Agenda

Overview and Scrutiny Committee

Thursday, 22 October 2020 at 7.30 pm

Remote meeting via video link

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

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

Members:

N. D. Harrison (Chair)

S. T. Walsh	N. C. Moses
M. S. Blacker	S. Parnall
G. Buttironi	J. Paul
J. C. S. Essex	J. E. Philpott
R. J. Feeney	K. Sachdeva
K. Foreman	S. Sinden
J. Hudson	R. S. Turner

Substitutes:

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

Mari Roberts-Wood Interim Head of Paid Service

For enquiries regarding this agenda;

Contact: 01737 276182
Email: democratic@reigate-banstead.gov.uk

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1. Apologies for absence and substitutions

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

2. Minutes (Pages 5 - 14)

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

3. Declarations of interest

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

4. Medium Term Financial Plan 2021/22 to 2025/26 (Pages 15 - 96)

To consider the Medium Term Financial Plan that was adopted by Executive in July 2020 as the framework for the budget elements of service and financial planning for 2021/22 onwards.

5. Capital Investment Strategy 2021/22 (Pages 97 - 154)

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

6. Companies Performance Update - Autumn 2020 (Pages 155 - 212)

To receive an update on the performance of the companies, currently owned or part-owned, by the Council.

7. Recovery Scrutiny Panel update

To consider the Recovery Scrutiny Panel's comments and observations from its meeting on 14 October 2020. *(To Follow)*

8. Constitution of Budget Scrutiny Panel (Pages 213 - 216)

To consider and agree the membership, timetable and scope of work of the Budget Scrutiny Review Panel during 2020/21.

9. Future Work Programme (Pages 217 - 230)

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

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, Autumn 2020 (Exempt) (Pages 231 - 234)

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

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

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

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

BOROUGH OF REIGATE AND BANSTEAD

OVERVIEW AND SCRUTINY COMMITTEE

Minutes of a meeting of the Overview and Scrutiny Committee held at the Remote - Virtual Meeting on Thursday, 10 September 2020 at 7.30 pm.

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

Also present: Councillors M. Brunt, V. Lewanski, T. Schofield

19. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies for absence were received from Cllr J. Hudson and Cllr J. Paul.

20. MINUTES

The Minutes of the previous meeting on 11 June 2020 were approved.

The Minutes of the additional meeting on 27 August 2020 on the call-in of the Executive decision on Environmental Sustainability were approved.

21. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

22. LEADER'S UPDATE

Members received an update on the work of the Council and future plans from the Leader, Cllr M. Brunt. Council services were largely back to normal operations, with some exceptions. Planning was underway for the expected second wave of the COVID-19 emergency response. The Committee’s Recovery Scrutiny Panel had scrutinised the work of the recovery programme (set out in Minute 23).

The Leader highlighted ongoing work which included the following areas:

- Promoting the needs of the local economy with Surrey MPs who had been supportive in getting this message to the Treasury.
- Additional costs to the Council due to COVID-19 emergency response was predicted to be £3.024m at the end of the first quarter on 30 June. There was a projected £3.74m loss of income. Budget pressures were expected to be offset by Government grant; £1.16m had been received by the end of quarter 1. There was a forecast £317k reduction in commercial rent but the majority

of property rents continued to be collected. The forecast risk to the Collection Fund (business rate and council tax income shortfalls) was better than expected but the Council still had to pay receiving authorities like Surrey County Council and the police. *(Clerk's note – more detail was set out in Minute 24 on Q1 2020/21 financial performance reporting).*

- Homeless people were continuing to be supported while the housing team prepared for an expected rise in evictions in the autumn. Community centres had reopened, with COVID-19 safety measures in place. Storage had been found in Redhill to keep stocks of food and for food banks to have access to these to meet demand in the longer term.
- The Waller cinema and the café at the Harlequin in Redhill had reopened. Greenwich Leisure Limited were due to reopen the three swimming pools in the borough on 12 September with bookable slots for swimming.
- The garden waste service had restarted with an additional 500 garden waste bins provided for new subscribers to the service. The refuse and recycling teams were working on the frontline and given the support and protection they needed to deliver these services.
- Council Committee meetings would be held remotely until the end of the year with a comprehensive return to the Town Hall not expected until early next year. Staff were mainly continuing to work from home with a small number working in the council offices. Results from a staff survey and Member survey were being analysed. ICT had faced challenges but continued to focus on ensuring the network was maintained. The Leader praised the dedication of the ICT team and their support for staff and Members working remotely.
- The Marketfield Way development in Redhill was making good progress with the groundworks. Significant funding for the project had been secured from the Local Enterprise Partnership and government funding. Building work was continuing in Cromwell Road and at Pitwood Park after initial delays.

Members asked questions and made observations on the following areas:

Swimming pools – Members asked if the latest COVID-19 government guidance on restrictions to social gatherings "the rule of six" would affect the recent reopening of the Borough's three swimming pools. It was noted that organised sports facilities which have carried out the required health and safety assessments were likely to be exempt from this rule.

Marketfield Way development – residents had suggested that the temporary fences round the development site in the centre of Redhill be replaced with professional-looking hoardings, including designs of what the future site might look like with a proposed multiplex cinema and shops. Members said this would give confidence to the business community about the town centre's regeneration plans. Members asked for an update on the communications planned.

Proposed local government reorganisation – Members asked about proposals to create a unitary authority structure in Surrey. It was noted that the Government's expected White Paper had been delayed until possibly October. Consultants KPMG were starting work on a business case to analyse the different options for Surrey's 11 districts and boroughs. This report would be shared with all Members once completed.

Homelessness – as the furlough job scheme came to an end and the economic impact of COVID-19 continued, Members asked how the Council was getting ready to accommodate residents in need while maintaining social distancing rules. It was noted that accommodation was returning to allow near normal occupancy levels. Court evictions had been put on hold since March, but the Council was preparing and planning for an expected rise in demand once this was lifted.

RESOLVED – that the update from the Leader, Cllr M. Brunt, on the work of the Council and the observations of the Committee be noted.

23. RECOVERY SCRUTINY PANEL UPDATE

The Committee considered and discussed feedback from the Committee's Recovery Scrutiny Panel that had scrutinised the COVID-19 recovery work to date. The Panel met on 15 July 2020 and Panel Members had received an overview of the Council's recovery work from Executive Lead, Cllr T. Schofield. Five recovery workstreams had met regularly with lead Executive Members and relevant Heads of Service and these workstreams reported into the overarching Recovery Steering Group. A presentation given to Panel Members and Minutes from the Panel meeting were included in the Committee's agenda pack.

Members made the following observations and comments:

- **Furlough scheme** – Members asked how the Council was preparing for the end of the job furlough scheme with potential increases in unemployment. It was noted that the borough had the equivalent of 20,000 people who had been furloughed (out of a possible 60,000). The Council was focusing on how to respond to expected demand on its services. It was looking at the Government's Kickstart Scheme which provided funding for employers to create placements for young people claiming Universal Credit. The Economic Prosperity team had been working closely with businesses. The Money Support Service team was also supporting individual residents who were struggling to manage their finances.
- **Community centres** – it had been a challenging time for the Council's three community centres as the majority of users and some staff had been shielding. There was now a plan in place for a phased and safe reopening, with a podiatrist and health-related services offered on an appointment basis. Staff were also supporting users who were digitally excluded so they could take part in online bingo sessions to help lessen their sense of isolation. Staff were continuing to engage residents and community groups on future plans to make the centres vibrant community assets.
- **Social housing** – Members asked how rent collection was being handled by social housing providers such as Raven Housing Trust. Council staff were in regular contact with providers who were taking a sensitive approach to those residents who had genuinely built up rent arrears during lockdown.
- **Work of volunteers** – Members asked if the fantastic work and commitment of volunteers who supported vulnerable residents during the emergency response could be highlighted in the next edition of Borough News.

RESOLVED – that the comments and observations of the Recovery Scrutiny Panel set out in the Panel Minutes of 15 July 2020 to the Committee be noted.

24. Q1 2020/21 PERFORMANCE REPORT

Members considered the Performance Report for Quarter 1 (2020/21) which looked at Key Performance Indicator reporting, as well as revenue and capital budget monitoring for the three months from 1 April to 30 June 2020.

Cllr V. Lewanski, Portfolio Holder for Corporate Direction and Governance, gave an overview of progress on the Key Performance Indicator (KPIs). A cross-party member working group in the last financial year had developed the 2020/21 indicators which were approved by the Executive at its meeting on 25 June 2020. Cllr V. Lewanski thanked Members for their valuable input into updating the new KPIs. A new reporting template with additional narrative had been developed and was available at Annex 1.

Ten KPIs were reported on in Quarter 1 2020/21, six were on target and one (KPI 8 – Performance in Local Environmental Quality Surveys) could not be reported on due to resources focused on responding to the COVID-19 crisis.

