Agenda

Overview and Scrutiny Committee

Thursday, 18 March 2021 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	S. Parnall
M. S. Blacker	J. Paul
G. Buttironi	J. E. Philpott
J. C. S. Essex	K. Sachdeva
R. J. Feeney	S. Sinden
J. Hudson	R. S. Turner
N. C. Moses	Vacant

Substitutes:	
Conservatives:	F. Kelly, J. P. King, C. M. Neame and C. Stevens
Residents Group:	G. Adamson, J. S. Bray and C. T. H. Whinney
Green Party:	S. McKenna and R. Ritter
Liberal Democrats	S. A. Kulka

For enquiries regarding this agenda;

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

Published 10 March 2021

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 - 12)

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

3. Declarations of interest

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

4. Portfolio Holder Briefing - Place Portfolios (Pages 13 - 56)

To receive a briefing and presentations from the Place Executive Members for Planning Policy & Place Delivery, Neighbourhood Services and Economic Prosperity and to consider any issues that arise.

5. Q3 2020/21 performance report (Pages 57 - 102)

To consider Council performance in the third quarter of 2020/21 and to note and make any observations to Executive on the following reports:

- Key Performance Indicator performance for Q3 2020/21
- Key Performance Indicators to be reported on for 2021/22
- Revenue budget performance for Q3 2020/21
- Capital Programme performance for Q3 2020/21

6. Treasury Management Strategy 2021/2022 (Pages 103 - 146)

To consider and to provide feedback on the following which are proposed for 2021/22:

- Treasury Management Strategy Statement;
- Prudential Indicators:
- Minimum Revenue Provision Statement; and
- Borrowing Limits

that will be finalised and submitted for approval by the Executive on 25 March 2021 and Council on 8 April 2021.

7. Overview and Scrutiny Proposed Work Programme 2021/22 (Pages 147 - 154)

To consider and approve the proposed Work Programme for the Committee for the coming year 2021/22 for consultation with Executive on 25 March and approval by Full Council on 8 April 2021.

8. Overview & Scrutiny Annual Report 2020/21 (Pages 155 - 166)

To review and note the Annual Report of the Overview and Scrutiny Committee for this year 2020/21 and recommend the Annual Report to Council.

That any additional observations be made to Council on 8 April 2021.

9. Companies Performance Update - Spring 2021 (Pages 167 - 190)

To note the Spring 2021 Companies Performance Update, as set out in the report, and to make any observations for consideration by the Commercial Ventures Executive Sub-Committee.

10. Executive

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

11. Any other urgent business

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

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

12. Exempt Business

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

(i) it involves the likely disclosure of exempt information as defined in 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.

13. Companies Performance Update, Spring 2021 (Exempt)

(Pages 191 - 194)

To consider any Exempt information in relation to the Companies Performance Update.

Our meetings
As we would all appreciate, our meetings will be
spirit of mutual respect and trust, working t
benefit of our Community and the Council, anc
with our Member Code of Conduct. Courtesy v
all those taking part.

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

Accessibility
The Council's agenda and minutes are provi
However, the Council also embraces its duty t
need to provide documents in different formats,
large print or in other languages. The Council w
formats where a need is identified prior to pu
request.

Notice is given of the intention to hold any part
in private for consideration of any reports cont
information, which will be marked accordingly.

BOROUGH OF REIGATEAND BANSTEAD

OVERVIEW AND SCRUTINY COMMITTEE

Minutes of a meeting of the Overview and Scrutiny Committee held at the Remote - Virtual Meeting on Thursday, 18 February 2021 at 7.30 pm.

Present: Councillors N. D. Harrison (Chair), S. T. Walsh (Vice-Chair), M. S. Blacker, 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 and C. M. Neame (Substitute)

Also present: Councillors R. Ashford, M. Brunt, T. Schofield, Surrey County Councillor B. Thomson, Reigate and Banstead Borough Commander Inspector A. Maguire, Surrey Police and Crime Commissioner, Mr D. Munro.

69. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor G. Buttironi with Councillor C. Neame as his Substitute.

70. MINUTES

The Minutes of the last meeting on 21 January 2021 were approved.

71. DECLARATIONS OF INTEREST

There were no declarations of interest.

72. ANNUAL COMMUNITY SAFETY PARTNERSHIP SCRUTINY 2020

The annual work of the Community Safety Partnership in Reigate and Banstead during the past year on police and crime matters was scrutinised by the Committee.

Chair, Councillor N. Harrison, welcomed Councillor R. Ashford (Executive Portfolio Holder for Community Partnerships), Borough Commander, (Inspector Alex Maguire), and the Surrey Police and Crime Commissioner (David Munro) to the meeting. The Leader, Deputy Leader and visiting Surrey County Councillors also attended the meeting.

Councillor Ashford, the Borough Commander and the Police and Crime Commissioner each gave a presentation of their work to the Committee and responded to Members' advance questions in writing and to questions raised at the meeting.

Councillor Ashford gave an overview of community safety in the last year in the context of COVID-19 with restrictions on face to face work and prioritising the community welfare response. A Reigate & Banstead Community Safety Partnership had been established to enable a local focus and build strong collaborative partnerships. Virtual meetings had increased attendance at multi-agency meetings such as the Joint Action Group (JAG). A report on CCTV future options had been agreed and the rationalisation project had started.

Community Safety Officer, Ross Spanton, set out the joint work to tackle anti-social behaviour (ASB) in Reigate Priory Park such as fires, gatherings, damage, and disorder during the summer last year. There had been a reduction in ASB reports, engagement and safeguarding of young people and reduced calls of service and complaints to the Council and Surrey Police.

Reports of cannabis fumes impacting neighbours during warm weather and COVID-19 restrictions were dealt with by Cannabis Community Protection Warnings/Notices. A review and public consultation of the Redhill Public Space Protection Order was carried out and a new PSPO established for Redhill to run from 2020-23.

There had been a large rise in the number of domestic abuse referrals during COVID-19 and lockdown in 2020. In response to a Member's written question it was confirmed that the Surrey Domestic Abuse Partnership referral figures showed that in Reigate & Banstead there had been a 63% rise in domestic abuse referrals for April to September 2020 compared with the same period in 2019. (Between April and September in 2019/20 there had been 422 referrals and between April and September 2020/21there had been 688 referrals).

Councillor Ashford thanked Community Partnerships team Justine Chatfield, Clare Mittelstadt and Ross Spanton for their work in delivering this service to vulnerable residents during the 2020/21 pandemic and national lockdowns.

Members raised questions and discussed the following issues:

- **Domestic abuse** – the Council provides a grant to ESDAS (East Surrey Domestic Abuse Services) to help support the delivery of local outreach support for domestic abuse victims. Council officers have been in regular contact with ESDAS who had received sustained high levels of referrals and complex cases last year. ESDAS have been supporting service users over the phone and via Zoom, and outside of lockdown, face to face. The Committee heard at the meeting that the grant funding was £21,000 which is made up of £18k for the outreach work and £3000 towards the Sanctuary scheme which provide funding to survivors of domestic abuse to have security adaptations added to their homes for their safety (after the perpetrator has left the home).
- The Council continued to raise awareness of domestic abuse and support survivors through campaigns and techniques for survivors to use whilst in lockdown and beyond, such as phone apps like *The Silent Solution* which allows survivors to dial 999 remain silent, dial 55, with the operator putting the call through to police. *Ask for ANI* was also highlighted where survivors of domestic abuse can enter Boots stores and ask for ANI (Assistance Needed Immediately) to trained staff who can ensure appropriate resources are called to the store to support the survivor.

- **Counter--terrorism Prevent national policy –** Members heard that there was continued effective dialogue with local communities through Community Development Network virtual meetings to identify concerns of people being drawn into terrorism including right-wing extremist groups.
- **Cannabis Community Protection Notices** – Members asked how these were followed up to make sure users were complying with the warnings and notices. A review and public consultation of the Redhill Public Space Protection Order was carried out and a new PSPO established for Redhill to run from 2020-23.
- **Anti-social behaviour reporting –** Members asked about ways of reporting anti-social behaviour. Advice was that crime should not be under-reported and to ring 101 if an incident has happened and 999 if an emergency is happening. There was also information on the Council's website about how to report issues such as bonfires and loud music which were environmental health concerns.

Surrey Police and Crime Commissioner, David Munro, gave an overview of his work. As the PCC, he is elected to hold Surrey Police to account on behalf of residents and is responsible for the Police and Crime Plan. This includes funding and supporting crime prevention and support for victims. A total of £427,000 was awarded to over 30 organisations through the PCC's Coronavirus Support Fund. A new refuge space had been created with Surrey partners for survivors of domestic abuse. Mr Munro highlighted the further funding for additional officers and operational staff with 83 extra officers and 67 extra police staff (nearly all in operational roles) budgeted for in 2021/22.

It was reported that the vast majority of Surrey residents were abiding by the COVID-19 lockdown rules and police focus was on burglary, drugs and supporting the most vulnerable. There had been 350 Fixed Penalty Notices issued across Surrey due to Covid-related matters; three £10,000 fines had been issued by Surrey Police, including one in the Kingswood area.

A referendum had been held to consult residents on increasing the police precept element of the Council Tax 2021/22 by 5.5% with a narrow majority of residents against the proposal. The Police and Crime Panel at its 5 February meeting voted against the PCC's proposed increase but the panel did not have the necessary two-thirds majority present to overturn it.

Reigate and Banstead Borough Commander, Inspector Alex Maguire, gave a presentation on policing in the borough during 2020. The Safer Neighbourhood Team saw an increase in the number of officers and staff, with an additional 4 PCs, new PCSOs (bringing the PCSOs team to 19) and 2 youth engagement officers. The focus was on protecting the vulnerable (including safeguarding issues), targeting prolific offenders (such as those exploiting children and young people) and tackling crimes which have a serious impact on the community such as drug-related crime.

It was reported that there had been a sharp drop in residential burglaries compared to the previous year with a 57.5% decrease with 194 fewer offences; a 33.5% decrease in vehicle crime compared to 2019 with 175 fewer offences. However there had been a 28.5% increase in anti-social behaviour offences compared to

2019. There had been an increase in the number of Domestic Violence Protection Orders due to the rise in domestic abuse incidents during lockdown.

Neighbourhood officers had worked closely with council officers such as with British Transport Police and the Council's JET team around Reigate station and Reigate College. High harms crimes had led to jail sentences for burglaries in the north of the borough in Banstead and Tadworth. Up to the date of the meeting, the police had issued 78 Covid-related Fixed Penalty Notices in the borough with £10,000 fine in Kingswood.

O&S Committee Members and also Surrey County Council Visiting Member, Councillor B.Thomson, asked the Surrey PCC and Borough Commander questions on: increase in the police precept, legislation around policing heavy waste vehicles, high value burglaries of gold and jewellery affecting minority ethnic communities, action on drug users and tackling the problem of nitrous oxide use with thousands of cylinders collected from litter picks in the borough's parks and green spaces.

- **Fly tipping** – reports of fly tipping volumes had risen during lockdown with the waste, recycling and cleansing services teams working to clear excess rubbish which was an area overseen by the Executive Member for Neighbourhood Services.
- **Community Speedwatch** – this scheme had proved very successful with some drivers reported for going two to three times over the speed limit.
- '**Cuckooing' and drug dealers** – Members expressed concern at anti-social behaviour during the lockdown and the lack of response from social housing providers in the Whitebushes and Earlswood areas where young people were selling drugs and taking over properties of vulnerable people (called 'cuckooing') in the local community. Two new PCSOs were joining the neighbourhood team to help target offenders in these areas and make residents feel safer.
- **Council Tax police precept increase** – Members asked the Surrey PCC David Munro about his response to the public referendum result and the increase of 5.5% in the police precept element of the Council Tax. Mr Munro said that out of 4000 people who responded, 51% were against the increase and 49% were for this increase. The Police and Crime Panel had voted narrowly to support the proposal. Members asked why this increase only equated to 10 additional officers and 66 support staff. The PCC said it was due to unavoidable cost pressures. There was a planned zero percent pay freeze, but incremental pay increases were paid to officers in a similar way to teachers.
- **Obstructive parking issues** – Councillor Essex thanked the PCC, police, and officers for their responsive and collaborative work on dealing with obstructive parking issues, including raising it with the Lead Member for Transport at Surrey County Council.
- **Drivesmart** – Members asked the Borough Commander for more information about speed management plans and policing roads such as the A25 and A23 in Redhill and Reigate.
- **Dog theft** – it was confirmed that dog theft was a rising rural crime trend across Surrey, such as in the Mole Valley area, and there were increasing numbers of social media posts about reports of attempted dog thefts in the borough. PCSOs were responding to these reports.

Councillor Harrison thanked the external guests Surrey PCC, the Borough Commander as well as Councillor Ashford and Community Safety officers for attending the meeting and their contributions.

RESOLVED – that the work of the Reigate and Banstead Community Safety Partnership in 2020 be noted.

73. FUTURE WORK PROGRAMME

Members made no observations about the Committee's current year Work Programme 2020/21. The Committee's Proposed Work Programme for 2021/22 was an agenda item for the next meeting on 18 March 2021. A Member Development virtual webinar on scrutiny, facilitated by Senior Research Officer, Kate Grigg, from the Centre for Governance and Scrutiny, was to take place on 24 February.

RESOLVED – that the current year Work Programme 2020/21 be noted.

74. 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.

75. ANY OTHER URGENT BUSINESS

There were no items of urgent business.

The Meeting closed at 9.30 pm

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

SIGNED OFF BY	Director of Place
AUTHOR	Luci Mould, Director of Place,
TELEPHONE	01737 276214
EMAIL	luci.mould@reigate-banstead.gov.uk,
TO	Overview and Scrutiny Committee
DATE	Thursday, 18 March 2021
EXECUTIVE MEMBER	Portfolio Holder for Neighbourhood Services, Portfolio Holder for Economic Prosperity, Portfolio Holder for Planning Policy & Place Delivery

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Portfolio Holder Briefing – Place Portfolios

RECOMMENDATIONS

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

REASONS FOR RECOMMENDATIONS

To consider the progress of work against Place Portfolio objectives.

EXECUTIVE SUMMARY

1. This report provides an overview of the activities undertaken within the Place Portfolio areas in the municipal year to date.

2. The three Place Portfolios are Planning Policy, Neighbourhood Services and Place and Economic Prosperity.

KEY INFORMATION

Executive Portfolios

3. 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.

4. The three portfolios aligned with the Place theme are Planning Policy, Neighbourhood Services, and Place and Economic Prosperity.

5. The areas of responsibility for these portfolios are as follows:

- **Planning Policy & Place Delivery:** Planning Policy & Local Plan, CIL, Building Control, Place Projects & Delivery.
- **Neighbourhood Services:** Environmental Health, Licensing, Joint Enforcement Team, Parking, Waste & Recycling, Greenspaces, Fleet & Cleansing.
- **Economic Prosperity:** Economic Development. Gatwick, Job Creation, Town Centres.

Portfolio Objectives

6. Following their appointment, Executive Members agreed objectives for their portfolio areas for the municipal year.

7. Progress against objectives has been assessed for the year to date, and this information is provided for the consideration of this Committee.

Overview and Scrutiny

8. As part of 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.

9. To reflect the coordinated approach of Portfolio Holders within the Corporate Plan themes, these briefings are presented by service areas.

10. 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.

Planning Policy
Transport
Building Control
Place Delivery

Portfolio Updates

Reigate & Banstead
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Planning Policy, Transport, CIL, Building Control and Place Delivery

Reigate & Banstead 2025

Contribution to delivering our Five Year Plan

Despite the challenges that have been brought about by the pandemic the Portfolio has made substantial progress driving forward key project and programmes this year.

The work of the Services is contributing to a range of key corporate priorities in our Five Year Plan

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

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

SHAPING OUR PLACES
Ensure new development is properly planned and sustainable, and benefits the borough's communities and the wider area

CLEAN & GREEN
Invest in parks, recreational facilities and countryside in Council ownership, promote biodiversity and encourage greater use of our green spaces…through the provision of new facilities, activities and events

Planning Policy

Supplementary Planning Documents (SPDs)

New and revised SPDs prepared to help deliver the policies of the DMP and support 5-year Plan objectives and delivery of other services.

In April 2020, the following four SPDs were adopted:

- Affordable Housing SPD
- Barn and Farm Conversions SPD
- Historic Parks & Gardens SPD
- Reigate Shop Fronts SPD

Local Distinctiveness Design Guide SPD

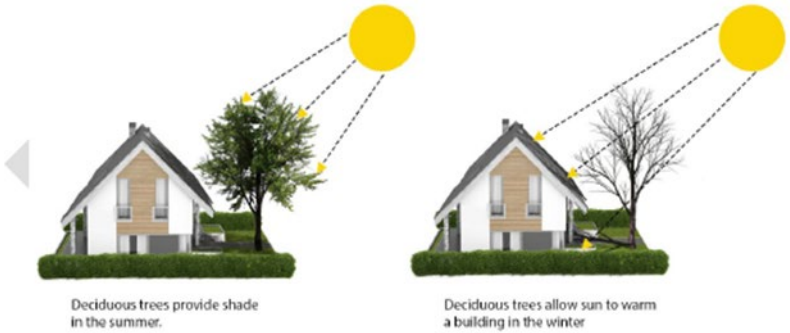
- Defines character areas of the borough and uses case studies to illustrate development trends, including successes and failures.
- Public consultation just finished.
- Anticipated for adoption in Summer 2021.

Sustainable Construction and Climate Change SPD – Consultation draft

- New SPD providing guidance on how to implement new sustainability policies of the DMP.
- Will complement the Borough's environmental and sustainability objectives.
- Anticipating adoption late Summer 2021.

Figure 10: Air leakage in a house

Figure 25: Benefits of deciduous trees and development



Horley Business Park SPD

- Work progressed preparing a vision and masterplan for the HBP.
- Evidence gathering on need post-Covid.
- Adoption late 2021.

Playing Pitch Strategy

- Work just commenced on scoping out a playing pitch strategy to consider future needs and options for sports facilities across the Borough.

Community Infrastructure Levy (CIL)

- Over £7 million has been secured from development.
- Nearly £3.5 million collected in 19/20.
- First Infrastructure Funding Statement published.
- Nearly £1 million spent on infrastructure projects in 19/20.
- Over 50 projects now funded or allocated for CIL funding.

Year (1 April – 31 March)	Amount of CIL funding collected
2016/17	£ 187,561.37
2017/18	£ 965,418.45
2018/19	£ 2,230,662.70
2019/20 (The reported year)	£ 3,466,176.19
Total	**£ 6,849,818.71**

Transport

- We have worked closely with Surrey County Council, Highways England, Network Rail and other partner organisations to promote various transport improvements within the Borough.

- We are in the process of preparing a Local Cycling Walking Infrastructure Plan (LCWIP) in partnership with SCC and Atkins to identify priorities for walking and cycling improvements across the Borough.

- We have laid out the Borough's objectives and priorities for transport improvements within wider strategies: Transport for the South East; Surrey Transport Futures and Surrey Infrastructure Plan.

- CIL continues to contribute towards the delivery of various transport improvements.

Southern Building Control Partnership

- The Council entered the Partnership in 2017 with Tandridge and Mole Valley DC.
- The Partnership's financial performance has improved year on year and RBBC has renegotiated lower service recharges with TDC and MVDC to improve our returns. But for Covid it was forecast to have returned a profit this year.
- There are challenges however, post-Grenfell and reducing market share of all LABCs.
- Regular SBCP Board Meetings held to review budget and agree service improvements.
- The Inter Authority Agreement (IAA) has been reviewed with a new IAA and Business Plan in development (including consideration of additional partners and hosting arrangements).

SOUTHERN
BUILDING CONTROL
PARTNERSHIP

Place Delivery

Focus of service

- The Place Delivery Service works with internal and external partners to deliver the Council's corporate priority place shaping projects and programmes, with a focus on four key areas:

  - **Development projects** including housing and mixed use schemes
  - **Estate based regeneration** in key areas of need within our Borough
  - **Town Centre regeneration** with a focus in Redhill and Horley
  - **New neighbourhoods** and infrastructure improvements in Horley

- The team includes a small multi-disciplinary team:

Head of Service	Peter Boarder
Principal Development Manager	Catherine Radziwonik
Senior Development Manager	Penny Craig
Open Space Development Manager	Bruno Amador
Place Project Manager	Carrie Burton
Part time consultant Transport Advisor	Chris Parry

Town Centres - Marketfield Way

Progress This Year

- We have made good progress to deliver our landmark scheme
- All necessary statutory agreements are now in place
- In July we completed our enabling works
- In Aug we entered into our building contract with Vinci

Since Last Summer

- Completed all ground works
- Built two new electricity sub stations
- Begun building the superstructure of the Cinema
- Substantially completed the basement of the residential block
- Completed the diversion and lining of the Thames Water sewers

We Have Also

- Entered into a variation to our pre sale agreement with Delph
- Secured £2m of grant funding from the Coast to Capital LEP
- Awarded over £1m of contracts to local companies
- Received a substantial rating at audit

Town Centres - Marketfield Way

Focus For Next Year

- Complete our S278 highway works.
- Secure key anchor tenants.
- Undertake a comprehensive rebrand of the scheme.
- Complete the main build of the residential part and commence fit out.
- Complete the main structure and commence cinema fit out.
- Complete the main build of the residential part and commence fit out.
- Complete all principal commercial units to shell.
- Agree future estate management arrangements.

Town Centres - Horley

Progress This Year

- Executive has agreed to bring forward a major programme of investment in Horley town centre

- The programme includes:
  - High Street public realm works
  - Improvements to the public subway
  - Introduction of pay on exit car parking in two of our car parks
  - The redevelopment of the High St car park site for a housing led scheme

- The initial stage of work will be funded by the Council, from £225k of grant funding from Coast to Capital LEP and £600k of Section 106 contributions from SCC.
- To successfully deliver the scheme we have been working with a range of partners including Network Rail, Horley Town Council, SCC and Raven HT
- The work is being supported by in depth engagement with key stakeholders regarding their ideas for the town centre
- A full multi disciplinary team of consultants has been appointed to bring forward the projects
- Initial survey work has commenced and very early stage options are beginning to be developed

Town Centres - Horley

Focus For Next Year

- Implementation of pay on exit car parking in Horley central and Victoria Rd car parks.
- Work with Network Rail to agree a scope of works for the subway and appropriate phasing.
- Work with SCC to agree a scheme for the High Street public realm works.
- Work as part of a Joint Venture with Raven Housing Trust to bring forward a planning application for the redevelopment of the High St car park site for a housing led mixed use scheme.

Affordable Homes - Council Led Schemes

Progress This Year

Pitwood Park

- Pitwood will provide 25 homes (14 market sale and 11 shared ownership).
- We entered into our contract this year and have made great progress to date with practical completion forecast end of May 2021.
- An agent has been appointed to sell the market homes.
- We have tendered out the affordable homes to four registered providers.

Cromwell Road

- Cromwell Road will provide 32 flats and ground floor commercial space. 16 flats will be for market rent and 16 for sub market rent.
- We entered into another build contract this year and have made great progress with practical completion forecast in Autumn 2021.

Lee Street

- We have tendered out this scheme to build four new homes for rent in Horley.
- We have also applied for additional grant from Homes England to help deliver the scheme.

Affordable homes - Council Led Schemes

Focus For Next Year

Pitwood Park

- Achieve practical completion by May 2021.
- Work with the asset team to set up a Resident Management Company.
- Sell the affordable housing units to a registered provider.
- Sell the market homes through our agent.

29

Cromwell Road

- Achieve practical completion by Autumn 2021.
- Work with our asset team to let out the commercial units.
- Assist housing and property in marketing and letting of units.

Lee Street

- To enter into contract and achieve practical completion by Dec 2021.

Shaping Our Places - Westvale Park & Preston

Progress This Year

Westvale Park

- We have continued to work with partners to bring forward the new neighbourhood at Westvale.
- 800 new homes have now been completed, 25% of which are affordable.
- A central focus of Westvale will be a new neighbourhood centre.

  - Reserved matters have been approved.
  - A new 2 x FE primary school has been built.
  - We have selected a local group of churches to bring forward the faith site.
  - We are in active discussions with the CCG about the provision of a new medical centre.
  - We have agreed building specifications for a new community hall.

Preston

- We have continued to work with partners to bring forward regeneration in Preston.
- Works to improve parking, footways and bus stops on Chetwode Rd are substantially complete.
- Works to provide new parking on Homefield Gardens is underway.

Shaping our places - Westvale Park & Preston

Focus For Next Year

Westvale Park

- Work with the Consortium and other stakeholders to bring forward the neighbourhood centre including sites and premises for key anchor tenants such as the CCG and the Westvale Community Church.
- Work with the Consortium and Horley town council to bring forward the first of the allotment sites.
- Work with Surrey County Council and the Consortium to extend the bus service though the site.
- Work to improve communications with local residents.

Preston

- Work with local members and key stakeholders such as Raven and SCC to plan and help to implement all remaining regeneration activities in Preston.

Clean & Green - Merstham Rec & Westvale

Progress This Year

Merstham Rec

- We are progressing plans for refurbishing the rec to make it a flagship park within our Borough.
- A first stage of public engagement undertaken with residents and stakeholders was highly successful with over 650 surveys returned.
- We have undertaken initial surveys to inform proposals including a Topographical survey, Ecological, Flood Risk Assessment and Tree survey.
- We have procured and appointed a full multi disciplinary design team.

Westvale

- We have worked with the developers to complete the first three play areas, which have been transferred to and are now managed by the Council.
- Works to the first phase of the Riverside Green Chain are now substantially complete and the conveyancing process begun.

Clean & Green - Merstham Rec & Westvale

Next Years Focus

Merstham Rec

- Work with local stakeholders to agree a comprehensive scheme for the refurbishment of the Rec.
- Submit a planning application for the refurbishment.
- Tender and appoint a contractor to implement the works.

Westvale

- Work with the developers to successfully complete and transfer further play areas in phases 1 and 2 to the Council.
- Complete works to the first phase of the Riverside Green Chain and convey land to the Councils ownership.

Other Council Development Projects

Work This Year & Future Focus

- The Service has also provided valuable support and input into other Council projects.
- Of particular note this year has been the Service's support to the Commercial Directorate to bring forward our plans for Woodhatch Crematorium.
- The Service is also providing support to the Place Directorate in terms of helping to set up the Joint Venture with Raven Housing Trust.
- As part of the Service Business Plan will look to see how we can continue to provide support to such projects moving forward.

Neighbourhood Operations

Refuse, Recycling & Cleansing
Regulatory Services
Fleet Management
Greenspaces

Portfolio Updates

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Refuse, Recycling & Cleansing – What We Do

- Collect recycling & waste from 64000 households (including 7100 tonnes of paper, 6400 tonnes of Mixed Recycling & 4500 tonnes of Food).
- Provide assisted collections for 600 elderly or disabled residents.
- Collect garden waste approx. 24000 homes.
- Manage the changing demands of Commercial Waste during the pandemic.
- Collect recycling from 24 Bring Sites around the borough, including 230 tonnes textiles, 350 tonnes of DMR & 500 tonnes of paper.
- Sweep & litter pick in excess of 400 miles of road within the Borough.
- Support local community litter picking group.
- Work with Place colleagues to support new developments with waste collections and cleansing duties, e.g. Marketfield Way development.
- Work with Business prosperity colleges to improve the appeal of Town centres as we move out of lockdowns.

The Outlook For 2021

- Delivery of the final phase of the Fleet Replacement programme is currently underway providing required resilience to our service delivery.
- Supporting the Council's Environmental Sustainability Strategy, our new vehicles have electric bin lifters reducing fuel consumption by 12%.
- Re-start our flats recycling and bring site review projects, on hold during 20/21.
- Review of our paper collection operation with a view to improving our ways of working.
- Review of our commercial opportunities with a view to expanding GW & TW services

The Outlook For 2021

- Extend ‘Big Belly Bins’ into more locations across the Borough where our litter hotspots have been identified.
- Reinstate weekend/evening litter pickers in Town Centres as we emerge from Lockdown measures.
- Restart our ambition to provide real time notifications of cleansing duties, street sweeping etc to maximise productivity.
- Launch a Comms campaign (take your litter home) and targeted littering Enforcement action to address the increasing problem of litter as Covid-19 restrictions are eased and our public spaces are more widely used.

