This will deliver the opportunity to recycle more to around 8,000 properties. Along with Surrey Environment Partnership we will also take part in a communications campaign to encourage further participation in our food recycling service and address issues of contamination (the wrong items in recycling bins) to improve the quality and value of material collected.

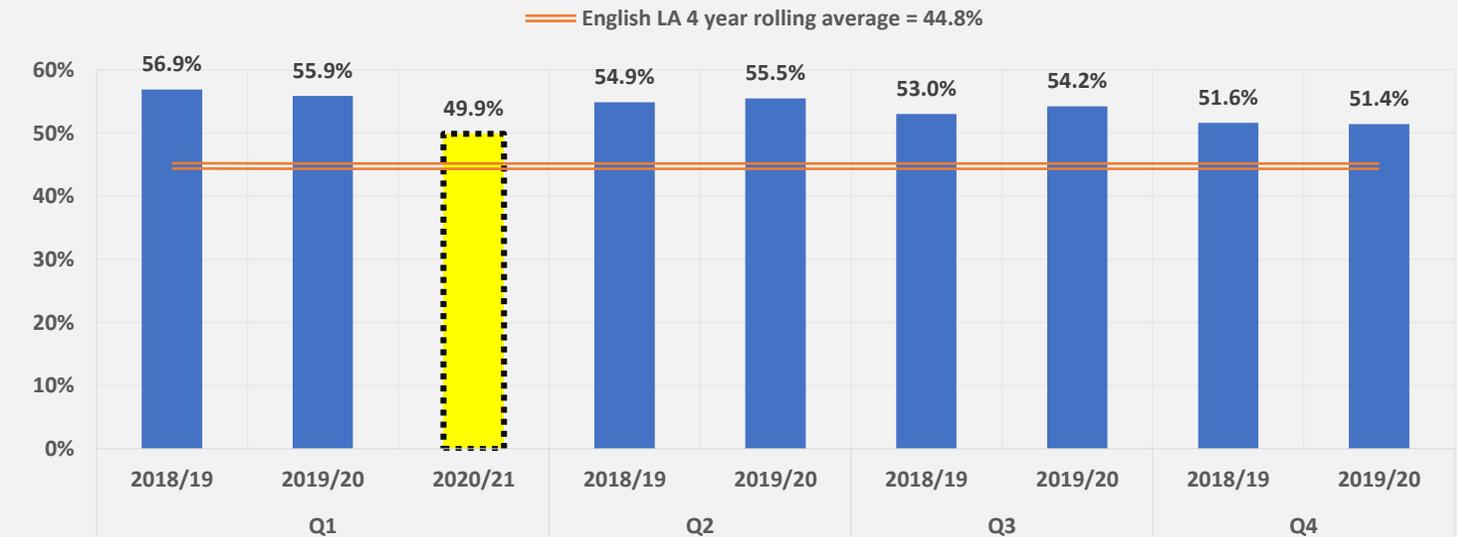
*It should be noted that Q1 performance is currently provisional and awaiting Defra verification*

## Recyclates as a % of the total collected (contextual)

■ Garden waste ■ Mixed paper & card ■ Waste food ■ Mixed glass ■ Mixed Plastics



## % of household waste that is recycled and composted



## 2020/21 Quarter 2: Revenue Budget Monitoring

## Summary

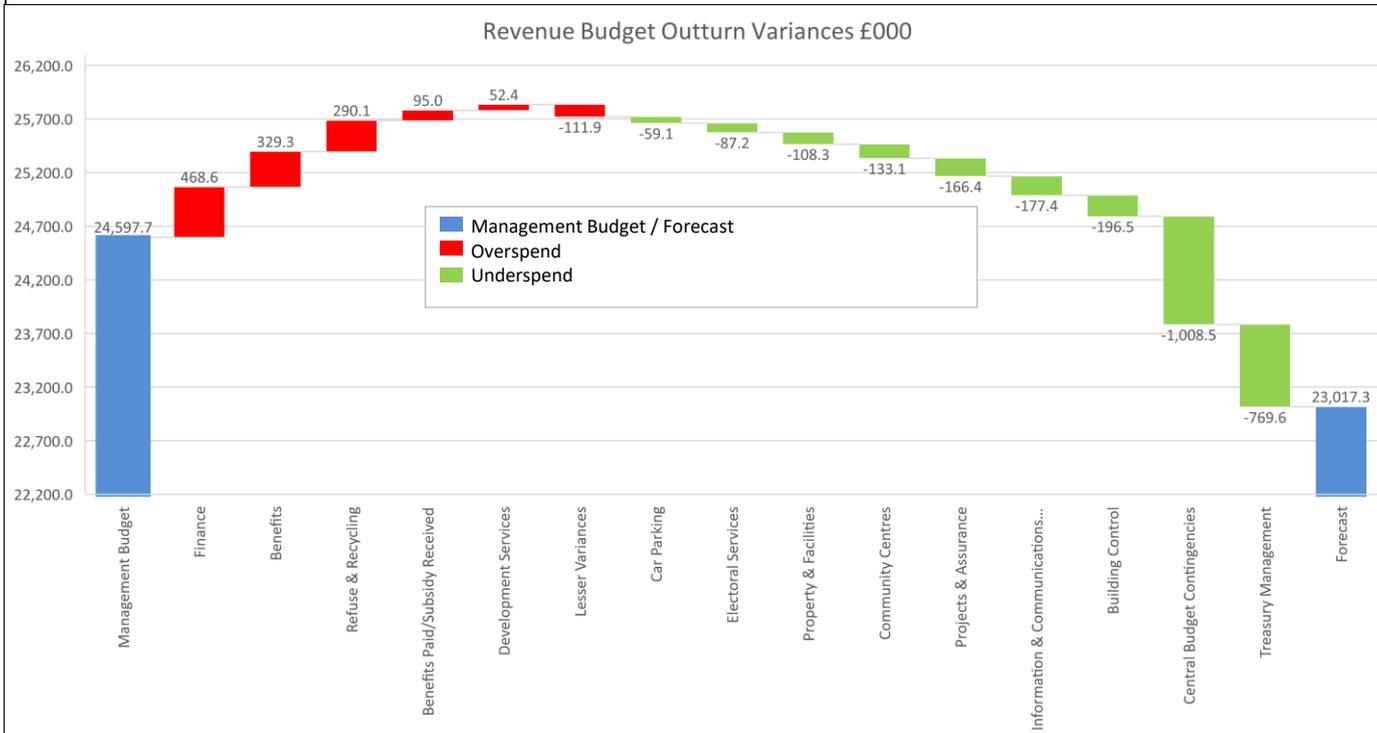
The full year forecast at the end of Period 6 for Service budgets is £0.166m (1.1%) higher than the management budget; the Central budgets are reporting £(1.746m) (18.6%) lower than budget, resulting in an overall forecast of £(1.580m) (-6.4%) lower than budget.

## Reconciliation of Original Budget to Management Budget for 2020/21

	£000	£000
Original Budget		24,459.6
Transfers from Reserves:		
Corporate Plan Delivery Fund Reserve	241.0	
New Posts Reserve	39.8	
Reduction in Contingency	-142.7	
		138.1
Management Budget		<u>24,597.7</u>

## Headline Revenue Budget Information 2020/21

	£000
Management Budget	24,597.7
Year End Forecast	<u>23,017.3</u>
Projected underspend	<u>(1,580.4)</u> (-6.4% of the budget)



## Forecast for Services is £0.166m over budget:

**Finance:** £468k overspend is mostly attributable to the costs of interim staff covering vacant posts and additional support needed for the closure of accounts. Permanent Staff recruitment has now been completed with four of the permanent staff already in post and one expected to start in October 2020. The forecast includes some overlap to ensure adequate handover from the interim staff.

**Benefits Team and Benefits Paid/Subsidy Received:** Combined forecast is £424k over budget. A £95k reduction in Housing Benefit Subsidy is currently predicted as the collection rate for 20/21 is likely to be 99.30%, down from 99.60% (the 18/19 rate which the target is based on). Additionally, £155k of Printing & Software related cost pressures are expected to continue from 2019/20. It is also expected that a £92k loss will arise from commercial activities in the underlying service area. These pressure are offset by £20k of additional minor favourable variances.

**Refuse and Recycling: Expenditure:** A £290k overspend is forecast on Temporary Staff £55k, Overtime £45k which are deemed to be necessary to deliver the service in the current climate. The balance comprises a shortfall of Trade refuse income of £45k and other smaller variances.

**Income:** Excluding the COVID-19 cost implication being reported separately, the overall income is expected to be on budget.

Development Services: There is a £120k underspend on salaries due to maternity leave and vacancies, which is offset by £180k overspend on consultancies.
Electoral Services: The current expectation of expenditure this year is significantly reduced as elections will no longer take place in 20/21. However, this will adversely affect next year, as there will be multiple elections to be held at that point.
Community Centres: £133k underspend relates to a reduction in cost of services (catering and activities) as a result of long term closure.
Projects and Assurance: The £166k underspend is a result of three vacant posts.
Information & Communication Technology: The £177k forecast underspend comprises a £30k underspend on salaries due to vacancies, £135k underspend on Software charges and two roughly £10k underspends relating to Telephone rentals and Hardware maintenance.
Building Control: The forecast underspend of £197k relates to a partnership provision that is currently not expected to be drawn upon this year.
<b>Forecast for Central Budgets is £1.713m under budget</b>
Treasury Management: Forecast of £1,008k under budget. The primary driver for the interest forecast is the second loan to Greensand Holdings Limited (for the purchase of land at Horley). The forecast also includes interest receivable, based on current interest rates for on-lending and investments.
Budget Contingencies: £770k underspend is forecast, no demand for these is predicted at this stage.
<b>COVID-19 Budget Impacts</b>
These are detailed at Section 3

<b>1. General Fund Reserve</b>			<b>£000</b>
Balance at start of year			8,949.0
Less: Transfers out (Payment of Three Year Employer Pension Contribution in advance)			(4,693.0)
	Add Projected underspend at 31 March 2021		1,580.4
Anticipated balance at end of year before Reserves Review/Reallocations *			5,836.4
*Minimum General Fund Balance Required (15% of total Management Budget)			2,738.3
<b>2. Corporate Plan Delivery Fund (CPDF) Reserve</b>			<b>£000</b>
Balance at start of year			1,000.0
C20-01 Principal Development Manager post	Place	88.0	
C20-09 c/f Data Protection Compliance	Housing Services	15.6	
C20-09 c/f Customer Relationship Management	I.C.T	8.8	
C20-10 c/f Salaries	Community Centres	118.6	
C20-11 Environmental Sustainability Strategy	Corporate Policy	10.0	241.0
<u>Capital</u>			
None			0.0
Balance before any further transfers in year			759.0
<b>3. Feasibility Studies (Commercial Ventures) Reserve</b>			<b>£000</b>
The Feasibility Studies (Commercial Ventures) Reserve was established to ensure that funding is available to prepare business cases and obtain external professional advice for new initiatives designed to deliver new capital schemes, including new sources of sustainable commercial income streams. Once a Capital scheme is approved by Executive, the costs can be capitalised and the funds will recycle back to the Feasibility Studies (Commercial Ventures) Reserve.			
Balance at start of year			1,934.4
FS 20-01 Feasibility work Horley High Street Car Park	Place	103.4	
FS 20-02 Delivering Change in Horley Town Centre	Place	83.3	
FS 20-03 Charitable Community Benefit Society feasibility study costs	Property & Facilities	8.5	
FS 20-04 Site appraisal costs	Property & Facilities	7.4	
FS 20-05 Property appraisal costs	Property & Facilities	37.2	
FS 20-06 Tax Advice	Property & Facilities	20.0	
FS 20-07 Merstham Recreation Ground Refurbishment	Place	45.0	304.7
<u>Capital</u>			
Project Baseball (New Crematorium)	Property & Facilities	650.0	650.0
			979.7

Revenue ANNEX 2: Section 2

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
Simon Bland	Economic Prosperity	397.2	9.0	406.2	405.4	(0.8)	A small underspend is expected on salaries as one member of staff is currently filling a full-time post on a part-time basis.
Kate Brown	Human Resources	764.4	0.0	764.4	764.4	0.0	The needs and requirements of the organisation need to be assessed and future forecast amended based on outcomes.
Richard Robinson	Housing Services	1,009.4	15.6	1,025.0	1,022.6	(2.4)	Small underspends at Q2. The nature of B&B and Temporary Accommodation spend is highly volatile so this forecast is subject to change as the year continues.
Frank Etheridge	Senior Management Team	1,127.4	(90.0)	1,037.4	1,060.6	23.2	There is a 25k forecast for consultancy fees with 8k forecast overspend relating to Corporate subscriptions. Underspends relate to current and expected travel and mileage expenses being lower in 2019/20.
	Emergency Planning	29.7	0.0	29.7	29.1	(0.6)	Minor variance.
Catherine Rose	Projects & Assurance	594.9	0.0	594.9	428.5	(166.4)	Underspends attributable to three vacant posts
Caroline Waterworth	Corporate Support	182.0	0.0	182.0	145.3	(36.7)	In the first months of the year there has been significantly less need for the purchase of office stationary and postage. The current forecast expects these levels to have picked up and returned to normal by the end of the financial year.
Justine Chatfield	Community Development	406.2	0.0	406.2	406.2	0.0	
	Partnerships	419.3	0.0	419.3	415.1	(4.2)	Minor variance.
	Community Centres	407.5	(9.6)	397.9	289.6	(108.3)	Underspend relates to a reduction in cost of services (catering and -activities) as a result of long term closure.
	Voluntary Sector Support	295.1	0.0	295.1	295.1	0.0	
Peter Boarder	Place Delivery	292.8	88.0	380.8	395.2	14.4	An overspend of around £14k is currently forecast. This results from recent payments in respect of staff appraisals which were higher than the current budget allows.