The three red-rated KPIs were: KPI 6 – Net housing completions, KPI 7 – Net affordable housing completions and KPI 10 – Recycling performance (Q4 2019/20). Housing completions were off target due to the slowdown in the construction sector as a result of the COVID-19 pandemic. Despite this there were currently over 2000 units under construction and over 300 were affordable.

KPI 10 – the Council's recycling performance indicator that measures the percentage of household waste that is recycled and composted was affected by seasonable fluctuations and reduction in garden waste collected at the kerbside. However, it remained in line with the same quarter reported the previous year. Overall, the final year's recycling rate in 2019/20 of 54.2% was the Council's second-best reported rate.

Cllr N. Harrison thanked the projects and business assurance team for the new report format including the additional analysis in the report.

Members made the following observations and comments:

- **Housing completion**s – it was noted that COVID-19 lockdown had effectively halted housing construction work for two months, so the red-rated status was to be expected. It was anticipated that this would improve in the next quarter of the year.
- **Recycling** – there was a downturn in recycling performance in quarter 4 2019/20 due to the seasonal variations in collecting garden waste. Due to the COVID-19 lockdown there had been significant increases in collection of food waste, mixed paper and card and mixed glass. There will be an impact to this KPI in quarter 1 due to the garden waste service being temporarily suspended. However, this is expected to improve in quarter 2 following the garden waste service restarting and the continued increase in mixed recycling materials. Members asked about increased public engagement and education so residents understood what can be recycled. It was noted that these were part of ongoing discussions with the Surrey Waste Partnership.

Members noted that the Borough Council target for recycling had increased to 60% which was set out in Surrey's Joint Waste Management Strategy. They asked for a written answer about the plan in place to meet this target, post COVID-19 recovery.

- **Flats recycling programme** – this work had been paused as the Waste and Recycling Service prioritised resources on frontline services during the Covid-19 pandemic emergency response. Discussions were underway with the Executive Member for Neighbourhood Services on restarting the programme to provide a full range of recycling services to residents in an additional 6,000 flats in the Borough. This would increase the amount of recycling.

Committee Chair, Cllr N. Harrison, expressed the Committee's thanks to the Head of Projects and Performance, Doula Pont, who was leaving the Council at the end of September.

Clerk's note: Cllr S. Walsh joined the meeting at 8.42pm.

Cllr T. Schofield, Portfolio Holder for Finance, gave an overview on the Revenue Budget and Capital Programme forecasts in Quarter 1. The Revenue Budget 2020/21 approved by Full Council in February 2020 was £24.46m. At the end of quarter 1, the projected full year outturn forecast was £24.22m against a management budget of £25.90m (including £1.44m one-off funding from the Corporate Plan Delivery Fund Reserve and Feasibility Studies (Commercial Ventures) Reserve). This resulted in an overall net underspend of £1.68m (6.5 percent) at the end of Quarter 1 (30 June).

It was noted that the Budget was approved prior to the COVID-19 pandemic and ensuing emergency response. The financial implications of COVID-19 on the Council were being closely monitored and set out in an annex to the report. They were also presented in more detail the Medium-Term Finance Strategy 2021/22 which was reported to Executive on 27 July 2020.

The additional unbudgeted cost to the Council of COVID-19 was predicted (at 30 June) to be £3.024m, including additional costs of the emergency response (provision of food and welfare calls), housing rough sleepers and remote working costs. There was also a projected £3.74m loss of income, compared to 2020/21 budget forecasts, including from Harlequin theatre ticket sales, planning fee income, garden waste charges and car parking income. It was noted that, while there was a forecast £317k reduction in income from commercial tenants, the majority of property rents continue to be collected.

These additional budget pressures were expected to be offset in part by Government grant; £1.16m had been received by the end of quarter 1.

The Capital Programme at the end of quarter 1 was forecast to be £30.4m below the approved expenditure for the year which as expected was largely slippage on construction projects, some of which was due to the impact of COVID-19 on the construction industry. It was expected that work would resume in quarter 2.

Members made the following comments and observations:

- **COVID-19 financial implications** – Members noted that as at 30 June, the net adverse financial impact, if no further government support is given, may be up to £3.024m, based on the forecast additional expenditure and income losses, less the announced Government grant at that date. Even if the Government provided the maximum support of 70% to reimburse the loss of non-commercial income, the Council would be left with a deficit in the region of £1.250m based on 30 June forecasts. The Committee requested additional summary reporting on the COVID-19 emergency response impacts in future reports. The Interim Head of Finance explained the annex to the report budget report set out the emerging picture (at 30 June) of the COVID-19 financial implications and that the situation continued to evolve as new Government announcements were made. It was noted that it was challenging at this early stage in the financial cycle to present a complete and accurate forecast of the full implications for this Council. Further consideration will be given to how the information is presented in the quarter 2 report.
- **Impact of COVID-19 on Collection Fund** – It was noted that the impact of business rate and council tax income shortfalls as a consequence of COVID-19 would be accounted for through the Collection Fund. This would eventually have an impact on the budgets of all precepting authorities (Surrey County Council, the Police and Crime Commissioner and the Government) as well as this Council in 2021/22 onwards. The forecast risk to the Collection Fund at 30 June was £10.137m income losses.
- **Feasibility Studies (Commercial Ventures) Reserve** – Members asked for a written response to give further information about the feasibility studies work carried out on Horley High Street Car Park and delivering change in Horley Town Centre. They also asked for confirmation of the sum allocated from the Reserve to Project Baseball.
- **Staff headcount** – it was noted that this year's budget allowed for an increased number of funded posts and Members asked for an update on progress in filling them. The Interim Head of Paid Service said the majority of new posts related to the transfer of staff at the three Community Centres that had been brought back in-house and the Harlequin theatre casual staff who transferred to permanent contracts at the start of the financial year. There was not currently a high number of vacancies in other services. Staff turnover was about 11 per cent currently which was similar to previous years of 10 to 12 per cent. This was considered a healthy level and was consistent with other boroughs and districts in Surrey. Leader, Cllr Mark Brunt, confirmed that Executive Members planned to review staffing requirements as part of service & financial planning 2021/22 discussions across each of the portfolios. It was noted that proposed local government reorganisation was likely to make it more difficult to recruit to vacant senior posts.

RESOLVED – that:

(i) The Key Performance Indicator performance for Q1 2020/21 and observations of the Committee be noted;

(ii) The Revenue Budget and Capital Programme forecasts at Q1 be noted; that the Committee's request for additional reporting on COVID-19 financial implications in the covering report be highlighted to the Executive at its meeting on 17 September 2020.

(iii) The full year Capital Programme forecast at the end of Q1 of £30.48m (24%) below the approved Programme for the year be noted.

25. FIVE YEAR PLAN PERFORMANCE REPORT 2019/20

Members considered the progress made during the final year of the Council's 2015-2020 Five Year Plan. A final report to the Committee highlighted achievements in delivering the plan around three key themes: People, Place and Organisation. A new plan for the period 2020-2025 (Reigate and Banstead 2025) was adopted by Council on 16 January 2020 which will provide the framework for Council activity over the next five years.

Cllr V. Lewanski, Portfolio Holder for Corporate Direction and Governance, highlighted the extensive work carried out in 2019/20. In the People area (supporting residents to enjoy healthy and happy lifestyles), the Council had continued to work with residents to help them into employment, provided a range of services for older people and encouraged healthy lifestyles through the use of the Borough's leisure centres, parks and open spaces. Priorities for the Place area (to promote the Borough as a great place to live and work), included initiatives with existing and new businesses in the borough, ensuring public spaces were clean and attractive, and establishing a Development Management Plan to reflect the Borough's planning and housing needs. In the Organisation themed area, work continued to create a positive and supportive work environment, build improved communication and engagement with residents, as well as objectives to increase the value and income from the Council's properties and assets which had risen substantially since 2015.

Members noted the progress and achievements made by the Council in 2019/20 in the last year of the 2015-2020 Five Year Plan.

RESOLVED that the progress during the final year of the Council's 2015-2020 Five Year Plan priorities as set out in the report be noted.

26. TREASURY MANAGEMENT OUTTURN REPORT 2019/20

Members reviewed the Treasury Management Performance for 2019/20 and the outturn against the 2019/20 prudential and treasury indicators set out in the Annual Treasury Management Report (Annex 1).

Cllr T. Schofield, Portfolio Holder for Finance, explained that this report was part of formal reporting and regulatory requirements. The report confirms compliance with the requirements of the regulatory framework for treasury management and had been presented to the Executive meeting on 28 July 2020.

During 2019/20 none of the prudential limits were breached and, with the exception of compliance with the maximum exposure per institution, all decisions were taken in accordance with the Treasury Management Strategy. This one breach was due to the receipt of significant emergency COVID-19 Government funding at short notice which was invested in a single institution. This was being addressed by opening additional investment accounts with new institutions to spread the risk.