Regulatory Services - Joint Enforcement Team

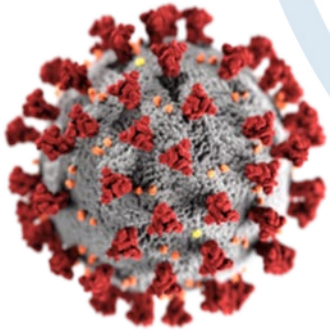
- Tackling reports of antisocial behaviour, fly tipping & abandoned vehicles.
- Enforcement coordination within Council departments e.g. Planning, Licensing, Fraud and take active part in joined up action with the Police, SCC and other partners.
- Dealing with traveller and other illegal encampments.
- Issuing of Fixed Penalty Notices for Fly Tipping .
- Use of CCTV to catch offenders in action.
- Assisting at COVID vaccination centres and ensuring RBBC staff have the correct equipment at home to do their job during the pandemic.

Regulatory Services - Parking

- Throughout the Pandemic Civil Enforcement Officers have helped deliver hot food and prescription medication to the most vulnerable members of our borough.
- Enforcement of dangerous and illegal parking.
- Working closely with the Place Delivery team for Horley Town centre - we will be installing ‘Pay on Exit’ equipment in both Victoria Road and Central Car parks.
- Delivering spaces within Borough car parks for charging points.
- Electric vehicles are replacing the existing cars and parking hope to be the first team in the Council to a fully electric fleet.

Regulatory Services - Environmental Health

- Enforcement of Covid-19 requirements in businesses, including business closures and Covid-Secure operation. Over 450 complaints and requests for advice have been dealt with, plus proactive inspections and surveillance checks.
- Enforce standards of food hygiene in all food businesses, normally inspecting around 300 premises each year.
- Investigate complaints about environmental protection issues such as noise, smoke, dust, odour and air quality.
- Enforce standards in private sector housing, licence certain houses in multiple occupation (HMO's) and administer funding for Disabled Facilities Grants.
- Deal with a range of public health matters, such as pests, filthy and verminous premises and public health funerals.
- Corporate health & safety advice to the whole Council, including the Covid-19 response.



Regulatory Services - Licensing

- Protection of the travelling public in licensed vehicles, safely keep drivers and vehicles on the road during the pandemic.
- Licence holders signposted to our Economic Prosperity team to ensure they are aware of any grants available to them.
- Investigation and enforcement relating to licensing, permits and registrations.
- Implementation of new regulations alongside Development Control for pavement licensing.
- 5 electric taxi licences available to the trade.

Fleet Management – What We Do

- Procurement of the Council's vehicle fleet.
- Repair and maintenance of the Council's fleet vehicles.
- Workshop apprenticeships.
- Ensuring Traffic Commissioner standards are maintained.
- Undertaking MOTs and plating of taxis registered within the Borough. Each year, 1,500 taxis are MOT'd and plated.

Fleet Management – New In 2021

- We have begun to take delivery of our three new small restricted access dustcarts.

- The final 4 waste and recycling dustcarts with electric bin lifts will be delivery and on the road by mid April.

- Our New apprentice is not so new anymore.

- Procurement underway for electric depot pool car, Parking Services vehicles and Greenspaces van.

- Taxi MOT's and plating are back up and running.

Greenspaces & Engineers

The teams maintain parks, open spaces and infrastructure for residents and visitors to a recognised high standard. These services include:

- Grounds maintenance and play area provision & maintenance.
- Highways verge maintenance.
- Allotments.
- Bereavement services.
- Volunteer co-ordination.
- Outdoor events and sports pitch provision.
- Banner sites and sponsorship.
- Trees & woodland management.
- Countryside management.
- Engineering.

Greenspaces & Engineers

Cross-department working

- Supporting delivery of Place Delivery projects, such as Merstham Recreation Ground regeneration and Horley North West sector/Riverside Green Chain.
- Development of Park Farm depot as an environmental sustainability hub for Council operations, in partnership with Property and Corporate Policy teams.
- CIL projects delivered in partnership with Development Management and Planning Policy teams, such as Woodhatch Pond restoration and Nork Park outdoor gym.
- Enhancement of town centres through floral displays, in partnership with Economic Prosperity team.
- Supporting the delivery of key services in response to COVID-19 pandemic, such as refuse & recycling and cleansing.

Greenspaces & Engineers

2021 Outlook

- Continued enhancement of countryside sites, such as the reopening of viewpoints across the Borough.
- Further development of arboriculture operations and environmental sustainability at the Park Farm Depot.
- Working with SCC on drainage and flood prevention schemes, and continuing to maintain watercourses.
- A pipeline of CIL projects to be delivered, such as enhancement of Redhill Common viewpoint and Priory Park outdoor gym.
- Active consideration around resumption of services such as outdoor events, in recognition of changes required, and alignment with COVID restrictions.
- Continued ambitions to achieve quality standard awards in parks & open spaces, despite challenging conditions.

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Economic Prosperity

Portfolio Updates

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

Our Objective

"To drive the continued economic prosperity of the borough, facilitate improved business infrastructure, and confirm the borough's reputation as a great place to do business."

Reigate & Banstead 2025 Corporate Plan

Now, more than ever, the Economic Prosperity Team has a vital role to play in supporting the local economy, it's town centres and businesses. We are helping them to build resilience and strong foundations for future growth.

Skills & Employment

Working with large employers and supporting them to maintain a local presence, employ local workers, build stronger relationships with local education and skills providers and support apprenticeship schemes.

- Creation of the Reigate & Banstead Works and Start Reigate & Banstead websites.
- Establishment of the East Surrey Youth Hub.
- Delivery of the Learn Live virtual careers event.
- Ongoing engagement with large employers through the Business Leaders meetings.

Business Support

Providing support to start-up and micro businesses to increase business birth and survival rates. Facilitating networking to strengthen the business community.

- Business support grants. C£57,000 allocated to date.
- Entrepreneurs Academy 2020. Highest ever participation levels with18 still engaged on the programme. Dragon's Den session 15 April 2021.
- Monthly Business E-bulletin. Over 1,700 subscribers. C35% open rate.
- Social media and LinkedIn Business Group has 168 members.
- 9 Learning Lunches (more than 100 attendees) on-line business networking.

Internal Partnership Working

Working with colleagues to make the borough a more attractive location for residents and visitors to live, work and spend time and to progress our plans for Horley Business Park

- Support for town centres: Use of Town Improvement Fund to deliver minor works and support Christmas activities.
- Installation of social distancing signage.
- Social media campaigns to engage residents and to promote the ‘Support Local’ message
- Horley Business Park: Supported Planning Policy in the preparation of the Supplementary Planning Document including an Economic Update Report.

External Partnership Working

Work with partners across the wider economic area to secure investment, promote the borough, deliver business floorspace and business infrastructure.

- Participating in the Coast to Capital 360 Skills Board
- Economy and Retail lead on the Surrey Recovery Group
- Board member of Gatwick Diamond Business
- Support of the four Town Centre Management Groups

BANSTEAD BUSINESS GUILD

HATS Horley Association of Traders

REDHILL BUSINESS GUILD

REIGATE BUSINESS GUILD

Proud to be making a difference

"I wanted you to know how thankful we are for the time, expertise and support provided through Start Reigate & Banstead."

Careers Lead, Merstham Park School

"I contacted Reigate & Banstead Council when I was in the planning stage for my new business. They've been extremely supportive every step of the way, providing a sounding board for my ideas and giving me top tips on things I should consider as a new business owner."

Business Support Grant Recipient

"We are delighted to be part of the project team - with other local businesses and RBBC - to provide access to information about the fantastic [local employment] opportunities that RB-Works provides."

Group Talent & Development Manager, SES Water

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

SIGNED OFF BY	Interim Head of Finance Head of Corporate Policy
AUTHOR	Luke Harvey, Project & Performance Team Leader David Brown, Finance Manager
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TO	Overview and Scrutiny Committee Executive
DATE	Overview and Scrutiny Committee: Thursday, 18 March 2021 Executive: Thursday, 25 March 2021
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance and Governance Portfolio Holder for Corporate Policy and Resources

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Q3 2020/21 Performance Report

RECOMMENDATIONS
That the Overview and Scrutiny Committee: **(i) Note the Key Performance Indicator performance for Q3 2020/21 as detailed in the report and annex 1 and make any observations to the Executive;**

(ii) Note the Key Performance Indicators to be reported on for 2021/22 as detailed in annex 1.1 and make any observations to the Executive;

(iii) Note the Revenue budget performance for Q3 2020/21 as detailed in the report and at annex 2 and make any observations to the Executive;

(iv) Note the Capital Programme performance for Q3 2020/21 as detailed in the report and at annex 3 and make any observations to the Executive.

That the Executive:

(v) Note the Key Performance Indicator performance for Q3 2020/21 as detailed in the report and annex 1;

(vi) Approve the Key Performance Indicators to be reported on for 2021/22 as detailed in annex 1.1;

(vii) Note the Revenue budget performance for Q3 2020/21 as detailed in the report and at annex 2;

(viii) Note the Capital Programme performance for Q3 2020/21 as detailed in the report and at annex 3.

REASONS FOR RECOMMENDATIONS

For the Council's performance to be reviewed and for appropriate KPI reporting and budget monitoring arrangements to be in place for 2021/22.

EXECUTIVE SUMMARY

This report provides an overview of the Council's performance for Q3 2020/21, including Key Performance Indicator (KPI) reporting, as well as revenue and capital budget monitoring.

The report also details the KPIs to be reported on for 2021/22, at annex 1.1.

Of the ten KPIs reported on in Q3, nine are on target or within the agreed tolerance. One KPI is off target and outside of tolerance (therefore red rated). Additional detail is provided in the report as well at annex 1.

The Revenue Budget full year outturn forecast variance at the end of Q3 for Service budgets is £0.51m (3.4%) lower than the management budget. Central budgets are reporting £2.68m (27.6%) lower than budget, resulting in an overall forecast of £3.20m (12.9%) 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 2 (Section 3) to this report. The situation continues to be monitored closely and, while the impacts are currently forecast to be contained within the additional funding provided to date by Government, use of budget contingencies and Reserves may be necessary to offset any residual costs or income losses.

The full year Capital Programme forecast at the end of Q3 is £50.67m (41%) below the

approved Programme for the year. The variance is as a result of £50.14m slippage and a £0.53m net underspend.
The Overview and Scrutiny Committee and Executive have 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.
2. The Local Government Act 1972 requires the Council to set the associated annual budget as part of proper financial management. This monitoring 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.
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

1. Each quarter the Overview and Scrutiny Committee and Executive received an update on the Council's performance. The report provides an overview of KPI as well as budgetary performance.
2. In Q3 reporting each financial year the Council sets its KPIs for the following financial year.
3. KPIs are service level performance measures and are set in order to demonstrate performance against key corporate objectives.
4. 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 – Q3 2020/21

1. Ten performance indicators are reported on in Q3 2020/21, the full detail of which is provided in annex 1.
2. Of the ten indicators, nine are on target or within the agreed tolerance.
3. One indicator is red rated:
   - KPI 7 – Net affordable housing completions
4. Despite a sharp increase in completions compared to the end of Q2, affordable housing completions are off target and outside of tolerance. Against a target of 75, there were 48 completions by the end of Q3. The low number of completions due to

COVID-19 in the first half of the year continue to weigh on performance. Additional contextual information is provided in annex 1.

5. However, it is important to note that the borough's affordable housing target is for 1,500 affordable units to be built between 2012 and 2027. Since 2012, 875 affordable units have been completed which is two units off where performance would expect to be by this point in the year. Therefore, overall, and allowing for the inevitable fluctuations in development activity and economic circumstances, performance is on track.

KPIs 2021/22

6. Annex 1.1 sets out the KPIs to be reported on for financial year 2021/22.
7. The indicators are based on those reported on in 2020/21 which were compiled following a cross party members working group. However, they have been reviewed taking into account feedback and in consultation with Heads of Service and Portfolio Holders. Two annually reported indicators are proposed for removal to avoid duplication with other reporting mechanisms which provide a more detailed and informative indication of performance.
    - For KPI 11 (Refuse and Recycling revenue) this information is now reported through the quarterly budget monitoring report (which is now more detailed than when the KPI was devised).
    - KPI 12 (investment income) has been superseded as the Commercial Ventures Executive Sub-Committee (CVESC) now receive performance information in this area.
8. Performance baselines, targets and tolerances will be set as part of Q4 performance reporting alongside the relevant Head of Service.

Revenue Budget Monitoring

9. The 2020/21 Original Revenue Budget approved by Council in February 2020 is £24.46m.
10. At the end of Q3 the projected full year outturn is £21.53m against a management budget of £24.73m, 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 £3.200m (12.9%).

Table 1: REVENUE BUDGET MONITORING QUARTER 2 2020/21	**Original Budget £m**	**In-Year Adjustments £m**	**Management Budget £m**	**Year-End Outturn £m**	**Year End Variance £m**
Service Budgets	14.90	0.13	15.03	14.51	(0.52)
Central Budgets	9.56	0.14	9.70	7.02	(2.68)
Total	**24.46**	**0.27**	**24.73**	**21.53**	**(3.200)**

Service Budgets

11. The 2020/21 Original Budget for Services approved by Council in February 2020 is £14.90m. At the end of Q3 the projected full year outturn is £14.51m against a management budget of £15.03m resulting in an underspend of £0.52m (3.4%).
12. The key variances leading to the £0.52m underspend are:

- £0.54m 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 have been addressed during 2021/22 Service and Financial Planning.

- £0.37m combined overspend in Benefits Team and Benefits Paid/Subsidy Received. The Head of Service currently expects around £0.22m of pressures 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, lower 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 has been 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.

- £0.22m overspend in Refuse and Recycling due to expected overspend of £0.12m on temporary staff and £0.05m on overtime. COVID-19 has resulted in £0.05m of additional expenditure and £0.07m of reduced income in this service area [reported separately within section 3 at Annex 2].

- £0.06m underspend in Street Cleansing, due to lower fuel costs and vacancies unfilled because of lower activity levels.

- £0.06m underspend in Greenspaces due to several vacant operative posts because of lower current activity levels. COVID-19 is likely to result in around £0.09m of lost income [reported separately within section 3 at Annex 2].

- £0.07m underspend in Organisation Development & Human Resources due to vacancies earlier in the year.

- £0.09m underspend in Democratic Services due to a vacancy for part of the year and lower requirements for Mayoral events and Member training.

- £0.16m underspend in ICT due to lower software costs, hardware maintenance costs and staff vacancies.

- £0.18m underspend in Legal Services due to vacancies. These posts have now been recruited.

- £0.21m underspend in Building Control relating to a partnership provision that will not be used in 20/21.

- £0.21m underspend in the Chief Executive's Office due to lower staffing expenditure.

- £0.31m underspend in Property & Facilities. A significant proportion of this underspend relates to extra rents recovered from properties that had been forecast to be vacant.

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

Central Budgets

14. The 2020/21 Original Budget for Central budgets approved by Council in February 2020 is £9.56m. At the end of Q3 the projected full year outturn is £7.02m against a management budget of £9.70m resulting in an underspend of £2.68m (27.7%).
15. This underspend is mainly as a result of
    - £1.54m 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).
    - £1.19m forecast underspend in Budget Contingencies and the New Posts budget.
16. 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.
17. Further details are provided at Sections 1 and 2 of Annex 2.

COVID-19 Pandemic – Forecast Budget Impacts at January 2021

18. 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.
19. 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.
20. 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 December. Under the circumstances it is more appropriate to report current (at January 2021) forecasts.
21. 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

January 2021 and is likely to change as more information becomes available. The financial impacts of a deficit on the Collection Fund (further details below) will add to these pressures.

22. The current estimate of the net financial impact in 2020/21 is potentially cost-neutral after taking account of COVID-19 grant funding.

Table 2: FORECAST COVID-19 FINANCIAL IMPACTS 2020/21 at 31.1.21	**Full Year Forecast at 31.1.21 £M**
Forecast Additional Expenditure	1.958
Forecast Income Losses	4.332
Government Grants • Emergency Grant - £1.874m (excludes £638k for 21/22) • Other Grants and Contributions - £1.343m	(3.217)
Government COVID-19 Income Reimbursement: • April – July claim • August – November claim • December to March claim (est.)	(1.086) (1.044) (1.000)
Net Forecast Unfunded Estimated Cost/(Surplus Funding) of COVID-19 in 2020/21	**(£0.057)**

23. In principle this is welcome news meaning there will not be a requirement to call on the Headroom Contingency sum that is included in the 2020/21 budget or on earmarked Reserves. However the full financial impacts will not be confirmed until the year end budget outturn position is reported.

24. The main options for mitigating the financial impacts of COVID-19 have included:
    - 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.

25. 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 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 there will be ongoing adverse impacts on income levels in 2021/22 onwards.

26. 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 were covered in the final 2021/22 budget report to Executive in January.

27. Further details are provided at Section 3 of Annex 2.

Capital Programme Monitoring

28. At Q3, the Capital Programme budget is £125.04m (including £29.49m of approved carry-forward capital allocations from 2019/20).

29. The forecast full year expenditure is £74.37m which is £50.67m (41%) below the approved Programme for the year. The variance is as a result of a £0.53m net underspend and £50.14m slippage.

30. The £0.053m net underspend is mainly as a result of:
    - £0.44m 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.
    - £0.08m underspend of Vibrant Towns & Villages funding due to COVID-19 reducing the opportunity to identify suitable projects
    - £0.04m underspend of the 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.

31. The £46.76m forecast slippage is mainly due to:
    - £10.00m forecast slippage against the Housing Delivery capital allocation.
    - £5.66m 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.
    - £4.34m forecast slippage against the planned spend on the Marketfield Way development. 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 Beech House, London Road. Negotiations with the tenant are ongoing, slightly delayed by the COVID-19 pandemic. Current assumption is a revised £2.1m cost of 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.
    - £1.59m forecast slippage against planned spend at Pitwood Park, Tadworth. The spend profile has changed following contract signature and is slightly behind the original profiled schedule, but slippage is lower than expected in Q1.

32. Further details are provided at Annex 2 (Section 3).

OPTIONS

The Overview and Scrutiny Committee has two options:

33. Option 1: Note Q3 2020/21 KPI performance, the KPIs for 2021/22 and the Revenue Budget and Capital Programme forecasts for 2020/21 and make no observations/comments to the Executive.
34. Option 2: Note Q3 2020/21 KPI performance, the KPIs for 2021/22 and the Revenue Budget and Capital Programme forecasts for 2020/21 and make any observations to the Executive.

The Executive has two options:

35. Option 1: Note the Q3 2020/21 KPI performance and approve the KPIs for 2021/22. Also to note the Revenue Budget and Capital Programme forecasts for 2021/22. This is the recommended option.
36. Option 2: Note the Q3 2020/21 KPI performance and the Revenue Budget and Capital Programme forecasts for 2020/21. And to not approve the KPIs for 2021/22. This is not the recommended option as it will delay the Council having KPIs in place for the new financial year.

LEGAL IMPLICATIONS

37. There are no legal implications resulting from this report.

FINANCIAL IMPLICATIONS

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

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

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

RISK MANAGEMENT CONSIDERATIONS

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

OTHER IMPLICATIONS

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

CONSULTATION

43. The performance report has been reviewed by the Council's Corporate Governance Group.

44. There are no other consultation implications arising from this report.
POLICY FRAMEWORK
45. Robust performance management is integral to measuring the extent to which policy objectives have been achieved.
BACKGROUND PAPERS
None.

Q3 2020/21 Key Performance Indicators

Summary

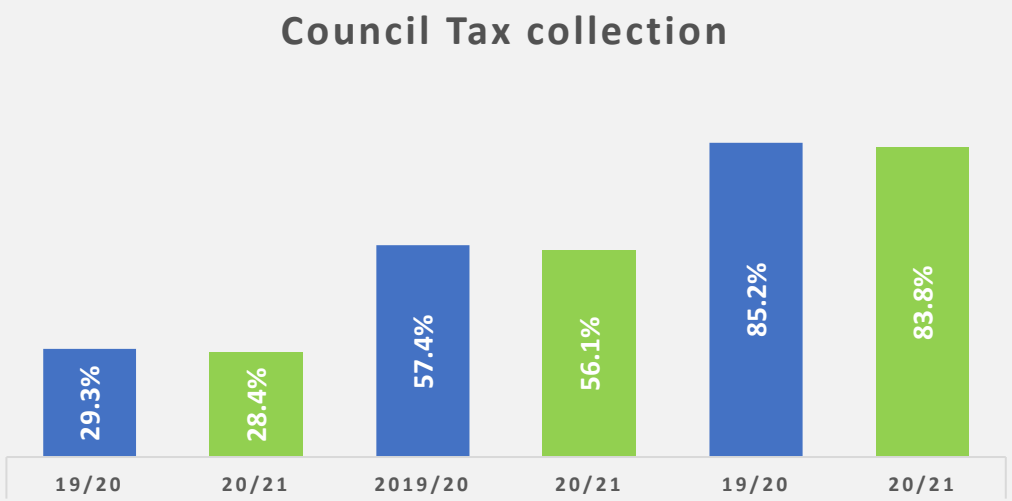
KPI	Status	Portfolio Holder
KPI 1 – Council Tax collection	AMBER	Cllr Schofield
KPI 2 – Business rates collection	GREEN	Cllr Schofield
KPI 3 – Staff turnover	GREEN	Cllr Lewanski
KPI 4 – Staff sickness	GREEN	Cllr Lewanski
KPI 5 – Homelessness positive outcomes	GREEN	Cllr Knight
KPI 6 – Housing completions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

KPI 1 – The % of Council Tax collected

	TARGET	ACTUAL	STATUS
Q1	29%	28.43%	AMBER
Q2	57%	56.11%	AMBER
Q3	85%	83.77%	AMBER
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 is down by £1.73m from target in Q3. This can be attributed to the over 2,000 accounts that have deferred their payments to February-March 2021 combined with an increase in those paying in 12-monthly instalments. Recovery action was placed on hold between April to December 2020 while the Courts were closed for Council Tax summonses due to Covid-19. Due to further delays in reopening of the Courts from the latest lockdown, recovery action has not been able to progress as normal.

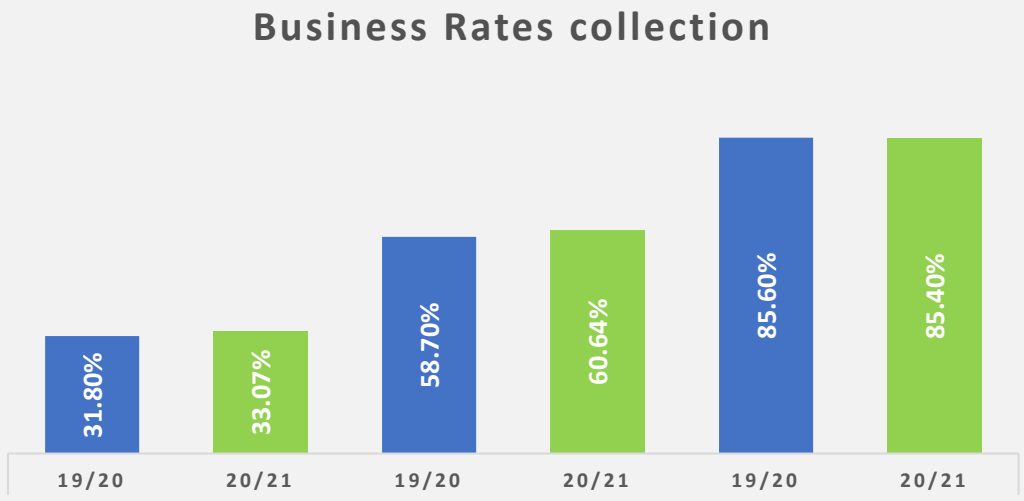


KPI 2 – The % of Business Rates collected

	TARGET	ACTUAL	STATUS
Q1	31%	33.07%	GREEN
Q2	58%	60.64%	GREEN
Q3	85%	85.40%	GREEN
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
Q3 has seen an continuation of the good performance seen in the previous 2 quarters. The total amount collectable has been reduced by around £19m due to the COVID-19 Expanded Reliefs for the retail, hospitality and leisure industries and nurseries. This money will be repaid by central government.

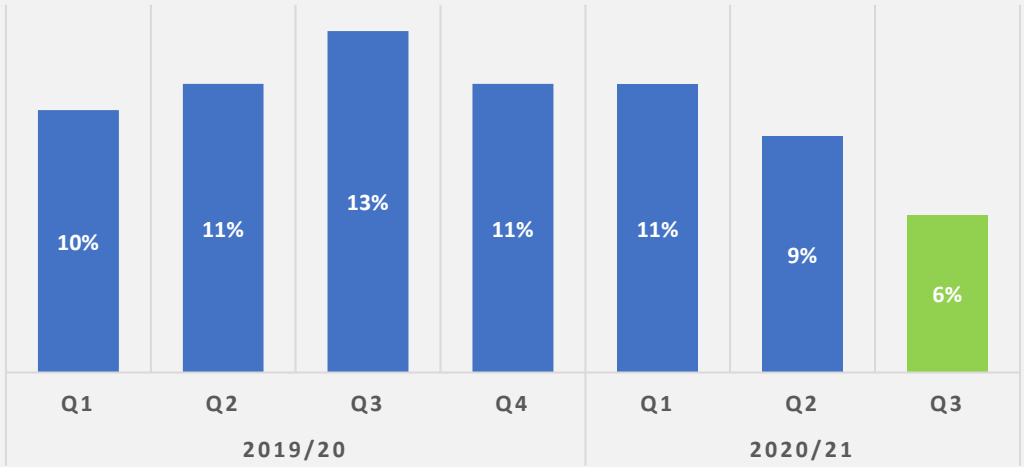


KPI 3 – Staff turnover

	TARGET	ACTUAL	STATUS
Q1	12%	11%	GREEN
Q2	12%	9%	GREEN
Q3	12%	6%	GREEN
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 remain within target throughout Q3 with a reduction down to 6% when compared to 9% in Q2. This has seen a continuation of the downward trend that began in Q3 of FY19/20 and represents the lowest level of staff turnover in the last 2 financial years.