Revenue ANNEX 2: Section 2

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
Morag Williams	Fleet	860.9	0.0	860.9	890.0	29.1	The ageing fleet of waste vehicles gives rise to the £29k overspend and until they are replaced they will require increasing levels of expenditure on spare parts. These vehicles are planned to be replaced over a three year period beginning this year.
	Refuse & Recycling	1,211.3	0.0	1,211.3	1,540.6	329.3	The £180k overspend reported here is due to expected overspend on Temporary Staff of £55k, an Overtime overspend of £45k, increased costs for the disposal of Dry Mixed Recyclate of £14k, and a shortfall of Trade refuse income of £49k. There are other minor variances totalling £17k.
	Engineering & Construction	109.2	(50.0)	59.2	58.1	(1.1)	Minor variance.
	Environmental Health & JET	1,066.5	10.0	1,076.5	1,043.5	(33.0)	The variance is the net underspend of several of cost centres. Food inspection work has seen an unbudgeted £10.5k of one-off income as a result of recovery of costs involving sampling of private water supply. In addition, the expenditure forecast has been adjusted to show an underspend of £7.3k in Housing standards due in part to a reduction in property clearance costs, so far this year. We have also benefited from an underspend for Public Health Funerals at £12.3k due to the favourable recovery of costs through inheritance and insurance cash receipts. There are other minor variances.
	Environmental Licencing	(212.8)	0.0	(212.8)	(181.4)	31.4	Lower demand for licencing than originally forecast, especially for taxis.
	Greenspaces	1,410.9	0.0	1,410.9	1,365.8	(45.1)	The underlying service area is likely to underspend by £43k, £54k of which is due to several operative vacant posts. It is anticipated that these vacancies will be filled in a few months time. The remaining £11k overspend is due to the purchase of equipment that was delayed from 2019/20 and some minor variances.
	Car Parking	(2,036.7)	0.0	(2,036.7)	(2,095.8)	(59.1)	The underlying variance of £59k is generated by vacant posts expected to last for the remainder of the year; there being little point in filling them if parking activity remains at a low level.
Street Cleansing	991.9	0.0	991.9	980.9	(11.0)	The forecast includes £-6.8k for the cheaper cost of fuel, earlier this year. It has also includes £-5.5k reflecting a reduction in use of Temporary Staff, as well £-5.3k for an unused personal vehicle use budget of £5.5k. There are other minor variances.	
Catherine Rose	Corporate Policy	0.0	140.0	140.0	119.2	(20.8)	Underspend attributable to part year vacancy
Duane Kirkland	Supporting People	157.5	0.0	157.5	158.7	1.2	
	Supporting Families	90.0	0.0	90.0	90.0	0.0	
	Harlequin	351.4	0.0	351.4	318.8	(32.6)	Income reduced due to lower demand.
	Leisure Services	(93.3)	0.0	(93.3)	(108.9)	(15.6)	Negotiations with leisure provider continue following closure for the COVID-19 pandemic.
Andrew Benson	Building Control	221.5	0.0	221.5	25.0	(196.5)	The underlying service is expected to underspend by £161.7k. This is made up of £120k underspend on salaries (vacancies & maternity leave) offset by approximately £180k of Consultancy to cover these posts and a £197k Building Control underspend. The Building Control underspend relates to a partnership loss provision that is not currently expected to be drawn upon this year. An old £20k Drainage budget will no longer be spent and is being offered up as a 21/22 saving.
	Development Services	211.4	0.0	211.4	263.8	52.4	
	Planning Policy	362.8	0.0	362.8	345.2	(17.6)	
Carys Jones	Communications	609.9	(53.6)	556.3	536.3	(20.0)	Forecast reflects the difference between budgeted values for 3 issues of Borough News with only 2 expected in 20/21.
	Customer Contact	389.1	0.0	389.1	372.4	(16.7)	There are also salary underspends currently forecast within the Web team. Underspends due to differences in Salary costs from budgeted values due to vacant funded hours.

Revenue ANNEX 2: Section 2

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
Darren Wray	Information & Communications Technology	1,778.9	62.4	1,841.3	1,663.9	(177.4)	Forecast shows a £30k underspend on Salaries, £135k underspend on Software charges and two roughly £10k underspends relating to Telephone rentals and Hardware maintenance.
Caroline Waterworth	Democratic Services	850.1	0.0	850.1	829.5	(20.6)	A part year vacancy is the reason for the majority of this variance. Other contributors are reduced forecast spend on Mayoral events.
Joyce Hamilton	Electoral Services	442.7	0.0	442.7	355.5	(87.2)	The previous expectation of election expenditure this year, has been significantly reduced as elections are not being held. However, this will adversely affect next year, as there will be multiple elections to be held at that point.
	Legal Services	792.2	0.0	792.2	840.3	48.1	The overspend relates to under-recoveries of budgeted income, most notably the budgeted s106 income target which is now unachievable due to the service being outsourced. There are significant changes expected to recruitment and outsourcing requirements which are currently forecast but susceptible to change pending potential recruited staff going forward.
	Land Charges	(107.8)	0.0	(107.8)	(146.7)	(38.9)	Levels of income from Land charges are subject to seasonal variation. Current trends show a large increase in quantity of requests and therefore higher levels of income.
	Property & Facilities	(1,691.0)	128.2	(1,562.8)	(1,695.9)	(133.1)	Some adjustments were made to the income forecasts to include Reading Arch Road and Salfords. Otherwise very little movement.
Pat Main	Finance	1,159.5	0.0	1,159.5	1,628.1	468.6	Overspend is mostly attributable to the costs of interim staff covering vacant posts and additional support needed for the closure of accounts. Permanent staff have now been recruited for all vacant posts filled as of October 2020. The forecast includes some overlap to ensure adequate handover to permanent staff. Other overspends relate to the increased cost of financial software and transactional related charges from our banking provider.
Simon Rosser	Benefits Paid/Subsidy Received	342.8	125.2	468.0	563.0	95.0	The underlying service is currently forecast to overspend by £430k. A £95k reduction in Housing Benefit Subsidy is currently being predicted as our collection rate for 20/21 is likely to be 99.30%, i.e. less than the 99.60% (18/19 rate) which the budget is based on. £160k of Printing & Software related cost pressures are expected to continue from 19/20. This budget is being reviewed as part of the 2021/22 Service and Financial Planning process. The costs of 5x staff (£145k) are currently being borne by the budget as a result of staff being transferred away from Commercial activities, and therefore no longer being able to generate any income. Commercial activities are expected to make a loss in 20/21 of around £109k whilst the Head of Service continues to build the contract base. £80k of this loss is directly related to Covid whilst £29k relates to underlying activities. Losses will reduce as more work is brought on stream and additional contracts are confirmed. Approx. £30k of additional payments were made to staff in P4 relating to appraisals etc, all of which is unbudgeted.
	Benefits	(295.3)	(74.4)	(369.7)	(79.6)	290.1	
	Benefits Commercial Activities	0.0	0.0	0.0	28.7	28.7	
<b>Total Services</b>		<b>14,899.5</b>	<b>300.8</b>	<b>15,200.3</b>	<b>15,366.1</b>	<b>165.8</b>	<b>1.1%</b>

Revenue ANNEX 2: Section 2

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
<b>Central Budgets</b>							
Pat Main	Insurance	482.1	0.0	482.1	496.3	14.2	Insurance contract at higher rate than forecast.
	Treasury Management - Interest on Investments	(54.0)	(528.0)	(582.0)	(1,247.5)	(665.5)	The primary driver for the interest forecast is the second loan to Greensand Holdings Limited (for the purchase of land at Horley). The forecast also includes interest receivable, based on current interest rates for on-lending and investments.
	Treasury Management - Interest on Borrowing	922.0	0.0	922.0	922.0	0.0	The interest payable forecast is based on the expected borrowing required to implement the Capital Program. The current borrowing forecast reflects the latest Capital Programme forecast and is lower than that assumed when the budget was set.
	Treasury Management - Interest on Trust Funds	36.0	0.0	36.0	18.0	(18.0)	The forecast reflects the UK's current low investment return rate, which is expected to continue throughout 2020/21, due to uncertainties in the economy caused by the COVID-19 pandemic
	Minimum Revenue Provision	0.0	528.0	528.0	203.0	(325.0)	The interest payable forecast is based on the expected borrowing required to implement the Capital Programme. The current borrowing forecast reflects the latest Capital Programme forecast and is lower than that assumed when the budget was set.
	Employer Pension costs	6,579.0	0.0	6,579.0	6,579.0	0.0	This budget represent 3 years pension costs that have been paid in 2020/21
	Central Budget Contingencies	1,207.7	(150.2)	1,057.5	287.9	(769.6)	See analysis below.
	New Posts Budget	158.8	0.2	159.0	158.8	(0.2)	
External Audit Fees	50.3	(0.3)	50.0	53.6	3.6	Expectation of fees based on PSAA forecast.	
Kate Brown	Apprenticeship Levy	71.4	(2.4)	69.0	71.4	2.4	Expected to be on budget at outturn
	Recruitment Expenses	40.0	0.0	40.0	40.0	0.0	The recruitment of multiple senior staff can account for nearly all of the budget in this area, further recruitment spend will push this budget into overspend although at this time further costs have not been identified/quantified.
	Corporate Human Resources Expenses	66.8	(10.0)	56.8	68.7	11.9	The variance presented relates to expected training costs.

<b>Total Central Budgets</b>		<b>9,560.1</b>	<b>(162.7)</b>	<b>9,397.4</b>	<b>7,651.2</b>	<b>(1,746.2)</b>	<b>(18.6%)</b>
<b>Grand Total</b>		<b>24,459.6</b>	<b>138.1</b>	<b>24,597.7</b>	<b>23,017.3</b>	<b>(1,580.4)</b>	<b>(6.4%)</b>
Pat Main	<b>Central Budget Contingencies</b>						
	Miscellaneous salaries	150.2	(150.2)	0.0	0.0	0.0	Current expectations are that there will be no call on these funds
	Headroom Contingency Budget	1,000.0	0.0	1,000.0	250.2	(749.8)	The current forecast outturn costs are the settlement payments relating to the former Chief Executive
	Preceptor Grants	57.5	0.0	57.5	37.7	(19.8)	Expected payover is expected to be less than budgeted values
<b>Central Budget Contingencies</b>		<b>1,207.7</b>	<b>(150.2)</b>	<b>1,057.5</b>	<b>287.9</b>	<b>(769.6)</b>	

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## 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.

<b>Table 4.1: EMERGENCY GRANT</b> (not ring-fenced)	<b>£m</b>
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
	<b>1.874</b>

<b>Table 4.2: OTHER SPECIFIC GRANTS AND FUNDING ALLOCATIONS</b>	<b>£m</b>
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	0.048

• discretionary claims	0.029
• admin funding	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. The 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

<b>Table 4.3: MHCLG EXPENDITURE CATEGORY</b>	<b>Full Year Forecast at 30.9.20 £M</b>	<b>Type of Expenditure Incurred</b>
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
<b>Total Forecast Impact 2020/21</b>	<b>1.498</b>	

### Income Reduction Pressures

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

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

<b>Table 4.4: MHCLG INCOME CATEGORY</b>	<b>Full Year Forecast at 30.9.20 £M</b>	<b>Type of Income Loss</b>
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
<b>Total Forecast Impact 2020/21</b>	<b>4.713</b>	

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.