Members noted that the strategy and performance was on track. The report and recommendations would go to Council on 24 September 2020 for approval.

RESOLVED that:

(i) the Treasury Management Performance for 2019/20 be noted;
(ii) the outturn against the 2019/20 prudential and treasury indicators in the Annual Treasury Management Report (Annex 1) be noted and recommended for approval by Council.

27. ANNUAL GOVERNANCE STATEMENT 2019/20

Members considered and provided feedback on the Draft Annual Governance Statement 2019/20 as set out in Annex 1.

The Council was required to publish an annual statement on its corporate governance arrangements as part of the annual Statement of Accounts for 2019/20.

Cllr T. Schofield, Portfolio Holder for Finance, said that in future years the Draft Annual Governance Statement would be considered by the newly-formed Audit Committee. For 2019/20, the Audit Committee had asked Overview and Scrutiny to provide its comments because the Committee had oversight of risk and governance matters during that year. The Committee was asked to provide any feedback to be taken into consideration before it was signed by the Leader and Interim Head of Paid Service. The final statement would be presented to the Audit Committee for approval at its meeting on 26 November 2020 and included in the audited Statement of Accounts.

It was noted that there was a delay in publishing the Draft Statement of Accounts 2019/20 on the Council's website which was set by Accounts and Audit Regulations 2020 as 31 August 2020. The primary reasons for the delay were the competing demands on Finance team resources due to the pandemic, and the additional work that was carried out during this closedown to ensure that all matters raised in the 2018/19 audit were addressed, primarily in relation to fixed asset record-keeping and accounting. Members asked that this be referenced in the Annual Governance Statement.

Members also requested that the Committee's comments on Service and Financial Planning 2020/21, considered by the Budget Scrutiny Panel, and set out in Overview and Scrutiny Committee's Annual Report 2019/20 (approved by Council on 30 July 2020) be added to the Financial Planning and Management section of the Draft Annual Governance Statement. The text was that: 'The Panel recognised and appreciated the significant amount of work that had gone into preparing the service and financial plans for 2020/21 and concluded that the budget proposals were sound, balanced and achievable. However, concern was expressed that the overall increase in the Revenue budget is unsustainable in the long term, unless additional revenue income sources are brought on stream.'

RESOLVED that:

(i) the delay to the publication of the Draft Statement of Accounts 2019/20, set out in the Minutes, be noted in the Draft Annual Governance Statement;
(ii) the comments on Service and Financial Plans 2020/21 Budget in the Overview and Scrutiny Committee Annual Report 2019/20, set out in the Minutes, be included in the Draft Annual Governance Statement.

(iii) the updated Draft Annual Governance Statement be recommended for signing by the Leader and Interim Head of Paid Service and for adoption by the Audit Committee at its meeting on 26 November 2020.

28. EVALUATING OVERVIEW AND SCRUTINY PANEL RECOMMENDATIONS

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.

Panel Chairman, Cllr S. Walsh, thanked Members of the Panel for their input and discussions to review the principle and purposes of the Overview and Scrutiny Committee. Cllr S. Walsh set out eight recommendations that the Panel had put forward which included the use of time-limited scrutiny panels, scheduling additional meetings and actively reviewing the current work programme at Committee meetings.

The Panel had debated the role of overview and scrutiny and its role as a critical friend to the Council. It was highlighted that establishing smaller time-limited panels, when needed, to debate and report back to the Committee, would enable a more flexible and agile response. Current Panels included the Recovery Scrutiny Panel to focus on the Council's recovery work from the emergency response as well as the Budget Scrutiny Panel.

Panel Members had felt it was important to have focused and shorter meetings with clear recommendations, where necessary, to the Executive. It was also important to facilitate and encourage Members to evaluate and review information provided to the Committee such as performance data in advance of Committee meetings. Use of the Advance Questions procedure should be encouraged so that officers and Executive Members were given the opportunity to respond to Committee questions in a structured way.

In the discussion that followed, Members agreed that shorter and more focused Committee meetings would benefit debate but with a full agenda at each meeting this was not always possible. Members noted the recommendation to actively review the current work programme at each meeting. Communication on the role of overview and scrutiny was important as a reminder of its vital function in scrutinising Council activities. Members agreed that use of Advance Questions was an efficient way of giving officers and Executive Members a steer on areas of interest so they could prepare a fuller response.

Cllr N. Harrison, Committee Chair, thanked the Panel Members for their work and recommendations for improving the work of the Committee.

RESOLVED that the Minutes from the Evaluating Overview and Scrutiny Panel be noted and the recommendations from the Panel be approved.

29. FUTURE WORK PROGRAMME

The Work Programme for the Overview and Scrutiny Committee 2020/21 was considered by Members.

It was noted that the Environmental Sustainability strategy was scheduled to come to the Committee at its 9 December meeting. The Annual Community Safety Partnership Scrutiny item to review crime and disorder in the Borough could be considered separately at an additional Overview and Scrutiny Committee meeting in February.

Members had received a written response about ongoing work to trace legal documents regarding Trust Funds including the Reigate Baths Trust Fund and Commons Trust to identify what the funds can or cannot be used for. It was noted that it would be a long and complex process as work involved detailed examination of the trust deeds and consultation with the Charity Commission. Work was being progressed and an update on this would be given to the Committee in due course.

RESOLVED that the Future Work Programme for 2020/21 and the observations of the Committee noted.

30. 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.

31. ANY OTHER URGENT BUSINESS

There were no items of urgent business.

The Meeting closed at 9.58 pm

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SIGNED OFF BY	Interim Head of Finance
AUTHOR	Pat Main, Interim Head of Finance
TELEPHONE	Tel: 01737 276063
EMAIL	pat.main@reigate-banstead.gov.uk
TO	Executive Overview & Scrutiny
DATE	Tuesday 28 July 2020 Thursday 22 October 2020
EXECUTIVE MEMBER	Councillor Tony Schofield, Portfolio Holder for Finance

KEY DECISION REQUIRED	Yes
WARDS AFFECTED	(All Wards);

SUBJECT	Medium-Term Financial Plan 2021/22 to 2025/26

RECOMMENDATIONS

(i) That the Medium-Term Financial Plan be adopted as the framework for the budget elements of service and financial planning for 2021/22 onwards.

REASONS FOR RECOMMENDATIONS

The Council is required to set a budget by 11 March each year. This report and the associated documents will support this obligation for 2021/22.

EXECUTIVE SUMMARY

The purpose of this report is to set out the background and context for the budget elements of service and financial planning for 2021/22 onwards. It provides an early opportunity for Executive to consider the factors that will be taken into account when preparing draft budget estimates that are scheduled to be reported in November.

The report will be considered at the meeting of the Overview & Scrutiny Committee on 22 October 2020 and their feedback and questions will be taken into consideration when preparing draft budget proposals.

Executive has authority to approve the above recommendations.

STATUTORY POWERS

1. The Local Government Act 1992 places a requirement on Councils to set the following year's Council Tax by 11 March each year. The Local Government Act 1972, as part of proper financial management, requires a Council to set the associated annual budget requirement. This report is part of that process.
2. Section 65 of the Local Government Finance Act 1992 requires the Council to consult representatives of those subject to non-domestic rates in the Borough about its proposals for expenditure for each financial year
3. Regulations on levying council tax on empty properties are set out in the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

BACKGROUND

4. The Council has a well-established service and financial planning process that details the approach and timescales for development of budget proposals for the following financial year.
5. The process is subject to regular review to ensure that it continues to meet requirements.
6. The attached Medium-Term Financial Plan (MTFP) document has been prepared in response to Members' requests for sight of key budget information earlier in the budget-setting process.

KEY INFORMATION

MTFP Details

7. The MTFP provides an update on the Council's budget position. It follows on from the Budget Report 2020/21 to Executive in January and the Council Tax recommendations to Full Council in February.
8. It covers the following:
    - Objectives and priorities for the 2021/22 budget;
    - Context to budget-setting, including updates on the national economic forecast, local government funding, Corporate Plan priorities and specific factors to be taken into account when developing budget proposals for 2021/22;
    - Key budget information, including the 2019/20 budget outturn position, current year budgets and forecast new budget pressures and saving opportunities;
    - Updates on the capital programme and treasury management;

- Reserves and Fees & Charges policies
- Council tax policies (empty properties)
- Information about the service and financial process and budget-setting timetables;
- A summary of budget risks and sensitivities and how they will be managed.

9. It also includes early forecasts on the financial implications for this Council of the COVID-19 pandemic.

OPTIONS

10. The Executive can accept, amend or reject any or all of the MTFP information and request that other factors are taken into account when preparing 2021/22 budgets.