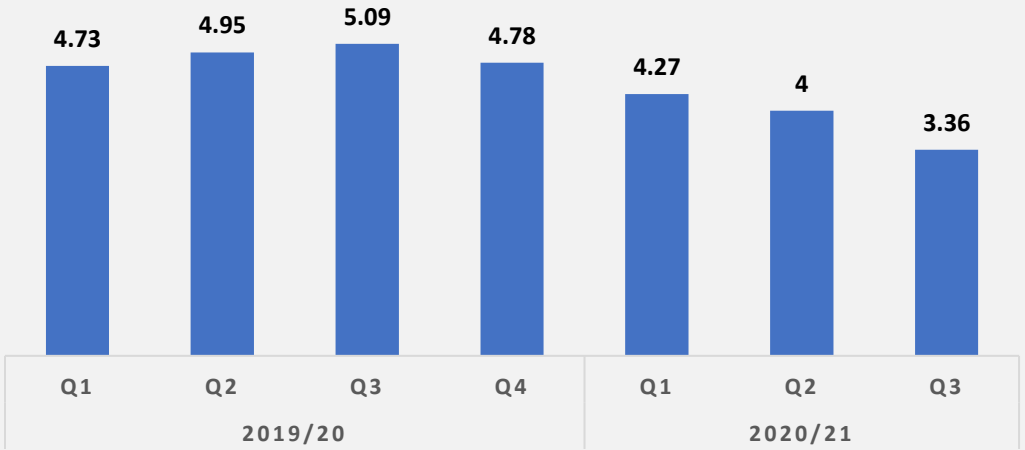


KPI 4 – Staff sickness absence

	TARGET	ACTUAL	STATUS
Q1	4 days	4.27 days	AMBER
Q2	4 days	4 days	GREEN
Q3	4 days	3.36 Days	GREEN
Q4	4 days		

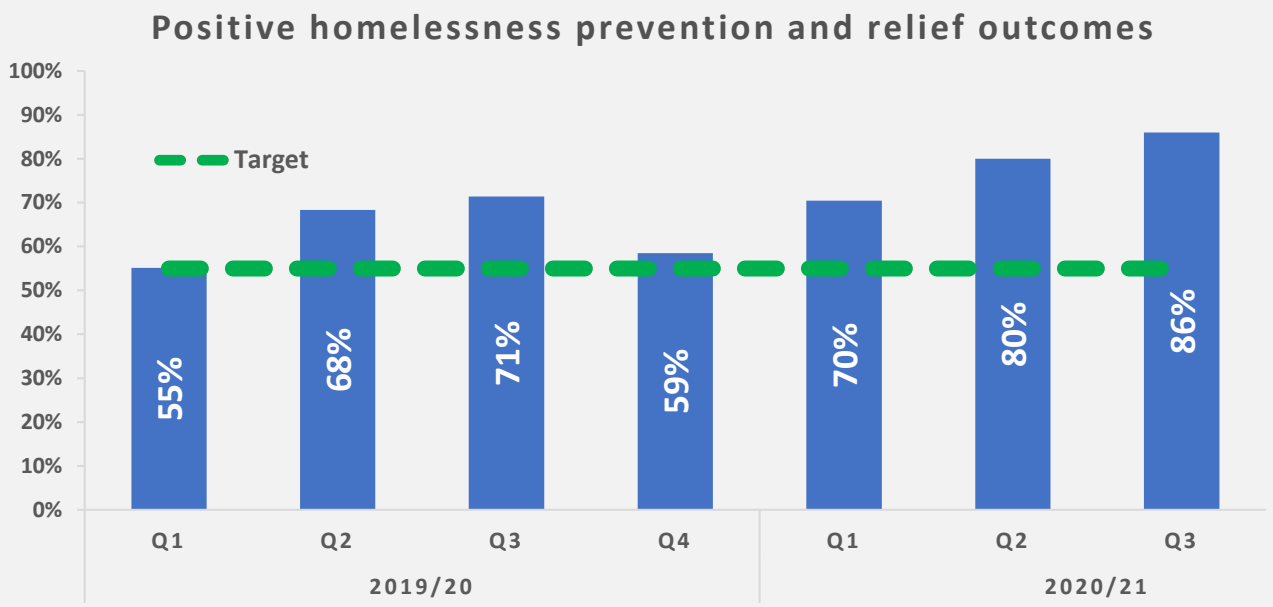
Description
This indicator tracks the average duration of short term sickness absence per employee. The performance reported is for a cumulative rolling 12 month period. The indicator measures all non Covid-19 short term sickness absence.

Narrative
Q3 has seen an continuation of the downward trend in staff sickness, with the average duration of short term sickness per employee reducing from 4 days down to 3.36 days.



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

	TARGET	ACTUAL	STATUS
Q1	55%	70%	GREEN
Q2	55%	80%	GREEN
Q3	55%	86%	GREEN
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.

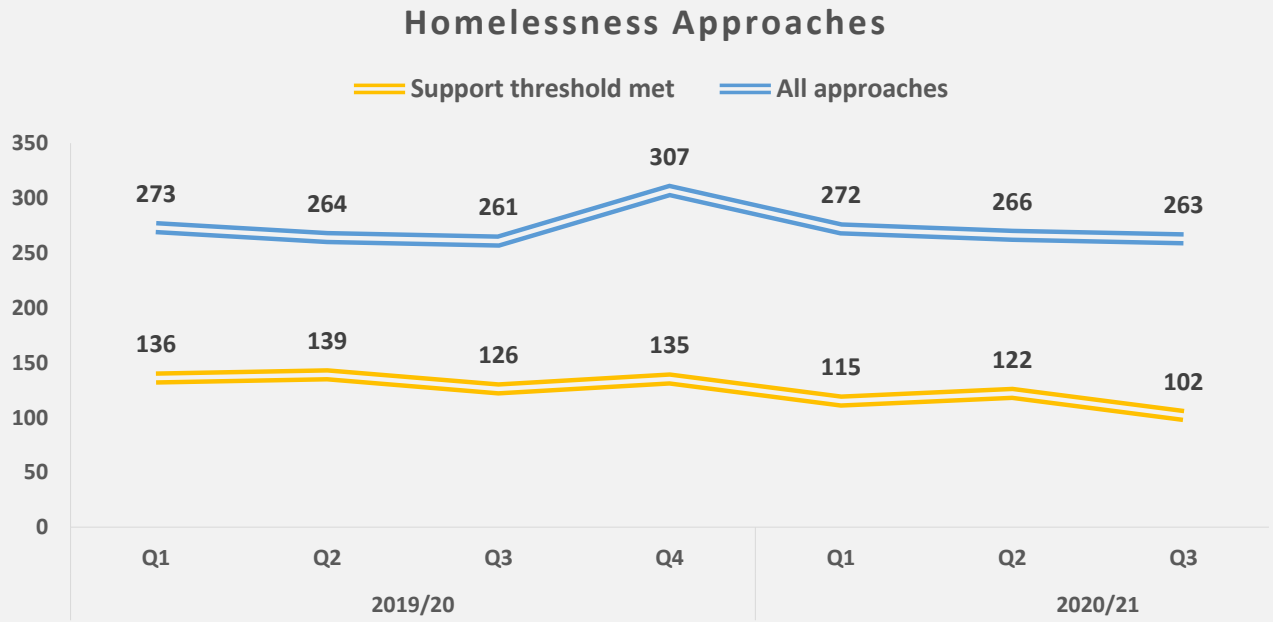
Additional information on homelessness and the responsibilities placed on local authorities is available on the government's website.

Narrative

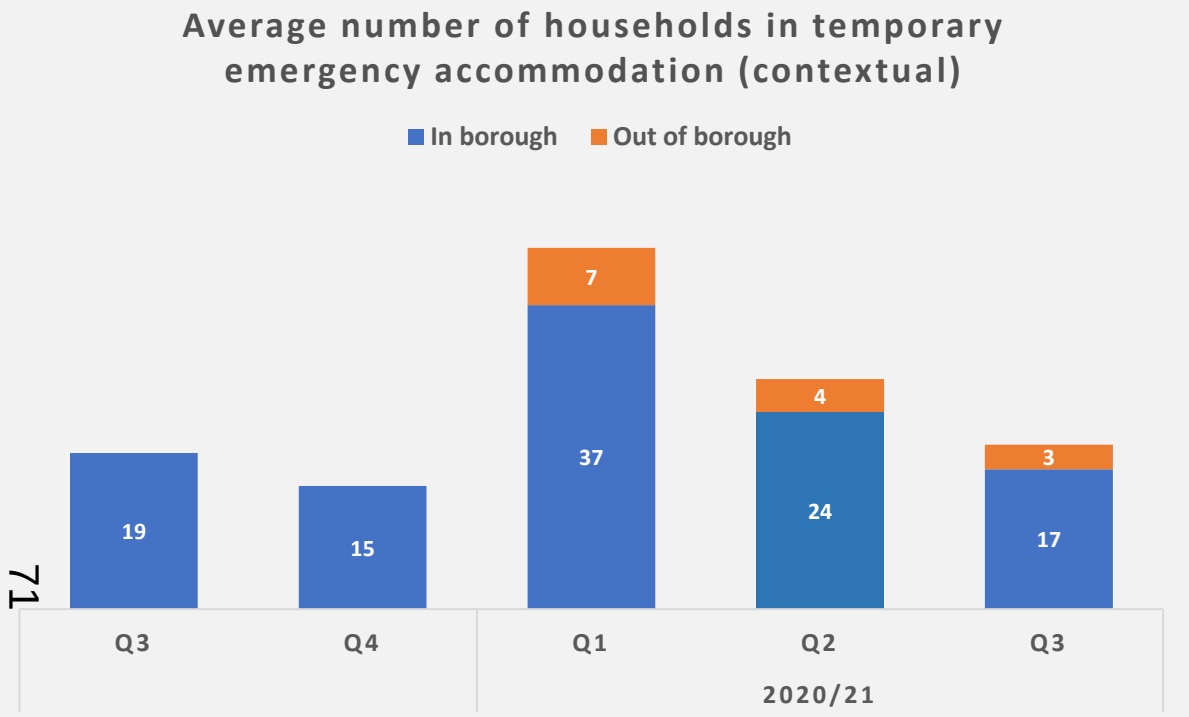
Q3 has seen a further continuation of the Council's high performance in homelessness prevention and relief. This is due to continued successful multi-agency working.

Homelessness approaches continue at a high level, although figures have seen a minor decline from Q2 and remain consistent with levels that were seen in 2019/20. With the courts closing again there has been a reduction in approaches from families. However, this has been matched by an increase in approaches from single persons; many of whom have complex needs. This has kept the approach figures at a steady level in line with those from the previous year.

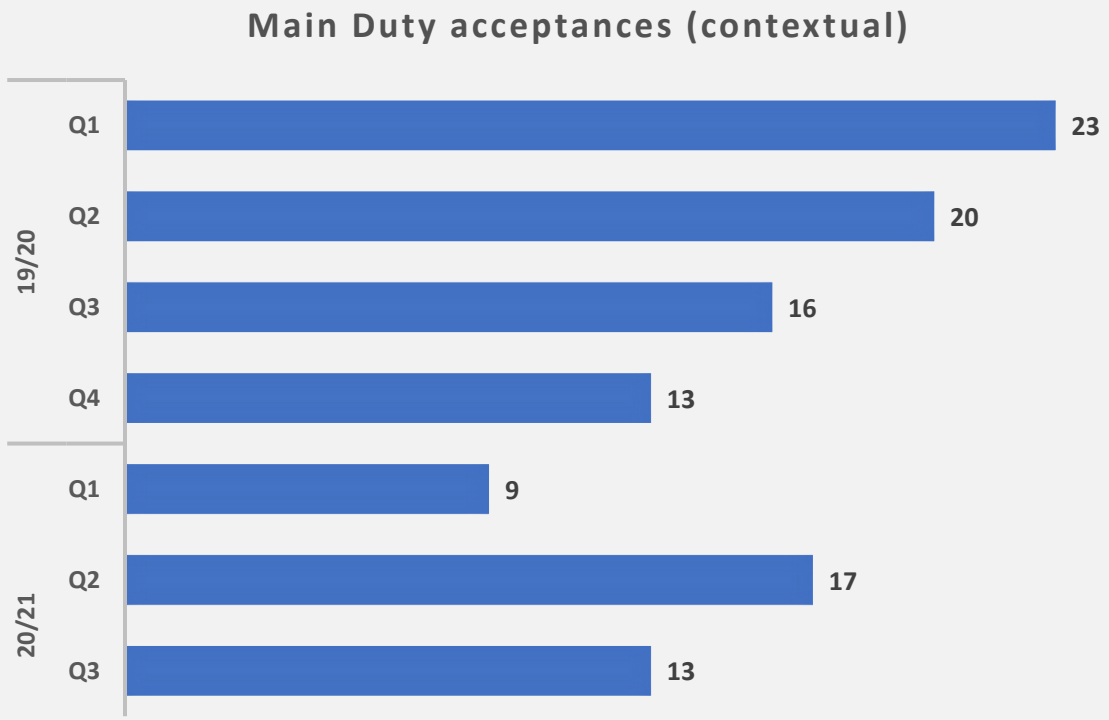
Additional contextual performance information is provided overleaf.



KPI 5 – The % of positive homelessness prevention and relief outcomes (continued)



Out of borough data not available for 2019/20.



The **average number of households placed in temporary emergency** accommodation has started to return down to normal levels. Of the 20 households in temporary accommodation in Q3, 17 were under the usual homelessness duty, with the remaining 3 being provided accommodation due to the Covid-19 related duty to house rough sleepers.

Out of borough placements continue to be low.

In Q3 the **Council owned emergency accommodation** continued to be operated at a reduced capacity in order to ensure social distancing and the avoidance of facilities being shared.

In Q3 there were 13 **main duty homelessness acceptances.**

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

This has seen a minor decrease from 17 in Q2 but remains in line with the figures achieved in Q3 of FY19/20.

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	606	GREEN
Q4	460		

KPI 7 - Net affordable housing completions

	TARGET	ACTUAL	STATUS
Q1	25	0	RED
Q2	50	2	RED
Q3	75	48	RED
Q4	100		

Description

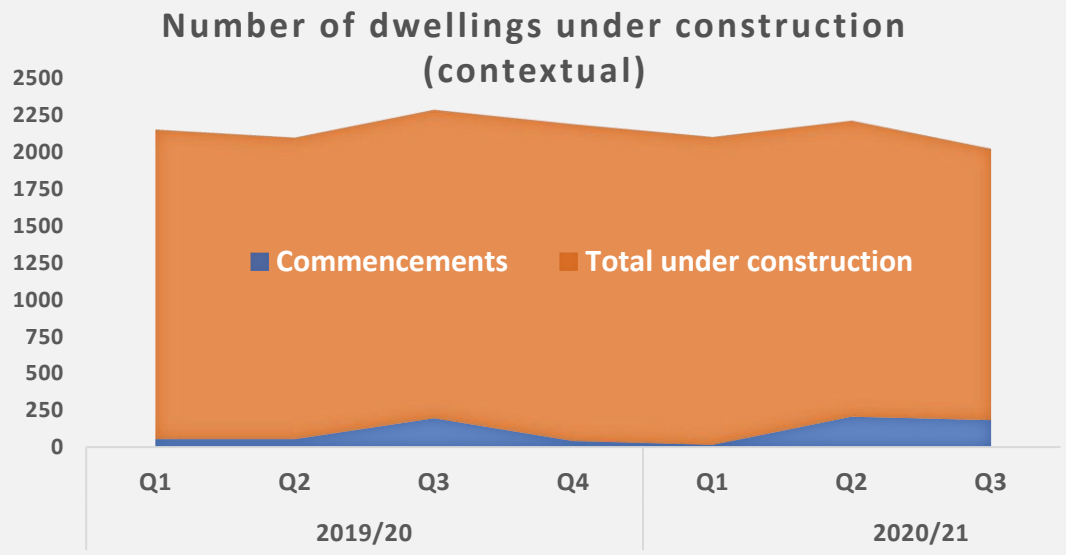
KPI 6 measures the number of net residential housing completions that have taken place in the borough, whilst KPI 7 details the number of net affordable housing completions. The targets mirror those set in the Council's Development Management Plan. Performance reported is cumulative for the year. Given the fluctuations in housing completions throughout the year, a tolerance of 60 applies each quarter for KPI 6, whilst a tolerance of 10 applies for KPI 7.

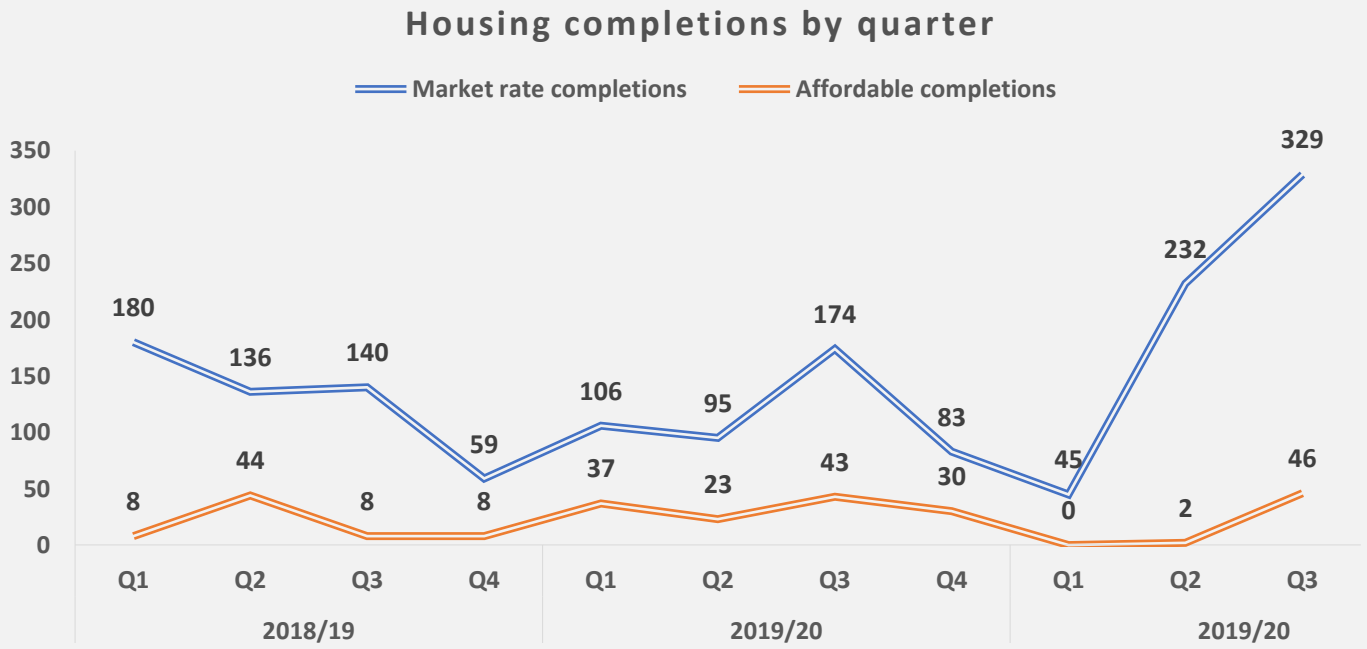
Narrative

In Q3 there has been a significant increase in the **completions for market rate dwellings (KPI 6)**.

Affordable Housing Completions (KPI 7) are off target for the year so far, with 48 completions as of the end of Q3. The low number of completions in the first half of the year continues to weigh on performance. The target for affordable home delivery in the borough is for 1,500 affordable units to be built between 2012 and 2027 (i.e. 100 per year). Since 2012 873 affordable units have been completed which is 2 units off where performance would expect to be by this point in the year.

There were 183 commencements in Q3. Of these 21 were for affordable units. At the end of the Q3 there were 1837 units under construction; down slightly from Q2. Of these, a total of 265 are affordable units.





KPI 8 - Performance in Local Environmental Quality surveys

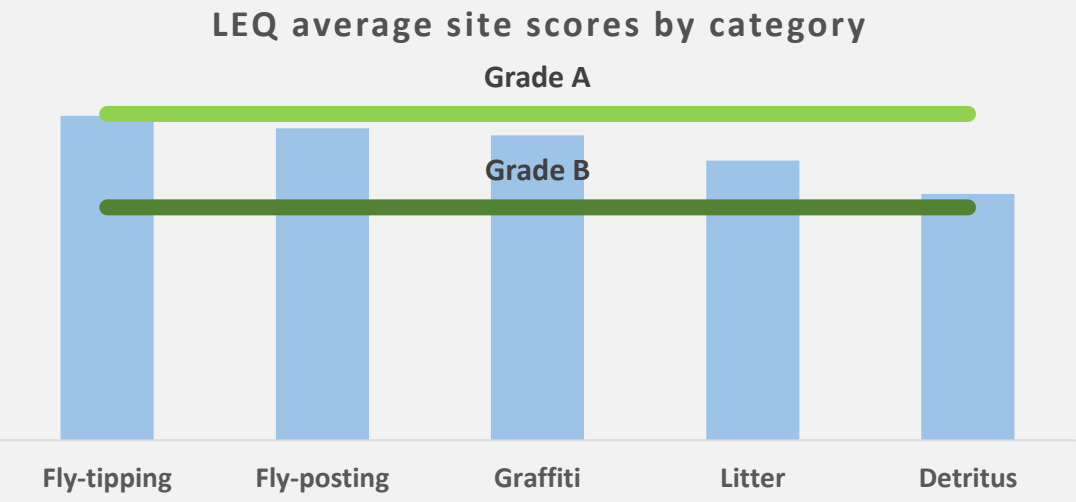
	TARGET	ACTUAL	STATUS
Q1	90% of sites grade B	Unable to report	Unable to report
Q2	90% of sites grade B	Unable to report	Unable to report
Q3	90% of sites grade B	97.5%	GREEN
Q4	90% of sites grade B		

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. A selection of sites in the borough – based on land use – are assessed in the following categories: litter, detritus, fly-tipping, fly-posting and graffiti. The average of the scores achieved in each category gives an overall score for each site.

Narrative

Of the 118 surveys carried out in December 2020, 115 scored at grade B and above. The chart below details performance for the individual categories. Detritus was the lowest scoring category in Q3, though on target. Detritus incorporates leaves falling from trees, however, which is common at this time of 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	1.82	GREEN
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 and the heightened levels of waste seen over 2020, 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

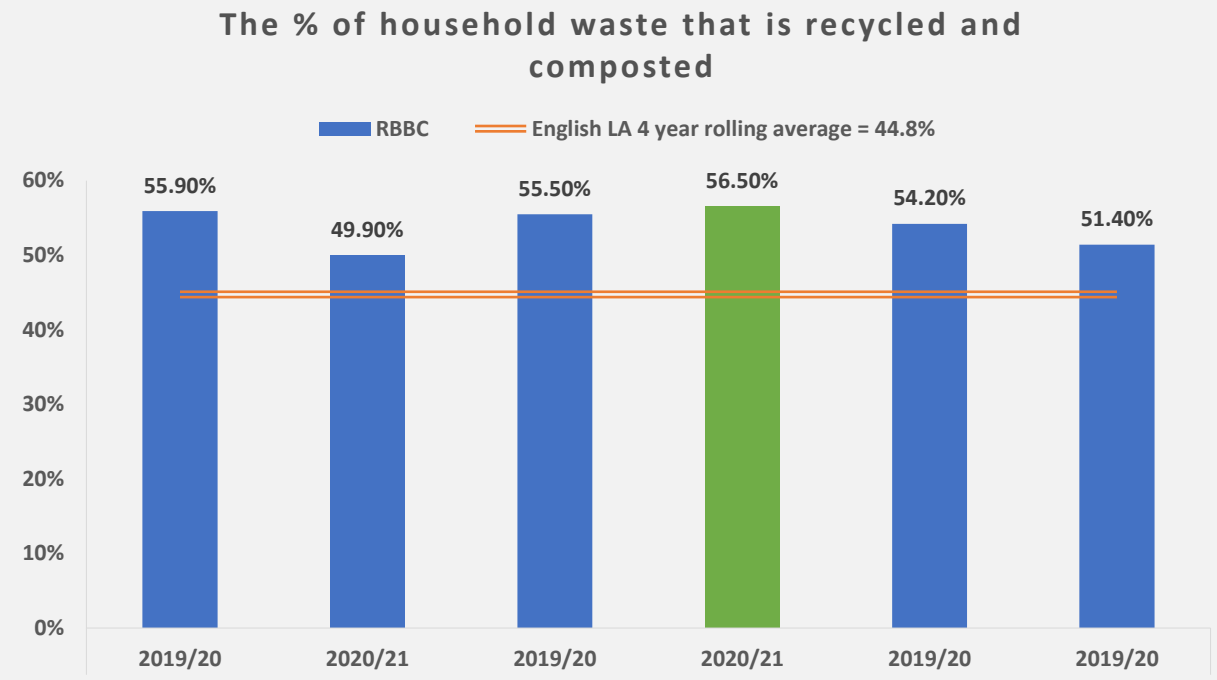
		TARGET	ACTUAL	STATUS
19/20	Q3	57%	54.2%	AMBER
	Q4	57%	51.4%	AMBER
	Q1	60%	49.9%	RED
20/21	Q2	60%	56.5%	AMBER

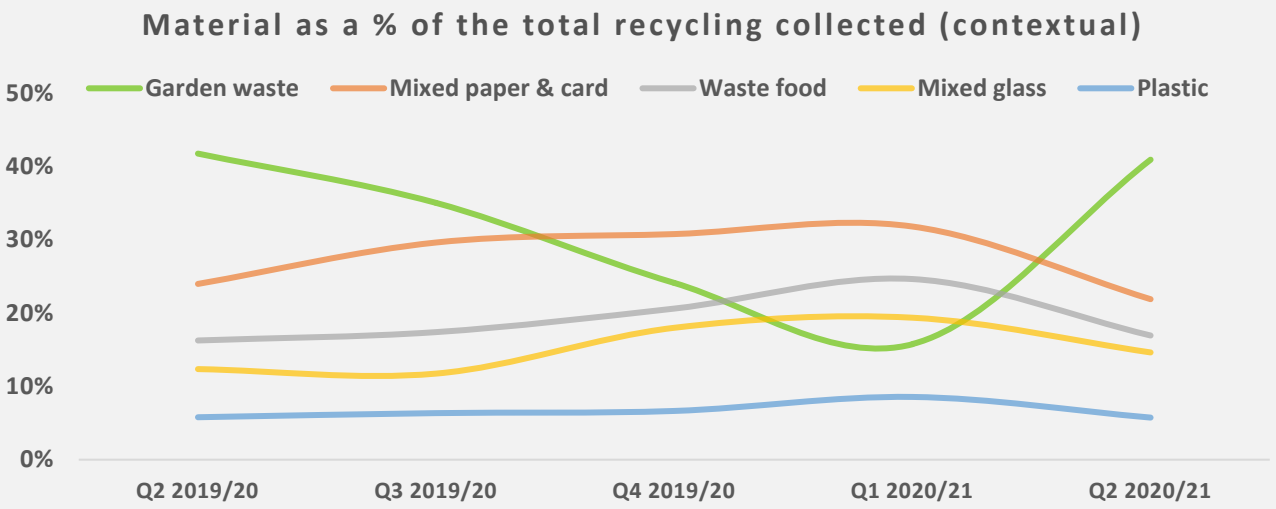
Description

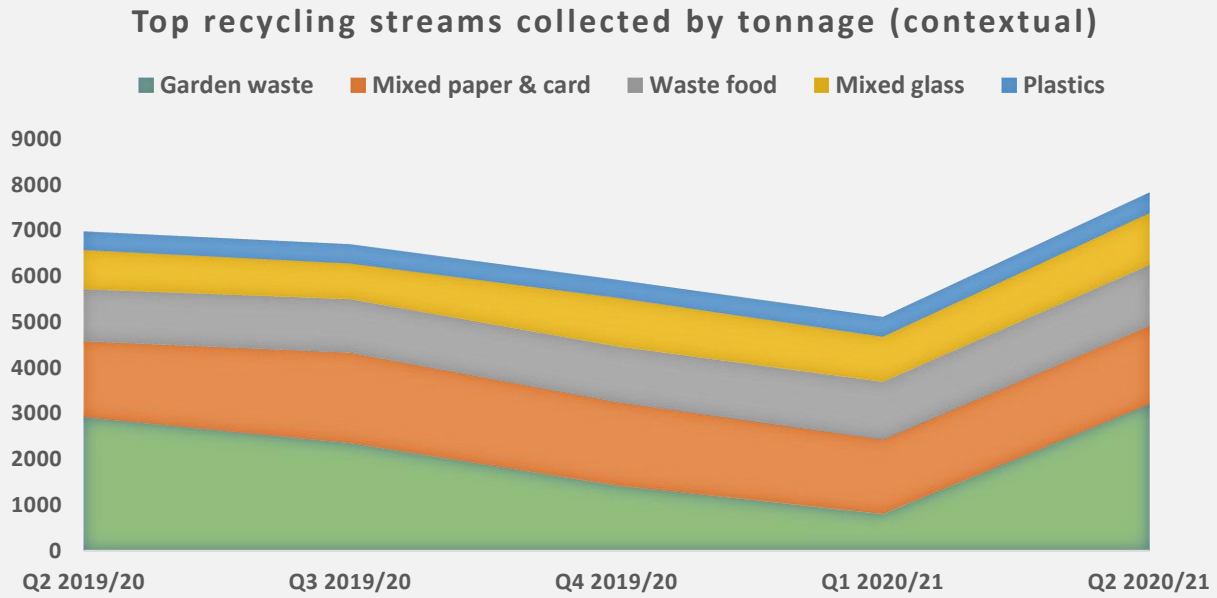
This indicator measures the percentage of household waste collected by the Council at the kerbside that is recycled and composted. Performance is reported one quarter in arrears, with Q2 2020/21 performance reported in Q3 2020/21. The target for this indicator has incrementally increased in recent years in pursuance of the 60% recycling target set in Surrey's Joint Waste Management Strategy, to which the Council is a signatory.

Narrative

Covid-19 continues to impact on tonnages and the composition of household waste.
However, Q2 has seen a strong recycling performance, the highest Q2 result ever for this Council. This has helped recover some of the recycling losses from Q1. Preliminary tonnages from Q3 show that recycling rates remain relatively high. However, as the rollout of the full recycling service for flats remains suspended due to the impacts of Covid-19 it is likely that this KPI will remain Amber in the next two Quarters.