<b>Table 4.5: FORECAST COVID-19 FINANCIAL IMPACTS 2020/21</b>	<b>Full Year Forecast at 30.9.20 £M</b>
Additional Expenditure	1.498
Income Losses	4.747
Government Grants	(2.546)
Government COVID-19 Income Reimbursement:	
• April – July Claim	(1.086)
• August – November claim (est.)	(1.000)
• December to March claim (est.)	(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

<b>Table 4.6: FORECAST COLLECTION FUND IMPACTS</b>	<b>Forecast Total Impact 2020/21</b>
<b>MHCLG Category:</b>	<b>£m</b>
Business Rates losses (after reliefs)	3.450
Council Tax receipt losses	4.200
<b>Total Collection Fund losses</b>	<b>7.650</b>

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 Review<sup>20</sup> is announced in the late Autumn.

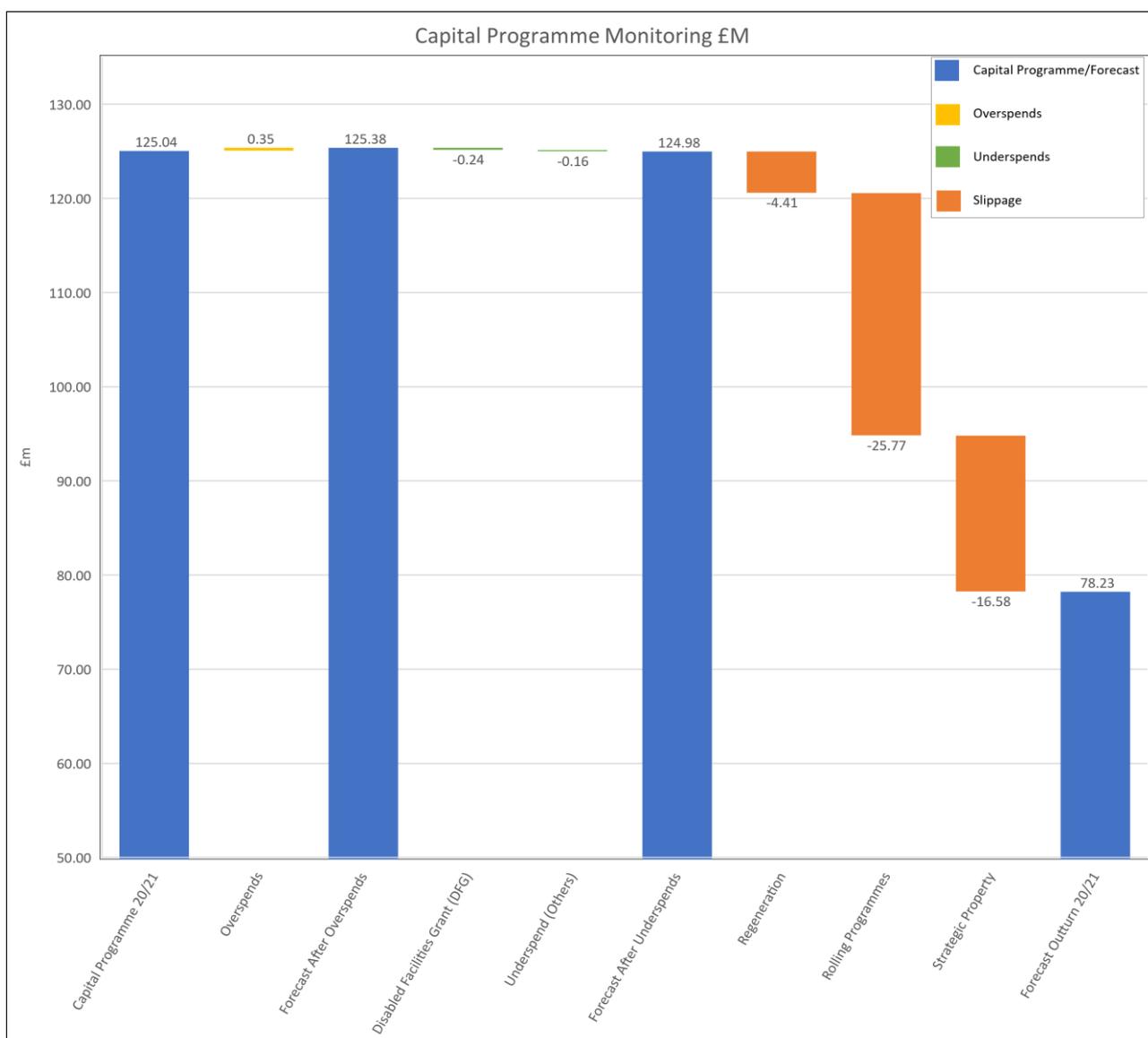
2020/21 Quarter 2: Capital Programme Monitoring

**Summary**

Forecast Full Year expenditure against the Capital Programme at the end of Quarter 2 is £78.23m which is £46.81m (37%) below the approved Programme for the year. The variance is predominantly a result of £46.76m slippage, as well as £0.35m overspend and a £0.40m net underspend as set out below.

**Headline Capital Budget Information 2020/21**

	£m
<b>Current Budget (Section 1):</b>	<b>125.04</b>
Projected Net Overspends	0.35 (or 0.28% of Programme).
Projected Net Underspends	(0.40) (or 0.32% of Programme).
Projected Slippage	(46.76) (or 37% of Programme)
<b>Forecast Capital Expenditure</b>	<b>78.23</b>



## Forecast Overspends

<b>Regeneration</b>	<p><b>Preston - Parking Improvements</b> (£112k overspend) - There was delay in securing all the necessary consents for the Chetwode Road highways scheme. Works have now progressed and are due to be substantially completed by the end of this year.</p> <p><b>Preston - Landscaping</b> (£117k overspend) - The focus of the Preston programme has been on getting the Chetwode Road scheme underway. Now, priorities for the remaining programme are now being discussed with local ward members and the portfolio holder.</p>
<b>Other</b>	<p><b>ICT Replacement Programme</b> (£67.8k overspend) - Additional in-year funding of £67,850 was approved during the COVID-19 outbreak to fund a Microsoft Teams implementation and Zoom license to improve collaboration and video conferencing facilities</p> <p>All other projects within the programme are expected to continue this year although later than originally scheduled due to COVID-19. These include:</p> <ul style="list-style-type: none"> <li>- Netcall upgrade to improve resilience for the Contact Centre and enable Payment Card Industry Data Security Standards compliance</li> <li>- Improvements to the Harlequin Theatre network infrastructure</li> </ul> <p><b>Play Area Improvement Programme</b> - minor overspend of £8k.</p>

## Forecast Underspends

<b>Disabled Facilities Grant (DFG)</b>	<p><b>(£238k underspend)</b> - COVID-19 has had a big impact on the amount of referrals for DFG works, with these stopping during the early part of lockdown. Works in properties were also temporarily suspended for several weeks, due to contractors suspending their entire operations and vulnerable clients unwilling to allow works in their homes. Work is now underway again, but a lower than budget spend over the year is expected. The was movement of -£4k between the Qtr 1 and Qtr 2 forecast outturn, after receiving a grant repayment in Q2. Monies would usually be repaid under certain conditions as per the agreement (for example, when a property is sold). This can occur randomly at any time and therefore cannot be forecast in advance.</p>
<b>Other</b>	<p><b>Handy Person Scheme</b> (£40k underspend) - COVID-19 has resulted in fewer applications being received and progressed for Small Works Grants and Loans than might otherwise be expected.</p> <p><b>Vibrant Towns &amp; Villages</b> (£80k underspend) - This allocation is intended to enhance the revenue allocation for the four town centres to ensure that they remain attractive and vibrant places. The stakeholders we would normally have worked with to identify suitable capital projects were not accessible due to COVID-19 lock down. From the return of non-essential retail their attention has been very much on trying to rebuild trade. As a result they have not had the capacity to engage with us in the process of identifying potential works for consideration. It is unlikely that demands will be made on this programme in 2020/21 due to COVID-19 related disruption, but £0.02m may be required.</p> <p><b>Contaminated Land - Investigation work</b> (£30k underspend) - This is an emergency contingency budget to be used in exceptional circumstances. There are no plans to use the budget at this time.</p> <p><b>Capital Grants</b> (20k underspend) - South Park Football Club awarded £20k towards the creation of a 3G football pitch in 2019/20. Funding was carried forward into 2020/21 due to delays to work. Latest update from the football club is that works have been further delayed, in part due to COVID-19. The Service is investigating further and will be seeking Portfolio Holder's view on whether to continue to make the grant available to the club.</p>

## Forecast Slippage

<p><b>Regeneration</b></p>	<p><b>Marketfield Way</b> (£4,341k slippage) - Slippage occurred due to the extended period of time it took to conclude the building contract and to secure all necessary consents. The building contract has now been finalised, a programme and cashflow prepared to provide more accurate forecasts moving forward.</p> <p><b>Preston - Parking Improvements</b> (£112k overspend) - There was delay in securing all the necessary consents for the Chetwode Road highways scheme. Works have now progressed and are due to be substantially completed by the end of this year.</p> <p><b>Preston - Landscaping</b> (£117k overspend) - The focus of the Preston programme has been on getting the Chetwode Road scheme underway. Now that this is priorities for the remaining programme are now being discussed with local ward members and the portfolio holder.</p> <p><b>Horley Public Realm Improvements - Phase 4</b> (£70k slippage) - Authority was required by Executive for phase 4 of the public realm work before expenditure could be defrayed. The Delivering Change in Horley Programme has now been approved by Executive and the professional team are in the process of being appointed to enable the project to be brought forward.</p>
<p><b>Rolling Programmes</b></p>	<p><b>Beech House, London Road. Reigate</b> (£3000k slippage) - Negotiations with tenant (AIG) are still ongoing, slightly delayed by the COVID-19 pandemic. Current assumption is a revised £2.1m major works to be carried out in 2021/22 but this is subject to a review by Knight Frank on the viability of the proposal. Property Services is reviewing the overall deal and will recommend the final sum to the Commercial Ventures Executive Sub-Committee once review completed.</p> <p><b>Priory Park Maintenance</b> (£203k slippage) - The tenant (Pistaccios) have been issued a 1-year extension to their concession during COVID-19 and remain in occupation. Works will now be completed as part of the concession contract negotiation, delaying the refurbishment until 2021/22. This allows the ability to review the overall contract and capital outlay.</p> <p><b>Car Parks Capital Works</b> (£180k slippage) - Works were tendered prior to the COVID-19 lockdown measures were imposed and the tender process was unable to be completed, as contractors were unable to price works and submit programmes. Rescheduled for 2021/22.</p> <p><b>Infra-structure (walls)</b> (£49k slippage) - Reinstatement of surveys and reprogramming surveying inspections that were on hold during the COVID-19 lockdown.</p> <p><b>Units 1-5 Redhill Dist Centre Salfords</b> - (£40.3k slippage) - COVID-19 delays caused by contractor availability. Non essential works were re-programmed during the level 4 lockdown enforcements. Access, travel, social distancing.</p> <p><b>Earlswood Depot/Park Farm Depot-</b> (£60k slippage) - Earlswood Depot requires major boiler replacement. Works were unable to be completed during COVID-19. Works have now been delayed to 2021/22. Tenant at the Park Farm Depot has been given notice in accordance with the lease. Greenspaces will occupy the unit from January 2021. Works to be completed in line with Greenspaces occupation schedule.</p> <p><b>Unit 61E, Albert Road North</b> (£53k slippage) - Roadway maintenance. Currently on hold pending a review of the Council's position as a whole on Albert Road North .</p> <p><b>Cemeteries &amp; Chapel</b> (£40k slippage) - Planned external decorations to chapel suspended during COVID-19. Contractors assigned to essential works only.</p>
<p><b>Strategic Property</b></p>	<p><b>Lee Street Bungalows</b> - (£255k slippage forecast). Project timing has slipped due to delays on other projects.</p> <p><b>Merstham Recreation Ground</b> - (£740k slippage) - Slippage due to COVID-19 and capacity within the team. COVID-19 has affected our ability to be able to commence early engagement with local residents and stakeholders and delayed the appointment of key initial surveys and studies. Team now in place to deliver project. Initial Concept Plan prepared with main design works commencing in 2020/21 (subject to approval of final scheme by Executive).</p> <p><b>Cromwell Road Development</b> - (£4.232k slippage forecast) Spend profile changed following contract signature - slightly behind original profiled schedule</p> <p><b>Unit 1 Pittwood Park Tadworth</b> (£1.593k slippage forecast) - As project has progressed on site spend profile has been further updated, hence the £735k adjustment to the forecast outturn in Qtr2.</p>
<p><b>Housing Delivery Programme</b></p>	<p>Housing Delivery (£10m Capital allocation - 2020/21) - (£9,755k slippage forecast). Spend on a feasibility and options study of Horley High Street Car Park site that will enable the Council to review and approve a preferred design to progress through concept design to development and preparation of a planning application (the planning application to be submitted in early 2021/22). Expenditure will relate to the procurement of the design team to include professional services such as Quantity Surveyor, Project Manager, Architect, Civils and Structures and Building Services consultants together with a wide range of technical consultants, procurement of supporting surveys and documentation required for the planning application and future development of the site.</p>

**Capital ANNEX 3: Section 1****Reconciliation of Capital Programme to Approved Budgets 2020-21**

	<b>£m</b>
<b>Original Capital Budget</b>	95.5
Budget approved but not yet released <sup>1</sup>	0.0
	<u>95.5</u>
<b>Additions</b>	
Carry Forwards from previous year	29.5
Budgets released during the year <sup>1</sup>	0.0
Reprofiling of projects	0.0
Other Changes	0.0
<b>Current Capital Budget</b>	<b><u>125.0</u></b>

**Notes**

- 1 Some budgets are approved as part of the Capital Programme but are not released pending further approval. These are added once the project documentation has been approved.