LEGAL IMPLICATIONS

11. It is a legal requirement that the Council set a balanced budget which it can deliver.

FINANCIAL IMPLICATIONS

12. These are addressed throughout the report and Annex.

EQUALITIES IMPLICATIONS

13. This report provides background and context for the budget elements of service and financial planning activities of the Council. There are no equalities issues arising directly from the MTFP or accompanying policy documents. Where individual changes, projects or policies are developed, equalities impact assessments will be carried out by the responsible officer(s).

COMMUNICATION IMPLICATIONS

14. There are no communications implications arising directly from this report. The budget proposals will be communicated with key stakeholders as they are developed.

HUMAN RESOURCES IMPLICATIONS

15. There are no human resources implications arising directly from this report. Council employees and their representatives will be consulted on budget proposals that have staffing implications.

RISK MANAGEMENT CONSIDERATIONS

16. These are addressed throughout the report and in Annex 1.

OTHER IMPLICATIONS

17. None

CONSULTATION

18. As part of the budget setting process, budget proposals will be circulated to the business community via the monthly Business e-bulletin (which has in excess of 1,500 recipients).

19. Savings and growth proposals will be considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in December 2020. The conclusions and recommendations of the Panel and the Committee are reported to the Executive.

POLICY FRAMEWORK

20. Approval of the annual Revenue Budget, determination of the Council Tax and approval of the Capital Programme are functions of the full Council under the Council's constitution (Article 4.12).

21. The budget reflects the priorities in the Council's Corporate Plan and puts in place resources to deliver these priorities.

22. The recommendations in this report are a key decision because they form part of the annual service and financial planning process that lead to recommendation of the annual budget and council tax to full Council.

BACKGROUND PAPERS

- *Budget 2020/21 & Capital Programme 2020 to 2025*, *report to Executive, 30 January 2020*
- *Treasury Management Strategy 2020/21, approved under delegated authority, April 2020*
- *Capital Investment Strategy 2021/22,* Report to Executive, 28 July 2020

ANNEX 1

MEDIUM TERM FINANCIAL PLAN
2021/22 to 2025/26
July 2020

APPENDICES

1. Revenue Budget 2020/21
2. Medium Term Revenue Budget Forecast 2021/22 to 2025/26

3.1 Capital Programme 2020/21 to 2024/25

4.1 Reserves Policy

4.2 Revenue Reserve Balances at 31 March 2019

5. Fees & Charges Policy
6. Strategic Financial Risks
7. Service & Financial Planning Timetable 2021/22
8. COVID-19 Pandemic – Financial Implications

GLOSSARY

Introduction

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

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

In January 2020 the Executive approved the previous version of the MTFP which was based on the objectives of the new Corporate Plan 2025. It set out the latest resource projections and estimates of expenditure. This document refreshes and updates MTFP forecasts in anticipation of service & financial planning for 2021/22.

The draft budget report later this year will set out the detailed actions required to deliver a balanced budget for 2021/22 onwards that is consistent with the direction and objectives set out in this MTFP.

1. Medium Term Financial Plan Objectives

The objectives of this MTFP are to help us:

- Provide a robust financial framework to assist decision-making processes
- Manage council finances within the context of a forward-looking service & financial planning framework
- Prioritise resources to align spending plans with our vision and strategic objectives and resident priorities
- Recognise the ongoing funding challenges that will need to be addressed through changes to how services are delivered, realising new sources of income and delivery of cashable budget savings, or a combination of all three
- Maintain council tax resource levels
- Maintain a balanced budget and continue to strengthen that position
- Maintain the General Fund reserve at a minimum of 15% of the annual net Revenue Budget to cover significant unforeseen expenditure
- Maintain Earmarked Revenue Reserves for specific purposes, consistent with achieving our priorities and managing risks. The use of Earmarked Revenue Reserves will be in line with the Reserves Policy at Appendix 4.1 and will be reviewed annually
- Help confirm the affordable level of capital investment required to support our strategic and financial priorities while remaining within prudential borrowing limits
- Ensure that fees and charges are set at an appropriate level and that they take into account comparative levels of charge and ability to pay, in line with the Policy at Appendix 5

- Demonstrate probity, prudence and strong financial control
- Manage financial risks
- Continually review budgets to ensure resources are targeted on key objectives
- Continue to improve our approach to commissioning and procurement to ensure value for money for local taxpayers
- Support new ways to ensure financial sustainability and maximise income to deliver our priorities. This includes the development of commercial projects to capture both revenue income and capital growth opportunities.
- Pursue opportunities for securing external funding
- Support opportunities for working in collaboration with partners where this will support our priorities and improve service value for money.

2. Medium Term Financial Plan Priorities

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

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

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

- Impact of the **COVID-19 Pandemic**. The latest assessment of the potential financial impacts for this Council is set out at Appendix 8.

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

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

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

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

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

- A **Financial Review** of the historic budget outturn position and of our base budget to ensure maximum value is obtained from those resources already allocated – effectively to ensure financial discipline and good housekeeping are maintained.

- Using **Reserves** in a sustainable and prudent manner to support the Council's strategies and priorities. This will be supported by the Reserves Policy which is set out at Appendix 4.1. It is recognised that reserves can only be used on a 'one off' basis. However, they can play an important part in supporting initiatives or investments which can deliver future benefits.

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

3. Medium Term Financial Plan Context

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

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

The Economy and Public Spending

There is now considerable uncertainty in financial and economic forecasts. In July 2020 the Office for Budget Responsibility (OBR) reported

- *The UK is on track to record the largest decline in annual GDP for 300 years, with output falling by more than 10 per cent in 2020 in all three scenarios (and contracting by a quarter between February and April). This delivers an unprecedented peacetime rise in borrowing this year to between 13 and 21 per cent of GDP, lifting debt above 100 per cent of GDP in all but the upside scenario. As the economy recovers, the budget deficit falls back. But public debt remains elevated, continuing to rise in the central and downside scenarios.*
- *That said, the outlook would have been much worse without the measures the Government has taken. These have provided additional financial support to individuals and businesses through the lockdown. They should also help to limit any long-term economic 'scarring', by keeping workers attached to firms and helping otherwise viable firms stay in business.*
- *Our upside scenario assumes that long-term scarring is avoided, but in the central and downside scenarios it reduces output in the medium term by 3 and 6 per cent respectively. By 2024-25 the budget deficit falls back to close to our March forecast of 2.2 per cent of GDP in the upside scenario, but it remains higher – at 4.6 and 6.8 per cent – in our central and downside scenarios. This would represent structural fiscal damage of 2.4 and 4.7 per cent of GDP relative to our March forecast. None of the scenarios assume persistently lower growth*

in potential GDP, as was the case after the financial crisis and which would result in the loss of output and fiscal damage increasing over time. And they all assume that very low interest rates persist in line with market pricing, cushioning the fiscal blow. This helps stabilise public debt as a share of GDP after it has risen to a six-decade high.

Interest Rates

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

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

Source: *Link Asset Management June 2020*

Inflation

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

Table 2: FORECAST INFLATION (CPI)	**2020/21 %**	**2021/22 %**	**2022/23 %**	**2023/24 %**	**2024/25 £%**
Forecast CPI	0.5	0.5	1.0	1.0	1.0

Source: *Link Asset Management June 2020*

Economic Growth

Economic growth – as measured by Gross Domestic Product (GDP) - fell by 20.4% in April 2020, after the closedown of whole sections of the economy, the biggest monthly fall since the series began in 1997.

What remains uncertain is the extent of the damage that will have been done to businesses by the end of the lockdown period, how consumer confidence and behaviour may be impacted afterwards, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover to what was formerly regarded as normality. However, some changes during lockdown are likely to be long lasting e.g. a shift to online purchasing, working from home, etc. The lockdown has also had a sharp effect in depressing expenditure by consumers which means their level of savings have increased and debt has fallen. This could provide fuel for a potential surge in consumer expenditure once some degree of normality returns.

Source: *Link Asset Management June 2020*

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

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

Local Government Funding

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

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

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

- Spending Review20 – delayed to autumn 2020 due to Government's COVID-19 pandemic response.

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

Fair Funding Review

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

Business Rates Growth: Reset and 'Alternative' System

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

Business Rates Revaluation

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

New Homes Bonus:

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

Specific Grants:

- There is still an expectation that these will be rolled into the funding system when 75% business rates retention is introduced (now expected 2022/23)

Negative RSG Grant

- It has not been confirmed whether this has also been deferred to 2022/23. Further information may be announced as part of Spending Review20.

Council Tax:

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

Local Government Funding – Current Position

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

The Chancellor announced on 24 March 2020 that the planned Spending Review 2020 would be delayed beyond July to enable the Government to remain focused on responding to the COVID-19 pandemic.