Annex 1.1 - KPIs 2021/22

Ref	KPI	Portfolio holder
KPI 1	The % of Council Tax collected	Cllr Schofield
KPI 2	The % of Business Rates collected	Cllr Schofield
KPI 3	Staff turnover	Cllr Lewanski
KPI 4	Staff sickness absence	Cllr Lewanski
KPI 5	The % of positive homelessness prevention and relief outcomes	Cllr Knight
KPI 6	Net housing completions	Cllr Biggs
KPI 7	Net affordable housing completions	Cllr Biggs
KPI 8	Cleansing - performance in Local Environmental Quality surveys	Cllr Bramhall
KPI 9	Number of missed bins per 1,000 collected	Cllr Bramhall
KPI 10	The % of household waste that is recycled and composted	Cllr Bramhall
KPI 11	Number of visits to the Council's leisure centres (Annual Q4)	Cllr Michalowski

Contextual measures (annually provided in Q4):

Contextual 1	Intervention service performance	Cllrs Michalowski and Ashford
Contextual 2	Fraud performance	Cllr Schofield
Contextual 3	Corporate complaints	Cllr Lewanski

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2020/21 Period 9: Revenue Budget Monitoring

Summary

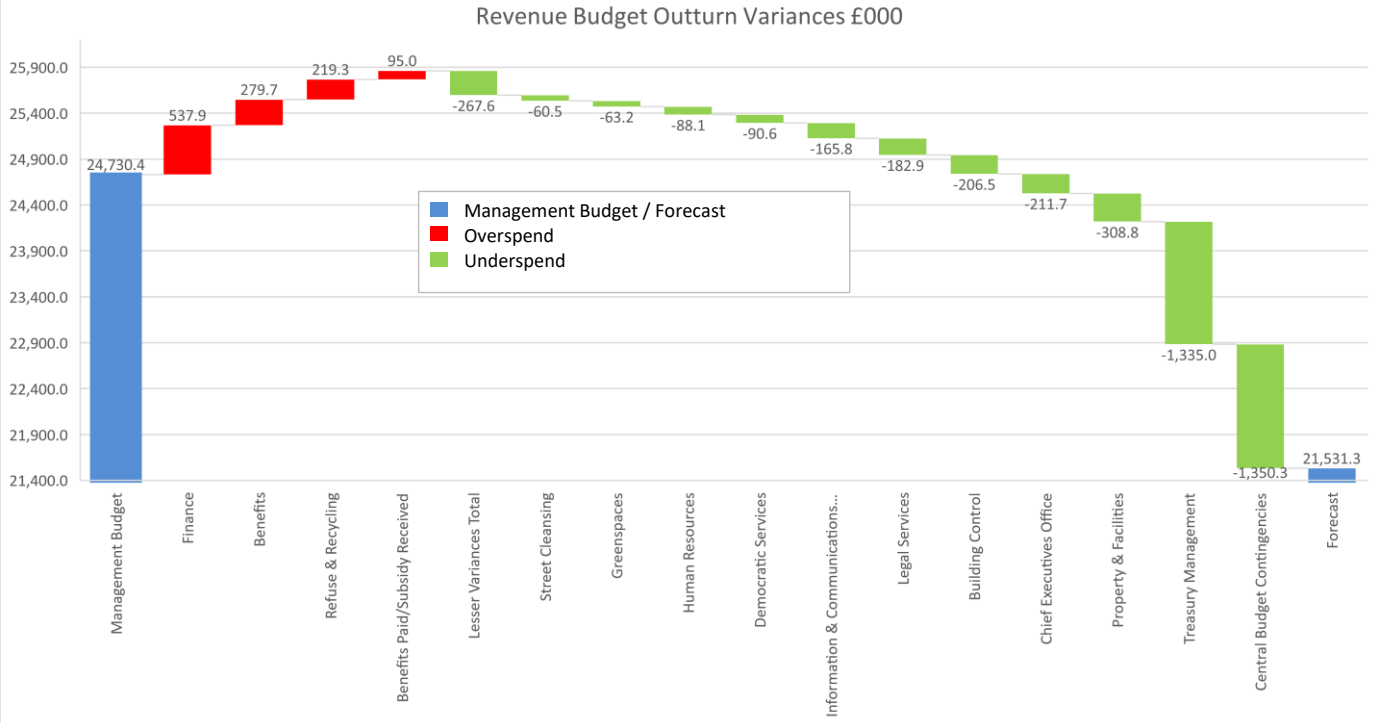
The full year forecast at the end of Period 9 for Service budgets is £0.513m (-3.4%) lower than the management budget; the Central budgets are reporting £2.685m (27.6%) lower than budget, resulting in an overall forecast of £3.199m (-12.9%) lower than budget.

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	211.0	
New Posts Reserve	59.8	
		270.8
Management Budget		24,730.4

Headline Revenue Budget Information 2020/21

	£000	
Management Budget	24,730.4	
Year End Forecast	21,531.3	
Projected underspend	**(3,199.1)**	(-12.9% of the budget)



Forecast for Services is £0.513m under budget. Significant variances summarised below:

Finance: £538k 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 staff already in post. The forecast includes some overlap to ensure adequate handover from the interim staff.

Benefits Team and Benefits Paid/Subsidy Received: £374k combined overspend. A £95k reduction in Housing Benefit Subsidy is currently predicted as the collection rate for 20/21 is likely to be 99.30%. Salaries are currently overspending by £144k after a recent detailed review of salaries paid across in-house work and commerical activities. There is an additional cost pressure of £155k against Software Acqusitions & External printing which continued on from 19/20. Commercial activities are expected to make a small loss in 20/21 of around £88.5k, with £70k of this loss is directly related to COVID-19 (reported in COVID-19 section) and the remianing £18.5k relates to underlying activities.

Refuse and Recycling: £219k overspend is due to expected overspend on Temporary Staff of £123k, an Overtime overspend of £54k, 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 £21k.

Street Cleansing: £60 underspend. £43k lower fuel costs. Remainder relates to vacancies unfilled due to lower current activity levels.

Greenspaces: £63k underspend. £54k relates to vacancies unfilled to to lower current activity levels.

	Human Resources: £66k underspend.The forecast reflects that there were budgetted posts that were not filled during the earlier months of the year. With regard to recruitment costs the needs and requirements of the organisation need to be assessed and future forecast amended based on outcomes.
	Democratic Services: £91k underspend. A part year vacancy is the reason for the majority of this variance. Other contributors are reduced forecast spend on Mayoral events and significantly lower forecasts for spend on member training in 20/21.
	Information & Communication Technology: £156k underspend This 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 and other minor variances.
	Legal: £183k underspend. Significant levels of staffing vacancies within the year, these posts have been recruited to and staff are expected to join the Council towards the end of the current financial year. In previous years high levels of external fees have been paid to cover the internal vacancies, 20/21 however has not seen costs of comparable level.
	Building Control: £207k underspend relates to a partnership provision that is currently not expected to be drawn upon this year.
	Chief Executive's Office: £212k underspend relates to forecast expenditure for staffing being lower than originally budgetted. There is a 25k forecast for additional consultancy fees that is covered within this underspend.
	Property & Facilities: £309k underspend. £137k over-recovery relating to tenants staying on in properties that were forecast to be vacant for a short while.
Forecast for Central Budgets is £2.685m over budget	
	Treasury Management: £1.335m underspend. The primary reason for the higher than budget interest forecast is the second loan to Greensand Holdings Limited (for the purchase of land at Horley). Borrowing is also lower than forecast when the budget was set.
	Budget Contingencies: £1.350m underspend. No further calls on these budgets are predicted at this stage.
COVID-19 Budget Impacts	
	These are detailed at Section 3

1. General Fund Reserve

		£000
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		3,199.1
Anticipated balance at end of year before Reserves Review/Reallocations *		7,455.1
*Minimum General Fund Balance Required (15% of total Management Budget)	2,738.3	

2. Corporate Plan Delivery Fund (CPDF) Reserve

		£000	£000
Balance at start of year			1,000.0
C20-01 Principal Development Manager post	Place	68.0	
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	
			211.0
Capital			
None			
			0.0
Balance before any further transfers in year			789.0

3. Feasibility Studies (Commercial Ventures) Reserve

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.

		£000	£000
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 Community Benefit Society feasibility study costs	Commercial	8.5	
FS 20-04 Site appraisal costs	Commercial	7.4	
FS 20-05 Property appraisal costs	Commercial	37.2	
FS 20-06 Tax Advice	Commercial	20.0	
FS 20-07 Merstham Recreation Ground Refurbishment	Place	45.0	
FS 20-08 CIPFA Consultancy	Commercial	15.0	
			319.7
Capital			
Project Baseball (New Crematorium)	Commercial	650.0	
			650.0
			964.7

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Narrative
1. SERVICE BUDGETS							
1a. ORGANISATION							
Carys Jones	Communications	609.9	-53.6	556.3	517.6	-38.7	Forecast reflects the difference between budgeted values for 3 issues of Borough News with only 2 expected in 20/21. There are also salary underspends currently forecast within the Web team.
	Customer Contact	389.1	0.0	389.1	384.8	-4.3	Underspends due to differences in Salary costs from budgeted values due to vacant funded hours.
Pat Main	Finance	1,159.5	0.0	1,159.5	1,697.4	**537.9**	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.
Darren Wray	Web & Information	194.9	-194.9	0.0	0.0	0.0	
	Information & Communications Technology	1,584.0	320.1	1,904.1	1,738.3	-165.8	Forecast shows a £30k underspend on Salaries, £135k underspend on Software charges.
Catherine Rose	Corporate Policy	0.0	198.8	198.8	171.6	-27.2	Underspend attributable to part year vacancy
	Projects & Business Assurance	594.9	-396.5	198.4	170.8	-27.6	Underspends attributable to three vacant posts
Caroline Waterworth	Property & Facilities	-1,691.0	128.2	-1,562.8	-1,871.6	-308.8	Some adjustments were made to the income forecasts to include Reading Arch Road and Salfords. Otherwise very little movement.
	Corporate Support	182.0	0.0	182.0	138.2	-43.8	During 20/21 there has been significantly less need for the purchase of office stationery and postage. The current forecast expects these levels of requirement to be continued for the rest of the year.
Joyce Hamilton	Democratic Services	850.1	0.0	850.1	759.5	-90.6	A part year vacancy is the reason for the majority of this variance. Other contributors are reduced forecast spend on Mayoral events and significantly lower forecasts for spend on member training in 20/21.
	Electoral Services	442.7	0.0	442.7	442.7	0.0	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. Forecast reflects carry forward of any available funds to supplement 21/22 expenditure.
	Legal Services	792.2	0.0	792.2	609.3	-182.9	Significant levels of staffing vacancies within the year, these posts have been recruited to and staff are expected towards the end of the current financial year. In previous years high levels of external fees have been paid to cover the internal vacancies, 20/21 however has not seen costs of comparable level.
	Land Charges	-107.8	0.0	-107.8	-131.5	-23.7	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.
Kate Brown	Organisational Development & Human Resources	764.4	0.0	764.4	676.3	-88.1	The forecast reflects that there were budgeted posts that were not filled during the earlier months of the year. With regard to recruitment costs the needs and requirements of the organisation need to be assessed and future forecast amended based on outcomes.

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Narrative
1b. PLACE							
Simon Bland	Economic Prosperity	397.2	9.0	406.2	359.0	-47.2	Underspend predominantly driven as no Awards/Sponsorships (e.g. for entrepreneurship) were granted as activity had ceased in 20/21 due to COVID against a £30k budget. Costar Analytics is confirmed to underspend by £10k, as Outturn has been confirmed and paid.
Morag Williams	Fleet	860.9	0.0	860.9	908.4	**47.5**	The ageing fleet of waste vehicles gives rise to the £48k 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	1,430.6	**219.3**	The £219k overspend reported here is due to expected overspend on Temporary Staff of £123k, and an Overtime overspend of £54k. We are experiencing increased costs for the disposal of Dry Mixed Recyclate, as the annual tonnage so far is giving rise to a forecast that is 500 tonnes higher than expected.
	Engineering & Construction	109.2	-50.0	59.2	88.8	**29.6**	Minor variance due to reactive work to prevent flooding.
	Environmental Health & JET	1,066.5	4.0	1,070.5	1,033.2	-37.3	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	-168.8	**44.0**	Lower demand for licencing than originally forecast, especially for taxis.
	Greenspaces	1,410.9	0.0	1,410.9	1,347.7	-63.2	The underlying service area is likely to underspend by £63k, £54k of which is due to several operative vacant posts. It is anticipated that these vacancies will be filled shortly. The remaining underspend is due to minor variances.
	Car Parking	-2,036.7	0.0	-2,036.7	-1,990.6	**46.1**	This includes an overspend on equipment and tools of £12k, and an overspend on equipment maintenance and support of £21k.
	Street Cleansing	991.9	0.0	991.9	931.4	-60.5	The forecast includes -£43k for the cheaper cost of fuel, earlier this year. In addition there is an underspend on salaries, due to unfilled vacancies. There are other minor variances.
Peter Boarder	Place Delivery	292.8	88.0	380.8	401.1	**20.3**	The overall outturn variance is forecast to be an overspend of £20k after it was decided SCC had decided they will not be contributing towards our joint financing for Place Delivery work in 20/21. This would result in loss of potential income of an anticipated £31k. There is however, some underspend in consultancy costs, as 75% had been capitalised due to the nature of the work undertaken by the consultant.

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Narrative
Andrew Benson	Building Control	221.5	0.0	221.5	15.0	-206.5	The Building Control underspend relates to a partnership provision that is not currently expected to be drawn upon this year for the most part. However, there is a current expectation of paying out £15k as the COVID-19 grant applied to by our partners, is expected to be less than anticipated post audit. The underlying service is expected to declare a small overspend of £6k. This is made up of £223k underspend on salaries (vacancies & maternity leave) which is somewhat offset by an overspend of £190k Consultancy and a further £77k casual wages to cover these vacant posts. An old £20k Drainage budget will no longer be spent and is being offered up as a 21/22 saving. Planning Policy would also see an underspend of £43k within salaries to reflect current vacancies, although this is masked slightly with the overspends within consultancy charges.
	Development Services	211.4	0.0	211.4	217.3	**5.9**	
	Planning Policy	362.8	0.0	362.8	334.4	-28.4	

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Narrative
1c. PEOPLE							
Justine Chatfield	Community Development	406.2	30.0	436.2	417.6	-18.6	Minor variance to staff salary costs; a number of vacancies/posts were filled under budget due to spine point award and will be corrected for 2021-22.
	Partnerships	419.3	-20.0	399.3	376.0	-23.3	Minor variance to non-staff costs, COVID-19 impacted the normal operational
	Community Centres	407.5	-9.6	397.9	397.9	0.0	
	Voluntary Sector Support	295.1	0.0	295.1	295.1	0.0	
Richard Robinson	Housing Services	1,009.4	15.6	1,025.0	975.8	-49.2	The nature of B&B and Temporary Accommodation spend is highly volatile so this forecast is subject to change as the year continues. There has been a saving proposed for 21/22 of 40k
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 £393k. A £95K reduction in Housing Benefit subsidy is expected due to an increase in private supported accommodation in the borough, for which the Council does not get 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. Salaries are currently overspending by £144k after a detailed review of salaries across in-house work and commercial activities was carried out in conjunction with the Head of Service. There is also a potential cost pressure of £155k against Software Acquisitions and External printing which are continued to continue from 19/20. This budget is being reviewed as part of the 2021/22 Service and Financial Planning process. Commercial activities are expected to make a small loss in 20/21 of around £88.5k, with £70k of this loss is directly related to COVID-19 (reported in COVID-19 section) and the remaining £18.5k relates to underlying activities. Losses will reduce as more work is brought on stream and additional contracts are confirmed.
	Benefits	-295.3	-74.4	-369.7	-90.0	**279.7**	
	Benefits Commercial Activities	0.0	0.0	0.0	18.5	**18.5**	
Duane Kirkland	Supporting People	157.5	0.0	157.5	117.2	-40.3	Underspend attributable to a vacant post.
	Supporting Families	90.0	0.0	90.0	90.0	0.0	
	Harlequin	351.4	0.0	351.4	303.7	-47.7	Income reduction is reported in the COVID-19 section. So far in 20/21 the venue has been open for 18 weeks during which no live events have been able to take place it is expected that when the venue does open there will be continued strain on income due to social distancing. In the current forecast there are lower levels of expenditure due to reduced requirement of casual staff and other overheads.
	Leisure Services	-93.3	0.0	-93.3	-111.6	-18.3	Negotiations with the leisure provider continue following closure for the COVID-19 pandemic. Lower costs as certain schemes of activity work not undertaken in 20/21.
1d. MANAGEMENT TEAM							
Frank Etheridge	Chief Executives Office	1,127.4	8.7	1,136.1	924.4	-211.7	Underspend relates to forecast expenditure for staffing being lower than originally budgeted. There is a 25k forecast for consultancy fees with covered within this underspend.
	Emergency Planning	29.7	0.0	29.7	25.8	-3.9	Minor variance.
Total Services		**14,899.5**	**128.6**	**15,028.1**	**14,514.3**	**-513.8**	**(3.42%)**

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Narrative
2. CENTRAL BUDGETS							
Pat Main	Insurance	482.1	0.0	482.1	489.6	7.5	Insurance contract at higher rate than forecast when the budget was set.
	Treasury Management - Interest on Investments	-54.0	-528.0	-582.0	-1,298.1	-716.1	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	321.1	-600.9	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
	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	321.2	-206.8	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
	Employer Pension costs	6,579.0	0.0	6,579.0	6,579.0	0.0	This budget represents 3 years of pension costs that have been paid in 2020/21.
Pat Main	Central Budget Contingencies	1,207.7	111.0	1,318.7	288.0	-1,030.7	See analysis below.
	New Posts Fund	158.8	0.0	158.8	0.0	-158.8	Current expectations are that there will be no call on these funds
	External Audit Fees	50.3	-20.0	30.3	53.6	23.3	Expectation of fees based on PSAA forecast.
	Internal Audit Fees	0.0	61.2	61.2	58.5	-2.7	Minor variance.
Kate Brown	Apprenticeship Levy	71.4	0.0	71.4	71.4	0.0	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, any 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	74.7	17.9	The variance presented relates to expected training costs.
Total Central Items		9,560.1	142.2	9,702.3	7,017.0	-2,685.3	**(27.68%)**
Grand Total		24,459.6	270.8	24,730.4	21,531.3	-3,199.1	**(12.94%)**
Central Budget Contingencies							
Pat Main	Miscellaneous salaries	77.1	188.1	265.2	0.0	-265.2	Current expectations are that there will be no call on these funds
	Headroom Contingency Budget	1,073.1	-77.1	996.0	250.2	-745.8	The current forecast outturn costs are the settlement payments relating to the former Chief Executive
	Preceptor Grants	57.5	0.0	57.5	37.8	-19.7	Expected pay over is expected to be less than budgeted values
Total Central Budget Contingencies		1,207.7	111.0	1,318.7	288.0	-1,030.7	

COVID-19 Pandemic – Financial Implications

at January 2021

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 financial support as summarised the table below from Government and other agencies to offset the impacts on its budget.

Table 1: EMERGENCY GRANT (not ring-fenced)	**£m**
Emergency Grant allocation 1 • Equates to 64p per household.	0.042
Emergency Grant allocation 2 • Equates to £22.70 per household.	1.481
Emergency Grant allocation 3 • Equates to 3.11p per household.	0.203
Emergency Grant allocation 4 • Equates to £2.27 per household.	0.148
	1.874
Emergency Grant allocation 5 (for 2021/22 pressures) Equates to £9.78 per household.	0.638
	2.512

Table 2: OTHER SPECIFIC GRANTS AND FUNDING ALLOCATIONS	**£m**
Rough Sleepers accommodation funding. • In addition, £39.7k has been received from Surrey County Council from their Emergency Grant allocation to contribute to the cost of temporary accommodation for rough sleepers.	0.002 0.040
Next Steps Accommodation Funding - £180.3k • Contribution towards B&B costs	0.180
Reopening High Streets Safely Fund • Allocated to prepare for the reopening of non-essential retail	0.132
Emergency Assistance Grant for Food & Essential Supplies • Allocated via Surrey County Council	0.089
Compliance & Enforcement Grant	0.058

Table 2: OTHER SPECIFIC GRANTS AND FUNDING ALLOCATIONS	**£m**
• For enforcement of measures to support public health including social distancing	
Clinically Extremely Vulnerable Funding • share of Surrey County Council grant allocation	0.067
Contain Outbreak Management Fund (allocation from SCC) • £3/£8 allocated to RBBC	0.446
New Burdens 1	0.001
New Burdens 2	0.059
Environmental Health COVID-19 Response	0.079
Local Council Tax Support Grant – 2021/22 allocation	0.190
	1.343

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.

Funding 2020/21 – Summary

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 received and the second claim for £1.044 million for August to November 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 £2.1 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 it is expected that that the financial impacts of the pandemic will continue into 2021/22. The Government confirmed in the Provisional Settlement announcement that it will provide a fifth round of Hardship funding (£0.638 million) in 2021/22 and will fund income loss claims for the first quarter.

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

Table 3: OTHER COVID FUNDING FOR DISTRIBUTION	**£m**
Council Tax Hardship funding	0.755
April 2020 - Business Grants funding	23.800
May 2020 - Business Grants funding – Discretionary Scheme	1.156
Business rates – extended retail relief funding	18.694
Business rates – nursery/local newspapers relief funding	0.701
Local Restrictions Support Grants (Closed) - grants to businesses told to close by the Government during the November/December lockdown	2.095
Additional Restrictions Support Grants - grants to other affected businesses during the November/December lockdown	4.296
Test & Trace Scheme - payments to individuals who have to self-isolate and are unable to claim benefits • general claims • for discretionary claims • administration funding	 0.048 0.052 0.027
Local Restrictions Support Grants (Open) - grants to other leisure, hospitality, hotels and B&Bs due to Tier 2 controls in December 2020	0.210
Christmas Support Payment - for closed 'wet' pubs	0.045
Local Restrictions Support Grants (Closed) - grants to businesses told to close by the Government in Tier 2 in December 2020	0.015
Local Restrictions Support Grants (Closed) – grants for ongoing business closures when in Tier 4	TBC
Closed Business Lockdown Payment – for one-off grants of £4k-£9k for businesses forced to close during national lockdown in January 2021	6.282

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 recent return to MHCLG covers the period to 31 January. The figures quoted in this report for cost and income pressures are based on actual figures and full-year forecasts at 31 January.

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: MHCLG EXPENDITURE CATEGORY	**Full Year Forecast at 31.1.21** **£M**	**Type of Expenditure Incurred**
Housing Rough Sleepers	0.294	Temporary accommodation for Rough Sleepers and additional demand for B&B accommodation
Environment & regulatory – waste Management	0.124	Garden Waste – admin costs and vehicle hire
Finance & Corporate	0.077	Stationery, marketing materials and licensing for outdoor seating
	0.001	Vehicle Hire – cemetery
Other	0.060	Staff remote working – IT systems and support
	0.534	Staff and volunteer Training and Professional Support
	0.002	Revs and Bens Compliance and Checks for Business Grants
Other - shielding	0.527	Voluntary Action Reigate & Banstead - VARB and YMCA Welfare Calls over a 10-week period Shielded Food Parcels and Communication
Other - PPE	0.163	Purchase of PPE for staff and volunteers
Other - excluding service areas listed	0.178	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

Table 4: MHCLG EXPENDITURE CATEGORY	**Full Year Forecast at 31.1.21 £M**	**Type of Expenditure Incurred**
		welfare calls, visits, foodbank and meals
Total Forecast Impact 2020/21	**1.958**	

Forecast expenditure pressures for 2021/22 are £100k plus for ongoing homelessness support (extra bed & breakfast costs and provision of loans for rent deposits in advance).

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

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

Table 5: MHCLG INCOME CATEGORY	**Full Year Forecast at 31.1.21 £M**	**Type of Income Loss**
Cultural & Related Sales, Fees & Charges (SFC) losses	0.333	Harlequin – income reduction
	0.263	Leisure Services Provider - reduced Management Fees
	0.072	Community Centres
Planning & Development SFC losses	0.243	Reduction in Planning Fee income
Highways and Transport Sales, Fees & Charges (SFC) losses - other	2.218	Reduction in Car Parking income
Commercial Income Loss Total	0.333	Commercial Rents – income reduction (including Redhill Market)
Other income losses	0.478	Garden Waste - income reduction
	0.210	Commercial Waste - income reduction
Other SFC income losses	0.182	Reduction in Revenues and Benefits Income from Third Party Clients
Total	**4.332**	

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 £1.5 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 £240k. In addition many local businesses have applied for refunds on prepaid permits for staff.

A further impact is the reduction on forecast penalty ticket revenue: the predicted loss of income until the end of March 2021 is £130k for off street parking and £169k for on street parking.

- 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 £40k. 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.

- Property rents are forecast to be lower than budget in 2021/22, primarily the Travelodge hotel in Redhill and the Old Town Hall in Reigate.

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.

Forecast income pressures for 2021/22 are:

- Community Centres - £0.200m
- Harlequin - £0.180m
- Parking - £1.200m
- Commercial Waste - £0.160m
- Property Rents - £0.270m.

Leisure Support Scheme

In late December 2020 Sports England published details of the Government's scheme for assisting outsourced Leisure providers with the costs of recovery/reopening between December 2020 and March 20921. The Council has worked with GLL on a bid submission. The Council may be able to claim up to £0.270 million on behalf of GLL. No other funding has been made available to cover GLL's losses since the start of the pandemic but the Council has agreed to waive payment of the 2020/21 management fee from GLL; this is included in the income loss claim to MHCLG.

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 are being 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 January 2021 based on the impacts during the first nine 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 financial impact in 2020/21 is currently cost neutral after taking account of COVID-19 grant funding.

Table 6: FORECAST COVID-19 FINANCIAL IMPACTS 2020/21	**Full Year Forecast at 31.1.21 £M**
Additional Expenditure	1.958
Income Losses	4.332
Government Grants • Emergency Grant - £1.874m (excludes £638k for 21/22) • Other Grants and Contributions - £1.343m	(3.217)
Government COVID-19 Income Reimbursement: • April – July claim • August – November claim • December to March claim (est.)	 (1.086) (1.044) (1.000)
Net Forecast Unfunded Estimated Cost/(Surplus Funding) of COVID-19 in 2020/21	**(£0.057)**

It should be noted that the accuracy of the above forecast depends on the completeness of COVID-19 income and expenditure forecasts and the outcome of Government funding decisions. The final position will not be confirmed until the budget outturn for 2020/21 is known.

This latest forecast of the net financial impact means that there is less risk of having to call on revenue Reserves to fund a shortfall in funding.

Looking forward to 2021/22 the most significant impacts are forecast to relate to ongoing income losses (as explained above). Early indicative forecasts of income losses, additional costs and Government funding support are set out in the table below.

Table 7: FORECAST COVID-19 FINANCIAL IMPACTS 2021/22	**Forecast at 31.1.21 £M**
Additional Expenditure • Homelessness support	0.100
Income Losses • Community Centres - £0.200m • Harlequin - £0.180m • Parking - £1.200m • Commercial Waste - £0.160m • Property Rents - £0.270m	2.010
Government Grants • Emergency Grant Other Grants and Contributions	(0.638)
Government COVID-19 Income Reimbursement: • April – June claim (est)	(0.750)
Net Forecast Unfunded Estimated Cost of COVID-19 in 2021/22	**£0.722m**

As for 2021/22 it will be important to continue to monitor and report these forecasts as part of in-year budget monitoring.

<u>Options for Mitigation of the Financial Impacts</u>
The main options for mitigating the ongoing 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.

- 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.

- As a final resort, 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 continue to be included in the quarterly budget monitoring reports in 2021/22.

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 borrowing is estimated to have been £34.1 billion in December 2020, £28.2 billion more than in December 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 came to an end, and it is still not clear what impact the exit agreement will have on the economy.

The Office for National Statistics reported that GDP declined by 2.6% in November 2020 as Government restrictions reduced economic activity and was 8.5% below pre-pandemic levels. The services sector acted as the main drag on growth in November, with industries such as retail and accommodation accounting for nearly 80% of the fall.