Capital ANNEX 3: Section 2

Capital Budget Monitoring: Summary by Programme and Project 2020-21

Programme/Project	Original Budget £000	Approved Budgets Not Released £000	Carry Forwards £000	Released In Year £000	Reprofiled £000	Other Changes £000	Year to date Spend £000	Current Budget £000	Year End Outturn £000	Year End Variance £000	Head of Service / Budget Manager	Quarter 2: Explanation of Significant Variances
Vibrant Towns & Villages	100.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	20.0	-80.0	Simon Bland	This allocation is intended to enhance the revenue allocation for the four town centres to ensure that they remain attractive and vibrant places. The stakeholders we would normally have worked with to identify suitable capital projects were not accessible due to COVID-19 lock down. From the return of non-essential retail their attention has been very much on trying to rebuild trade. As a result they have not had the capacity to engage with us in the process of identifying potential works for consideration. It is unlikely that demands will be made on this programme in 2020/21 due to COVID-19 related disruption, but £0.02m may be required.
Horley Public Realm Improvements - Phase 2 and 3	100.0	0.0	0.0	0.0	0.0	0.0	30.4	100.0	30.0	-70.0	Peter Boarder	Authority was required from Executive for phase 4 of the public realm work before expenditure could be defrayed. The Delivering Change in Horley Programme has now been approved by Executive and the professional team are in the process of being appointed to enable the project to be brought forward.
Marketfield Way Redevelopment	18,858.6	0.0	3,821.2	0.0	0.0	0.0	4,002.7	22,679.8	18,339.2	-4,340.6	Peter Boarder	Slippage occurred due to the extended period of time it took to conclude the building contract and to secure all necessary consents. The building contract has now been finalised, a programme and cashflow prepared to provide more accurate forecasts moving forward.
Preston - Parking Improvements	0.0	0.0	399.5	0.0	0.0	0.0	0.0	399.5	512.0	112.5	Peter Boarder	There was delay in securing all the necessary consents for the Chetwode Road highways scheme. Works have now progressed and are due to be substantially completed by the end of this year.
Preston - Landscaping	362.1	0.0	21.2	0.0	0.0	0.0	0.0	383.3	550.0	166.7	Peter Boarder	The focus of the Preston programme has been on getting the Chetwode Road scheme underway. Now, priorities for the remaining programme are now being discussed with local ward members and the portfolio holder.
<b>Regeneration</b>	<b>19,420.7</b>	<b>0.0</b>	<b>4,241.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4,033.1</b>	<b>23,662.6</b>	<b>19,451.2</b>	<b>-4,211.4</b>		
Leisure Centre Maintenance	30.0	0.0	7.0	0.0	0.0	0.0	2.1	37.0	30.0	-7.0	Roger Thompson	Unable to gain sufficient access due to COVID-19 and minor works are by arrangement only with GLL (leisure operator) Contractor safety and social distancing are an identified risk. Postponed minor works until 2021/22
Harlequin Property Maintenance	40.0	0.0	13.0	0.0	0.0	0.0	8.0	53.0	40.0	-13.0	Roger Thompson	Change of use due to accommodating the Response Centre during COVID-19. Agreed only essential works to take place to protect the welfare of staff working in the building. Postponed remaining works until 2021/22.
Play Area Improvement Programme	226.0	0.0	0.0	0.0	0.0	0.0	217.4	226.0	234.0	8.0	Morag Williams	Replacement of Nork Park and Petridgewood Common play equipment - also capital replacement of individual pieces of play equipment in various sites across the
Parks & Countryside - Infrastructure & Fencing	45.0	0.0	0.0	0.0	0.0	0.0	0.0	45.0	45.0	0.0	Morag Williams	Various civil works, including footpath, track and car park resurfacing, replacement of fencing and gates and sites across the borough
Harlequin - Service Development	100.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	0.0	Duane Kirkland	Due to the ongoing work around the venue's future vision and commitments, and delays as a result of the COVID-19 pandemic, previously approved Capital spend is now subject to review.
Harlequin Maintenance	40.0	0.0	0.0	0.0	0.0	0.0	4.1	40.0	40.0	0.0	Duane Kirkland	Budget is used for facilities maintenance at the Harlequin.
Pavilion Replacement - Woodmansterne	0.0	0.0	20.0	0.0	0.0	0.0	0.0	20.0	0.0	-20.0	Roger Thompson	
Priory Park Maintenance	198.0	0.0	30.0	0.0	0.0	0.0	24.9	228.0	24.9	-203.1	Roger Thompson	The tenant have been issued a 1 year extension to their concession during COVID-19 and remain in occupation. Works will be completed as part of the concession contract negotiation delaying the refurbishment until 2021/22. This allows the ability to review the overall contract and capital outlay.
<b>Leisure and Culture</b>	<b>679.0</b>	<b>0.0</b>	<b>70.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>256.4</b>	<b>749.0</b>	<b>513.9</b>	<b>-235.1</b>		
Lee Street Bungalows	234.0	0.0	386.8	0.0	0.0	0.0	10.8	620.8	365.4	-255.4	Richard Robinson	Project timing has slipped due to increased work on other projects.
64 Massetts Road	0.0	0.0	13.6	0.0	0.0	0.0	0.0	13.6	0.0	0.0	Richard Robinson	Planned spend for external works to the building in 2020/21.
Housing Delivery Programme	10,000.0	0.0	0.0	0.0	0.0	0.0	0.0	10,000.0	245.0	-9,755.0	Richard Robinson	Reprofiling of spend required across multiple years.
Cromwell Road Development 2016	3,680.0	0.0	5,690.0	0.0	0.0	0.0	1,235.6	9,370.0	5,137.6	-4,232.4	Richard Robinson	Spend profile changed following contracts being signed slightly behind original profiled schedule
Merstham Recreation Ground	700.0	0.0	93.7	0.0	0.0	0.0	1.3	793.7	53.0	-740.7	Peter Boarder	Slippage due to COVID-19 and capacity within the team. COVID-19 has affected our ability to be able to commence early engagement with local residents and stakeholders and delayed the appointment of key initial surveys and studies. Team now in place to deliver project. Initial Concept Plan prepared with main design works commencing in 2020/21 (subject to approval of final scheme by Executive)
Unit 1 Pitwood Park Tadworth	1,745.0	0.0	4,164.5	0.0	0.0	0.0	1,815.8	5,909.5	4,316.7	-1,592.8	Richard Robinson	As project has progressed on site spend profile has been further updated, hence the £735k adjustment to the forecast in Q2.
<b>Strategic Property</b>	<b>16,359.0</b>	<b>0.0</b>	<b>10,348.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3,063.5</b>	<b>26,707.6</b>	<b>10,131.3</b>	<b>-16,576.3</b>		

Capital ANNEX 3: Section 2

Capital Budget Monitoring: Summary by Programme and Project 2020-21

Programme/Project	Original Budget £000	Approved Budgets Not Released £000	Carry Forwards £000	Released In Year £000	Reprofiled £000	Other Changes £000	Year to date Spend £000	Current Budget £000	Year End Outturn £000	Year End Variance £000	Head of Service / Budget Manager	Quarter 2: Explanation of Significant Variances
Fleet Vehicle Wash-Bay Replacement	350.0	0.0	0.0	0.0	0.0	0.0	0.0	350.0	350.0	0.0	Morag Williams	Works on the wash bay replacement are ongoing. Though works have been delayed due to COVID-19, it is still anticipated at this stage that works will be completed on schedule.
Earlswood Depot/Park Farm Depot	50.0	0.0	30.0	0.0	0.0	0.0	1.4	80.0	20.0	-60.0	Roger Thompson	Earlswood depot requires major boiler replacement. Works were unable to be completed during COVID-19 and therefore reassigned to 2021/22. Tenant at the Park Farm Depot has been given notice in accordance with the lease. Green spaces will occupy the unit from Jan 2021. Works to be completed in association with Greenspaces occupation schedule
<b>Waste Management and Recycling</b>	<b>400.0</b>	<b>0.0</b>	<b>30.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.4</b>	<b>430.0</b>	<b>370.0</b>	<b>-60.0</b>		
Land Flood Prevention Programme	6.0	0.0	11.0	0.0	0.0	0.0	0.0	17.0	17.0	0.0	Lee Wilcox	This funding is for ditch clearance, drainage and swale works
Air Quality Monitoring Equipment	108.0	0.0	50.0	0.0	0.0	0.0	8.5	158.0	158.0	0.0	Katie Jackson	The Air Quality monitoring capital allocation (£108K) will be used to fund the replacement of the RG1 fixed air quality monitoring station, which is required every 10 years and is due in 2020. We operate this site to meet our statutory duties for air quality and as part of our Section 106 funding agreement with Gatwick Airport Ltd (GAL). Additional £50k will be used to fund replacement of the Rapid Electric Vehicle Charge point at Wray Lane. The rapid charger has reached the end of its serviceable life and is a key part of our local air quality strategy, by encouraging electric vehicle uptake which will in turn reduce emissions of harmful pollutants.
Contaminated Land - Investigation work	30.0	0.0	0.0	0.0	0.0	0.0	0.0	30.0	0.0	-30.0	Morag Williams	This is an emergency contingency budget to be used in exceptional circumstances. There are no plans to use the budget at this time.
<b>Environment</b>	<b>144.0</b>	<b>0.0</b>	<b>61.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>8.5</b>	<b>205.0</b>	<b>175.0</b>	<b>-30.0</b>		
Handy Person Scheme	50.0	0.0	0.0	0.0	0.0	0.0	6.3	50.0	10.0	-40.0	Katie Jackson	COVID-19 has resulted in fewer applications being received and progressed for Small Works Grants and Loans than might otherwise be expected.
Home Improvement Agency SCC Grant	120.0	0.0	0.0	0.0	0.0	0.0	60.0	120.0	120.0	0.0	Katie Jackson	The project cost is based on fixed contract price, therefore no cost variation expected.
Disabled Facilities Grant	1,134.0	0.0	0.0	0.0	0.0	0.0	376.0	1,134.0	896.0	-238.0	Katie Jackson	The forecast movement from Q1 is £4K, after receiving a grant repayment in Q2. Monies would usually be repaid under certain conditions as per the agreement (for example, when a property is sold). This can occur randomly at any time and therefore cannot be forecast in advance.
Repossession Prevention Fund	30.0	0.0	11.5	0.0	0.0	0.0	57.5	41.5	41.5	0.0	Richard Robinson	The Repossession Prevention Fund is used to provide grants and loans to individuals to prevent homelessness. Last year (2019/20), we were successful in getting grants repaid to enable this fund to help more households.
Capital Grants	0.0	0.0	20.0	0.0	0.0	0.0	0.0	20.0	0.0	-20.0	Justine Chatfield	South Park Football Club was awarded £20k towards the creation of a 3G football pitch in 2019/20. Funding was carried forward into 2020/21 due to delays to work. Latest update from the football club is that works have been further delayed, in part due to COVID-19. The Service is investigating further and will be seeking Portfolio Holder's view on whether to continue to make the grant available to the club.
<b>Capital Grants</b>	<b>1,334.0</b>	<b>0.0</b>	<b>31.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>499.8</b>	<b>1,365.5</b>	<b>1,067.5</b>	<b>-298.0</b>		
Great Workplace Programme - Phase 2	250.0	0.0	0.0	0.0	0.0	0.0	8.4	250.0	250.0	0.0	Caroline Waterworth	The Workplace Facilities - Estates/Asset Development programme is currently being reviewed for physical workplace plans post COVID-19. The outcome of the review and any budget impact will be developed and reported later in the year.
Workplace Facilities	30.0	0.0	0.0	0.0	0.0	0.0	0.0	30.0	30.0	0.0	Caroline Waterworth	Funding used for deployment of laptops for new members of staff, which has seen an increase since the beginning of the year.
Disaster Recovery	0.0	0.0	18.0	0.0	0.0	0.0	26.2	18.0	19.6	1.6	Darren Wray	Carry forward Budget from 2019/20 to cover ICT disaster recoveries.
<b>Organisational Change</b>	<b>280.0</b>	<b>0.0</b>	<b>18.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>34.6</b>	<b>298.0</b>	<b>299.6</b>	<b>1.6</b>		