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

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

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

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

Service & Financial Planning: Government Funding Assumptions
For the purposes of preparing this MTFP and the draft 2021/22 budget the following has been assumed:

- No changes to total local government funding as a result of Spending Review20.
- The most far-reaching funding changes will be delayed to 2022/23
- When implemented, the funding changes will reduce this Council's Government funding by £0.200 million in year one followed by a further £1.3 million and £0.4 million in each of the two subsequent years (£2.3 million in total). This is as a consequence of the removal of 'Negative RSG' grant and the Business Rates reset.
- No other transitional funding arrangements for these changes
- Council taxbase growth of 1.0% per annum and council tax increases continue to be capped at a maximum of 1.99% or £5
- Funding from New Homes Bonus to cease in 2021/22 (no new allocations).

4. Corporate Plan Priorities

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

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

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

The Plan includes:

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

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

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

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

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

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

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

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

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

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

5. Budget-Setting Priorities 2021/22

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

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

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

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

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

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

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

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

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

Value for Money
The Council will assess and challenge the value for money (economy, efficiency and effectiveness) provided by each service through the service & financial planning process.

Information about our performance compared to other councils across a range of published measures is published on the LGA website at https://lginform.local.gov.uk/

6. The Revenue Budget

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

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

- **Central Budgets**: These are costs incurred and income received that are not service-specific, eg. Pension Fund deficit contributions and treasury management costs and income.
  Also included in this block is the Headroom Contingency budget.
  For 2020/21 this include the one-off advance payment of the employer's three-year secondary pension contribution of £6.204 million.

- **Sources of Funding**: These income budgets are general, non-service specific income sources. They include other grant funding from Central Government and our share of Non-Domestic Rate income.
  For 2020/21 it includes the continued impact (benefit) of the one-off elimination of 'Negative Revenue Support Grant' that was announced by the Government in September 2019.

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

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

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

The provisional outturn for Service budgets at the end of Period 12 was £0.470 million (3.5%) higher than the management budget however, the overall provisional outturn, including Central Items, was £2.09 million (11.9%) lower than budget.

Table 3: REVENUE BUDGET OUTTURN 2019/20	**Original Budget**	**Revised Budget**	**Year End Outturn**	**Year End Variance**
	£m	**£m**	**£m**	**£m**
Service Budget	12.148	13.606	14.076	0.470
Central Budgets	4.147	3.870	1.313	(2.557)
Total	**16.295**	**17.476**	**15.389**	**(2.087)**

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

- Finance: £0.640m over budget as a result of additional work required during the 2018/19 audit of the Statement of Accounts, additional work relating to major projects including the Horley Business Park land purchase, Marketfield Way and Baseball, and the use of interim staff to both cover vacancies and to improve finance processes.
- Benefits Team and Benefits Paid/Subsidy Received: £0.573m over budget due to reduced DWP grant, additional consultancy and printing costs, increased Bed & Breakfast placement costs, additional statutory costs and income shortfall due to suspension/cessation of Court recovery as a result of COVID 19 at year-end.

- Harlequin Theatre: £0.221m over budget due to delay in cinema opening and staff costs higher than budget.
- Development Services: £0.200m lower than budget due to underspends on Consultancy.
- Fleet: £0.219m above budget due to expenditure on spare parts to keep the ageing Fleet running.
- Projects & Assurance: £0.105m lower than budget due to vacant posts
- Headroom Contingency: £0.737m lower than budget because funds have not been required during the year.
- Interest on borrowing: £0.086m lower than budget.
- Senior Management Team: £0.202m lower than budget due to vacant Director post.
- Property and Facilities: £0.322m lower than budget due to new rental income from Salfords Industrial Units offset by lower income from Warwick Quadrant and Marketfield Way.
- Refuse and Recycling: £0.341m lower than budget net (income is £0.703m higher than budget, offset by overtime and temporary staff costs to cover sickness and additional staff costs for recycling service to flats and extra expenditure on new bins).

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

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

Revenue Budget 2020/21

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

Table 4: BUDGET SUMMARY 2020/21	Budget 2020/21 £m
1. Net Cost of Services	14.276
2. Central Budgets	3.980
3. Advance Payment of Employer's Pension Contribution	6.204
NET EXPENDITURE 2020/21 including ADVANCE PENSION CONTRIBUTION	**24.460**
4. Council Tax	14.100
5. National Non-Domestic Rates	2.900
6. New Homes Bonus – 2020/21 allocation from Central Government	1.789

Table 4: BUDGET SUMMARY 2020/21	Budget 2020/21 £m
7. Net Contribution (to)/from Reserves: • New Homes Bonus – 2020/21 allocation paid into Reserves – (£1.789m) • Use of funds from the General Fund Balance and Pension Reserve to fund the advance Employer's Pension Contribution of £6.204m • Use of funds from the General Fund Balance to support the 2020/21 Revenue Budget £1.256m[1]	5.671
NET SOURCES OF INCOME 2020/21	**24.460**

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

Central Budgets

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

1. Budget to be transferred to services to reflect 2020/21 allocation virements.

Table 5: CENTRAL BUDGETS	**Original Budget 2019/20 £m**	**Approved Budget 2020/21 £m**	**Net Budget Increase / (Decrease) £m**
Budget Contingencies	1.431	1.941	0.511
New Posts Budget	0.250	0.159	(0.091)
Insurance	0.452	0.482	0.030
External Audit Fees	0.050	0.050	0.000
Treasury Management	(0.404)	0.340	0.744
Minimum Revenue Provision	0.000	0.528	0.528
Employer Secondary Pension Contribution	2.338	0.375	(1.963)
Apprenticeship Levy	0.064	0.069	0.005
Trust Funds	0.036	0.036	0.000
Central Budgets	**4.217**	**3.980**	**(0.237)**
Advance Payment of Employer's Pension Contribution	0.000	6.204	6.204
Total	**4.217**	**10.184**	**5.967**

Further details are provided at Appendix 1.

'Headroom' Contingency Budget

The Headroom Contingency Budget was originally established during budget setting in 2012/13 to '*mitigate the reduction in Central Government revenue funding'*.

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

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

A Headroom Contingency Budget of £1.0 million was approved during the 2020/21 budget setting process.

Table 6: CHANGES IN THE HEADROOM CONTINGENCY BUDGET 2019/20 to 2020/21	
	£m
Headroom Contingency Budget 2019/20	**0.836**
Increase approved during 2020/21 service & financial planning	0.164
Headroom Contingency Budget 2020/21 onwards	**1.000**

The level of Headroom Contingency will be reviewed and reported each year as part of the service & financial planning process.

7. Revenue Budget Funding 2020/21

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

Table 7: REVENUE BUDGET FUNDING	Budget 2020/21 £m
National Non-Domestic Rates	2.900
Council Tax	14.100
New Homes Bonus – these funds are transferred to a Reserve	1.789
Net Contribution (to)/from Reserves: • New Homes Bonus – 2020/21 allocation paid into Reserves – (£1.789m) • Use of funds from the General Fund Balance and Pension Reserve to fund the advance Employer's Pension Contribution £6.204m • Use of funds from the General Fund Balance to support the 2020/21 Revenue Budget £1.256m	5.671
TOTAL	**24.460**

Factors taken into account include:

Retained Business Rates Income and Negative RSG Grant	• This Council's share of retained business rates will be £2.3 million in 2021/22 (including £1.5m Negative RSG Grant). • In 2022/23, the Council will see a further decline in Government funding support as retained business rates receipts are cut due to the planned reset. • In addition, the 'Negative RSG Grant' of £1.500 million will end. It is not yet clear how these reductions will be implemented but are assuming this will be clearer when the outcome of the delayed Fair Funding Review and Business Rates Reset are announced during 2021.
Council Tax	• The forecast level of Council Tax income for 2020/21 based on a £5.00 Band D equivalent increase and the forecast tax base.
New Homes Bonus	• Includes updated forecasts for New Homes Bonus in 2020/21 based on the December 2019 Provisional Settlement announcement. These funds (£1.789m) are transferred to a Reserve.
Contributions (To)/From Reserves	• Includes the net contribution of £1.256 million that will be required from the General Fund Balance to address the forecast remaining Revenue Budget gap in 2020/21 and the £6.204 million advance payment of the employer secondary pension contribution. Also, the transfer to Reserves of the 2020/21 New Homes Bonus Allocation.

8. Council Tax

Decisions around the annual council tax increase and taxbase growth are two key variables in the MTFP.

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

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

Council Tax 2020/21

The referendum cap was confirmed with the Provisional Local Government Funding Settlement Announcement in December 2019, being the higher of 1.99% or £5.00 for district councils. £5.00 (2.20%) is to this Council’s advantage as it yields a higher level of income. This was the approved recommended increase

The Council Tax increase of £5.00 increased a Band D charge from £227.46 to £232.46, an increase of 10 pence per week. The total income from council tax for this council therefore increased from £13.700 million to £14.100 million

As reported to Executive in December 2019, the impacts of the forecast increase in the taxbase and collection performance for 2020/21 was 885.8 Band D equivalent properties, an increase of 1.5% compared to 2019/20. This yielded an additional £0.201 million increase in this Council’s share of the sums collected.