In the labour market it is reported that 9.9m people were furloughed and classed as economically inactive at a cost of £46.4 billion. It is uncertain how the long-term effects on unemployment rates will work through the economy. At October 2020 The UK unemployment rate was estimated at 4.9%, 1.2 percentage points higher than a year earlier and 0.7 percentage points higher than the previous quarter.

The Government's furlough scheme has been extended to 30 April 2021. When it ceases, any increase in unemployment and / or furloughing of employees is likely to 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.

At 31 January 2021:

- Council Tax Collection was down by 1.52% compared to January 2019
- Business Rate Collection was down by 1.34% compared to January 2019.

Business Support Grants

Table 8: Business Support Grants				
Announced	**Scheme**	**Funding Allocation[1]**	**Payments Made at 31.1.21**	
		£m	No	£m
April 2020	First business support grant scheme – closed in September 2020	23.800	1,714	22.540
May 2020	Scheme Extension – closed in September 2020	1.156	161	1.130
November 2020	Local Restrictions Support Grants (Closed)	2.095	614	1.007
	Additional Restrictions Support Grants	4.296	117	0.200
December 2020 / January 2021	Local Restrictions Support Grants (Open)	0.210	88	0.071
	Christmas Support Grant	0.032	26	0.026
	Local Restrictions Support Grants (Closed)	0.015	30	0.030
	Local Restrictions Support Grant (Closed) (Tier 4)	TBC	602	0.599
	Closed Business Lockdown Payment	6.282	598	2.968
	Local Restrictions Support Grants (Closed) Addendum (Tier 5)	3.142	598	1.484

Note 1: Grant funding allocations are not directly linked to the number of eligible applicants – for the majority of grants surplus funds are paid back to Government/under-allocations will be reimbursed.

Test & Trace Payments

The authority has also been responsible for making payments under the NHS Test & Trace Scheme to individuals who have to self-isolate and are unable to claim benefits

- The funding allocations are £0.071m for general claims plus £0.052m for discretionary claims plus £0.027m administration funding
    - At the time of preparing this report 182 claims had been processed totalling £0.091m.

Other COVID-19 Financial Implications

In April 2020 the Government announced that implementation of the Relative Needs & Resources (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. This was confirmed in the provisional Settlement announcement in December. It also indicated that the removal of Negative Revenue Support Grant was also delayed (and possibly no longer proceeding).

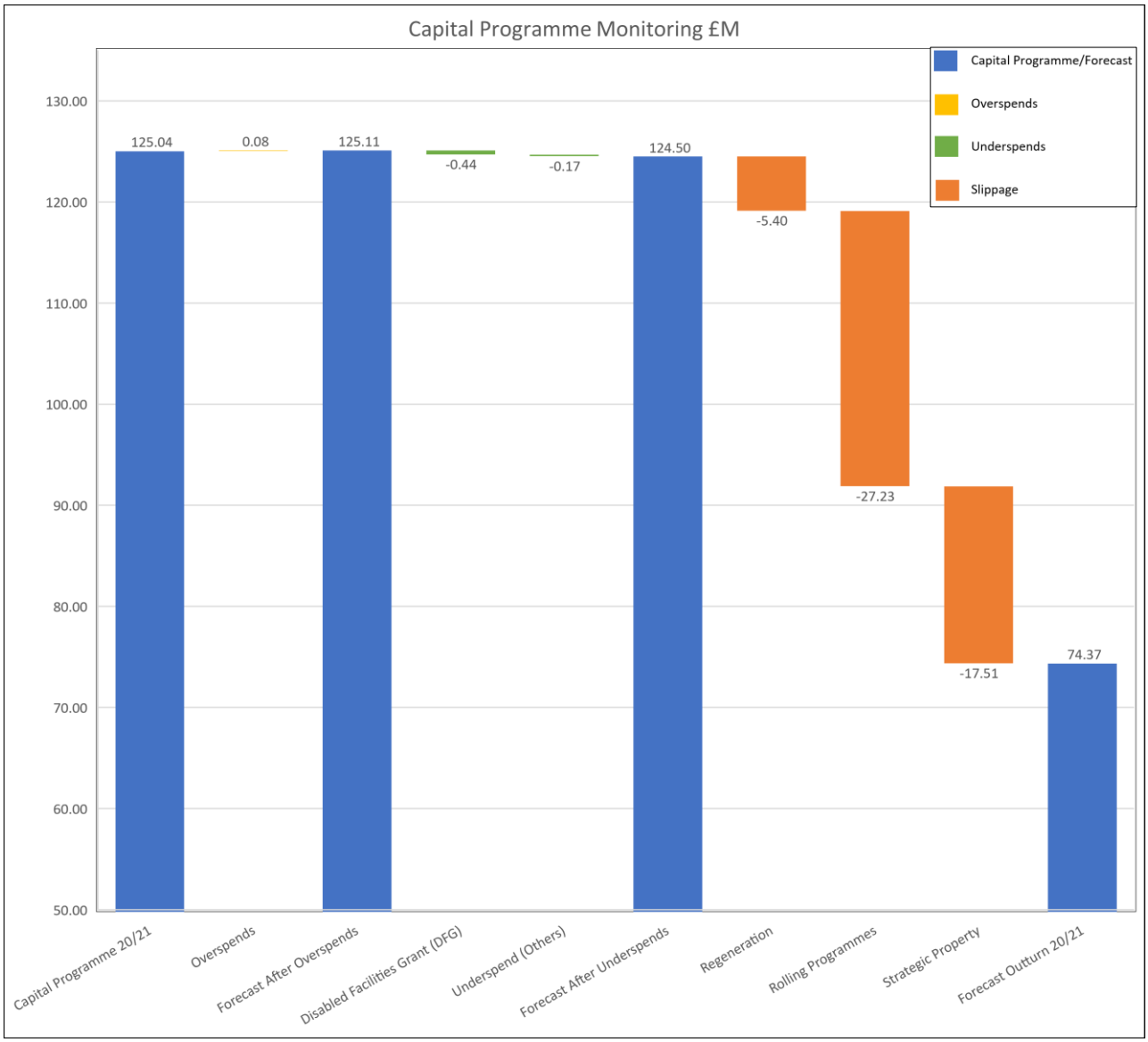
2020/21 Quarter 3: Capital Programme Monitoring

Summary

Forecast Full Year expenditure against the Capital Programme at the end of Quarter 3 is £74.37m which is £50.67m (41%) below the approved Programme for the year. The variance is predominantly a result of £50.14m slippage, a net underspend of £0.61m and small overspend of £0.08m as set out below.

Headline Capital Budget Information 2020/21

	£m	
Current Budget (Section 1):	**125.04**	
Projected Net Overspends	0.08	(or 0.06% of Programme)
Projected Net Underspends	(0.61)	(or 0.49% of Programme)
Projected Slippage	(50.14)	(or 40% of Programme)
Forecast Capital Expenditure	**74.37**	



Forecast Overspends

Rolling Programmes	**ICT Replacement Programme** (£68k 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. This adjustment will be made in Q4 to remove this variance. 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
	Play Area Improvement Programme - minor overspend of £8k.

Forecast Underspends

Disabled Facilities Grant (DFG)	**(£437k underspend)** - COVID-19 has had a big impact on the number 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 recieving a grant repayment in Q2. In Qtr 3, the forecast was amended to reflect actual spending to date and anticipated levels for the rest of the year. Grants may 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.
Rolling Programmes	**Handy Person Scheme** (£40k underspend) **-** COVID-19 has resulted in fewer applications being received and progressed for Small Works Grants and Loans than might otherwise be expected.
	Vibrant Towns & Villages (£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 the Service 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.
	Contaminated Land - Investigation work (£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.
	Capital Grants (20k underspend) - 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.

Forecast Slippage

Regeneration	**Marketfield Way** (£4.341m 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 finaslied, a programme and cashflow prepared to provide more accurate forecasts moving forward. **Preston Regeneration** (£248k slippage) - 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. 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. **Horley Public Realm Improvements - Phase 4** (£70k slippage) - Authority was required from the 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 professsional team are in the process of being appointed to enable the project to be brought forward. **Merstham Recreation Ground -** (£740k slippage) - Slippage due to COVID-19 and capacity within the Service. COVID-19 has affected the ability to be able to commence early engagement with local residents and stakeholders and delayed the appointment of key initial surveys and studies.Team is now in place to deliver the project. Initial Concept Plan prepared with main design works commencing in 2020/21 (subject to approval of final scheme by Executive).
Rolling Programmes	**Beech House, London Road. Reigate** (£3.000m slippage) - Negotiations with tenant-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 property consultants 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.
	Priory Park Maintenance (£203k slippage) - The tenant 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.
	Car Parks Capital Works (£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.
	Infra-structure (walls) (£69k slippage) - Reinstatement of surveys and reprogramming surveying inspections that were on hold during the COVID-19 lockdown.
	Units 1-5 Redhill Dist Centre Salfords - (£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.
	Earlswood Depot/Park Farm Depot- (£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.
	Unit 61E, Albert Road North (£53k slippage) - Roadway maintenance. Currently on hold pending a review of the Council's position as a whole on Albert Road North .
	Cemeteries & Chapel (£40k slippage) - Planned external decorations to chapel suspended during COVID-19. Contractors assigned to essential works only.
Housing Development	**Lee Street Bungalows** - (£255k slippage forecast). Project stalled due to build cost tenders coming in over budget.
	Cromwell Road Development - (£5.661m slippage forecast) Spend profile changed following contract signature - slightly behind original profiled schedule
	Unit 1 Pittwood Park Tadworth (£1.593m slippage forecast) - As project has progressed on site spend profile has been further updated, hence the £735k adjustment to the forecast outturn in Qtr2.
	(£10.0m 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.

Capital Annex 1

Reconciliation of Capital Programme to Approved Budgets 2020-21

	£m
Original Capital Budget	95.5
Budget approved but not yet released[1]	0.0
	95.5
Additions	
Carry Forwards from previous year	29.5
Budgets released during the year[1]	0.0
Reprofiling of projects	0.0
Other Changes	0.0
Current Capital Budget	**125.0**

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 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 (Adjusted) £000	Year End Outturn £000	Year End Variance £000	Head of Service / Budget Manager	Accountant	Quarter 3: 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	20.0	-80.0	Simon Bland	Abdul-Kader Omarshah	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	0.0	100.0	0.0	30.0	-70.0	Peter Boarder	Abdul-Kader Omarshah	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 professsional 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	6,621.6	22,679.8	15,000.0	18,339.2	-4,340.6	Peter Boarder	Abdul-Kader Omarshah	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 - Regeneration	362.1	0.0	420.7	0.0	0.0	0.0	12.2	782.8	534.5	534.5	-248.3	Peter Boarder	Abdul-Kader Omarshah	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. 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.
Merstham Recreation Ground	700.0	0.0	93.7	0.0	0.0	0.0	4.6	793.7	0.0	53.0	-740.7	Peter Boarder	Abdul-Kader Omarshah	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)
Regeneration	**20,120.7**	**0.0**	**4,335.6**	**0.0**	**0.0**	**0.0**	**6,638.5**	**24,456.3**	**15,554.5**	**18,976.7**	**-5,479.6**			
Leisure Centre Maintenance	30.0	0.0	7.0	0.0	0.0	0.0	4.0	37.0	10.0	10.0	-27.0	Roger Thompson	Mark Herdman	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	20.0	20.0	-33.0	Roger Thompson	Mark Herdman	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	217.9	226.0	234.0	234.0	8.0	Morag Williams	Mark Herdman	Replacement of Nork Park and Petridgewood Common play equipment - also capital replacement of individual pieces of play equipment in various sites across the borough.
Parks & Countryside - Infrastructure & Fencing	45.0	0.0	0.0	0.0	0.0	0.0	9.6	45.0	45.0	45.0	0.0	Morag Williams	Mark Herdman	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	100.0	0.0	Duane Kirkland	Josh Bell	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	40.0	0.0	Duane Kirkland	Josh Bell	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	0.0	-20.0	Roger Thompson	Mark Herdman	
Priory Park Maintenance	198.0	0.0	30.0	0.0	0.0	0.0	24.9	228.0	24.9	24.9	-203.1	Roger Thompson	Mark Herdman	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.
Leisure and Culture	**679.0**	**0.0**	**70.0**	**0.0**	**0.0**	**0.0**	**268.4**	**749.0**	**473.9**	**473.9**	**-275.1**			
Lee Street Bungalows	234.0	0.0	386.8	0.0	0.0	0.0	16.9	620.8	365.4	365.4	-255.4	Richard Robinson	Josh Bell	Project stalled due to build cost tenders coming in over budget.
64 Massetts Road	0.0	0.0	13.6	0.0	0.0	0.0	10.0	13.6	13.6	13.6	0.0	Richard Robinson	Josh Bell	Planned spend for external works to the building in 2020/21.
Housing Delivery Programmme	10,000.0	0.0	0.0	0.0	0.0	0.0	0.0	10,000.0	0.0	0.0	-10,000.0	Richard Robinson	Josh Bell	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	2,031.4	9,370.0	3,708.9	3,708.9	-5,661.1	Richard Robinson	Josh Bell	Spend profile changed following contracts being signed slightly behind original profiled schedule
Unit 1 Pitwood Park Tadworth	1,745.0	0.0	4,164.5	0.0	0.0	0.0	2,420.1	5,909.5	4,316.7	4,316.7	-1,592.8	Richard Robinson	Josh Bell	As project has progressed on site spend profile has been further updated, hence the £735k adjustment to the forecast in Q2.
Housing Development	**15,659.0**	**0.0**	**10,254.9**	**0.0**	**0.0**	**0.0**	**4,478.4**	**25,913.9**	**8,404.6**	**8,404.6**	**-17,509.3**			
Fleet Vehicle Wash-Bay Replacement	350.0	0.0	0.0	0.0	0.0	0.0	0.0	350.0	0.0	350.0	0.0	Morag Williams	Mark Herdman	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
Earlswood Depot/Park Farm Depot	50.0	0.0	30.0	0.0	0.0	0.0	11.3	80.0	20.0	20.0	-60.0	Roger Thompson	Mark Herdman	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
Waste Management and Recycling	**400.0**	**0.0**	**30.0**	**0.0**	**0.0**	**0.0**	**11.3**	**430.0**	**20.0**	**370.0**	**-60.0**			

Capital Annex 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 (Adjusted) £000	Year End Outturn £000	Year End Variance £000	Head of Service / Budget Manager	Accountant	Quarter 3: Explanation of Significant Variances
Land Flood Prevention Programme	6.0	0.0	11.0	0.0	0.0	0.0	3.7	17.0	17.0	17.0	0.0	Lee Wilcox	Mark Herdman	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	9.0	158.0	158.0	158.0	0.0	Katie Jackson	Michael Leonard	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	0.0	-30.0	Morag Williams	Mark Herdman	This is an emergency contingency budget to be used in exceptional circumstances. There are no plans to use the budget at this time.
Environment	**144.0**	**0.0**	**61.0**	**0.0**	**0.0**	**0.0**	**12.7**	**205.0**	**175.0**	**175.0**	**-30.0**			
Handy Person Scheme	50.0	0.0	0.0	0.0	0.0	0.0	6.3	50.0	10.0	10.0	-40.0	Katie Jackson	Michael Leonard	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	90.0	120.0	120.0	120.0	0.0	Katie Jackson	Michael Leonard	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	498.9	1,134.0	695.4	695.4	-438.6	Katie Jackson	Michael Leonard	The forecast was amended at Q3 to reflect actual spending to date and anticipated levels for the rest of the year. 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	57.0	41.5	41.5	41.5	0.0	Richard Robinson	Josh Bell	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	0.0	-20.0	Justine Chatfield	Michael Leonard	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.
Capital Grants	**1,334.0**	**0.0**	**31.5**	**0.0**	**0.0**	**0.0**	**652.2**	**1,365.5**	**866.9**	**866.9**	**-498.6**			
Great Workplace Programme - Phase 2	250.0	0.0	0.0	0.0	0.0	0.0	12.0	250.0	250.0	250.0	0.0	Caroline Waterworth	Josh Bell	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	30.0	0.0	Caroline Waterworth	Josh Bell	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	19.6	1.6	Darren Wray	Josh Bell	Carry forward Budget from 2019/20 to cover ICT disaster recoveries.
Organisational Change	**280.0**	**0.0**	**18.0**	**0.0**	**0.0**	**0.0**	**38.2**	**298.0**	**299.6**	**299.6**	**1.6**			

Capital Annex 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 (Adjusted) £000	Year End Outturn £000	Year End Variance £000	Head of Service / Budget Manager	Accountant	Quarter 3: Explanation of Significant Variances
Vehicles & Plant Programme	2,608.0	0.0	87.3	0.0	0.0	0.0	1,883.9	2,695.3	2,695.3	2,695.3	0.0	Lee Wilcox	Mark Herdman	2020/21 Tranche 2 of the fleet replacement project is complete, all vehicles have been delivered and are in service. 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.
ICT Replacement Programme	225.0	0.0	125.7	0.0	0.0	0.0	370.7	350.7	418.5	418.5	67.8	Darren Wray	Josh Bell	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. This adjustment will be made in Q4 to remove this variance. 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
Operational Buildings	115.0	0.0	140.0	0.0	0.0	0.0	126.8	255.0	137.4	137.4	-117.6	Roger Thompson	Mark Herdman	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
Day Centres Programme	75.0	0.0	13.0	0.0	0.0	0.0	53.0	88.0	74.9	74.9	-13.1	Roger Thompson	Mark Herdman	Realigned to work in conjunction with the community centre task force and its proposals for re-opening.
Existing Pavilions Programme	90.0	0.0	0.0	0.0	0.0	0.0	0.0	90.0	90.0	90.0	0.0	Caroline Waterworth	Josh Bell	Upgrades of facilities to be carried out as proposed.
Tenanted Properties	100.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	37.0	37.0	-63.0	Caroline Waterworth	Josh Bell	Park Farm Depot. Break clause initiated by RBBC. Works to be completed in line with the greenspaces occupation. Detailed survey required.
Crown House	75.0	0.0	0.0	0.0	0.0	0.0	0.0	75.0	0.0	0.0	-75.0	Caroline Waterworth	Josh Bell	Works to be completed this financial year
Acquisition of 3, 8 and 20 Reading Arch Road	0.0	0.0	0.0	0.0	0.0	985.5	985.5	1,029.0	985.5	985.5	-43.4	Caroline Waterworth	Josh Bell	Acquisition of units 3, 6, 8 and 20 Reading Arch Road
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	0.0	-40.3	Caroline Waterworth	Josh Bell	COVID-19 delays caused by contractor availability. Non essential works were re-programmed during the level 4 lockdown enforcements. Access, travel, social
Linden House, 51B High Street Reigate	17.3	0.0	0.0	0.0	0.0	-0.1	0.0	17.2	17.2	17.2	0.0	Caroline Waterworth	Josh Bell	Works to be completed this financial year
Unit 61E Albert Road North	55.0	0.0	0.0	0.0	0.0	0.0	0.0	55.0	2.0	2.0	-53.0	Caroline Waterworth	Josh Bell	Roadway maintenance. On hold, reviewing Council's position as a whole on Albert Road North .
Forum House, Brighton Road Redhill	70.0	0.0	0.0	0.0	0.0	0.0	0.0	70.0	0.0	0.0	-70.0	Caroline Waterworth	Josh Bell	Works to be completed this financial year
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	0.0	-3,000.0	Caroline Waterworth	Josh Bell	£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
Regent House, 1-3 Queensway Redhill	25.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0	0.0	0.0	-25.0	Caroline Waterworth	Josh Bell	Works to be completed this financial year
Commercial Investment Properties	50.0	0.0	25.5	0.0	0.0	0.0	12.6	75.5	32.2	32.2	-43.3	Roger Thompson	Mark Herdman	Post COVID-19 identified essential works..
Infra-structure (walls)	55.0	0.0	49.0	0.0	0.0	0.0	12.8	104.0	35.0	35.0	-69.0	Roger Thompson	Mark Herdman	Reinstatement of surveys and reprogramming surveying inspections that were on hold during the COVID-19 lockdown.
Car Parks Capital Works Programme	190.0	0.0	180.0	0.0	0.0	0.0	2.5	370.0	190.0	190.0	-180.0	Roger Thompson	Mark Herdman	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.
Public Conveniences	5.0	0.0	40.0	0.0	0.0	0.0	10.8	45.0	18.5	18.5	-26.5	Roger Thompson	Mark Herdman	High Street Banstead completed, Consort Way Horley rescheduled to 2021/22.
Cemeteries & Chapel	40.0	0.0	0.0	0.0	0.0	0.0	0.0	40.0	0.0	0.0	-40.0	Morag Williams	Mark Herdman	Planned external decorations to chapel suspended during COVID-19. Contractors assigned to essential works only.
Allotments	14.0	0.0	4.0	0.0	0.0	0.0	0.0	18.0	5.0	5.0	-13.0	Roger Thompson	Mark Herdman	Minor works required with planned maintenance work in 2021/22.
Building Maintenance - Support Cost	50.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	50.0	50.0	0.0	Caroline Waterworth	Josh Bell	Consultancy, essential to the delivery of the 2021/22 schedule
CCTV Rolling Programme	30.0	0.0	48.6	0.0	0.0	0.0	0.7	78.6	10.0	10.0	-68.6	Justine Chatfield	Michael Leonard	Underspend reflects decision making delays relating to the future of CCTV, caused by the Covid 19 emergency response. Decisions now taken by Executive and procurement processes being prepared. Underspend will need to be carried forward to 2021/22 to enable project delivery.
Commercial Investments Programme	50,000.0	0.0	13,977.1	0.0	0.0	-985.5	0.0	62,948.1	40,000.0	40,000.0	-22,948.1	Caroline Waterworth	Josh Bell	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.
Rolling Programmes	**56,929.5**	**0.0**	**14,690.2**	**0.0**	**0.0**	**0.0**	**3,459.4**	**71,619.7**	**44,798.6**	**44,798.6**	**-26,821.1**			
Total Capital Budget	**95,546.2**	**0.0**	**29,491.2**	**0.0**	**0.0**	**0.0**	**15,559.1**	**125,037.4**	**70,593.2**	**74,365.4**	**-50,672.0**			

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

SIGNED OFF BY	Interim Head of Finance
AUTHOR	Jane Heppel, Finance Consultant
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TO	Overview and Scrutiny Committee Executive Council
DATE	Overview and Scrutiny Committee: 18 March 2021 Executive: 25 March 2021 Council: 8 April 2021
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance and Governance

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT	Treasury Management Strategy Statement 2021/2022

RECOMMENDATIONS

Overview & Scrutiny Committee:

i) The Committee is asked to consider and to provide feedback on the following which are proposed for 2021/22:
- Treasury Management Strategy Statement;
- Prudential Indicators:
- Minimum Revenue Provision Statement; and
- Borrowing Limits

that will be finalised and submitted for approval by the Executive on 25 March 2021 and Council on 8 April 2021.

Executive:

ii) Executive is asked to consider the following for 2021/22:
- Treasury Management Strategy Statement;

- Prudential Indicators:
- Minimum Revenue Provision Statement; and
- Borrowing Limits Provision Statement;

and recommend their approval by Council.

Council:

iii) Council is asked to approve the following for 2021/22:
- Treasury Management Strategy Statement;
- Prudential Indicators:
- Minimum Revenue Provision Statement; and
- Borrowing Limits

REASONS FOR RECOMMENDATIONS

To enable the adoption of the updated Treasury Management Strategy Statement for the 2021/22 financial year in order to comply with the Chartered Institute of Public Finance Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code") and the Prudential Code for Capital Finance in Local Authorities ("the Prudential Code").

EXECUTIVE SUMMARY

This report sets out the draft Strategy for Treasury Management for 2021/22 including the Treasury Management Indicators, Prudential Indicators and the Minimum Revenue Provision Statement for 2021/22.

This report shapes the affordability of the Council's investment proposals and capital plans and should be considered alongside the Budget and Medium Term Financial Plan.

If adopted by the end of 2021/22 the key performance measures will be:
- Internal Borrowing;
- Ratio of financing costs to net revenue budget; and
- External debt for commercial and regeneration activities.

This compares with performance measures for 2020/21:
- External Borrowing;
- Internal Borrowing; and
- Minimum Revenue Provision as a % of net revenue budget.

Overview & Scrutiny Committee is invited to review the draft Strategy at their meeting on 18 March 2021 and provide any feedback to be taken into consideration when the Executive receive the final Strategy report on 25 March 2021. The final Strategy will then be submitted to Council for approval on 8 April 2021.

The above recommendations are subject to approval by Full Council

STATUTORY POWERS

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

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

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

BACKGROUND

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

5. The Strategy has been prepared in line with the Chartered Institute of Public Finance (CIPFA) Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code") and comprises two sections plus appendices that have been compiled in accordance with the Council's Treasury Management Policy Statements:

    1. Introduction
    2. The Treasury Management Strategy 2021/22
        a. Capital Issues
        b. Treasury Management Issues

    Appendices.

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

KEY INFORMATION

INTRODUCTION

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

8. The second main function treasury management is the funding of the authority's capital investment plans. These capital plans provide a guide to the borrowing need, essentially the longer-term cash flow planning, to ensure that the authority can meet its capital spending obligations. Management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic to do so, any debt previously drawn may be restructured to meet risk or cost objectives.

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

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

11. CIPFA defines treasury management as:

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

Treasury Management Training

12. The CIPFA Code requires the Chief Financial Officer to ensure that Members with responsibility for overseeing treasury management receive adequate training. This especially applies to Members responsible for scrutiny. A Member Treasury panel met to review the 2020/21 strategy on 11 March 2020. This meeting was facilitated by officers with support from the authority's treasury advisors LINK Group. The ability to arrange further updates/training during 2020/21 has been impacted by COVID.

Treasury management training is intended to be an area of focus for members of the Audit Committee as they take on the scrutiny role in this area moving forward.

13. The training needs of officers are periodically reviewed and form part of their personal development plans.

Treasury Management Consultants

14. The authority employs LINK Group, Treasury Solutions as its external treasury management advisors.

15. It is important to recognise that responsibility for treasury management decisions remains with the authority at all times and to ensure that undue reliance is not placed upon the services of external service providers. All treasury management decisions are undertaken with regard to all available information, including, but not solely, the external advisers.

16. It is also important to ensure that the terms of the advisors' appointment and the methods by which their value is assessed are properly agreed and documented and subjected to regular review.

Capital Investment Strategy

17. The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Investment Strategy report which provides the following:

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

18. The aim of the Capital Investment Strategy is to ensure that all Members fully-understand the overall long-term policy objectives and resulting capital investment strategy requirements, governance procedures and risk appetite.

19. The Capital Investment Strategy is reported separately from this Treasury Management Strategy Statement and includes information on non-treasury investments. This ensures separation of the treasury function which focusses on security, liquidity and yield principles and the policy and commercialism investments which are usually driven by the level of expenditure on an asset and associated benefits achieved from that investment.

20. The 2021/22 Capital Investment Strategy was reported to Executive in July 2020; the next update is due to be reported in summer 2021.

21. The Capital Investment Strategy sets out the governance arrangements for the following:

    - Any service objectives relating to the investments;
    - The expected income, costs and resulting contribution;
    - The debt related to the activity and the associated interest costs;
    - The payback period (MRP policy);

- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

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

23. Where the authority has borrowed to fund a non-treasury investment, there will also be an explanation of why borrowing was required and (where applicable) whether the MHCLG Investment Guidance and CIPFA Prudential Code have been adhered to.

24. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported.

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

Treasury Management Reporting

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

    1. **Prudential and Treasury indicators and Treasury Strategy** Statement (this report) - the first, and most important report is forward looking and covers:
       - the capital plans, (including prudential indicators);
       - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
       - the treasury management strategy statement, (how the investments and borrowings are to be organised), including treasury indicators; and
       - an investment strategy, (the parameters on how investments are to be managed).

    2. **A mid-year Treasury Management report** – this is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

    3. **An annual Treasury Management report** – this is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

27. The above reports are required to be adequately scrutinised before being recommended to the Council. This role is currently undertaken by the Overview and Scrutiny Committee; for 2021/22 onwards it is proposed that this responsibility transfers to the Audit Committee.

Treasury Management Strategy Statement for 2021/22

28. The Strategy for 2021/22 covers two main areas:

    1. **Capital Issues**

- the capital expenditure plans;
- the capital financing requirement;
- the minimum revenue provision (MRP) policy; and
- capital health.