Capital ANNEX 3: Section 2

Capital Budget Monitoring: Summary by Programme and Project 2020-21

Programme/Project	Original Budget £000	Approved Budgets Not Released £000	Carry Forwards £000	Released In Year £000	Reprofiled £000	Other Changes £000	Year to date Spend £000	Current Budget £000	Year End Outturn £000	Year End Variance £000	Head of Service / Budget Manager	Quarter 2: Explanation of Significant Variances
Vehicles & Plant Programme	2,608.0	0.0	87.3	0.0	0.0	0.0	1,809.0	2,695.3	2,695.3	0.0	Lee Wilcox	2020/21 Tranche 2 of the fleet replacement project is complete, all vehicles have been delivered and are in service.
ICT Replacement Programme	225.0	0.0	125.7	0.0	0.0	0.0	325.2	350.7	418.5	67.8	Darren Wray	2020/21 procurement well underway. A number of assets have already been purchased for the greenspaces department. Orbis are facilitating the trial of 6 hybrid/electric cars and vans for use at the depot among a number of other items. Additional in-year funding of £67,850 was approved during the COVID-19 outbreak to fund Microsoft Teams implementation and Zoom license to improve collaboration and video conferencing facilities
Operational Buildings	115.0	0.0	140.0	0.0	0.0	0.0	126.8	255.0	137.4	-117.6	Roger Thompson	All other projects within the programme are expected to continue this year although later than originally scheduled due to COVID-19. These include: - Netcall upgrade to improve resilience for the Contact Centre and enable Payment Card Industry Data Security Standards compliance - Improvements to the Harlequin Theatre network infrastructure
Day Centres Programme	75.0	0.0	13.0	0.0	0.0	0.0	19.1	88.0	74.9	-13.1	Roger Thompson	Boilers and plant completed. Air Conditioning Units, external decoration and roof works reassigned to 2021/22 due to limited resources and contractor/equipment availability during COVID-19
Existing Pavilions Programme	90.0	0.0	0.0	0.0	0.0	0.0	0.0	90.0	90.0	0.0	Caroline Waterworth	Realigned to work in conjunction with the community centre task force and its proposals for re-opening.
Tenanted Properties	100.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	0.0	Caroline Waterworth	Upgrades of facilities to be carried out as proposed.
Crown House	75.0	0.0	0.0	0.0	0.0	0.0	0.0	75.0	75.0	0.0	Caroline Waterworth	Park Farm Depot. Break clause initiated by RBBC. Works to be completed in line with the greenspaces occupation. Detailed survey required.
Acquisition of 3, 8 and 20 Reading Arch Road	0.0	0.0	0.0	0.0	0.0	1,029.0	985.5	1,029.0	1,029.0	0.0	Caroline Waterworth	Works to be completed this financial year
Units 1-5 Redhill Dist Centre Salfords	40.3	0.0	0.0	0.0	0.0	0.1	0.0	40.3	0.0	-40.3	Caroline Waterworth	Acquisition of units 3, 6, 8 and 20 Reading Arch Road
Linden House, 51B High Street Reigate	17.3	0.0	0.0	0.0	0.0	-0.1	0.0	17.2	17.2	0.0	Caroline Waterworth	COVID-19 delays caused by contractor availability. Non essential works were re-programmed during the level 4 lockdown enforcements. Access, travel, social
Unit 61E Albert Road North	55.0	0.0	0.0	0.0	0.0	0.0	0.0	55.0	2.0	-53.0	Caroline Waterworth	Works to be completed this financial year
Forum House, Brighton Road Redhill	70.0	0.0	0.0	0.0	0.0	0.0	0.0	70.0	70.0	0.0	Caroline Waterworth	Roadway maintenance. On hold, reviewing Council's position as a whole on Albert Road North
Beech House, London Road Reigate	3,000.0	0.0	0.0	0.0	0.0	0.0	0.0	3,000.0	0.0	-3,000.0	Caroline Waterworth	Works to be completed this financial year
Regent House, 1-3 Queensway Redhill	25.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0	25.0	0.0	Caroline Waterworth	£3m slippage in 2020/21, negotiations with AIG are still ongoing. Current status is a revised £2.1m Capital investment in 2021/22. Delays in negotiation with AIG due to COVID-19. The service is reviewing the overall deal and will recommend a course of action to the Commercial Ventures Board
Commercial Investment Properties	50.0	0.0	25.5	0.0	0.0	0.0	12.6	75.5	50.0	-25.5	Roger Thompson	Works to be completed this financial year
Infra-structure (walls)	55.0	0.0	49.0	0.0	0.0	0.0	12.8	104.0	55.0	-49.0	Roger Thompson	Post COVID-19 identified essential works..
Car Parks Capital Works Programme	190.0	0.0	180.0	0.0	0.0	0.0	1.0	370.0	190.0	-180.0	Roger Thompson	Reinstatement of surveys and reprogramming surveying inspections that were on hold during the COVID-19 lockdown.
Public Conveniences	5.0	0.0	40.0	0.0	0.0	0.0	10.8	45.0	18.5	-26.5	Roger Thompson	Works were tendered prior to COVID-19. Lockdown measures imposed and the tender process was unable to be completed, contractors unable to price works and submit programmes. Realigned for 2021/22.
Cemeteries & Chapel	40.0	0.0	0.0	0.0	0.0	0.0	0.0	40.0	0.0	-40.0	Morag Williams	High Street Banstead completed, Consort Way Horley rescheduled to 2021/22.
Allotments	14.0	0.0	4.0	0.0	0.0	0.0	0.0	18.0	14.0	-4.0	Roger Thompson	Planned external decorations to chapel suspended during COVID-19. Contractors assigned to essential works only.
Building Maintenance - Support Cost	50.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	50.0	0.0	Caroline Waterworth	Minor works required with planned maintenance work in 2021/22.
CCTV Rolling Programme	30.0	0.0	48.6	0.0	0.0	0.0	0.7	78.6	78.6	0.0	Justine Chatfield	Consultancy, essential to the delivery of the 2021/22 schedule
Commercial Investments Programme	50,000.0	0.0	13,977.1	0.0	0.0	-1,029.0	0.0	62,948.1	41,029.1	-21,919.0	Caroline Waterworth	Outturn dependent on outcome of CCTV review, Member consideration of which has been delayed by the COVID-19 emergency response.
<b>Rolling Programmes</b>	<b>56,929.5</b>	<b>0.0</b>	<b>14,690.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3,303.5</b>	<b>71,619.7</b>	<b>46,219.6</b>	<b>-25,400.1</b>		Allocated capital funding for investment in new developments and commercial assets and activities that, in addition to local regeneration and place-shaping benefits, deliver a sustainable net income stream to the revenue budget. There has been a drawdown of £1.029m of expenditure in Q1 to fund the acquisition of units 3, 6, 8 and 20 Reading Arch Road with additional spend on further acquisitions forecast for rest of the financial year.
<b>Total Capital Budget</b>	<b>95,546.2</b>	<b>0.0</b>	<b>29,491.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>11,200.7</b>	<b>125,037.4</b>	<b>78,228.2</b>	<b>-46,809.2</b>		

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<b>SIGNED OFF BY</b>	Commercial and Investment Director
<b>AUTHOR</b>	Catherine Rose, Head of Corporate Policy
<b>TELEPHONE</b>	01737 276766
<b>EMAIL</b>	Catherine.Rose@reigate-banstead.gov.uk
<b>TO</b>	Overview & Scrutiny Committee
<b>DATE</b>	Wednesday, 9 December 2020
<b>EXECUTIVE MEMBER</b>	Portfolio Holder for Investment and Companies

<b>KEY DECISION REQUIRED</b>	Y
<b>WARDS AFFECTED</b>	All Wards

<b>SUBJECT</b>	Commercial Strategy: Part 1
----------------	-----------------------------

<b>RECOMMENDATIONS</b>
<p>1. That:</p> <ul style="list-style-type: none"> <li>(i) That the Committee notes the Commercial Strategy: Part 1, as approved by the Executive at its meeting of 19 November 2020 and set out in Annex 1.</li> <li>(ii) That the Committee makes any observations to the Portfolio Holder for Investment and Companies on the Commercial Strategy: Part 1 and to support the ongoing development of Part 2 of the Commercial Strategy.</li> </ul>
<b>REASONS FOR RECOMMENDATIONS</b>
<p>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.</p>
<b>EXECUTIVE SUMMARY</b>
<p>To deliver the Council's corporate priorities, as set out in Reigate &amp; Banstead 2025, we need to generate surplus income which can then be reinvested into providing frontline services for our residents.</p>

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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.

The Overview and Scrutiny Committee is here asked to note the Commercial Strategy: Part 1, as approved by the Executive, and to make any observations to the Portfolio Holder for Investment and Companies to support the implementation of Part 1 the Strategy and development of Part 2 of the Strategy.

## **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.

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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 (as considered here and at the Executive meeting of 19 November 2020) 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
<b>Forecast gap</b>	nil	£1.866m	£3.956m	£4.626m	£5.286m	£5.536m
<b>Annual increase in gap</b>	-	£1.866m	£2.090m	£0.670m	£0.660m	£0.250m
<b>Gap as a % of 2020/21 budget requirement</b>	-	10.1%	21.5%	25.1%	28.7%	30.1%

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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:
  - d. 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
  - e. 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.

## **LEGAL IMPLICATIONS**

23. 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.
24. 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**

25. 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.
26. 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.
27. 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

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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.

28. 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.
29. 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 which was also considered by the Executive at its meeting of 19 November 2020..

## **EQUALITIES IMPLICATIONS**

30. 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.
31. 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.
32. 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**

33. The Commercial Strategy will be publicly available on the Council's website.
34. 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.
35. 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.
36. 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**

37. 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.
38. 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.
39. 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**

40. 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.
41. 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.
42. 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**

43. 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.
44. The Overview and Scrutiny Committee is now asked to consider the Strategy and to make observations to the Portfolio Holder for Investment and Companies.

## **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

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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 <https://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%20202122%20-%20FINAL%20-%20Copy.pdf>



# Funding our services: A Commercial Strategy

## Part 1: What being commercial means for Reigate & Banstead

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## 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<sup>1</sup>. 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

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<sup>1</sup> [www.reigate-banstead.gov.uk/rbbc2025](http://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 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<sup>2</sup>. 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:

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<sup>2</sup> 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
<b>Forecast gap</b>	nil	£1.866m	£3.956m	£4.626m	£5.286m	£5.536m
<b>Annual increase in gap</b>	-	£1.866m	£2.090m	£0.670m	£0.660m	£0.250m
<b>Gap as a % of 2020/21 budget requirement</b>	-	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<sup>3</sup> 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.

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<sup>3</sup> Latest version at the time of writing available at <https://reigate-banstead.moderngov.co.uk/ieListDocuments.aspx?CId=137&MIId=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<sup>4</sup> 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.

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<sup>4</sup> [https://www.reigate-banstead.gov.uk/info/20089/land\\_and\\_property/275/asset\\_management](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<sup>5</sup>. 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. Baselineing 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

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<sup>5</sup> 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<sup>6</sup>.

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<sup>6</sup> <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<sup>7</sup>, 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.

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<sup>7</sup> 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
<b>Becoming more business-like in our day to day activities:</b>		
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
<b>Increasing capital and revenue returns through our assets and investments:</b>		
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
<b>Developing a commercial culture</b>		
Transformation work and appropriate recruitment	Review additional necessary steps following roll-out of the revenues, benefit and fraud investigation services	Q2 2021
<b>Governance and decision-making</b>		
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



<b>SIGNED OFF BY</b>	Interim Head of Finance
<b>AUTHOR</b>	Jane Heppel
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<b>TO</b>	Executive Overview & Scrutiny Council
<b>DATE</b>	Thursday, 19 November 2020 Wednesday, 9 December 2020 Thursday, 10 December 2020
<b>EXECUTIVE MEMBER</b>	Portfolio holder for Finance

<b>KEY DECISION REQUIRED</b>	No
<b>WARDS AFFECTED</b>	(All Wards);

<b>SUBJECT</b>	Treasury Management Half Year Report 2020/21
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<b>RECOMMENDATIONS</b>
<p><b>RECOMMENDATIONS:</b></p> <p>Note the Treasury Management Performance for the year to date and note the updated prudential indicators.</p>
<b>REASONS FOR RECOMMENDATIONS</b>
<p>This report confirms compliance with the requirements of the regulatory framework for treasury management.</p> <p>The Council is required to receive and approve, as a minimum, three treasury reports each year, which incorporate relevant policies, estimates and actuals:</p> <p>(i) <b>Prudential and Treasury Indicators and Treasury Strategy</b> – 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.</p>

# Agenda Item 9

- (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.