COVID-19 Impacts

It is still early in the 2020/21 financial year to forecast with any accuracy how the pandemic will impact council tax collection performance. The latest assessment of the potential impacts is set out at Appendix 8.

Council Tax Policy

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

- Homes that have been empty and substantially unfurnished for more than two years and less than five years will be charged a Council Tax long term empty premium equivalent to 100% of the Council Tax in addition to their current Council Tax.
- Homes that have been empty and substantially unfurnished for five years and more will be charged a Council Tax long term empty premium equivalent to 200% of the Council Tax.

As these changes help deliver a county-wide initiative to reduce the number of empty properties throughout Surrey, the County Council is proposing to reallocate its share of the increased funding that results from changes in Empty Homes policies. Under this commitment the Boroughs and Districts will receive reallocated funding where agreed conditions are met. The Country council has stated that it plans to agree details of the distribution arrangement during 2020/21.

An increase of the empty homes premium to 300% for properties that are empty for 10+ years will be considered as part of the Council Tax setting process for 2021/22.

Council Tax Precepts 2020/21

Table 8: ANALYSIS OF COUNCIL TAX BY PRECEPTOR 2020/21		
Authority	£000	% share
Surrey County Council	92,393.7	74.94
Surrey Police & Crime Commissioner	16,245.6	13.18
Reigate & Banstead BC	14,210.0	11.53
Horley Town Council	404.7	0.33
Salfords & Sidlow Parish Council	38.5	0.03
	123,292.5	**100**

Table 9: ANALYSIS OF COUNCIL TAX CHANGES BY PRECEPTOR 2020/21				
			Increase	
Authority	**2020/21**	**2019/20**	**£**	**%**
Surrey County Council	1,511.46	1,453.50	57.96	3.99
Surrey Police & Crime Commissioner	265.76	260.57	5.19	1.99
Reigate & Banstead Borough Council	232.46	227.46	5.00	2.20
Horley Town Council	39.71	37.86	1.84	4.85
Salfords & Sidlow Parish Council	27.18	22.18	5.00	22.54

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

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

Council Tax Options 2021/22
Each 1% increase in Council Tax generates £0.141 million additional income for this borough. A 1.99% increase would yield £0.281 million additional income; a £5 increase would yield £0.303 million.

Council Tax Forecasts
For MTFP modelling purposes, based on a 1.99% increase and a 1% increase in the taxbase, the Council Tax income forecast at June 2020 is set out below:

Table 10: COUNCIL TAX FORECAST	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Forecast Resources	13.700	14.100	14.520	14.960	15.410	15.880
Annual Increase in Income	-	0.400	0.420	0.440	0.450	0.460
Cumulative Increase in Income		0.400	0.820	1.260	1.710	2.170
Band D	£227.46	£232.46	£237.09	£241.80	£246.62	£251.52
Band D Increase	-	£5.00	£4.63	£4.71	£4.82	£4.90

9. Business Rates (National Non-Domestic Rates)

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

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

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

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

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

Business Rates Forecast at June 2020

Table 11 : NNDR FORECAST	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Forecast NNDR Resources	2.500	2.300	2.300	1.700	1.600	1.400
Less 'Negative RSG Grant'	-	-	-	(0.700)	(1.000)	(1.200)
Net Forecast	**2.500**	**2.300**	**2.300**	**1.000**	**0.600**	**0.200**
Annual Reduction	-	(0.200)	-	(1.300)	(0.400)	(0.400)

Table 11 : NNDR FORECAST	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Cumulative Reduction	-	(0.200)	(0.200)	(1.500)	(1.900)	(2.300)

COVID-19 Impacts
It is still early in the 2020/21 financial year to forecast with any accuracy how the pandemic will impact business rates collection performance. The latest assessment of the potential impacts is set out at Appendix 8.

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

10. New Homes Bonus

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

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

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

In previous years this funding was set aside in an Earmarked Reserve for general use. During budget-setting 2020/21 the funds were allocated to support implementation of the Housing Delivery Strategy. Details at Appendix 4.2.

11. Revenue Reserves

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

Reserves can be held for four reasons:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.

- A contingency to cushion the impact of unexpected events or emergencies.
- A means of building up funds to meet known or predicted liabilities.
- A means of setting aside sums for future identified uses and / or investments

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

Our Reserves Policy is set out at Appendix 4.1 with details of revenue reserve balances held at 31 March 2020 at Appendix 4.2. The level of Reserves be reviewed during service & financial planning over the summer with the aim of presenting the recommended use of reserves in 2022/23 onwards as part of the November budget report. This will include an assessment of the adequacy and allocation of current reserves and the associated risks and opportunities.

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

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

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

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

Table 12 : USEABLE REVENUE RESERVES	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
General Fund Balance	6.075	6.717	8.737	5.912	12.547	12.547	8.949
Earmarked Reserves	9.526	10.963	13.485	19.075	21.703	25.042	32.646
Total Reserves	**15.601**	**17.680**	**22.222**	**24.987**	**34.250**	**37.589**	**41.595**
Reserves as a % of the Net Revenue Budget	119.14%	135.01%	169.70%	190.81%	261.55%	287.05%	255.26%

Opportunity Cost of Holding Reserves

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

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

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

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

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

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

Finally, there is a need to look at the assumptions made in setting the budget, not just for the coming year but also under the MTFP. The budgetary assumptions cover:
- Inflation and interest rate projections.
- Estimate and timings of capital receipts.

- Treatment of planned efficiency savings.
- Financial risks involved in major funding arrangements.

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

12. Medium Term Financial Plan Forecast 2021/22 onwards

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

They include:

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

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

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

Council Tax	• To increase by the referendum limit – assumed to be £1.99% • Plus an increase due to growth in the taxbase of 1% per annum • The impacts of local discounts, exemptions and the local council tax support scheme will be taken into account when preparing income forecasts.
Government Funding	• Fair Funding Review and loss of Negative RSG Grant delayed to 2022/23

Retained Business Rates Income	• Reset of Business Rates delayed to 2022/23
Fees & Charges	• The Fees & Charges Policy is attached at Appendix 5. For budgeting purposes it is assumed that fees and charges will increase in line with the Policy and that all fees and charged will be reviewed to ensure they comply.
Investment Income and Borrowing	• Investments and borrowing will be forecast in line with forecast balances (reserves) and capital investment plans
Pay Inflation	• An allowance for a pay award will be included in the draft Budget, in addition to forecast contractual pay increases. • This provides the option for pay rises but the specific rate of increase will be subject to established consultation processes.
Employer Pension Costs	• The approach will be consistent with the actions agreed following the latest actuarial review of the Surrey Local Government Pension Fund at 31 March 2019; the outcome has been profiled into the budget for the three years to 2022/23. • The 2019 valuation confirmed that the Fund's total assets, which at 31 March 2019 were valued at £4.483 million, were sufficient to meet 96% of liabilities (ie. the present value of promised retirement benefits) accrued up to that date. The resulting total Fund deficit at the 2019 valuation was £196 million. • Each employer has a contribution requirement set at the valuation, with the aim of achieving full funding within an agreed time horizon and probability measure, as set out in the Fund's Funding Strategy Statement. Individual employers' contributions for April 2020 to March 2023 have been set in accordance with this requirement. • For Reigate & Banstead this is based on a 15% payroll oncost charge plus a £2.2 million lump sum annual deficit payment with the option to pay this in 'Year 1' at a discount. • The next actuarial review will be at 31 March 2022 and any budget implications will be built into budgets for 2023/24 onwards. • National consultation is currently in progress regarding moving to a four-year revaluation cycle going forward.

- For 2020/21 this budget has been updated to reflect the outcome of the 2019 Pension Fund Revaluation and the funding options offered to employers by the Fund.
- As part of budget-setting 2020/21 The approved approach was:
  - To maintain the primary employer contribution rate at 15% of salaries. This has been factored into the 2020/21 base budget.
  - To pay the secondary employer rate as an advance lump sum of £6.204 million in April 2020 funded from the earmarked reserve set aside for this purpose plus a contribution from General Fund Reserves at the beginning of 2020/21. This represents a saving of £0.397 million compared to payment in three annual instalments from 2020/21 to 2023/24.
  - To plan to rebuild the Pensions Reserve ready for the next revaluation in 2022
- Subsequent to budget-setting Surrey Pension Fund confirmed that it is no longer necessary to budget for £0.400 million each year for historic pension costs because they have been taken into account in the 2019 fund revaluation and reflected in updated employer contribution rates for 2020/21 onwards). This budget will therefore be deleted in 2021/22 onwards.