2. **Treasury Management Issues**
   - the borrowing strategy;
   - policy on borrowing in advance of need;
   - the treasury investment strategy; and
   - the policy on use of external service providers.

29. The following are dealt with in the accompanying appendices:

- the current treasury position;
- core funds and expected investment balances;
- prudential indicators which limit the borrowing risk and activities of the authority;
- treasury indicators which limit the treasury risk and activities of the authority;
- operational and authorised borrowing limits;
- creditworthiness policy;
- prospects for interest rates and economic outlook; and
- debt rescheduling

30. These elements meet the requirements of the Local Government Act 2003, the Code, MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

CAPITAL ISSUES

Capital Expenditure Plans

31. The first prudential indicator relates to the authority's capital expenditure plans which are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators at Appendix 1 which are designed to assist Member oversight and confirm capital expenditure plans.

32. Members are asked to note the capital expenditure forecasts which are being considered for approval in the Budget 2021/22 and Capital Programme 2021 to 2026:

Table 1: PLANNED CAPITAL EXPENDITURE TO BE FINANCED	**2019/20 Actual £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**
People Services	1,595	17,163	11,575	11,525	1,525
Place Services	4,923	24,048	26,939	16,249	1,557
Organisation Services	1,385	4,890	2,767	2,293	2,019
Corporate Investment and Regeneration Activities	-	50,000	-	-	-
Loans to Wholly Owned Companies	10,219	-	-	-	-
Total	**18,122**	**96,100**	**41,280**	**30,067**	**5,101**

33. The following table summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Table 2: CAPITAL FINANCING PLANS	**2019/20 Actual £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**
Grants/Contributions	2,513	1,843	1,600	1,187	1,187
Capital Receipts	2,099	8,805	24,488	26,778	-
Revenue	759	-	-	-	-
Reserves	304	10,000	7,000	-	-
External Funding	5,675	20,649	33,089	27,965	1,187
Net Borrowing Need - General Fund (Core)	2,228	25,451	8,192	2,101	3,913
Net Borrowing Need - General Fund (Regeneration)	10,219	50,000	-	-	-
Net financing need for the year	12,447	75,451	8,192	2,101	3,913

34. A key aspect of the regulatory and professional guidance is that Members are aware of the size and scope of any commercial or income-generating activity in relation to the authority's overall financial position. The capital expenditure details above demonstrate the scope of this activity and, by approving these figures, Members are asked to consider the scale of this investment activity proportionate to other investment plans.

Capital Financing Requirement (Borrowing Need)

35. The second prudential indicator refers to the authority 's Capital Financing Requirement (CFR). The CFR is the total of historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of indebtedness and so its underlying borrowing need. Any capital expenditure which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

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

37. The Council is asked to approve the following Prudential indicator:

Table 3: MOVEMENT IN CAPITAL FINANCING REQUIREMENT	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Closing CFR	31,105	106,235	113,066	112,934	114,494
Movement in CFR	12,280	75,130	6,831	(132)	1,560
Movement in CFR represented by:					
Net financing need for the year (above)	12,447	75,451	8,192	2,101	3,913
Less MRP/VRP and other financing movements	(167)	(321)	(1,361)	(2,233)	(2,353)
Movement in CFR	**12,280**	**75,130**	**6,831**	**(132)**	**1,560**

Minimum Revenue Provision (MRP) Policy

38. The authority is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP). It is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision - VRP).

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

40. Council is recommended to approve the following MRP Statement for 2021/22:

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the Minimum Revenue Policy will be the Asset life method – MRP will be based on the estimated life of the assets, in accordance with the regulations and will be set aside in the year after the asset becomes operational. This will be a combination of the annuity method and straight line method:

- Operational land and buildings - 50 years annuity method;
- Investment Properties - 50 years annuity method;
- General Fund Housing - 50 years straight line method;
- Infrastructure - 50 years straight line method;
- Plant and Equipment- 30 years straight line method;
- ICT- 5 years straight line method; and
- Vehicles - 8 years straight line method.

MRP on Capital Loans and Share Capital.

41. Under local authority capital accounting regulations loans to third parties for capital purposes and share capital are deemed to be capital expenditure of the authority. The Council has made loans to its companies (Greensand Holdings Limited, RBBC Limited, Horley Business Park Development LLP) and holds share capital in Pathway for Care Limited.

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

43. As the authority expects these loans and investments to be repaid in full, there is no requirement to set aside MRP to repay the debt liability in the interim period. The outstanding loan and investment/CFR position will be reviewed on an annual basis and, if the likelihood of default increases, prudent provision for any forecast default or impairment will be made within the authority 's Reserves or consideration given to the making of a Voluntary Revenue Provision (VRP).

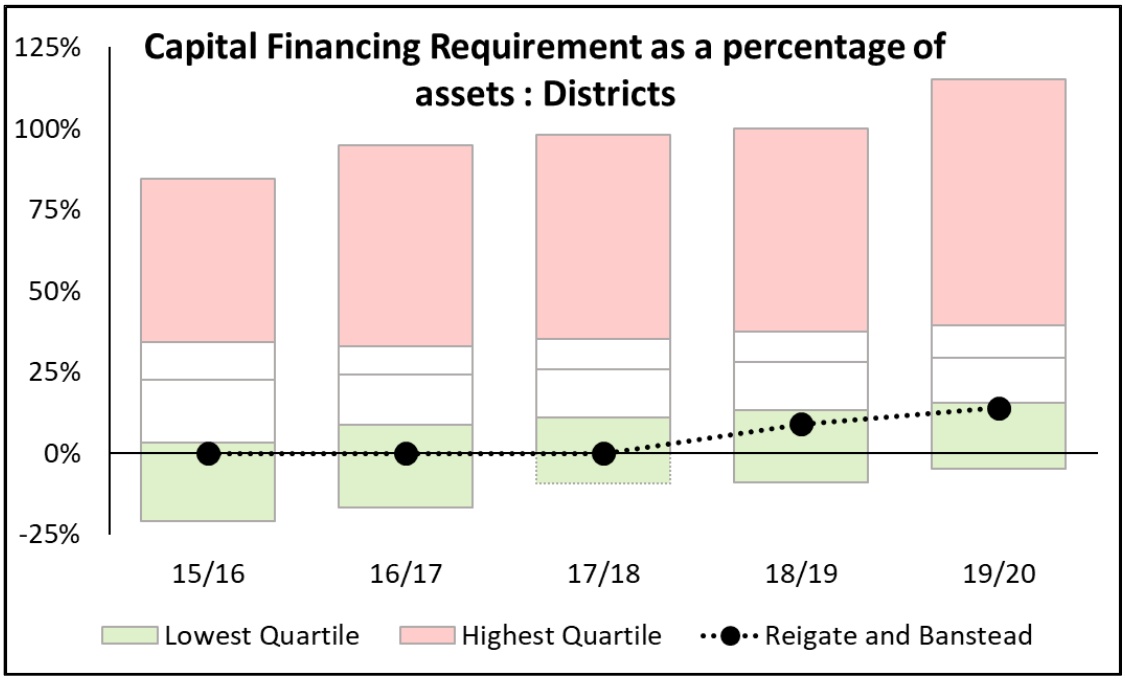
44. The repayments of principal will be set aside as capital receipts to finance the initial capital advance in lieu of making a MRP.

MRP Overpayments.

45. MHCLG Guidance includes the provision that any MRP charges made over the statutory minimum may be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed, the MRP policy must disclose the cumulative overpayment made each year. At 31 March 2021 the cumulative voluntary overpayments by this Council were forecast to be £Nil.

Capital Health: Capital Health Indicators

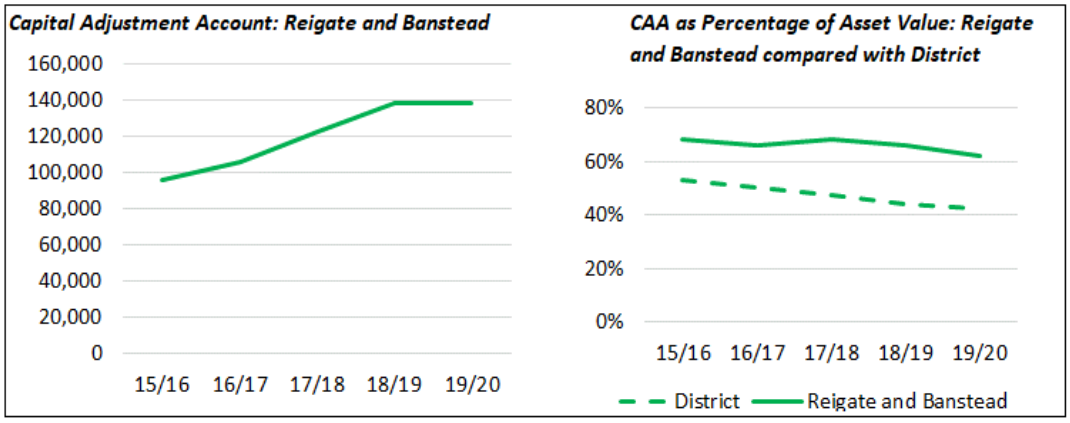
46. The underlying capital financing requirement has been rising over recent years however the Council remains in the top quartile of all Districts with regard to the relatively low extent to which its asset portfolio has been funded through borrowing.



47. The movement on the Capital Adjustment Account (CAA) in the annual Statement of Accounts reflects the degree to which the Council's assets are depleting or being devalued, The fact that this Council's CAA has increased over the past five years

means that assets are being used up or devalued at a slower rate than they are being funded. This is above the district national average.

Capital Adjustment Account as percentage of capital assets



TREASURY MANAGEMENT ISSUES

Borrowing Strategy

48. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the authority 's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns on balances are low and counterparty risk is a factor that needs to be considered.

49. Against this background, and the risks within the economic forecast, caution will continue to be exercised for 2021/22 treasury operations. The Chief Financial Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

    - if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.

    - if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the borrowing position will be re-appraised. Most likely, fixed rate funding will be drawn while interest rates are lower than they are projected to be in the next few years.

50. Any decisions on borrowing will be reported to the appropriate decision making body at the next available opportunity as part of regular in-year treasury management reporting.

Borrowing for Corporate Investment and Regeneration activities

51. The Capital Programme for 2019/20 onwards includes £75 million for investment in corporate priorities that also realise new income-generating opportunities. The

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

Table 4: EXTERNAL DEBT FOR CORPORATE INVESTMENT / REGENERATION	**2019/20 Actual**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
Actual debt as at 31 March - £m	10,219	60,219	60,219	60,219	60,219
Percentage of total external debt - %	72%	67%	63%	63%	62%

Policy on Borrowing in Advance of Need

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

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

Treasury Investment Strategy

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

55. The Council's investment policy has regard to the following:

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

56. The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The aim is to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity and with the authority's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from

an internal as well as external perspective), the authority will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

Environmental, Social and Governance Factors

57. While the Council awaits the outcome of CIPFA's latest consultation on proposed changes to the proposed Treasury Management Code of Practice the intention is to take a 'watch and learn' approach when considering Environmental, Social and Governance factors in the Council's investment portfolio, with a view to further developing the approach in this area, using 2021/22 as an opportunity to set the baseline for determining the authority's future appetite in this area.

Risk Management

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

- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. Key ratings used to monitor counterparties are the short term and long-term ratings.

- Ratings are not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. Assessments will take account of information that reflects the opinion of the markets. To achieve this the authority engages with its treasury advisors to maintain a monitor on market pricing such as "credit default swaps" and overlays that information on top of the credit ratings.

- Other information sources used include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

59. This authority has defined a list of types of investment instruments that the treasury management team are authorised to use. There are two lists (details at appendix 5.4) under the categories of 'specified' and 'non-specified' investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which

require greater consideration by members and officers before being authorised for use.

Non-specified and loan investment limits.

60. This authority has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 20%.

Lending Limits

61. Limits (amounts and maturity), for each counterparty will be set through applying the matrix at Appendix 1 Section 4.6, Table 9.

Transaction Limits

62. These are set for each type of investment (Appendix 1 Section 4, Table 9). This authority will set a limit for its investments which are invested for longer than 365 days (Appendix 1 Section 4.7). Investments will only be placed with counterparties from countries with a specified minimum sovereign rating (Appendix 1 Section 5). All investments will be denominated in sterling.

63. As a result of the change in accounting standards for 2020/21 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, The Government (MHCLG) concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023.

64. Consideration may need to be given to obtaining funding at cheaper rates from the following sources in order to finance capital expenditure for non-infrastructure purposes:

- Local authorities (primarily shorter dated maturities);
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates); and
- the Municipal Bonds Agency

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

Policy on the Use of External Service Providers

66. This authority has engaged external treasury management consultants, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

67. This authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for

investment performance. Regular monitoring of investment performance will be carried out during the year.

68. All credit ratings will be monitored internally at least weekly. The treasury management team is alerted to changes to ratings of all three agencies through use of the external advisors' creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the authority's minimum criteria, its further use as a new investment will be withdrawn immediately.

- In addition to the use of credit ratings the authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Financials benchmark and other market data on a daily basis via its Passport website, provided by the external treasury advisors. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

69. Sole reliance will not be placed on the use of this external service. The treasury management team will also use market data and market information, as well as information on any external support for banks to help support its decision making process.

OPTIONS

70. There are the three options:

Option 1 – Approve the recommendations in this report

This is the recommended option.

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

MHCLG Investment Regulations require approval of the Treasury Management Strategy Statement prior to the financial year to which it relates. Any delay in approving the Strategy could leave the authority open to the same risks as identified in option 3 below.

Option 3 – To not support the contents of this report

This would mean there is a risk that Officers will not have authority to undertake treasury management activities, which result in minimal returns on investments and prevention of borrowing to fund planned capital investment. It would also mean that the Council is not compliant with MHCLG statutory guidance and the CIPFA Code of Practice, which will result in criticism from the Council's auditor.

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

72. The financial impacts of this Strategy have already been reflected within the Council's 2021/22 Budget proposals. There are therefore no additional financial implications that arise from this report.

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

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

RISK MANAGEMENT CONSIDERATIONS

75. These are detailed in Appendix 1.

OTHER IMPLICATIONS

76. There are implications in terms of the Council's environmental aims and carbon targets which are not yet known but as set out in the report there are plans to start to gather data in this area in the coming year in order to set targets for 2022/23.

CONSULTATION

77. The Draft Treasury Management Strategy Statement will be reviewed by a Member Panel led by the Portfolio Holder for Finance in March 2021 and by the Overview and Scrutiny Committee on 18 March 2021. Their feedback will be considered when preparing the final Treasury Management Strategy Statement that is scheduled to be reported to Executive on 25 March 2021 and Council on 8 April 2021.

POLICY FRAMEWORK

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

BACKGROUND PAPERS

- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management Guidance Notes 2018
- CIPFA Prudential Code for Capital Finance in Local Authorities (2017) (Prudential Code)
- *Budget and Capital Programme 2021/22*, report to Executive, 28 January 2021
- Link to MHCLG Guidance: *The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003*

ANNEX 1

TREASURY MANAGEMENT STRATEGY
2021/22
March 2021

Section 1: CURRENT TREASURY POSITION

Current Portfolio Position

1.1 The overall treasury management portfolio at 31 March 2020 and the position at 31 December 2020 is shown below for both borrowing and investments.

Table 1: NET TREASURY INVESTMENTS	Actual 31/03/2020 £000	Current 31/12/2020 £000
Treasury Investments		
Cash at Bank	4,002	14,662
Building Societies - unrated	18,000	13,000
Building Societies - rated	0	0
Local Authorities	0	0
DMADF (HM. Treasury)	0	0
Money Market Funds	25,022	35,000
Certificates of Deposit		0
Total Managed In-House	**47,024**	**62,662**
Bond Funds	0	0
Property Funds	0	0
Total Managed Externally	**0**	**0**
Total Treasury Investments	**47,024**	**62,662**
Treasury External Borrowing		
Local Authorities	14,000	9,000
PWLB	0	0
Total External Borrowing	**14,000**	**9,000**
Net Treasury Investments / (Borrowing)	**33,024**	**53,662**

Expected Investment Balances

1.2 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Table 2: EXPECTED BALANCES TO INVEST OR FUND CAPITAL	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
General Fund Balance	7,939	3,246	3,246	3,246	3,246

Table 2: EXPECTED BALANCES TO INVEST OR FUND CAPITAL	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Earmarked Reserves	33,652	24,509	17,509	17,509	17,509
Capital Receipts/Grants	24,503	15,698	15,698	15,698	15,698
Provisions	181	181	181	181	181
Revenue Grants					
Total Core funds - General Fund	**66,275**	**43,634**	**36,634**	**36,634**	**36,634**
Working Capital	7,000	7,000	7,000	7,000	7,000
Under / Over Borrowing	16,924	16,924	16,924	16,924	16,924
Expected Investments	**42,351**	**19,710**	**12,710**	**12,710**	**12,710**

*Working capital balances shown are estimated year-end; these may be higher mid-year

Section 2: Prudential and Treasury Indicators 2021/22 – 2023/24

2.1 The Council's capital expenditure plans are the key driver of treasury management activity and these have been shown in the main document. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Key Prudential Indicators

2.2 The two key prudential indicators are explained and presented in the main report and included here for completeness:

Table 3: PLANNED CAPITAL EXPENDITURE TO BE FINANCED	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
People Services	1,595	17,163	11,575	11,525	1,525
Place Services	4,923	24,048	26,939	16,249	1,557
Organisation Services	1,385	4,890	2,767	2,293	2,019
Corporate Investment and Regeneration Activities	0	50,000	0	0	0
Loans to Wholly Owned Companies	10,219	0	0	0	0
Total	**18,122**	**96,100**	**41,280**	**30,067**	**5,101**

Table 4: FINANCING OF CAPITAL EXPENDITURE	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Grants/Contributions	2,513	1,843	1,600	1,187	1,187
Capital Receipts	2,099	8,805	24,488	26,778	0
Revenue	759	0	0	0	0
Reserves	304	10,000	7,000	0	0
External Funding	**5,675**	**20,649**	**33,089**	**27,965**	**1,187**
Net borrowing need - General Fund (Core)	2,228	25,451	8,192	2,101	3,913
Net borrowing need - General Fund (Regeneration)	10,219	50,000	0	0	0
Net financing need for the year	**12,447**	**75,451**	**8,192**	**2,101**	**3,913**

Affordability prudential indicators

Ratio of financing costs to Net Revenue Budget

2.3 The Medium Term Financial Plan has already been adopted and within it the Chief Finance Officer has highlighted that there are funding gaps in future years. The investment in corporate initiatives and regeneration is intended to make up part of that gap.

2.4 The table below highlights the risk to the net budget requirement of not achieving any planned income streams – the top line represents the increasing percentage of net budget requirement which would be needed to service debt if none of the existing investment income were received. The lower line represents the percentage of net budget requirement which would be needed to service debt even if existing investment income streams deliver as currently planned.

Table 5: RATIO OF FINANCING COSTS TO NET REVENUE BUDGET	**2019/20** **Actual %**	**2020/21** **Estimate %**	**2021/22** **Estimate %**	**2022/23** **Estimate %**	**2023/24** **Estimate %**
Gross cost of borrowing as % of net budget requirement	1.8%	1.8%	8.7%	15.5%	16.5%
Net cost of borrowing including investment income as % of net budget requirement	(3.9)%	(3.9)%	1.7%	9.7%	10.6%

2.5 The estimates of financing costs include current commitments and the proposals in this budget report.

Table 6: EXTERNAL DEBT FOR COMMERCIAL AND REGENERATION ACTIVITIES	**2019/20** **Actual %**	**2020/21** **Estimate %**	**2021/22** **Estimate %**	**2022/23** **Estimate %**	**2023/24** **Estimate %**
External Debt for corporate investment / regeneration activities					
Actual debt at 31 March - £m	10,219	60,219	60,219	60,219	60,219
Percentage of total external debt - %	72%	67%	63%	63%	62%

Maturity structure of borrowing

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

2.7 The Council is relatively new to borrowing and has a very limited portfolio at present therefore in order to maximise the opportunity to achieve good

value for money and in the absence of any currently maturing loans, the Council is asked to approve the following treasury indicators and limits:

Table 7: MATURITY STRUCTURE OF FIXED INTEREST RATE BORROWING 2021/22		
	Lower	**Upper**
Under 12 months	0%	50%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%
MATURITY STRUCTURE OF VARIABLE INTEREST RATE BORROWING 2021/22		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

External Debt

2.8 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

2.9 The introduction of IFRS16 may change some of the Prudential Indicators due to additional lease liabilities being recognised on the balance sheet under the heading 'Other Long Term Liabilities'. In preparation for the potential adoption of the new standard in 2022/23, the capital financing requirement now includes the cost of operating leases. Once these have been reviewed, revised indicators will be provided to Members at the earliest opportunity.

Table 8: EXPECTED CHANGE IN EXTERNAL DEBT	**2019/20 Actual £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**
External Debt					
Debt at 1 April	12,000	14,000	89,130	95,961	95,829
Expected change in Debt	2,000	75,130	6,831	-132	1,560
Other long-term liabilities (OLTL)	181	181	181	181	181
Expected change in OLTL	0	0	0	0	0

Table 8: EXPECTED CHANGE IN EXTERNAL DEBT	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Actual Gross Debt at 31 March	**14,181**	**89,311**	**96,142**	**96,010**	**97,570**
CFR	31,105	106,235	113,066	112,934	114,494
Under / (over) Borrowing	**16,924**	**16,924**	**16,924**	**16,924**	**16,924**

Treasury Indicators: Limit To Borrowing Activity

2.10 Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

2.11 The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

2.12 **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.

Table 9: OPERATIONAL BOUNDARY FOR BORROWING (MAX EXPECTED)	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Borrowing	20,000	35,735	42,566	42,434	43,994
Other long term liabilities		500	500	500	500
Commercial activities / regeneration activities	50,000	70,000	70,000	70,000	70,000
Total	**70,000**	**106,235**	**113,066**	**112,934**	**114,494**

2.13 **The authorised limit for external debt** is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs

to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

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

Table 10: AUTHORISED LIMITS FOR BORROWING	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	Actual £000	**Estimate £000**	**Estimate £000**	**Estimate £000**	**Estimate £000**
Borrowing	30,000	115,735	122,566	122,434	123,994
Other long term liabilities		500	500	500	500
Total	**30,000**	**116,235**	**123,066**	**122,934**	**124,494**

Creditworthiness.

2.15 As advised by LINK: "*the credit rating agencies changed their outlook on many UK banks from Stable to Negative during the quarter ended 30.6.20 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of major financial institutions, including UK banks. However, during Q1 and Q2 2020, banks made provisions for expected credit losses and the rating changes reflected these provisions. As we move into future quarters, more information will emerge on actual levels of credit losses. (Quarterly earnings reports are normally announced in the second half of the month following the end of the quarter.) This has the potential to cause rating agencies to revisit their initial rating adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that banks went into this pandemic with strong balance sheets. This is predominantly a result of regulatory changes imposed on banks following the Great Financial Crisis. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the UK 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%. All three rating agencies have reviewed banks around the world with similar results in many countries of*

most banks being placed on Negative Outlook, but with a small number of actual downgrades."

Certificates of Deposit (CDS) prices

2.16 As advised by LINK: *"Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. Nevertheless, prices are still elevated compared to end-February 2020. Pricing is likely to remain volatile as uncertainty continues. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal."*

Other limits

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

Non-specified treasury management investment limit

2.18 The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 20% of the total treasury management investment portfolio.

Country limit.

2.19 The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 1, Section 5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Other limits.

2.20 In addition:

- no more than £10M will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

Section 3 Economic Background from LINK Advisory

UK.

The Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 5th November. However, it revised its economic forecasts to take account of a second national lockdown from 5th November to 2nd December which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of quantitative easing (QE) of £150bn, to start in January when the current programme of £300bn of QE announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".

- *Its forecasts appear to be rather optimistic in terms of three areas:*
    - *The economy would recover to reach its pre-pandemic level in Q1 2022*
    - *The Bank also expects there to be excess demand in the economy by Q4 2022.*
    - *CPI inflation is therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".*
- *Significantly, there was no mention of* ***negative interest rates*** *in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.*
- *One key addition to* ***the Bank's forward guidance*** *in August 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. Our Bank Rate forecast currently shows no increase through to quarter 1 2024 but there could well be no increase during the next five years due to the slow rate of recovery of the economy and the need for the Government to see the burden of the elevated debt to GDP ratio falling significantly.* ***Inflation*** *is unlikely to pose a threat requiring increases in Bank Rate during this period as there is likely to be spare capacity in the economy for a considerable time. It is expected to briefly peak at around 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.*
- *However, the minutes did contain several references to* ***downside risks****. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. That could involve some or all of the lockdown being extended beyond 2nd December, a temporary relaxation of restrictions over Christmas, a resumption of the lockdown in January and lots of regions being subject to Tier 3 restrictions when the lockdown ends. Hopefully,*

restrictions should progressively ease during the spring. It is only to be expected that some businesses that have barely survived the first lockdown, will fail to survive the second lockdown, especially those businesses that depend on a surge of business in the run up to Christmas each year. This will mean that there will be some level of further permanent loss of economic activity, although the extension of the furlough scheme to the end of 31st March will limit the degree of damage done.

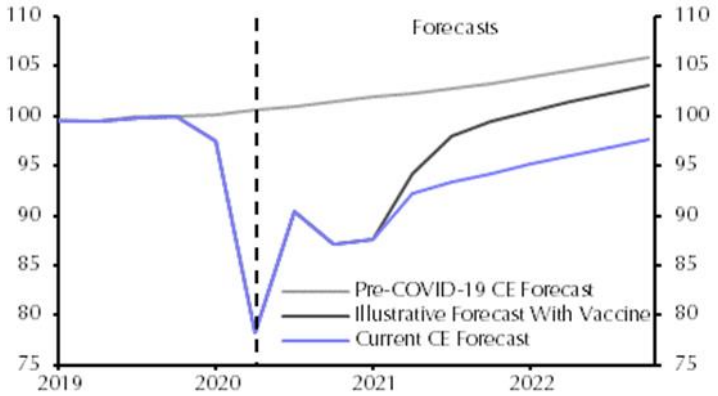
- *As for **upside risks**, we have been waiting expectantly for news that various **COVID19 vaccines** would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, their phase three trials are still only two-thirds complete. More data needs to be collected to make sure there are no serious side effects. We don't know exactly how long immunity will last or whether it is effective across all age groups. The Pfizer vaccine specifically also has demanding cold storage requirements of minus 70C that might make it more difficult to roll out. However, the logistics of production and deployment can surely be worked out over the next few months.*

- *What these vaccine results would mean is that **life could largely return to normal during 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels, which would help to bring the unemployment rate down. With the household saving rate currently being exceptionally high, there is plenty of pent-up demand and purchasing power stored up for these services. A large-scale roll-out of vaccines might take into late 2021 to fully complete; but if the vaccine really is that effective, then there is a possibility that restrictions could begin to be eased once vulnerable people and front-line workers had been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% next year instead of 9%. But while this would reduce the need for more QE and/or negative interest rates, increases in Bank Rate would still remain some years away. However, until there is clarity on these issues around the Pfizer vaccine, it would be premature to change the overall economic commentary and forecasting in this report. It also raises a potential question as to whether the relatively optimistic outlook of the Monetary Policy Report was swayed by making positive assumptions around effective vaccines being available soon. It should also be borne in mind that as effective vaccines will take time to administer, economic news could well get worse before it starts getting better.*

- ***Public borrowing** is now likely to increase by about £30bn to around £420bn (23% of GDP) as a result of the new lockdown. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable. It is also quite possible that the Bank of England will do more QE in 2021 to support the economy, although negative interest rates could also be a usable tool in the tool box later on in 2021.*

- *Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp but after a disappointing increase in GDP of only 2.1% in August, this left the economy still 9.2% smaller than in February; this suggested that the economic recovery was running out of steam after recovering 64% of its total fall during the crisis. The last three months of 2020 were originally expected to show zero growth due to the impact of widespread local lockdowns, consumers probably remaining cautious in spending, and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year also being a headwind. However, the new national lockdown for one month is now expected to depress GDP by 8% in November while the rebound in December is likely to be muted and vulnerable to the previously mentioned downside risks. Unemployment is also now expected to increase from 4.5% in August to a peak of 9% around the middle of 2021. Due to the number of adverse factors that have built up during the autumn, there is wide expectation that the Bank of England could resort to expanding quantitative easing by a further £100bn during 2021 to sustain momentum in the economy. Even so, it is now expected that the second national lockdown will push back recovery of GDP to pre pandemic levels by six months and into sometime during 2023. However, the graph below shows what Capital Economics forecast could happen if a successful vaccine was widely administered in the UK in the first half of 2021; this would cause a much quicker recovery.*

Level of real GDP (Q4 2019 = 100)



- *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, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.*

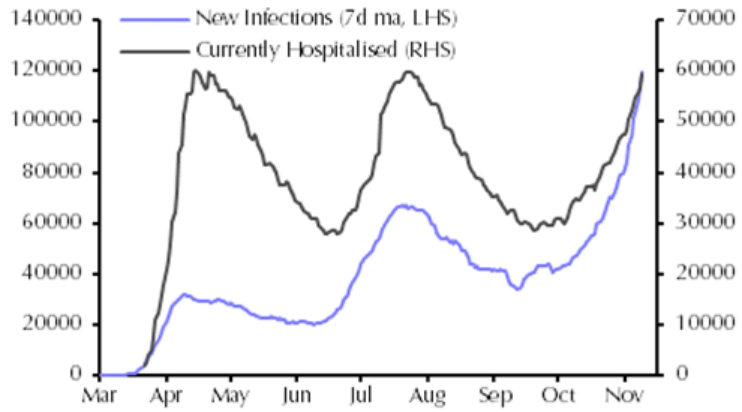
- *The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the 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 result of **the November elections** means that while the Democrats have gained the presidency and a majority in the House of Representatives, it looks as if the Republicans will still have a majority on the Senate. This means that the Democrats will not be able to*

do a massive fiscal stimulus, as they had been hoping to do after the elections, as they now have to get agreement from the Republicans. That would have resulted in another surge of debt issuance and would have put particular upward pressure on debt yields – which could have also put upward pressure on gilt yields. On the other hand, financial markets leapt up on 9th November on the first news of a successful vaccine - so that could cause a big shift in investor sentiment i.e. a swing to sell out of government debt into equities and so cause debt prices to fall and yields to rise. It is too early yet to say how enduring this shift in market expectations will be or whether the Fed would feel it necessary to take action to suppress this jump up in debt yields. However, the next two years, and possibly four years in the US, could be a political stalemate where neither party can do anything radical.