# Agenda Item 9

## 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 led 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.
- COVID-19 Pandemic - Extraordinary Circumstances
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.

# Agenda Item 9

## 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
<b>Financed by:</b>					
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
<b>TOTAL CAPITAL FUNDING</b>	<b>17,956</b>	<b>96,100</b>	<b>125,455</b>	<b>10,283</b>	<b>78,230</b>

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
<b>Opening balance - CFR</b>	<b>18,826</b>	<b>58,695</b>	<b>31,699</b>	<b>31,699</b>
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
<b>Closing balance CFR</b>	<b>31,699</b>	<b>133,619</b>	<b>135,170</b>	<b>101,375</b>

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.

<b>Table 3: COMPARISON OF BORROWING PARAMETERS TO ACTUAL EXTERNAL BORROWING</b>	2019/20 Actual	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£000	£000	£000	£000	£000
<b>Opening CFR</b>	<b>18,826</b>	<b>31,699</b>	<b>101,375</b>	<b>108,651</b>	<b>110,037</b>
In Year addition to CFR	12,873	69,676	7,276	1,386	2,576
<b>Closing CFR</b>	<b>31,699</b>	<b>101,375</b>	<b>108,651</b>	<b>110,037</b>	<b>112,613</b>
<b>External Borrowing</b>	14,000	54,879	7,276	1,386	2,576
<b>Authorised Limit</b>	<b>80,000</b>	<b>161,500</b>	<b>161,500</b>	<b>161,500</b>	<b>161,500</b>
<b>Operational Boundary</b>	<b>70,000</b>	<b>151,500</b>	<b>151,500</b>	<b>151,500</b>	<b>151,500</b>

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.

# Agenda Item 9

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		
<b>TOTAL TREASURY INVESTMENTS</b>	<b>48,022</b>	<b>100</b>	<b>38,000</b>	<b>100</b>	<b>15,000</b>	<b>100</b>

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
<b>TOTAL NON-TREASURY INVESTMENTS</b>	<b>68,203</b>	<b>100</b>	<b>68,203</b>	<b>100</b>	<b>69,189</b>	<b>100</b>

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.

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## **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*

### **TREASURY MANAGEMENT HALF YEAR REPORT 2020/21**

---

1. Economic and Interest Rates
2. Capital Expenditure and Financing and Capital Financing Requirement (CFR)
3. Approved countries for investments at 30 September 2020

# Agenda Item 9

## 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 6<sup>th</sup> 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 1<sup>st</sup> 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

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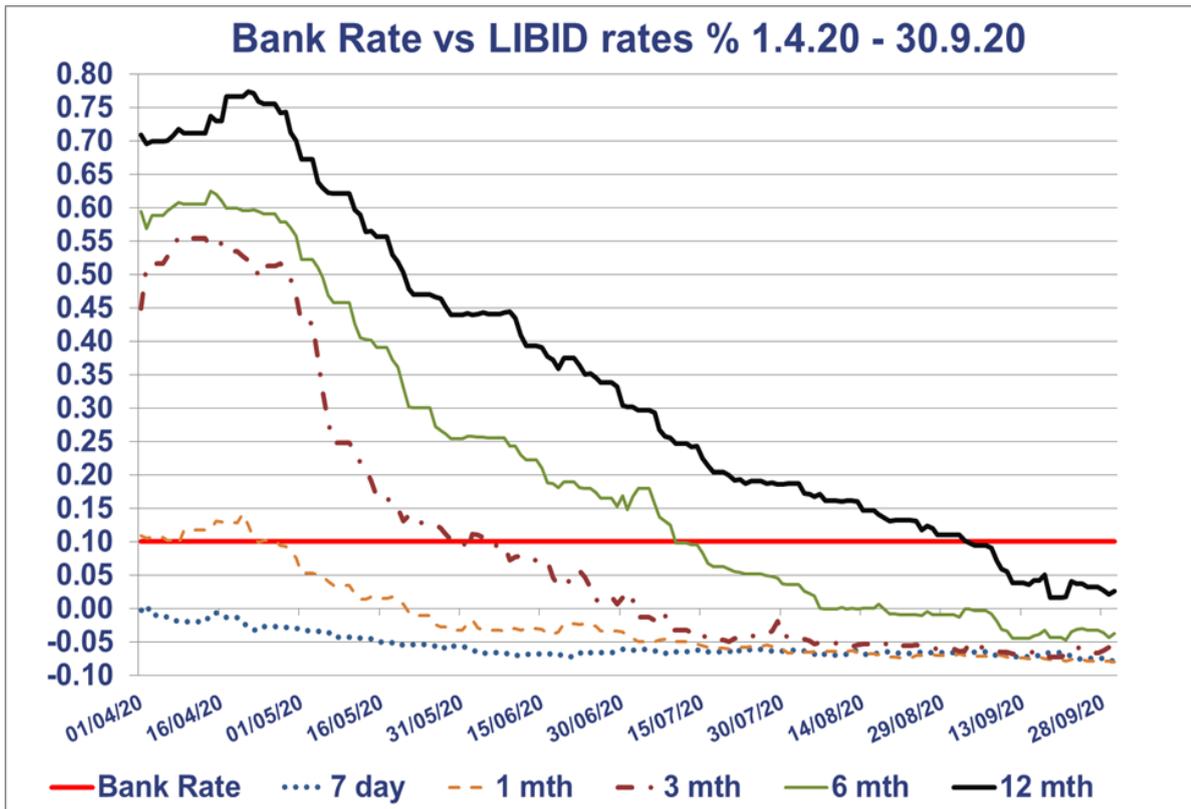
*disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero 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.*

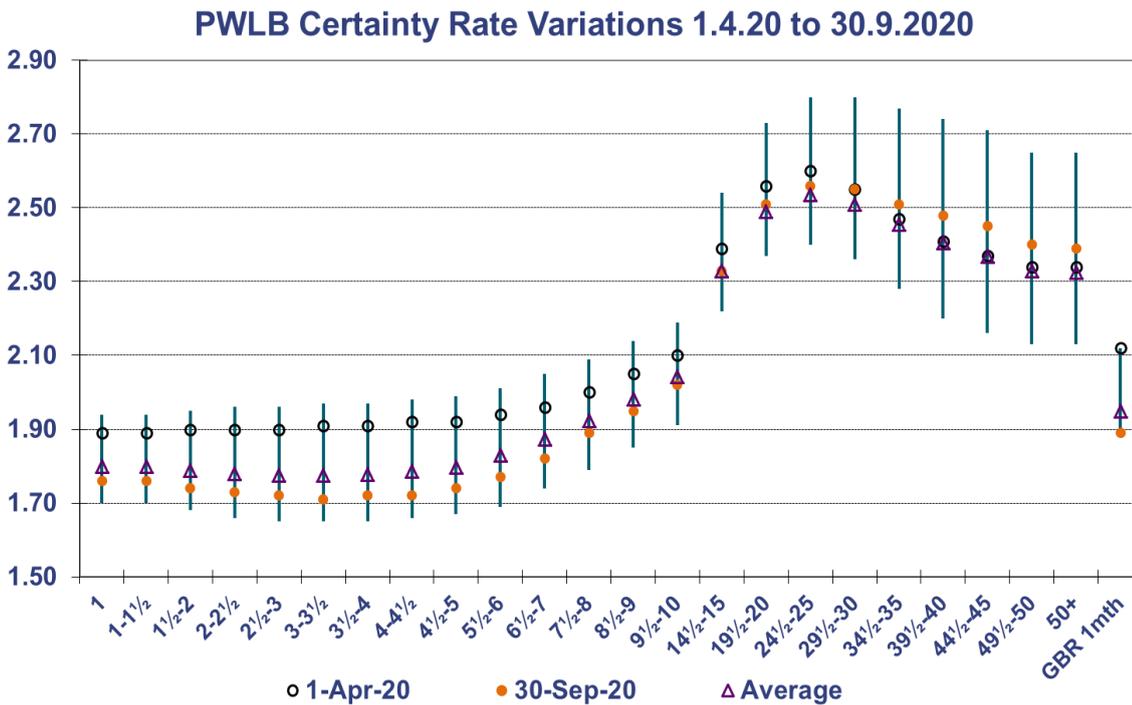
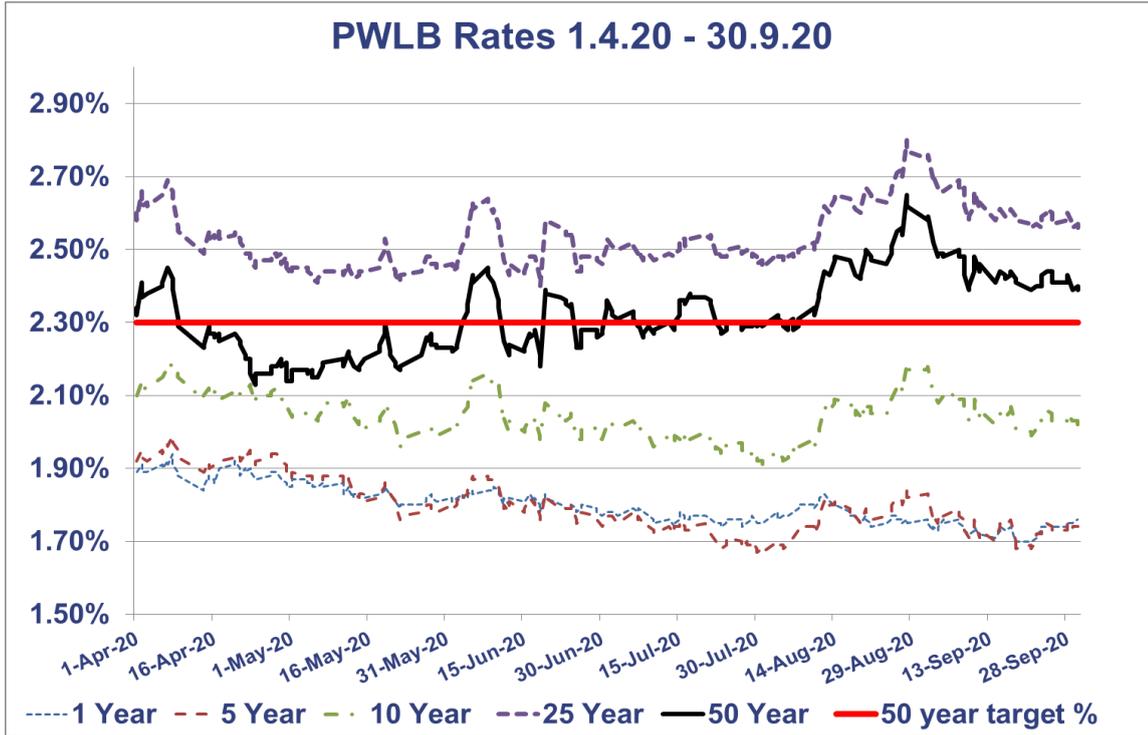
**World growth.** *Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis."*



	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

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	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)

<b>Table 1: APPROVED CAPITAL EXPENDITURE PROGRAMME</b>	<b>2019/20 Budget £'000</b>	<b>2019/20 Actual £'000</b>	<b>2020/21 Budget £'000</b>	<b>2020/21 Forecast £'000</b>	<b>2021/22 Projected £'000</b>	<b>2022/23 Projected £'000</b>	<b>2023/24 Projected £'000</b>	<b>2024/25 Projected £'000</b>
TMSS Capital Budget 2020/21	45,927	17,956	96,100	78,230	40,855	30,099	4,725	4,549
Approved Capital Growth								
<b>TOTAL Capital Expenditure</b>	<b>45,927</b>	<b>17,956</b>	<b>96,100</b>	<b>78,230</b>	<b>40,855</b>	<b>30,099</b>	<b>4,725</b>	<b>4,549</b>

<b>Table 2: APPROVED CAPITAL EXPENDITURE FINANCING</b>	<b>2019/20 Budget £'000</b>	<b>2019/20 Actual £'000</b>	<b>2020/21 Budget £'000</b>	<b>2020/21 Forecast £'000</b>	<b>2021/22 Projected £'000</b>	<b>2022/23 Projected £'000</b>	<b>2023/24 Projected £'000</b>	<b>2024/25 Projected £'000</b>
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			
<b>Total Financing</b>	<b>4,427</b>	<b>4,916</b>	<b>20,648</b>	<b>8,351</b>	<b>33,088</b>	<b>27,965</b>	<b>1,187</b>	<b>1,187</b>
Borrowing Need	41,500	13,040	75,452	69,879	7,767	2,134	3,538	3,362
<b>TOTAL Capital Expenditure</b>	<b>45,927</b>	<b>17,956</b>	<b>96,100</b>	<b>78,230</b>	<b>40,855</b>	<b>30,099</b>	<b>4,725</b>	<b>4,549</b>

<b>Table 3: PROJECTED CAPITAL FINANCING REQUIREMENT</b>	<b>2019/20 Budget £'000</b>	<b>2019/20 Actual £'000</b>	<b>2020/21 Budget £'000</b>	<b>2020/21 Forecast £'000</b>	<b>2021/22 Projected £'000</b>	<b>2022/23 Projected £'000</b>	<b>2023/24 Projected £'000</b>	<b>2024/25 Projected £'000</b>
<b>Opening Balance</b>	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)
<b>Total CFR</b>	<b>56,358</b>	<b>31,699</b>	<b>106,623</b>	<b>101,375</b>	<b>113,743</b>	<b>115,088</b>	<b>117,803</b>	<b>120,306</b>

### 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**

Australia

Denmark

Germany

Luxembourg

Netherlands

Norway

Singapore

Sweden

Switzerland

#### **AA+**

Canada

Finland

USA

#### **AA**

Abu Dhabi (UAE)

France

#### **AA-**

Belgium

Hong Kong

Qatar

U.K.