Price Inflation

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

Forecast Budget Gap

The forecast budget gap over the next five years is set out below. Further details are provided at Appendix 2

Table 13: MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2020/21 £m	Forecast Budget 2021/22 £m	Forecast Budget 2022/23 £m	Forecast Budget 2023/34 £m	Forecast Budget 2024/25 £m	Forecast Budget 2025/26 £m
FORECAST GAP	**nil**	**1.866**	**3.956**	**4.626**	**5.286**	**5.536**
Annual Increase in Gap	-	1.866	2.090	0.670	0.660	0.250
Gap as % of 2020/21 budget requirement	-	10.1%	21.5%	25.1%	28.7%	30.1%

The key factors that will influence the forecast gap include:

Service Expenditure	• No significant budget pressures have been identified to date but this will be subject to further review as part of the service and financial planning process • Legacy impacts of the COVID-19 pandemic on service income budgets
Central Budgets	• Treasury Management costs will rise significantly over the MTFP period as a consequence of the borrowing requirement to fund the approved Capital programme • A one-off pension budget reduction
Council Tax	• Council tax setting assumptions • Legacy impacts on recovery performance of the COVID-19 pandemic
NNDR	• Removal of Negative RSG Grant and the Business Rates reset • Legacy impacts on recovery performance of the COVID-19 pandemic
Use of Reserves	• Funding for the 2019/20 budget includes drawing £1.256 million from the General Fund Reserve. If equivalent savings, efficiencies or new sources of income are not identified for 2021/22 this requirement to call on Reserves will continue to increase and further reduce available balances. • In previous years the budget outturn position has been a revenue budget underspend of at least £1.0 million. If this were to continue the net impact on reserves would not be significant, however the COVID-19 pandemic means that there is a reduced likelihood of an underspend on this scale in 2020/21.

13. Capital Investment Strategy

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

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

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

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

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

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

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

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

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

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

Medium Term Capital Programme

While Revenue Budget expenditure is concerned with the day-to-day running of services our Capital Programme is concerned with investment in the assets required to deliver services or delivery new income streams. The Medium-Term Capital

Programme sets out how capital resources will be used to achieve our vision and corporate priorities.

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

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

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

Capital Programme 2020/21 to 2024/25
The Council forecasts its Capital Programme over a 5-year period and the latest position is set out in the report to Executive in January 2020.

Table 14: CAPITAL PROGRAMME 2020/21 to 2024/25	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	
	Projected	**Projected**	**Projected**	**Projected**	**Projected**	**TOTAL**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
ORGANISATION SERVICES:						
Strategic Property	4.385	1.332	1.658	1.374	1.258	**10.007**
IT Services	0.225	0.425	0.375	0.385	0.325	**1.735**
Organisational Development	0.280	0.260	0.260	0.260	0.260	**1.320**
PEOPLE SERVICES:						
Housing	16.990	11.405	11.334	1.334	1.334	**42.400**
Wellbeing & Intervention	0.140	0.040	0.040	0.040	0.040	**0.300**
Community Partnerships	0.030	0.030	0.030	0.030	0.030	**0.150**
PLACE SERVICES:						
Neighbourhood Operations	3.927	2.822	1.202	1.202	1.202	**10.353**
Place Delivery	20.021	24.442	15.100	0.000	0.000	**59.563**
Economic Prosperity	0.100	0.100	0.100	0.100	0.100	**0.500**
CORPORATE:						

Table 14: CAPITAL PROGRAMME 2020/21 to 2024/25	2020/21	2021/22	2022/23	2023/24	2024/25	
	Projected	Projected	Projected	Projected	Projected	TOTAL
	£m	£m	£m	£m	£m	£m
Commercial Investment Strategy	50.000	0.000	0.000	0.000	0.000	**50.000**
TOTAL CAPITAL EXPENDITURE	**96.100**	**40.856**	**30.099**	**4.725**	**4.549**	**176.328**

Capital Programme Funding

Sources of funding for the 2020/21 to 2024/25 Capital Programme are summarised below:

Table 15: CAPITAL PROGRAMME FUNDING 2020/21 to 2024/25	2020/21 Projected £m	2021/22 Projected £m	2022/23 Projected £m	2023/24 Projected £m	2024/25 Projected £m	Total £m
TOTAL CAPITAL EXPENDITURE 2020/21 - 2024/25	**96.100**	**40.855**	**30.099**	**4.725**	**4.549**	**176.328**
FUNDED BY:						
Capital Grants & Contributions	1.843	1.600	1.187	1.187	1.187	7.006
Capital Receipts	8.805	24.488	26.778	0.000	0.000	60.072
Funding equivalent to historic New Homes Bonus allocation - to support implementation of the Housing Delivery Strategy[1]	10.000	7.000	-	-	-	17.000
Prudential Borrowing	75.451	7.767	2.133	3.537	3.361	92.250
TOTAL CAPITAL FUNDING 2020/21 to 2024/25	**96.100**	**40.855**	**30.099**	**4.725**	**4.549**	**176.328**

Sources of funding for the 2020/21 to 2024/25 Capital Programme are explained below:

Table 16: CAPITAL FUNDING	
Capital Reserves	• Previously the Council benefitted from access to significant capital reserves following the sale of its housing stock. Over recent years these reserves have been utilised to invest in the capital programme. The remaining balance was less than £0.700 million at March 2019.

Table 16: CAPITAL FUNDING	
Capital Receipts	• Sale of capital assets results in a capital receipt that can be used to invest in new capital assets or to repay prudential borrowing. • The main source of capital receipts over the duration of this Capital programme relate to delivery of major schemes including Marketfield Way redevelopment, Pitwood Park and the Cromwell Road Housing developments. These capital receipts have been factored into forecast funding requirements.
Capital Grants & Contributions	• Forecasts of the future grant funding allocation for Disabled Facilities works have been updated to reflect forecast allocations. • They also include the Council's share of Section 106 and CIL funding. A review of historic allocations of Section 106 funds to the Capital Programme is planned during year-end closedown for 2019/20 to confirm that the funds allocated reconcile to Planning team records. • Funding equivalent to the historic New Homes Bonus grant allocation is to be allocated to support implementation of the Housing Delivery Strategy
Prudential Borrowing	• The primary source of long-term funding for the Capital Programme is now prudential borrowing, mainly from the Public Works Loans Board (PWLB). • Loans are managed through the approved Treasury Management Strategy and policies. • Interest on borrowing is paid to the PWLB and charged to the annual revenue budget along with the Minimum Revenue Provision that is necessary to set aside funds for eventual repayment of the loan principal. These costs have to be taken into account when setting a balanced Revenue Budget. • There are increasing restrictions on the type of capital expenditure that is eligible for prudential borrowing. Borrowing to fund investment solely for commercial gain is not permitted. Example Investment Returns • Following the significant increase in PWLB borrowing costs, that was announced in October 2019, in order to generate (for example) £2.0 million additional net income to the revenue budget would require borrowing and re-investment in income-generating assets of circa £93.5 million [based on prevailing PWLB rates at the time of preparing this report].
Revenue Budget Contributions	• There is no expectation that significant capital expenditure will be funded from the revenue budget in 2021/22.

Capital Programme – Revenue Budget Implications

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

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

14. Treasury Management & The Prudential Code

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

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

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

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

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

The Prudential Code
CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the 'Prudential Code') provides the framework for councils' capital investments. The key feature of the prudential system is that councils should determine the level of their capital

investment – and how much they borrow to finance that investment – based on their own assessment of what they can afford, not just for the current year but also for future years.

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

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

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

15. Medium Term Financial Plan Risks & Sensitivities

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

SR2: Financial sustainability

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

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

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

- *There most significant risks relate to the extent to which the Government will fund the unplanned expenditure that is being incurred to deliver the Council's COVID-19 responsibilities at the same time as experiencing material reductions in income from fees and charges and local taxes. If this substantial financial burden is not mitigated through direct*

Government support these unplanned financial pressures will have an adverse impact on the Council's capacity to deliver against its Corporate Plan ambitions in future years.

Details of the mitigating actions are set out at Appendix 6.

Operational Risk Register – Budget-Setting

The principles and assumptions contained within this MPFP are aimed at ensuring that the Council is financially sustainable and continues to deliver high quality services.

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

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

Perceived Risk	Impact	Likelihood	Preventative Action
Failure to remain up to date with changes in relevant legislation, regulations and guidance	High	Low	Ensure that all relevant information is taken into account when producing MTFP and budget forecasts.
Changes in legislation affecting the scope of services and the cost of carrying them out	Medium	Medium	Maintain regular contact with Heads of Service regarding developments that have potential financial implications.
Local Government Financial Settlement worse than forecast	High	Medium	Model a range of MTFP and budget scenarios and strategies.
Outdated MTFP assumptions Significant variations due to economic factors	High	Low	Regularly review and update assumptions.
Inaccurate budget assumptions	High	Medium	Regularly review and update assumptions.
Unexpected financial events	High	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Deliverability of new income streams against forecast timescales	High	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Demographic and demand-led pressures	Medium	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.