The economy had been recovering quite strongly from its contraction in 2020 of 10.2% due to the ***pandemic*** *with GDP now only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a third wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the latest wave has been driven by a growing outbreak in the Midwest. The latest upturn poses a threat that the recovery in the economy could stall. This is* ***the single biggest downside risk*** *to the outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.*

COVID-19 New infections & hospitalisations



After Chair Jerome Powell unveiled the ***Fed's adoption of a flexible average inflation target*** *in his Jackson Hole speech in late August, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that "it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 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, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate*

projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal. The Fed's meeting on 5 November was unremarkable - but at a politically sensitive time around the elections.

EU. *The economy was recovering well towards the end of Q2 and into Q3 after a sharp drop in GDP caused by the virus, (e.g. France 18.9%, Italy 17.6%). However, growth is likely to stagnate during Q4, and Q1 of 2021, as a second wave of the virus has affected many countries, and is likely to hit hardest those countries more dependent on tourism. The €750bn 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 the worst affected countries. With inflation expected to be unlikely to get much above 1% over the next two years, the ECB has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. 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 from governments. The current PEPP scheme of €1,350bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, the PEPP scheme is regarded as being a temporary measure during this crisis so it may need to be increased once the first PEPP runs out during early 2021 - unless vaccines step in quickly enough to head off the need for more action by the ECB. It could also decide to focus on using the Asset Purchase Programme to make more monthly purchases, rather than the PEPP scheme, and it does have other monetary policy options.*

China. *After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies.*

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 in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

Japan. *Japan's success in containing the virus without imposing draconian restrictions on activity should enable a faster return to pre-virus levels of output than in many major economies. While the second wave of the virus has been abating, the economy has been continuing to recover at a reasonable pace from its earlier total contraction of 8.5% in GDP. However, there now appears to be the early stages of the start of a third wave. It has also 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. There has also been little progress on*

fundamental reform of the economy. The change of Prime Minister is not expected to result in any significant change in economic policy.

World growth. *While Latin America and India have, until recently, been hotspots for virus infections, infection rates have begun to stabilise. 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.*

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

Summary

Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this is likely to result in more quantitative easing and keeping rates very low for longer. It will also put pressure on governments to provide more fiscal support for their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

The graph below as at 10th November, shows how the 10 year gilt yield in the UK spiked up after the Pfizer vaccine announcement on the previous day: -

Interest Rate Forecasts 2020-2024 from LINK Advisory

Link Group Interest Rate View	9.11.20													
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	1.80	1.80	1.80	1.80	1.80	1.90	1.90	1.90	1.90	1.90	2.00	2.00	2.00	2.00
10 yr PWLB	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30
25 yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70	2.70	2.70	2.80	2.80	2.80	2.80
50 yr PWLB	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.60	2.60	2.60	2.60

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 5th November, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the forecast table above as economic recovery is expected to be only gradual and, therefore, prolonged.

As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.

Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England however, the unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps, required an initial major rethink of local authority treasury management strategy and risk management.

In March 2020, the Government started a consultation process for amending the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. It also introduced the following rates for borrowing for different types of capital expenditure: -

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

Borrowing not for infrastructure capital expenditure. As Link's long-term forecast for Bank Rate is 2.00%, and all PWLB non-HRA certainty rates (i.e. gilts plus 180bps), are close to or under 1% above 2.00%, there is little value in borrowing from the PWLB at present. Accordingly, the Council will reassess its risk appetite in terms of either seeking cheaper alternative sources of borrowing or switching to short term borrowing in the money markets until such time as the Government reconsiders the margins charged over gilt yields. Longer-term borrowing could also be undertaken for the purpose of certainty, where that is desirable, or for flattening the profile of a heavily unbalanced maturity profile.

Borrowing for infrastructure capital expenditure. As Link's long-term forecast for Bank Rate is 2.00%, and all PWLB HRA and infrastructure certainty rates are below 2.00%, there is value in borrowing from the PWLB, especially as current rates are at historic lows.

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

***Brexit.** The interest rate forecasts provided by Link in paragraph 3.3 are predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. However, as the differences between a Brexit deal and a no deal are not as big as they once were, the economic costs of a no deal have diminished. The bigger risk is that relations between the UK and the EU deteriorate to such an extent that both sides start to unravel the agreements already put in place. So what really matters now is not whether there is a deal or a no deal, but what type of no deal it could be.*

The differences between a deal and a no deal were much greater immediately after the EU Referendum in June 2016, and also just before the original Brexit deadline of 29.3.19. That's partly because leaving the EU's Single Market and Customs Union makes this Brexit a relatively "hard" one. But it's mostly because a lot of arrangements have already been put in place. Indeed, since the Withdrawal Agreement laid down the terms of the break-up, both the UK and the EU have made substantial progress in granting financial services equivalence and the UK has replicated the bulk of the trade deals it had with non-EU countries via the EU. In a no deal in these circumstances (a "cooperative no deal"), GDP in 2021 as a whole may be only 1.0% lower than if there were a deal. In this situation,

financial services equivalence would probably be granted during 2021 and, if necessary, the UK and the EU would probably rollover any temporary arrangements in the future.

The real risk is if the UK and the EU completely fall out. The UK could override part or all of the Withdrawal Agreement while the EU could respond by starting legal proceedings and few measures could be implemented to mitigate the disruption on 1.1.21. In such an "uncooperative no deal", GDP could be 2.5% lower in 2021 as a whole than if there was a deal. The acrimony would probably continue beyond 2021 too, which may lead to fewer agreements in the future and the expiry of any temporary measures.

Relative to the slump in GDP endured during the COVID crisis, any hit from a no deal would be small. But the pandemic does mean there is less scope for policy to respond. Even so, the Chancellor could loosen fiscal policy by about £10bn (0.5% of GDP) and target it at those sectors hit hardest. The Bank of England could also prop up demand, most likely through more gilt and corporate bond purchases rather than negative interest rates.

Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

So in summary there is not likely to be any change in Bank Rate in 20/21 – 21/22 due to whatever outcome there is from the trade negotiations and while there will probably be some movement in gilt yields / PWLB rates after the deadline date, there will probably be minimal enduring impact beyond the initial reaction.

The balance of risks to the UK

- *The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by what, if any, deal the UK agrees as part of Brexit.*
- *There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.*

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

- ***UK*** *- further national lockdowns or severe regional restrictions in major conurbations during 2021.*
- ***UK / EU trade negotiations*** *– if it were to cause significant economic disruption and downturn in the rate of growth.*
- ***UK - Bank of England*** *takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.*
- *A resurgence of the* ***Eurozone sovereign debt crisis.*** *The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it*

vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.

- *Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.*
- ***German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.*
- ***Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.*
- ***Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been a rise in anti-immigration sentiment in Germany and France.*
- ***Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.*

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

- ***UK -** stronger than currently expected recovery in UK economy, especially if effective vaccines are administered quickly to the UK population and lead to a resumption of normal life and a return to full economic activity across all sectors of the economy.*
- ***Post-Brexit** – if an agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.*
- *The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.*

Section 4: Treasury Management Practice 1 (TMP1) – Credit and Counter Party Risk Management

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

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

Annual investment strategy

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

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

4.4 The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments

4.5 These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. They also include investments which were originally classed as being non-specified investments, but which would have been classified as specified investments apart from originally being for a period longer than 12 months, once the remaining period to maturity falls to under twelve months. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

- The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
- Supranational bonds of less than one year's duration.
- A local authority, housing association, parish council or community council.
- Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's and / or Fitch rating agencies.
- A body that is considered of a high credit quality (such as a bank or building society).

4.6 The Council will operate to the following limits in relation to specified investments, where:

- Short Term – less than or equal to 12 months
- Medium Term – More than 12 months and up to and including 3 years
- Long Term – over 3 years and up to 5 years

Table 11: COUNTERPARTY LIST			**Credit Rating & Duration**			
			Fitch	**Standard & Poor**	**Moody's**	
The Council's own banker for day to day banking transactional purposes.	If the main bank maintains the following criteria	Short-Term	F1	A-1	P-1	• £20M with the bank or counterparties within their group
The Council's own banker for day to day banking transactional purposes.	If the main bank falls below the following criteria, in this case balances will be minimised in both monetary size and time invested.	Short-Term	F1	A-1	P-1	• £7m
UK Banks	Covers UK Retail & Clearing Banks	Short-Term	F1	A-1	P-1	• £10m with any individual counterparty
		Medium-Term	A+	A+	A1	• £10m with any individual counterparty
Part Nationalised UK Banks	These banks can be included provided they continue to be part nationalised or meet the ratings in UK Banks above.	Long-Term	AA-	AA-	Aa3	• £10m with any individual counterparty
Non-UK domiciled Banks	Non-UK Banks must be domiciled in a country which has a minimum sovereign Long-Term rating of 'AAA'	Short-Term	F1	A-1	P-1	• £5m with any individual counterparty
		Medium-Term	A+	A+	A1	• £5m with any individual counterparty

Table 11: COUNTERPARTY LIST			Credit Rating & Duration			
			Fitch	Standard & Poor	Moody's	
		Medium - Term	A+	A+	A1	• £10m
		Long-Term	AA-	AA-	Aa3	• £10m
Building societies	The Council will use all societies which meet the following criteria	Regulated by the Prudential Regulation Authority ***and*** has a minimum of a £1billion asset base				• £10m with any individual counterparty • Up to and incl. 3 years.
Money Market Funds (MMFs)	Constant Net Asset Value (CNAV)	Short-Term	AAA	AAA	Aaa	• £10m with any individual counterparty
Money Market Funds (MMFs)	Low-Volatility Net Asset Value (LVNAV)	Short-Term	AAA	AAA	Aaa	• £10m with any individual counterparty
Money Market Funds (MMFs)	Variable Net Asset value (VNAV)	Short-Term	AAA	AAA	Aaa	• £10m with any individual counterparty
UK Government (including gilts, Treasury Bills and the DMADF)	No credit rating - UK Government guarantee	N/A	N/A	N/A		• Unlimited • To maturity
Local authorities, parish councils etc.	No credit rating - UK government guarantee	N/A	N/A	N/A		• £10m with any individual counterparty • Up to and incl. 5 years
Supranational institutions (e.g. European Investment Bank or World Bank)	The Council will use supranational institutions which meet the following criteria:	Short-Term	F1	A-1	P-1	• £10m with any individual counterparty

Non-specified investments

4.7 These are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any sterling investments with:

- Supranational bonds greater than 1 year to maturity
- Multilateral development bank bonds
- A financial institution that is guaranteed by the UK Government e.g. UK Rail
- Gilt edged securities with a maturity of greater than 1 year
- The Council's own banker if it fails to meet the basic credit criteria

- Building societies not meeting the basic security requirements under the specified investments

Monitoring of Investment Counterparties

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

Section 5 Approved Countries for Investment

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

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- U.K.

Section 6: Treasury Management Scheme of Delegation

(i) Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Executive

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Overview & Scrutiny Committee

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

Section 7: Treasury Management Role of the Section 151 Officer

The Section 151 Officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following : -
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*

- *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*

- *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

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

SIGNED OFF BY	Head of Legal and Governance
AUTHOR	Catriona Marchant, Democratic Services Officer
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TO	Overview & Scrutiny Committee 18 March 2021 Executive 25 March 2021 Council 8 April 2021
DATE	Thursday 18 March, 2021
LEAD MEMBER	Chair of Overview and Scrutiny Committee

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Overview and Scrutiny Committee: Proposed Work Programme 2021/22

RECOMMENDATIONS

(i) That the proposed Work Programme for 2021/22 as set out at Annex 1 and detailed in the report be approved.

REASONS FOR RECOMMENDATIONS

To agree a Work Programme for the Overview and Scrutiny Committee for the 2021/22 Municipal Year.

EXECUTIVE SUMMARY

The Overview and Scrutiny Committee proposed Work Programme 2021/22 sets out a programme of activity for the coming year that is in line with the Council's priorities. The annual Work Programme is considered and agreed by the Overview and Scrutiny Committee before consultation with Executive.

Following consultation with the Executive, the Work Programme is submitted for approval by the Council so that it can be agreed before the start of the Municipal Year.

STATUTORY POWERS

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

BACKGROUND

2. As required by the Constitution, an outline of the Committee's work programme for the year is discussed between the Leader of the Council and the Chair of the Committee with representatives from the Management Team.

3. The Committee's work programme is designed to help it plan its business during the year and is set out in various categories in paragraphs 8 to 23.

4. To provide flexibility (to accommodate matters not contained within the work programme) the following protocol has been established: *"In addition to the Committee's agreed work programme it needs to allow flexibility for additional priority work that emerges during the course of the year. In those circumstances the Committee should be permitted to undertake that piece of work following consultation and agreement with the Chairman of the Committee and appropriate Executive Member and Management Team Manager. In the event that this is not possible a report should be made to the Executive requesting the inclusion of the issue within the work programme".*

5. The prioritisation of the Work Programme may be adjusted by the Chair during the year to manage the business effectively.

6. An important element of the Committee's work is to ensure that it continues to assist the Council in driving forward the Corporate Plan's key objectives and priorities. The Committee's work programme is therefore designed in a constructive way to link with the Executive's work programme.

7. Annex 1 sets out a summary of the Committee's proposed Work Programme 2021/22 and further details are set out below.

KEY INFORMATION

8. **Policy Framework consultations** – It is proposed that the Work Programme includes Policy Framework consultation documents as required by Policy Framework procedures within the Council's Constitution. There are no new Policy Framework consultations documents currently in progress, however any that emerge during the course of the year will be reported to the Committee.

9. A plan is prepared administratively which continues to identify all of the strategies/plans that will be reviewed by the Executive. Work is also underway to implement other important strategies, such as the housing strategy and environmental strategy; progress will be reported in line with the arrangements set out in those strategies. Where an updated strategy is being prepared, and where the proposed strategy is not significantly different, or where changes have been tested through Member briefings/seminars following consultation with the Chair and Vice-Chair, a formal report will not usually be brought to the Committee.

10. **Work Programme rolled forward from 2020/21** – The Committee is anticipated to complete its work programme in 2020/21, with no matters to roll forward.

11. **Portfolio Holder Objectives** – The Committee has continued to work closely with Executive Members during 2020/21 and has received presentations from Portfolio Holders on a number of the Council's priority work streams. The Committee proposes to continue this approach in 2021/22.

12. **Leader Updates** – To support effective cooperation of the Committee and the Executive, the Committee receives twice-yearly updates from the Leader of the Council on the Council's overarching activities and strategic objectives. The Committee proposes to continue this approach in 2021/22.

13. **Performance Management Monitoring Activities** – the Committee has a role to monitor the performance of the Council. Programme and project dashboards are made available each month on the ModernGov intranet library. The monitoring activities have been fulfilled by reporting on the following matters, which the Committee consider appropriate to continue for 2021/22:

    - Quarterly Revenue and Capital budget monitoring forecasts
    - Quarterly Service Performance Management Monitoring
    - Corporate Plan performance (annual basis).

14. **Panels for 2021/22** – In addition to the annual Budget Scrutiny Panel,a Commercial Strategy Scrutiny Panel was constituted on 21 January 2021 with meetings to be scheduled.

15. **Budget Scrutiny Review Panel** – The Committee has established an annual Budget Scrutiny Review Panel. . The Budget Scrutiny Review Panel held one meeting in 2019/20 and reviewed the Service and Financial Planning 2021/22 report and supporting documents. A streamlined approach, supported by an advance questioning process, continued to work well and allowed the Panel to conclude its work in one meeting.

16. It is therefore suggested that the Panel's work in 2021/22 be based on considering the Provisional Budget proposals for 2022/23 (including any updated assumptions within the Medium Term Financial Plan, appropriate revenue projections and a progress report on the Capital Programme projections).

17. **Local Plan Scrutiny Review Panel** – The Local Plan Scrutiny Review Panel met once in 2019/20, to consider the public consultation responses to the draft Supplementary Planning Documents on Affordable Housing, Barn and Farm Conversions, Historic Parks and Gardens and Reigate Shopfront. As the Council is not currently preparing an update to the Core Strategy or new Local Plan there may be no need for a Local Plan Scrutiny Review Panel. One will be re-established should this position change.

18. **Externally Focused Overview and Scrutiny work** – The Committee has successfully undertaken scrutiny with and of partner organisations in recent years. The Committee proposes during 2021/22 to consider a range of external challenges with partner organisations, including Raven Housing Trust.

19. **Crime and Disorder Scrutiny** – The Committee is the 'crime and disorder' scrutiny committee for the purposes of the Police and Justice Act 2006. This requires the Committee to undertake a scrutiny activity of crime and disorder matters once every 12-month period. The Committee has worked well with partners such as the Reigate and Banstead Borough Commander, Surrey Police and Surrey County Council on developing this work.

20. In 2020/21 the Committee invited the Portfolio Holder for Community Partnerships, along with representatives of the Police and Community Safety Partnership to this meeting to assist it in its consideration of the topic. Consideration of the Community Safety Plan was therefore undertaken by the Committee, supported by the Portfolio Holder for Community Partnerships. It is proposed that the Committee continue to undertake this activity in 2021/22.

21. **Council Corporate Scrutiny** – the Interim Head of Paid Service, Directors, Leader and Chair of the Overview & Scrutiny Committee considered the balance between effective scrutiny, with the need to protect commercial confidentiality and enable the Council's services to operate competitively.

22. In 2020/21, updates on Council-owned companies were considered by the Committee bi-annually. An update was considered by the Committee in October 2020 and March 2021.

23. **Call-Ins** – The Committee would also consider matters that have been called in for review. There was one Call-In of Executive decision in 2020/21 on the Environmental Sustainability Strategy.

OPTIONS

24. The Executive has the option to support the proposed Overview and Scrutiny Work Programme 2021/22 as set out in the report.

25. The Executive has the option not to support the proposed work programme as set out in the report and request it to be reconsidered. This is not recommended as the Committee would not then have a scrutiny work programme in place for 2021/22 to enable them to carry out effectively their scrutiny of the Executive.

MANAGEMENT TEAM COMMENTS

26. Management Team are supportive of the Work Programme proposed.

27. The work of the Committee is clearly a valuable part of the overall checks and balances needed to ensure that the authority makes decisions that are robust and challenged with the best interests of the community and the delivery of quality services at the heart of this remit.

LEGAL IMPLICATIONS

28. There are no immediate legal implications arising from this report. However, if the proposed Work Programme is not adopted then this will mean that the work of the Council will not have the overview and scrutiny that is a strategic function of the authority and central to the organisation's corporate governance. The Work Programme provides councillors, who are not in decision-making roles, a work plan to set out what and how it wants to hold the Executive publicly to account over the coming year.

FINANCIAL IMPLICATIONS

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

EQUALITIES IMPLICATIONS

30. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
    - Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
    - Advance equality of opportunity between people who share those protected characteristics and people who do not;
    - Foster good relations between people who share those characteristics and people who do not.

31. 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.

32. The Committee should ensure that it has regard for these duties by considering them through the course of its work. This should include considering:
    - How policy issues impact on different groups within the community, particularly those that share the nine protected characteristics;
    - Whether the impact on particular groups is fair and proportionate;
    - Whether there is equality of access to service and fair representation of all groups within the Borough;

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

RESOURCE IMPLICATIONS

33. The main role of the Council in considering the Overview and Scrutiny Committee's Work Programme is to ensure that the work streams are appropriate and not duplicating ongoing work. More importantly the Council must ensure appropriate resources are available to add value to that Work Programme and balance the demands of the Committee against the overall priorities of the Council. Given the proposed work programme, no specific resource implications beyond those planned are anticipated.

CONSULTATION

34. In accordance with the Overview and Scrutiny arrangements contained in the Council's Constitution, the Committee's future work programme was discussed with the Leader and the Chair/Vice-Chair of Overview and Scrutiny.

POLICY FRAMEWORK

35. Policy framework considerations are noted in paragraph 8 and 9.

ANNEX

Annex 1 sets out a summary outline of the proposed Annual Forward Work Programme 2021/22.

Overview and Scrutiny Committee

DRAFT Annual Forward Work Programme 2021/22

What is scrutinised by O&S each year

Topic	**How often**
Service and Financial Planning Budget Scrutiny Panel	Budget Scrutiny Panel plus scrutiny of Service and Financial Planning reports for the following financial year (December)
Performance Management Monitoring: • Quarterly Revenue and Capital Budget monitoring forecasts • Quarterly Service Performance Management Monitoring (KPIs) • Reigate and Banstead 2020-25 (Corporate Plan) – Performance Report 2020/21	Quarterly 9 Sept - Q1 2021/22 9 Dec - Q2 2021/22 17 March – Q3 2021/22 17 June – Q4 2021/22 1 meeting – June or July
Leader's Update	Twice yearly
Portfolio Holder updates: • Organisation – Corporate Policy & Resources, Finance & Governance, Investment & Companies • People: Housing &Support, Leisure & Culture, Community Partnerships • Place: Planning Policy & Place Delivery, Neighbourhood Services, Economic Prosperity, Corporate Policy & Resources	Three times a year at three separate meetings 21 Oct /20 Jan/March 2022
Companies Performance Updates	Twice yearly (partial Exempt)
Environmental Sustainability Strategy	Annually (Autumn)
Policy Framework consultations	No new policy consultations in progress

Annual Community Partnership Scrutiny ‘crime and disorder scrutiny’	Once a year - February
O&S Annual Forward Work Programme	March
O&S Annual report	March

Scrutiny Panels planned 2021/22

Budget Scrutiny Review Panel	1 December 2021
Commercial Strategy Scrutiny Panel	Constituted at January O&S 2021 – Panel meeting dates to be scheduled
Local Plan Scrutiny Panel	If required

Member Suggestions – additional scrutiny topics - Overview and Scrutiny Committee 2021/22

Raven Housing Trust (requested by the Committee that RHT are invited to attend O&S 2021/22 – date to be scheduled)
Leisure Strategy

O&S Meeting dates 2021/22

Seven O&S Committee meetings a year (plus 1 - Annual Community Safety Partnership Scrutiny) plus Budget Scrutiny Panel. Two Scrutiny Panels to be scheduled 2021/22 - Commercial Strategy Scrutiny Panel and Local Plan Scrutiny Panel.

17 June (Election of Chair/Vice-Chair), 15 July, 9 Sept, 21 Oct, 1 Dec (Budget Scrutiny), 9 Dec, 20 Jan 2022, (17 Feb 2022 - Annual Community Safety Partnership), 17 March 2022

(As at 8 March 2021)

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

SIGNED OFF BY	Head of Legal and Governance
AUTHOR	Catriona Marchant, Democratic Services Officer
TELEPHONE	Tel: 01737 276066
EMAIL	catriona.marchant@reigate-banstead.gov.uk
TO	Overview and Scrutiny Committee
DATE	Thursday, 18 March 2021
MEMBER	Chair of Overview & Scrutiny, Councillor N. Harrison

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	2020/21 Overview and Scrutiny Annual Report

RECOMMENDATIONS

(i) That the Annual Report of the Overview and Scrutiny Committee for this year be noted and recommended to Council.

(ii) That any additional observations be made to Council on 8 April 2021.

REASONS FOR RECOMMENDATIONS

The Overview and Scrutiny Committee serves as a critical friend to the Council and Executive. Being able to hold an authority's decision-makers to account is important to the successful functioning of local democracy, governance and leadership. Effective scrutiny helps secure the efficient delivery of public services and drives improvements. The Annual Report of the Committee provides a summary of the work of the Committee during 2020/21 to Full Council for approval at its meeting on 8 April 2021.

EXECUTIVE SUMMARY

The Overview and Scrutiny Committee and its Scrutiny Panels examine whether Council services and policies are being delivered in the most efficient and effective way possible, and whether they are meeting the needs of local residents, businesses and users of Council services.

There are strong performance management arrangements in place and the Overview and Scrutiny Committee receives management information quarterly. The Annual Report of the Committee provides a summary of the work of the Committee in 2020/21 to the Council. This report therefore supports awareness of the role and actions of the Committee by the Council.
The above recommendations are subject to approval by Full Council.

STATUTORY POWERS

1. The requirement for local authorities in England to establish overview and scrutiny committees is set out in sections 9F to 9FI of the Local Government Act 2000, as amended by the Localism Act 2011. The functions of the Committee are set out in the Council's Constitution and in the terms of reference of the Committee.

BACKGROUND

2. This Annual Report 2020/21 of the Overview and Scrutiny Committee sets out the work of the Committee in 2020/21. Membership and attendance information for the year is set out in Annex 1. The Committee's Annual Work Programme 2021/22 is set out in a separate report to the Committee for consideration by Executive in March and approval by Full Council in April.

ANNUAL REPORT

3. This report reflects the work of the Committee during an unprecedented year for the Council, as Members and Officers responded to the continuing COVID-19 global pandemic emergency to support its residents, keep services operating and plan the recovery work. The Committee scrutinised this fast-changing programme of work through its Recovery Scrutiny Panel reports to Committee meetings throughout the year.

4. In line with all Council meetings, the Overview and Scrutiny Committee continued its scrutiny online with virtual Committee meetings held remotely from June 2020. No planned meetings were cancelled, and the full Committee met 7 times on 11 June 2020, 10 September 2020, 22 October 2020, 9 December 2020, 21 January 2021, 18 February 2021 and 18 March 2021. Three Scrutiny Panels were constituted and completed their work and recommendations in 2020/21: Budget Scrutiny Panel, Recovery Scrutiny Panel and Evaluating O&S Panel. An additional meeting was arranged for a Call-In of the Executive decision on Environmental Sustainability on 27 August 2020.

Holding the Executive to Account

5. Executive Members, the Interim Head of Paid Service, Directors and Officers supported the Committee's scrutiny activities and attended meetings of the Committee throughout the year. Executive Portfolio Holders and Officers attended and supported three Scrutiny Panels.