## **ANNUAL TREASURY MANAGEMENT OUTTURN REPORT (UPDATE) 2019/20**

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1. Purpose
2. Summary
3. Introduction and Background
4. Capital Expenditure and Financing
5. Overall Borrowing Need
6. Treasury Position at 31 March 2020
7. Borrowing Outturn 2019/20
8. Investment Outturn 2019/20
9. Other Issues

### **ANNEXES**

1. Prudential and Treasury Indicators

## 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
<b>Capital Expenditure:</b>				
General Fund (see Table 2)	39,235	45,927	20,827	17,956
<b>Total</b>	<b>39,235</b>	<b>45,927</b>	<b>20,827</b>	<b>17,956</b>

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<b>Table 1: PRUDENTIAL AND TREASURY INDICATORS</b>	<b>2018/19 Actual £000</b>	<b>2019/20 Original Budget £000</b>	<b>2019/20 Revised Budget £000</b>	<b>2019/20 Actual £000</b>
<b>Capital Financing Requirement: In year change</b>				
General Fund	15,046	39,869	14,769	13,040
<b>Total</b>	<b>15,046</b>	<b>39,869</b>	<b>14,769</b>	<b>13,040</b>
<b>Gross Borrowing:</b>				
Long Term credit arrangements	-	-	-	-
External Debt	12,000	40,000	14,900	14,000
<b>Total</b>	<b>12,000</b>	<b>40,000</b>	<b>14,900</b>	<b>14,000</b>
<b>Investments:</b>				
Longer than 1 year	25,000	13,000	13,000	13,000
Under 1 year	23,000	35,000	35,000	30,401
<b>Total</b>	<b>48,000</b>	<b>48,000</b>	<b>48,000</b>	<b>48,401</b>
<b>Net Borrowing / (Net Investment)</b>	<b>(36,000)</b>	<b>(8,000)</b>	<b>(33,100)</b>	<b>(34,401)</b>

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

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

### COVID-19 Pandemic - Extraordinary Circumstances

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

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

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

The Treasury Management Strategy specifies the maximum sums that can be

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

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

### 3. Introduction and Background

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

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

### 4. Capital Expenditure and Financing

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

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

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

<b>Table 2: CAPITAL FINANCING</b>	<b>2018/19 Actual £000</b>	<b>2019/20 Original Budget £000</b>	<b>2019/20 Revised Budget £000</b>	<b>2019/20 Actual £000</b>
Capital Programme Expenditure	39,235	45,927	20,827	18,030
Less: amounts not defined as Capital by statute	-	-	-	(74)
<b>Total Capital Expenditure</b>				<b>17,956</b>
<b>Financed By:</b>				
Capital Grants	3,966	3,048	3,048	2,513

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<b>Table 2: CAPITAL FINANCING</b>	<b>2018/19 Actual</b>	<b>2019/20 Original Budget</b>	<b>2019/20 Revised Budget</b>	<b>2019/20 Actual</b>
Capital Receipts	20,133	462	462	863
Revenue Contribution	90	-	-	304
Capital Reserves	-	2,417	2,417	1,236
<b>Total Finance</b>	<b>24,189</b>	<b>5,927</b>	<b>5,927</b>	<b>4,916</b>
<b>Borrowing in Year</b>	<b>15,046</b>	<b>40,000</b>	<b>14,900</b>	<b>13,040</b>

## 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.

<b>Table 3: CAPITAL FINANCING REQUIREMENT (CFR)</b>	<b>2018/19 Actual £000</b>	<b>2019/20 Original Budget £000</b>	<b>2019/20 Revised Budget £000</b>	<b>2019/20 Outturn £000</b>
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
<b>Cumulative Capital Financing Requirement (CFR)</b>	<b>18,826</b>	<b>54,914</b>	<b>33,595</b>	<b>31,699</b>

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

**Reducing the CFR** – the Council’s underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that the costs of borrowing to fund capital assets are charged to the revenue budget over the life of the asset. In order to achieve this the Council is required to make an annual charge to the revenue budget, the Minimum Revenue Provision (MRP) to reduce its CFR. This is effectively repayment of the associated borrowing.

The CFR can also be reduced by:

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

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

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

<b>Table 4: GROSS BORROWING POSITION</b>	<b>2018/19 Actual £000</b>	<b>2019/20 Original Budget £000</b>	<b>2019/20 Revised Budget £000</b>	<b>31 March 2020 (2019/20) Actual £000</b>
<b>Gross External Borrowing Position (Table 1)</b>	<b>12,000</b>	<b>40,000</b>	<b>14,900</b>	<b>14,000</b>
Cumulative CFR (Table 3)	18,826	58,695	33,595	31,699
<b>(Under) / Over Funding of CFR</b>	<b>(6,826)</b>	<b>(18,695)</b>	<b>(18,695)</b>	<b>(17,699)</b>

**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

# Agenda Item 9

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).

<b>TABLE 5: COST of CAPITAL AGAINST NET REVENUE STREAM</b>	<b>2019/20</b>
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:

<b>Table 6: DEBT PORTFOLIO</b>	<b>31 March 2019 Principal £000</b>	<b>Rate / Return %</b>	<b>Average Life (years)</b>	<b>31 March 2020 Principal £000</b>	<b>Rate / Return %</b>	<b>Average Life (years)</b>
<b>Fixed rate funding:</b>						
PWLB	-	-	-	-	-	-
<b>Market Loans:</b>						
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
<b>Total</b>	<b>12,000</b>	<b>0.96%</b>		<b>14,000</b>	<b>1.07%</b>	
<b>Variable Rate Funding:</b>						
PWLB	-	-	-	-	-	-

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<b>Table 6: DEBT PORTFOLIO</b>	<b>31 March 2019 Principal £000</b>	<b>Rate / Return %</b>	<b>Average Life (years)</b>	<b>31 March 2020 Principal £000</b>	<b>Rate / Return %</b>	<b>Average Life (years)</b>
Market Loans	-	-	-	-	-	-
<b>Total Debt</b>	<b>12,000</b>	<b>0.96%</b>	<b>3 months</b>	<b>14,000</b>	<b>1.07%</b>	<b>1.2 years</b>
<b>CFR (Table 3)</b>	18,827			34,684		
<b>Over / (Under) Borrowing</b>	<b>(6,827)</b>			<b>(20,684)</b>		

<b>Table 7: INVESTMENT PORTFOLIO</b>	<b>31 March 2019 Principal £000</b>	<b>Rate/ Return %</b>	<b>Average Life (years)</b>	<b>31 March 2020 Principal £000</b>	<b>Rate/ Return %</b>	<b>Average Life (years)</b>
<b>Investments:</b>						
- 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
<b>Total Investments</b>	<b>48,000</b>	<b>1.27%</b>	<b>1.6 years</b>	<b>48,000</b>	<b>0.90%</b>	<b>1.67 years</b>

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

<b>Table 8: INVESTMENT PORTFOLIO</b>	<b>31 March 2019 Actual</b>	<b>2018/19 Original Limits</b>	<b>31 March 2020 Actual</b>
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.

<b>Table 9: INVESTMENT PORTFOLIO</b>	<b>Actual 31 March 2019 £000</b>	<b>Actual 31 March 2019 %</b>	<b>Actual 31 March 2020 £000</b>	<b>Actual 31 March 2020 %</b>
<b>Treasury investments</b>				
Banks	8,000	17%	5,000	10%
Building Societies - rated	40,000	83%	18,000	38%
Local authorities	0	0%	0	0%

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<b>Table 9: INVESTMENT PORTFOLIO</b>	<b>Actual 31 March 2019 £000</b>	<b>Actual 31 March 2019 %</b>	<b>Actual 31 March 2020 £000</b>	<b>Actual 31 March 2020 %</b>
Money Market Funds	0	0%	25,000	52%
<b>Total</b>	<b>48,000</b>	<b>-</b>	<b>48,000</b>	<b>-</b>
Bond funds	-	-	-	-
Property funds	-	-	-	-
<b>Total managed externally</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL TREASURY INVESTMENTS</b>	<b>48,000</b>	<b>100%</b>	<b>23,000</b>	<b>100%</b>

<b>Table 10: INVESTMENT PORTFOLIO</b>	<b>Actual 31 March 2019 £000</b>	<b>Actual 31 March 2019 %</b>	<b>Actual 31 March 2020 £000</b>	<b>Actual 31 March 2020 %</b>
<b>Non-Treasury Investments</b>				
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 <sup>1</sup>	912	1%	1,100	2%
Investment Property	98,445	96%	52,906	78%
<b>TOTAL NON-TREASURY INVESTMENTS</b>	<b>102,412</b>	<b>100%</b>	<b>67,194</b>	<b>100%</b>
Treasury investments	48,000	32%	23,379	26%
Non-Treasury investments	102,412	68%	67,194	74%
<b>TOTAL – ALL INVESTMENTS</b>	<b>150,412</b>	<b>100%</b>	<b>90,573</b>	<b>100%</b>

**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:

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

<b>Total</b>	<b>48,000</b>	<b>48,000</b>	<b>48,000</b>
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## Borrowing Outturn 2019/20

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

<b>Table 12: LOANS</b>						
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:

<b>Table 13: USABLE RESERVES</b>	<b>2018/19 Actual £000</b>	<b>2019/20 Actual £000</b>
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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
<b>Total</b>	<b>54,254</b>	<b>66,094</b>

**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 un compounded 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.

## 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
<b>Capital Expenditure</b>				
General Fund (Table 2)	39,235	45,927	20,827	17,956
<b>Ratio of net financing costs to net revenue stream</b>				
General Fund	(4.98%)	(2.37%)	(2.37%)	(7.87%)
<b>Gross Debt</b>				
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
<b>Capital Financing Requirement</b>				
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
<b>Annual change in Capital Financing Requirement</b>				
General Fund	15,046	39,868	14,769	12,873

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1.2 TREASURY MANAGEMENT INDICATORS	2018/19	2019/20	2019/20	2019/20
	Actual	Original Budget	Revised Budget	Actual
	£000	£000	£000	£000
<b>Authorised Limit for External Debt</b>				
Borrowing	80,000	80,000	80,000	80,000
Other long-term liabilities	-	-	-	-
<b>Total</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>
<b>Operational Boundary for External Debt</b>				
Borrowing	70,000	70,000	70,000	70,000
Other long-term liabilities	-	-	-	-
<b>Total</b>	<b>70,000</b>	<b>70,000</b>	<b>70,000</b>	<b>70,000</b>
<b>Actual External Debt</b>				
	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%
<b>Maturity structure of Investments during 2019/20</b>	upper limit	lower limit	
Longer than 1 year	£20m	£0m	£13m
Up to 1 year	-	-	£35m
<b>Total</b>	<b>£20m</b>	<b>£0m</b>	<b>£48m</b>



<b>SIGNED OFF BY</b>	Head of Legal and Governance
<b>AUTHOR</b>	Catriona Marchant, Democratic Services Officer
<b>TELEPHONE</b>	Tel: 01737 276066
<b>EMAIL</b>	catriona.marchant@reigate-banstead.gov.uk
<b>TO</b>	Overview and Scrutiny Committee
<b>DATE</b>	Thursday 9 December 2020
<b>EXECUTIVE MEMBER</b>	Not applicable