6. The Committee held the Leader and Executive Members to account through:
    - The attendance of the Leader, the Deputy Leader and Portfolio Holders at the Committee or its Panels to explain how the Executive proposed to deliver its plans and strategies; Portfolio Holders presenting and reporting on their work and objectives for each of their service areas and responding to questions from the Committee.
    - Considering a number of proposed Executive decisions and providing commentary and recommendations to the Executive where judged appropriate.

Leader's Updates

7. Councillor Brunt, Leader of the Council, provided briefings on the work of the Council at the Committee meetings in September 2020 and January 2021. This included leadership updates on the COVID-19 emergency responses during 2020, the Council's Recovery programme and the planning for the second wave of the coronavirus which came in December 2020 and January 2021. The Leader briefed the Committee on Council initiatives and projects, future challenges and engagement between the Executive and the Overview and Scrutiny Committee.

Executive Member Objectives and Updates

8. Executive Members presented the work and objectives of their service areas to the Committee under the three corporate themes of Organisation, People and Place.

Organisation Executive Updates – 9 December 2020

9. Councillor Schofield, Deputy Leader and Portfolio Holder for Finance and Governance, gave an overview of Finance and Governance service areas. This included updates on Service and Financial Planning, Treasury Management and Medium-Term Financial Plan 2021/22 to 2023/24 and Legal and Governance areas.
10. Councillor Archer, Portfolio Holder for Investment and Companies, gave an oversight of the Council's commercial agenda, investments and companies, and other work overseen by the Commercial Ventures Executive Sub-Committee.
11. Councillor Lewanski, Portfolio Holder for Corporate Policy and Resources, provided a briefing on Council's Performance Management, Corporate Policy, ICT, Legal and Customer Contact areas.

People Executive Member Updates – January 2021

12. In January, the Committee received a briefing from the People Portfolio Holders on the People service areas.
13. Councillor Knight, Portfolio Holder for Housing and Support, gave an overview of the work on the Housing Delivery Strategy, housing support, homelessness as well as the work of Family Support and Money Support teams during the pandemic and the work of Housing Benefits and Fraud.
14. Councillor Horwood, Portfolio Holder for Leisure & Culture gave an overview of Leisure Centres and Leisure Strategy as well as the role of the Harlequin during the emergency response.

15. Councillor Ashford, Portfolio Holder for Community Partnerships, gave an update of the voluntary work during the pandemic as well as an update on the future strategy of the three Community Centres in Banstead, Woodhatch and Horley.

Place Executive Member Updates – March 2021

(Clerk's note - will be updated after 18 March O&S)

16. In March, the Committee received briefings from the three Place Portfolio Holders on the Place service areas.

17. Councillor Biggs, Portfolio Holder for Planning Policy, provided an update to the Committee, on the Council's work within the Planning Policy and Local Plan, CIL, Transport, Building Control and Place Projects & Delivery.

18. Councillor Humphreys, Portfolio Holder for Economic Prosperity, provided a briefing on the Council's ongoing work to support local businesses with government grants and employment support during a year of lockdown for local businesses, including closure of retail and hospitality, employee furlough schemes and support for self-employed residents.

19. Councillor Bramhall, Portfolio Holder for Neighbourhood Services, gave an update on her portfolio areas which included Environmental Health Licensing, Waste and Recycling, Greenspaces and Fleet and Cleansing services.

20. The Committee welcomed the opportunity to examine in detail the work of Executive Portfolio Holders, to test the relationship of this work to the Council's corporate objectives and to scrutinise the performance of the Council's services.

Annual Community Safety Partnership Scrutiny – 'Crime and Disorder'

21. On 18 February 2021, the Committee held an annual meeting as part of its scrutiny responsibilities under the Crime and Disorder Reduction Act 1998 and the Anti-Social Behaviour, Crime and Policing Act 2014 on 18 February 2021. Councillor Ashford, Portfolio Holder for Community Partnerships, gave an overview of the Council's work with Surrey Police and Surrey County Council over the last year.

22. The Surrey Police Borough Commander for Reigate and Banstead, Inspector Alex Macguire, and the Surrey Police and Crime Commissioner, David Munro, attended as key community safety partners.

23. The Committee questioned the speakers on a wide range of community safety issues such as tackling domestic abuse, anti-social behaviour, cannabis community protection notices, domestic abuse, serious organised crime response and explored the current activity areas and priority concerns.

Performance Monitoring

24. The Committee continued to monitor the Council's performance. This included reviewing the following information:

- Service Performance Management (quarterly)
- Key Performance Indicators (KPIs) (quarterly)
- Revenue and Capital Management (quarterly)
- Budget Monitoring (quarterly)
- Performance and achievements during the final year of the Corporate Plan 2015-20 and update on the Corporate Plan 2020-25
- Annual Internal Audit report for 2019/20 (in June 2020)

- Annual Governance Statement 2019/20

25. The quarterly performance reports and KPIs showed that the Council continued to respond well to the pandemic with officers across the organisation redeployed to assist critical services where required and to continue to work remotely to maintain 'business as usual' services for residents. Any comments from the Committee on performance were reported to the Executive for their consideration.

26. An updated reporting template ensured the indicators included enhanced narrative about each indicator. More detailed reporting information on the performance of Council services was provided via programme dashboards.

Advance Questions

27. The Advance Questioning procedure was used to support Member questions on quarterly performance reports as well as advance questions on published reports and presentations in advance of formal Committee meetings (such as Portfolio Holder briefings).

28. The Interim Head of Paid Service, Directors, Monitoring Officer and relevant Heads of Service supported meetings of the Overview and Scrutiny Committee to answer additional questions on the Council's performance or via written answers.

Strategy and Policy Development

29. The Committee commented on the following draft strategies and policies:

- Treasury Management Strategy 2020/21
- Medium Term Financial Plan 2020/21-23/24 (through the budget scrutiny process)
- Commercial Strategy Part 1
- Environmental Sustainability Strategy

The Committee also received information on the Corporate Five-Year Plan 2020-25 and Housing Strategy 2020-25 as part of briefings provided by Executive Members

Companies performance

30. The Committee received two Companies Performance Update reports into the progress of companies owned and part-owned by the Borough Council.

Calendar of Meetings for 2021/22

31. The Committee received and considered the Calendar of Meetings for 2021/22.

Scrutiny Review Panels

32. The Committee constituted three Scrutiny Review Panels this year, as detailed below.

Budget Scrutiny Review Panel (Chair: Councillor N. Harrison)

33. Councillor Brunt, Leader of the Council, and Councillor Schofield, Portfolio Holder for Finance and Governance, attended the Budget Scrutiny Panel in December, to support the Panel's scrutiny of the Council's Service and Financial Planning for 2021/22. These councillors also attended the Committee meeting at which the report of the Budget Scrutiny Panel was received and considered, to further support this process, and respond to questions from the Committee.

34. The Budget Scrutiny Review Panel reviewed the Service & Financial Planning (Provisional Budget) 2021/22 report. The Panel undertook a robust review and considered 80 advance questions along with further questions and comments that were raised within the meeting.

35. The Panel recognised and appreciated the significant amount of work that had gone into preparing the service and financial plans for 2021/22 and concluded that the budget proposals were sound, balanced and achievable.

36. The Panel considered that the potential negative impact of the savings and growth proposals on service delivery to be minimal and concluded that the Council was managing its finances well on behalf of its residents. It noted that the Council expects to balance the books through drawings on specific and general reserves, about £800,000 in total. The major cause is the loss of revenue from services such as car parking and leisure services, which will only recover as the country moves out of lock down. The degree of continuing coronavirus funding from Government will be a key factor in the amount to be drawn from reserves. Going forward, implementation of the Council's Commercial Strategy is vital to meeting the budget gaps in future years, as government funding is further reduced. On this basis, it recommended that the Committee was supportive of this realistic approach to budget planning.

Recovery Scrutiny Panel (Chair: Councillor Harrison)

37. The Panel met three times on 15 July and 14 October 2020, and 14 January 2021 and reported after each meeting to the Committee. The Panel was set up to scrutinise the Council's recovery work following the March 2020 lockdown due to the COVID-19 global pandemic and the Council's ensuing emergency response. Councillor Schofield, Deputy Leader and Executive Member for Finance and Governance, attended each Panel meeting and responded to Member questions on the recovery programme with support from the Head of Corporate Policy, Cath Rose.

38. The Panel completed its work and agreed that future oversight of this activity takes place with regular updates to the Committee. It sought assurance that work will continue to ensure that the Council's communications strategy to residents is effective on Covid messaging. Members recognised that new ways of working established during the pandemic would become business as usual including remote ICT arrangements.

Evaluating Overview and Scrutiny Panel (Chair: Councillor Walsh)

39. Members considered and discussed the findings and recommendations from the Evaluating Overview and Scrutiny Panel and the Minutes from the Panel meetings

that took place on 14 July and 20 August 2020. The Panel set out eight recommendations which included the use of time-limited scrutiny panels, actively reviewing the current work programme at Committee meetings, focused meetings with the use of the Advance Questioning procedure as an efficient way of giving officers and Executive Members a steer on areas of interest so they could prepare a full response at each meeting.

Commercial Strategy Scrutiny Panel

40. This was constituted at 18 February 2021 Committee (with meetings to be scheduled) to support the ongoing development of the Council's Commercial Strategy.

Call-in of Executive Decisions

41. There was one Call-In of Executive Decisions during 2020/21 on the Environmental Sustainability Strategy. The commitment to produce a new Environmental Sustainability Strategy was included in the Reigate & Banstead 2025 corporate plan in January and the strategy, action plan and performance measures were approved by the Executive on 28 July 2020. Strategy themes and priority areas of focus included energy and carbon use, low impact consumption and natural environment and biodiversity. The action plan set out the 24 objectives and 100 plus activities with a timeframe for delivery. An Overview and Scrutiny Committee call-in took place on 27 August 2020 and the Committee resolved that the strategy should be implemented without delay. A report came back to the Committee in December for further scrutiny.

Operational arrangements

42. The Chair and Vice-Chair of the Committee, had regular meetings with the Interim Head of Paid Service and Director of People (Mari Roberts-Wood), Director of Commercial and Investments and Monitoring Officer (Caroline Waterworth), Director of Place (Luci Mould), Interim Finance Manager (Pat Main), and relevant Heads of Service. This focused the planning and delivering of the Committee's work programme. In accordance with the Overview and Scrutiny Committee's Procedure Rules, the Committee's work programme for 2020/21 was discussed with the Leader.

Conclusion

43. The Committee recognises that the Council continues to focus on outcomes for residents and businesses and is responding well to continuing financial pressures and managing its processes in an efficient manner. The work of the Overview and Scrutiny Committee has maintained a streamlined approach in 2020/21 and in developing its annual work programme for the coming year 2021/22 has sought to continue this.

44. The Committee has worked hard on behalf of the Council and community in scrutinising the Council's decision-making process, holding Executive Members to account, and monitoring the Council's performance, as well as contributing to strategic policy development such as the Environmental Sustainability Strategy. All this activity, with the support of the Leader and Deputy Leader, adds great value to

the Council's processes and assists the Council to uphold a consistently high level of service.

OPTIONS

45. The Committee has the option to support the Annual Report of the Overview and Scrutiny Committee 2020/21 and make any additional observations.

46. The Committee has the option not to support the Annual Report of the Overview and Scrutiny Committee 2020/21. This is not the recommended course of action.

LEGAL IMPLICATIONS

47. There are no immediate legal implications arising from this report. The Overview and Scrutiny Committee is a strategic function of the authority and central to the organisation's corporate governance.

FINANCIAL IMPLICATIONS

48. There are no direct financial implications arising from the annual report.

EQUALITIES IMPLICATIONS

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

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

50. 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.

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

    - How policy issues impact on different groups within the community, particularly those that share the nine protected characteristics;
    - Whether the impact on particular groups is fair and proportionate;
    - Whether there is equality of access to service and fair representation of all groups within the Borough;
    - Whether any positive opportunities to advance equality of opportunity and/or good relations between people, are being realised.

	COMMUNICATION IMPLICATIONS
52.	There are no significant communications implications arising from this report.
	CONSULTATION
53.	In accordance with the Overview and Scrutiny arrangements contained in the Council's constitution, the Committee's Annual Report was discussed with the Chair and Vice-Chair of the Overview and Scrutiny Committee.
	ANNEXES
54.	Annex 1 – Overview and Scrutiny Committee 2020/21 - Membership and Member Attendance

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Overview and Scrutiny Committee 2020/21

Membership and Attendance

(Note – 7 O&S meetings up to 10 March 2021 plus 1 Additional O&S meeting Call-In on 27 August 2020)

Councillor N. Harrison	Chair	7 meetings
Councillor S. Walsh	Vice-Chair	7 meetings
Councillor M. Blacker	Member	7 meetings
Councillor G. Buttironi	Member	6 meetings
Councillor J. Essex	Member	7 meetings
Councillor R. Feeney	Member	6 meetings
Councillor K. Foreman	Member	7 meetings
Councillor J. Hudson	Member	6 meetings
Councillor N. Moses	Member	7 meetings
Councillor S. Parnall	Member	7 meetings
Councillor J. Paul	Member	5 meetings
Councillor J. Philpott	Member	7 meetings
Councillor K. Sachdeva	Member	6 meetings
Councillor S. Sinden	Member	6 meetings
Councillor R. Turner	Member	6 meetings

Substitutes at meetings

Councillor C. Neame	Substitute Member	1 meeting
Councillor J. Bray	Substitute Member	1 meeting

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

Signed off by	Director of Commercial and Investment
Author	Tom Borer, Policy Officer
Telephone	Tel: 01737 276717
Email	tom.borer@reigate-banstead.gov.uk
To	Overview & Scrutiny Committee
Date	Thursday, 18 March 2021
Executive Member	Portfolio Holder for Investment and Companies

Key Decision Required	No
Wards Affected	All Wards

Subject	Companies Performance Update – Spring 2021

Recommendations

1. **To note the Spring 2021 Companies Performance Update, as set out in the report, and to make any observations for consideration by the Commercial Ventures Executive Sub-Committee.**

Reasons for Recommendations

To consider the performance of companies owned or part-owned by the Council, as of Spring 2021

Executive Summary

This report provides an overview of the performance of the companies currently owned, or part-owned, by the Council.

These companies currently consist of Greensand Holdings Limited, Horley Business Park Development LLP, and Pathway for Care Limited.

All these companies are currently considered to be performing overall in line with the Council's current objectives and expectations.

Additional commercially sensitive supporting information is detailed in the exempt report set out in the Part 2 section of this agenda.

Statutory Powers

1. Section 1 of the Localism Act 2011 gives local authorities a general power of competence that enables them to do anything that a private individual is entitled to do, as long as it is not expressly prohibited by other legislation. Section 4 of the same Act directs that anything which is done for purely commercial purposes should be done though a company structure.
2. Companies and LLPs are governed by the Companies Act 2006; The Limited Liability Partnerships Act 2000; and The Limited Liability Partnerships Regulations 2001 (as amended principally by the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009.

Background

3. Local Authorities face ongoing financial challenges in recent years, due to a combination of reductions in central government funding, and increasing demand on services in many areas. Whilst Reigate and Banstead Borough Council has maintained a generally strong financial position, it remains essential for the Council to generate income beyond its statutory funding, if it is to continue to deliver and maintain the high level of services it currently provides and has planned to continue to provide as part of the Corporate Plan 2020-2025.
4. Whilst the Council pursued commercial activities before 2019, there was a Commercial Governance Review in 2018. Following that review, the activities have been overseen by the Commercial Ventures Executive Sub-Committee, and integrated within the Council's wider Service and Financial Planning.
5. These activities take place within financial limits set out as part of the Council's budget and capital programme.
6. To support good governance of the Council's companies, the Overview and Scrutiny Committee and the Commercial Ventures Executive Sub-Committee receive regular updates on the performance of these companies.
7. The last full update was considered in Autumn 2020.

Key Information

8. As identified in the Executive Summary, the Council currently owns or part-owns three companies. These are Greensand Holdings Limited, Horley Business Park Development LLP, and Pathway for Care Limited.
9. All these companies are currently considered to be performing in line with the Council's current objectives and expectations.
10. More detail of the current status and performance of the Council's interest in each company is set out below.

Greensand Holdings Limited

11. Greensand Holdings Limited is a property investment and development company, established to facilitate the Council's property investment activities. It is wholly owned by the Council. The creation of the company was authorised by the Executive on 15 September 2016.

12. The company was initially funded through a loan from the Council. It generates an income from one of its property holdings and provides an income to the Council through interest on the loan.
13. The company has received £13,258,009 in loan funding from the Council.
14. The company currently holds one active property, which provides a rental income sufficient for the company to meet its loan obligations to the Council.
15. The current Directors of the company are William Pallett, Derek Beck and Councillor R. Michalowski.
16. The company, from a shareholder perspective, is currently judged to be performing well.
17. The Directors' Report and Audited Financial Statements for the year ended 31 December 2019 for Greensand Holdings Limited were provided as Annex 1 to the Companies Performance Update – Autumn 2020. The reports for the year ended 31 December 2020 have not yet been prepared.
18. Additional details are available in the exempt report set out in the Part 2 section of this agenda.

Horley Business Park Development Limited Liability Partnership

19. Horley Business Park Development LLP is a joint venture which was set up to bring forward planning, and subsequent development, of employment land in the Horley area. The creation of the company was authorised by the Executive on 15 October 2015, and a joint venture with Millhill Properties (Horley) Limited and Berwick Hill Properties Limited was established in 2016.
20. The partnership is funded through loans from the Council and its partners. 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.
21. Future plans are being revised in light of the occurrence of Covid-19, but progress continues to be made.
22. As per the question and response at Council on 11 February, a number of trees on land owned by Millhill Properties were felled in November 2020, without the knowledge or approval of the Council. As identified, there is a limited amount that can be shared at this time regarding the Council's relationship with Millhill, but as noted in February, the Council has acted via the Tree Preservation Process and is cooperating with the Police and Forestry Commission.
23. The Annual Report and Financial Statements for the year ended 31 December 2019 for Horley Business Park Development LLP were provided as Annex 2 to the Companies Performance Update – Autumn 2020. The reports for the year ended 31 December 2020 have not yet been published.
24. Additional details are available in the exempt report set out in the Part 2 section of this agenda.

Pathway for Care Limited

25. Pathway for Care Limited provides supporting living facilities and support for their residents at a number of sites in the borough and surrounding areas. As a

shareholder, the Council is able to provide local expertise and experience in supporting vulnerable residents. The creation of the company was authorised by the Executive on 14 July 2016.

26. The Council is a minority shareholder in the company, with the majority shareholding held by Transforming Healthcare Group Limited. The Council has the right to appoint a director to the board of the company.

27. The Council also holds £1.1m redeemable preference shares in the company, redeemable in April 2023, which were converted from the Council's £1.1m loan to the company. When redeemed, these will provide a capital receipt for the Council, subject to the company holding sufficient funds to honour the redemption at that time.

28. The Council also stands to receive income from any dividends paid by the company. Total dividends are stipulated to be 50% of net profits generated by the company, subject to cash flow. Whilst the company has been investing in growing its services, it had not generated a profit until last year, and therefore had not yet provided a dividend income to the Council. Over 2020, the company reduced its voids, revised its operating model and consistently generated a monthly profit.

29. The company reported retained earnings of £8,623 for the year to 31 July 2020. This represents a net profit and will be monitored with regard to the coming year's earnings to ensure the Council's preference shares in the company are repaid when funds are available for distribution.

30. The current Directors of the company are Paul Green, Warren Richards; and Councillor V. Lewanski, the Council appointed Director.

31. The Annual Report and Financial Statements for the year ended 31 July 2020 for Pathway for Care Limited are provided as Annex 1 to this item.

32. Additional details are available in the exempt report set out in the Part 2 section of this agenda.

Forthcoming Business

33. The Council is currently developing Part 2 of its Commercial Strategy. This will help set out the Council's approach to further investments.

34. As individual projects are developed, these will be brought forward for consideration by relevant committees, and will be available for scrutiny as required.

RBBC Limited

35. RBBC Limited was incorporated on 30 September 2020 following the dissolution of the original RBBC Limited. It was created for the purpose of preserving the name to allow the Council to use the company name in the future. The directors, appointed for incorporation purposes, are the Director of People and the Director of Place. The company is inactive.

Legal Implications

36. There are no direct legal implications of this report.

37. Where are decisions are made which effect the Council's companies, the legal implications of these decisions will be considered as part of the decision making process in each case.

Financial Implications

38. There are no direct financial implications of this report. The Council's annual statement of accounts incorporates the financial position of its companies as part of its group financial statements.
39. Where are decisions are made which effect the Council's companies, the financial implications of these decisions will be considered as part of the decision making process in each case.

Equalities Implications

40. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
    - Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
    - Advance equality of opportunity between people who share those protected characteristics and people who do not;
    - Foster good relations between people who share those characteristics and people who do not.
41. 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.
42. There are no direct equalities implications of this report, however an awareness of the Council's obligations with respect to these duties should form part of the consideration of this report.
43. Where are decisions are made which effect the Council's companies, the equalities implications of these decisions will be considered as part of the decision making process in each case.
44. The Commercial Ventures Executive Sub-Committee shall generally have regard to the obligations of the Equality Act (2010) in conducting its role as the representative of the Council as a shareholder or partner in companies owned or part-owned by the Council.

Communication Implications

45. There are no direct communication implications as a result of this report. However, as identified in the Commercial Governance Framework, the Commercial Ventures Executive Sub-Committee shall have regard for the Local Authorities (Companies) Order 1995, which sets out the rights for authorities and individual Members to receive company specific information.

Risk Management Considerations
46. All commercial ventures and investment activities contain an element of risk, and the Commercial Ventures Executive Sub-Committee shall consider these as part of the decision making process for any future decisions relating to companies owned or part-owned by the Council. 47. In monitoring the performance of companies owned or part-owned by the Council, the Commercial Ventures Executive Sub-Committee has regard to the fiduciary duty the Council owes to its rate and local tax payers, to the public law requirements to exercise the general power of competence for a proper purpose, and the requirements of the Commercial Governance Framework which forms part of the terms of reference of the sub-committee.
Policy Framework
48. The recommendations of this report are consistent with the Council's Policy Framework. 49. All actions undertaken by the Council shall have regard to the objectives of the Council's Corporate Plan and supporting policy framework, unless otherwise specified by statute.

Company Registration No. 10339398 (England and Wales)

PATHWAY FOR CARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2020

PATHWAY FOR CARE LIMITED

COMPANY INFORMATION

Directors	W G Richards P S Green	(Appointed 27 September 2019)
Company number	10339398	
Registered office	The Cornerstone Oak Green Business Park Cheadle Hulme Cheadle Cheshire SK8 6QL	
Auditor	Mitchell Charlesworth LLP Glebe Business Park Lunts Heath Road Widnes Cheshire WA8 5SQ	

PATHWAY FOR CARE LIMITED

CONTENTS

PATHWAY FOR CARE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2020

The directors present their annual report and financial statements for the year ended 31 July 2020.

Principal activities
The principal activity of the company continued to be provision of healthcare services.

Covid-19

The results and financial position reflect the impact of the COVID-19 pandemic on the business for the reporting period. The directors have taken appropriate steps to mitigate this impact. It is not possible to estimate the duration and impact of the COVID-19 pandemic on the financial position and results of the company for future periods.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

W G Richards	(Appointed 27 September 2019)
P S Green	
I Hutchinson	(Resigned 15 July 2020)
J Jory	(Resigned 1 September 2020)
R Sidebottom	(Resigned 27 September 2019)

Auditor
Mitchell Charlesworth LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

PATHWAY FOR CARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

Paul S Green
Director

11 November 2020

PATHWAY FOR CARE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PATHWAY FOR CARE LIMITED

Opinion

We have audited the financial statements of Pathway for Care Limited (the 'company') for the year ended 31 July 2020 which comprise the statement of income and retained earnings, the balance sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

PATHWAY FOR CARE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PATHWAY FOR CARE LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

PATHWAY FOR CARE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PATHWAY FOR CARE LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Davies (Senior Statutory Auditor)
for and on behalf of Mitchell Charlesworth LLP

11 November 2020

Chartered Accountants
Statutory Auditor

Glebe Business Park
Lunts Heath Road
Widnes
Cheshire
WA8 5SQ

PATHWAY FOR CARE LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 JULY 2020

	Notes	2020 £	2019 £
Turnover		2,992,949	1,161,806
Cost of sales		(2,080,923)	(876,248)
Gross profit		912,026	285,558
Administrative expenses		(669,113)	(713,493)
Exceptional item	2	865,026	-
Operating profit/(loss)		1,107,939	(427,935)
Interest receivable and similar income		87	5
Profit/(loss) before taxation		1,108,026	(427,930)
Tax on profit/(loss)		(17,481)	245,549
Profit/(loss) for the financial year		1,090,545	(182,381)
Retained earnings brought forward		(1,081,922)	(899,541)
Retained earnings carried forward		8,623	(1,081,922)

PATHWAY FOR CARE LIMITED

BALANCE SHEET

AS AT 31 JULY 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	4		37,815		12,998
Current assets					
Debtors	5	1,000,362		795,085	
Cash at bank and in hand		354,542		3,888	
		1,354,904		798,973	
Creditors: amounts falling due within one year	6	(283,996)		(793,793)	
Net current assets			1,070,908		5,180
Total assets less current liabilities			1,108,723		18,178
Capital and reserves					
Called up share capital	7		1,100,100		1,100,100
Profit and loss reserves			8,623		(1,081,922)
Total equity			1,108,723		18,178

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 11 November 2020 and are signed on its behalf by:

Paul S Green
Director

Company Registration No. 10339398

PATHWAY FOR CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies

Company information

Pathway for Care Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Cornerstone, Oak Green Business Park, Cheadle Hulme, Cheadle, Cheshire, SK8 6QL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements and having due regard to the impact of COVID-19 the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

1 Accounting policies **(Continued)**

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	33.33% Straight Line
IT Equipment	33.33% Straight Line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

PATHWAY FOR CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies **(Continued)**

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

2 Exceptional item

	2020	2019
	£	£
Exceptional item	(865,026)	-

On 27th September 2019 the share capital of Pathway for Care Limited was acquired by Transforming Healthcare Group Limited. As part of the agreement the seller unconditionally and irrevocably released the company from all and any liability and/or obligation to pay any inter company debts. As such, all inter company balances have been written off during the year.

PATHWAY FOR CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Total	97	59

4 Tangible fixed assets

	Fixtures and fittings	IT Equipment	Total
	£	£	£
Cost			
At 1 August 2019	-	20,271	20,272
Additions	7,680	30,453	38,133
At 31 July 2020	7,680	50,725	58,405
Depreciation and impairment			
At 1 August 2019	-	7,273	7,272
Depreciation charged in the year	2,133	11,185	13,318
At 31 July 2020	2,133	18,457	20,590
Carrying amount			
At 31 July 2020	5,547	32,268	37,815
At 31 July 2019	-	12,998	12,998

5 Debtors

Amounts falling due within one year:	2020 £	2019 £
Trade debtors	666,080	312,919
Other debtors	106,214	236,617
	772,294	549,536
Deferred tax asset	228,068	245,549
	1,000,362	795,085

PATHWAY FOR CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

6 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	29,062	43,805
Taxation and social security	53,767	-
Other creditors	201,167	749,988
	283,996	793,793

7 Called up share capital

	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
100 Ordinary of £1 each	100	100
Preference share capital		
Issued and fully paid		
Preference shares classified as equity	1,100,000	1,100,000
Preference shares classified as liabilities	(1,100,000)	(1,100,000)
	-	-
Total equity share capital	1,100,100	1,100,100

PATHWAY FOR CARE LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2020

		2020		2019
	£	£	£	£
Turnover				
Sales		2,992,949		1,161,806
Cost of sales				
Purchases	35,730		15,569	
Wages and salaries	1,849,116		832,491	
Agency staff	196,077		28,188	
		(2,080,923)		(876,248)
Gross profit	30.47%	912,026	24.58%	285,558
Administrative expenses		(669,113)		(713,493)
Exceptional items				
Exceptional item	865,026		-	
		865,026		-
Operating profit/(loss)		1,107,939		(427,935)
Interest receivable and similar income				
Bank interest received	87		5	
		87		5
Profit/(loss) before taxation	37.02%	1,108,026	36.83%	(427,930)

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