<b>KEY DECISION REQUIRED</b>	No
<b>WARDS AFFECTED</b>	All Wards

<b>SUBJECT</b>	Overview and Scrutiny Committee's Work Programme 2020/21
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<b>RECOMMENDATIONS</b>
<ul style="list-style-type: none"> <li>i. To consider the proposed future work programme for the Overview and Scrutiny Committee, set out in <b>Annex 1</b>; and</li> <li>ii. To note the Action Tracker (<b>Annex 2</b>) from the last meeting.</li> </ul>
<b>REASONS FOR RECOMMENDATIONS</b>
<p>The work programme for the Overview and Scrutiny Committee was recommended by the Overview and Scrutiny Committee at its meeting on 20 February 2020 and was recommended by Executive on 27 February 2020 that it be approved by Council. Following Annual Council's decision on 28 May 2020 to constitute a separate Audit Committee, the Overview and Scrutiny Work Programme was updated.</p> <p>Arrangements for implementing this year's work programme have progressed and the latest plans are outlined in <b>Annex 1</b>. In addition an Action Tracker (<b>Annex 2</b>) which sets out the resolutions and requests from the previous meeting is added to the Agenda.</p> <p>This is a standing item to keep the Committee informed and to prepare for upcoming business.</p>

# Agenda Item 10

<b>EXECUTIVE SUMMARY</b>
<p><b>Background information</b> The selection and prioritisation of work is essential if the scrutiny function is to be successful, add value and retain credibility. This proposed standing item gives the Committee an opportunity to view and comment on future planning of the Overview and Scrutiny work programme.</p> <p><b>Work Programme 2020/21</b> The Work Programme 2020/21 is a useful tool in planning the overview and scrutiny work programme. The Future Work Programme will be updated before each meeting and feed into the Corporate Forward Plan.</p> <p><b>Recovery Scrutiny Panel</b> A Recovery Scrutiny Panel will consider the Recovery Plan and workstreams set up by the Council following the Covid-19 pandemic and emergency response. Recommendations from this O&amp;S Panel may lead to changes in the Work Programme.</p> <p><b>Action Tracker</b> The Action Tracker sets out the Resolutions and requests for information from the previous meeting.</p>

<b>STATUTORY POWERS</b>
<ol style="list-style-type: none"><li>1. The <i>Local Government Act 2000</i> (as amended) established Overview and Scrutiny Committees within the Leader with Cabinet model of governance. Subsequent legislation including the <i>Police and Justice Act 2006</i>, the <i>Local Government Public Involvement in Health Act 2007</i>, the <i>Local Democracy, Economic Development and Construction Act 2009</i>, the <i>Localism Act 2011</i> and the <i>Local Authorities (Overview and Scrutiny Committees) (England) Regulations 2012</i> has provided additional responsibilities on the Committee.</li></ol>
<b>BACKGROUND</b>
<ol style="list-style-type: none"><li>2. The Overview and Scrutiny Committee Work Programme 2020/21 was agreed earlier in 2020 and sets out a programme of activity that is in line with the Council's priorities.</li><li>3. This report requests the Committee to use the Overview and Scrutiny Committee Work Programme 2020/21 and Action Tracker as a tool to assist the Committee in managing its activities during the year.</li></ol>

<b>OPTIONS</b>
4. The Committee has the option to approve, add to or remove items from the Work Programme or to ask Officers to review the position and report back on alternative options to include any new resource implications.
<b>LEGAL IMPLICATIONS</b>
5. There are no immediate legal implications arising from this report.
<b>FINANCIAL IMPLICATIONS</b>
6. There are no financial implications arising from the recommendations set out in this report. Should any of the work undertaken by Overview and Scrutiny generate recommendations with financial implications then these will be highlighted at that time.
<b>EQUALITIES IMPLICATIONS</b>
<p>7. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:</p> <ul style="list-style-type: none"> <li>• Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;</li> <li>• Advance equality of opportunity between people who share those protected characteristics and people who do not;</li> <li>• Foster good relations between people who share those characteristics and people who do not.</li> </ul> <p>The three parts of the duty applies to the following protected characteristics: age; disability; gender reassignment; pregnancy/maternity; race; religion/faith; sex and sexual orientation. In addition, marriage and civil partnership status applies to the first part of the duty.</p>
<p>8. The Committee should ensure that it has regard for these duties by considering them through the course of its work. This should include considering:</p> <ul style="list-style-type: none"> <li>• How policy issues impact on different groups within the community, particularly those that share the nine protected characteristics;</li> <li>• Whether the impact on particular groups is fair and proportionate;</li> <li>• Whether there is equality of access to service and fair representation of all groups within the Borough;</li> <li>• Whether any positive opportunities to advance equality of opportunity and/or good relations between people, are being realised.</li> </ul>
<b>COMMUNICATION IMPLICATIONS</b>
9. There are no communication implications.

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## **RISK MANAGEMENT CONSIDERATIONS**

10. There are no risk management considerations.

## **CONSULTATION**

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

## **POLICY FRAMEWORK**

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

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

## **BACKGROUND PAPERS**

Overview and Scrutiny Committee Work Programme 2020/21 report (20 February 2020)  
<https://reigate-bansteadintranet.moderngov.co.uk/documents/b4841/Addendum%20-%20Overview%20and%20Scrutiny%20Committee%20Proposed%20Work%20Programme%20202021%2020th-Feb-2020%2019.30%20Ov.pdf?T=9>

## **ANNEXES**

- Annex 1 – Future Work Programme 2020/21
- Annex 2 – Committee Action Tracker

# REIGATE AND BANSTEAD BOROUGH COUNCIL:

## OVERVIEW AND SCRUTINY COMMITTEE WORK PROGRAMME



Date of issue: 27 November 2020

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<b>3 December 2020 (Budget Scrutiny Panel)</b>								
<i>Pat Main, Interim Head of Finance and Assets</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Service &amp; Financial Planning 2021/22</b>  To approve the 2021/22 provisional budget proposal for consultation with the Overview and Scrutiny Committee in accordance with the Policy Framework and Budget Procedure rules within the Constitution and with the Business Community to comply with statutory requirements.	9 Dec 2020	19 Nov 2020		Open	KEY
<b>9 December 2020</b>								
<i>Catriona Marchant, Democratic Services Officer</i>	Deputy Leader and Portfolio Holder for Finance and	Commercial and Investment Director	<b>Portfolio Holder Briefing - Organisation Portfolios</b>  To receive the Portfolio Holder	9 Dec 2020			Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
	Governance, Portfolio Holder for Corporate Policy and Resources, Portfolio Holder for Investment and Companies		Briefings of the Organisation Portfolios and to provide any observations for consideration by Executive Members.					
140 <i>Catriona Marchant, Democratic Services Officer</i>	Chair of Overview and Scrutiny Committee	Interim Head of Finance	<p><b>Budget Scrutiny Panel: Observations on the Budget Proposals for 2021/22</b></p> <p>To receive a report from the Budget Scrutiny Panel to i) consider the provisional budget proposals for 2021/22 and make recommendations to the Executive in line with the Council's budget and policy procedure rules.</p>	9 Dec 2020	17 Dec 2020		Open	
<i>Catherine Rose, Head of Corporate Policy</i>	Portfolio Holder for Corporate Policy and Resources	Director of Place	<p><b>Environmental Sustainability Strategy</b></p> <p>To consider the Council's environmental sustainability strategy.</p>					KEY

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>Caroline Waterworth, Commercial and Investment Director</i>	Portfolio Holder for Investment and Companies	Commercial and Investment Director	<b>Commercial Strategy - Part 1</b> To consider the Council's Commercial Strategy.					KEY
<i>Helen Stocker, Finance Manager</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Treasury Management Half Year Report 2020/2021</b> To comply with the requirements of the regulatory framework for treasury management and meet the Council's reporting requirements.	9 Dec 2020	19 Nov 2020	10 Dec 2020	Open	KEY
<i>David Brown, Finance Manager, Luke Harvey, Project &amp; Performance Team Leader, Mark Herdman, Business Accountant</i>	Deputy Leader and Portfolio Holder for Finance and Governance, Portfolio Holder for Corporate Policy and Resources	Head of Projects and Performance, Interim Head of Finance	<b>Q2 2020/21 performance report</b> To consider the Council's performance in Q2 2020/21	9 Dec 2020	17 Dec 2020	11 Feb 2021	Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<b>21 January 2021</b>								
<i>Mari Roberts-Wood, Director of People</i>	Leader of the Council	Chief Executive	<b>Leader's Update (January 2021)</b>  To receive the Leader's Update.					KEY
<i>Pat Main, Interim Head of Finance and Assets</i>	Deputy Leader and Portfolio Holder for Finance	Director of Finance and Organisation	<b>Budget 2020/21 and Capital Programme 2020 to 2025 Proposals</b>  To consider the updated elements of the Budget 2020/21 and Capital Programme 2020 to 2025 proposals.	23 Jan 2020			Open	
<i>Catherine Rose, Head of Corporate Policy</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Chief Executive	<b>Recovery Scrutiny Panel Update</b>  To consider the Panel's feedback and a further update from officers and make recommendations.					KEY
<i>Catriona Marchant, Democratic Services Officer</i>	Leader of the Council	Head of Legal and Governance	<b>Calendar of Meetings 2021/22</b>  To establish a timetable to ensure the efficient and effective conduct of Council business for the next Municipal Year (2021/22)	21 Jan 2021	28 Jan 2021	11 Feb 2021	Open	

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Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<b>18 February 2021</b>								
<i>Ross Spanton, Community Safety Officer, Justine Chatfield, Head of Community Partnerships</i>	Portfolio Holder for Community Partnerships	Head of Community Partnerships	<b>Annual Community Safety Partnership Scrutiny - 2019/20</b>  To review the work of the East Surrey Community Safety Partnership in 2019/20.	23 Jan 2020			Open	
<b>18 March 2021</b>								
<i>Luci Mould, Director of Place,</i>	Portfolio Holder for Neighbourhood Services, Portfolio Holder for Economic Prosperity, Portfolio Holder for Planning Policy and Place Delivery	Director of Place	<b>Portfolio Holder Briefing - Place Portfolios</b>  To receive a briefing from the Place Portfolio Holders regarding the Place business areas and their portfolios.	20 Feb 2020			Open	
<i>Kirsty Jane Hill, Democratic Services Officer</i>	Portfolio Holder for Investment and Companies	Head of Legal and Governance, Interim Head of Finance	<b>Companies Performance Update</b>  To receive an update on the performance of Council companies.	16 Apr 2020			Part exempt	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>Helen Stocker, Finance Manager</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Treasury Management Strategy 2021/2022</b>  Treasury Management Strategy 2021/2022	18 Mar 2021	25 Mar 2021 25 Mar 2021	8 Apr 2021	Open	KEY
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Deputy Leader and Portfolio Holder for Finance and Governance, Portfolio Holder for Corporate Policy and Resources	Head of Projects and Performance, Interim Head of Finance	<b>Quarterly Performance Report (Q3 2019/20)</b>  To consider Council performance in the third quarter of 2019/20 in regard to Key Performance Indicators, Revenue and Capital Budget Monitoring and Risk Management.	19 Mar 2020	26 Mar 2020		Open	
<i>Catriona Marchant, Democratic Services Officer</i>	Chair of Overview and Scrutiny Committee	Head of Legal and Governance	<b>Overview and Scrutiny Annual Report 2020/21</b>  Annual Report for Overview and Scrutiny Committee 2020/21	18 Mar 2021		8 Apr 2021	Open	
<i>Catriona Marchant, Democratic Services Officer</i>	Chair of the Overview and Scrutiny Committee	Head of Legal and Governance	<b>Overview and Scrutiny Committee: Proposed Work Programme 2020/21</b>  To consider the proposed work programme for the Committee for 2020/21.	20 Feb 2020	27 Feb 2020	9 Apr 2020	Open	

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<b>To be scheduled</b>								
<i>Caroline Waterworth, Commercial and Investment Director</i>	Portfolio Holder for Investment and Companies	Commercial and Investment Director	<b>Commercial Strategy - Part 2</b> To consider the Commercial Strategy – Part 2.					KEY

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**Action tracker - Overview and Scrutiny Committee 2020/21 – Updated 1 December 2020**

Meeting 2020/21	Subject and request	Action	Who	When	Completed
10 Sept 2020	Item 11 – Future Work Programme and Action Tracker	<p><b>Trust Funds</b> – Updated information from Deputy Monitoring Officer - 1 Dec 2020 – Consultation with the Charity Commission will shortly be started. Once a response is received from the Charity Commission a more comprehensive written update will be provided to O&amp;S, which will include options as to the best way forward. Please note it may take some time to work through this step as it is dependent on the speed of response/general communication with the Commission. We will regularly follow up with the Commission to assist in speeding up the process.</p> <p>Members had received a written response about ongoing work to trace and examine legal documents regarding Trust Funds including the Reigate Baths Trust Fund and Commons Trust to identify what the funds can or cannot be used for. It was noted that it would be a long and complex process as work involved detailed examination of the trust deeds and consultation with the Charity Commission. Members asked for an update when available.</p>	Request to officers	In progress	Update from Deputy Monitoring Officer (see Action). Written response circulated to Members on 3 September 2020 giving an update on work to trace and examine legal documents regarding Trust Funds.

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