Perceived Risk	Impact	Likelihood	Preventative Action
Reduction in existing fees & charges income	Medium	Low	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Contract risks e.g. contractor viability, non-delivery	Medium	Low	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks. Maintain regular contact with Heads of Service regarding developments that have potential financial implications.
COVID-19 risks	High	High	Legacy impacts of the pandemic include ongoing cost pressures and income reductions. These are discussed in more detail at Annex 8.

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

Table 17: SENSITIVITY	Change	Estimated Annual Impact £000
Business Rates Income	+/- 1%	£8
Staff Costs		£285
Non-Pay Costs		£140
Fees & Charges		(£160)
Council Tax/Taxbase		£141

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

The Economy:

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

- Any reduction in the number of employers in the Borough could also have an impact on our retained Business Rates income.

Future Government Funding:

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

Revenue Budget Savings:

- following the significant budget reductions in recent years, it has become increasingly difficult to generate additional ongoing savings. If the Council is to deliver financial sustainability then we will need to continue our efforts to become a more commercial organisation and fully explore income generating opportunities involving, for example, property investment, partnership working and providing services for other organisations. Government and CIPFA guidance on ‘borrowing in advance of need’ is likely to limit some of the options that may otherwise have been considered to deliver new commercial income streams.

Corporate Plan 2025:

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

Budget Risks:

- Given the uncertainty over future economic conditions and the business rates regime, it is prudent to maintain our capacity to protect services from unforeseen financial pressures. Once used, however, it may prove difficult to replenish reserves.

- Despite significant improvements in recent years the Pension Fund remains a risk over the longer term as the future economic downturns may impact on the value of Fund investments and liabilities.

COVID-19 Pandemic
- The potential financial risks and uncertainties arising from the COVID-19 pandemic are set out at Appendix 8. It is likely to be some time before the full impacts are confirmed.

MTFP and Budget Monitoring and Review
The updated MTFP position will be reported as part of the draft Budget report in November.

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

16. Budget Equalities Impact Assessments

The annual service & financial planning reports include information about the implications of budget proposals. Where new service changes, projects or policies are proposed, equalities impact assessments will be carried out by the responsible officers. Changes that affect Council staff will be discussed directly with individuals affected and with their representatives.

17. Budget Scrutiny

The annual draft budget proposals are considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in December and the conclusions and recommendations of the Panel and the Committee are reported to the Executive for consideration when the final budget proposals are presented to them in January.

18. Consultation

The MTFP is published on the Council's website.

The annual budget proposals are circulated to the business community via the Business e-bulletin (which has in excess of 1,500 recipients).

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

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

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

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

Reserves Policy	Sets out the reasons for holding reserves and how they will be used, including financial limits where appropriate. The Policy is attached at Appendix 4.1.
Fees & Charges Policy.	Sets out a corporate view of the fees and charges levied by the Council for consideration each year. The Policy is attached at Appendix 5.
Annual Council Tax Report	Approved by Full Council in February each year

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

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

Service & Financial Planning Timetable
The timetable for Service & Financial Planning 2021/22 is set out at Appendix 7.

20. CIPFA Financial Management (FM) Code

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

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

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

The Code has several components, comprising:

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

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

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

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

Table 18: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	
Section 1: The responsibilities of the chief finance officer and leadership team	
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.
B	The authority complies with the CIPFA *Statement on the Role of the Chief Finance Officer in Local Government.*

Table 18: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	
Section 2: Governance and financial management style	
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).
E	The financial management style of the authority supports financial sustainability.
Section 3: Long to medium-term financial management	
F	The authority has carried out a credible and transparent financial resilience assessment.
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.
Section 4: The annual budget	
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.
J	The authority complies with its statutory obligations in respect of the budget setting process.
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.
Section 5: Stakeholder engagement and business plans	
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.
Section 6: Monitoring financial performance	
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.
Section 7: External financial reporting	
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.

Table 18: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

21. CIPFA Resilience Index

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

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

The assessment makes reference to the following:

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

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

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

22. Conclusion

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

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

APPENDICES

APPENDIX 1

REVENUE BUDGET 2020/21

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

NOTE

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

APPENDIX 2

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

MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2020/21 £m	Cumulative Impact 2021/22 £m	Cumulative Impact 2022/23 £m	Cumulative Impact 2023/24 £m	Cumulative Impact 2024/25 £m	Cumulative Impact 2025/26 £m
20/21 Budget Requirement	**24.600**					
LESS: one off pension payment in 20/21	(6.200)					
20/21 Adjusted Budget Requirement	**18.400**					
Pressure • Reversal of one-off use of Reserves in 2020/21		1.256	1.256	1.256	1.256	1.256
Pressure • Pay cost inflation/contractual increases		0.710	1.420	2.130	2.840	3.550
Pressure • Additional borrowing costs for previously-approved Capital Programme commitments		0.500	1.000	1.000	1.000	1.000
Pressures • Service budget growth • Investment in new Corporate Plan priorities and COVID-19 Recovery • COVID-19 ongoing impacts on income budgets		*To be confirmed as part of service & financial planning*				
Opportunities • Employer Pension Contribution - one-off reduction in 2021/22		(0.400)	(0.400)	(0.400)	(0.400)	(0.400)
Opportunities • Service efficiencies and other budget savings • Commercial Strategy - new income streams		*To be confirmed as part of service & financial planning*				
Council Tax • Assumed 1.99% pa. increase plus 1.0% taxbase growth		(0.400)	(0.820)	(1.260)	(1.710)	(2.170)
NNDR • Reflects loss of 'Negative RSG' grant in 2021/22 and Business Rates Reset in 2022/23		0.200	1.500	1.900	2.300	2.300
Forecast Gap Compared to 2020/21 Budget	**0.000**	**1.866**	**3.956**	**4.626**	**5.286**	**5.536**
Annual Increase in Gap		1.866	2.090	0.670	0.660	0.250
Gap as % of 2020/21 budget requirement		10.1%	21.5%	25.1%	28.7%	30.1%

APPENDIX 3

CAPITAL PROGRAMME 2020/21 to 2024/25

CAPITAL PROGRAMME 2020 to 2025 - DETAILS						
	2020/21 (Yr 1)	2021/22 (Yr 2)	2022/23 (Yr 3)	2023/24 (Yr 4)	2024/25 (Yr 5)	Total
	£000	£000	£000	£000	£000	£000
ORGANISATION SERVICES						
PROPERTY SERVICES						
Rolling Property Maintenance Programmes:						
Beech House, London Road, Reigate	3,000.0	0.0	0.0	0.0	0.0	**3,000.0**
Forum House, Brighton Road, Redhill	70.0	100.0	100.0	150.0	150.0	**570.0**
Unit 61E, Albert Road North	55.0	11.5	200.0	11.5	11.5	**289.5**
Regent House	25.0	50.0	100.0	90.0	90.0	**355.0**
Linden House , 51b High Street, Reigate	17.3	11.3	28.8	11.5	11.5	**80.3**
Units 1-5 Redhill Distribution Centre. Salfords	40.3	17.3	57.5	17.3	17.3	**149.5**
Crown House	75.0	135.0	75.0	75.0	75.0	**435.0**
Tenanted properties - occupied by third-parties - planned building maintenance	100.0	100.0	100.0	100.0	100.0	**500.0**
Commercial Investment Properties	50.0	76.0	76.0	76.0	76.0	**354.0**
Operational Buildings	115.0	145.0	110.0	95.0	80.0	**545.0**
Priory Park Maintenance	198.0	10.0	10.0	10.0	30.0	**258.0**
Public Conveniences	5.0	4.0	4.0	4.0	20.0	**37.0**
Infrastructure (Walls etc.)	55.0	10.0	60.0	10.0	60.0	**195.0**
Allotments	14.0	12.0	12.0	12.0	22.0	**72.0**
Cemeteries & Chapels	40.0	20.0	20.0	20.0	40.0	**140.0**
Leisure Centres	30.0	30.0	210.0	190.0	30.0	**490.0**
Pavilions	90.0	110.0	50.0	50.0	50.0	**350.0**
Car Parks Capital Works	190.0	195.0	190.0	195.0	170.0	**940.0**
Earlswood Depot/Park Farm Depot	50.0	20.0	20.0	20.0	20.0	**130.0**

CAPITAL PROGRAMME 2020 to 2025 - DETAILS						
	2020/21 (Yr 1)	**2021/22 (Yr 2)**	**2022/23 (Yr 3)**	**2023/24 (Yr 4)**	**2024/25 (Yr 5)**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Day Centres	75.0	85.0	75.0	67.0	65.0	**367.0**
Harlequin Property Maintenance	40.0	140.0	110.0	120.0	100.0	**510.0**
Building Maintenance – consultancy/capitalised staff costs.	50.0	50.0	50.0	50.0	40.0	**240.0**
	4,384.5	**1,332.0**	**1,658.3**	**1,374.3**	**1,258.3**	**10,007.3**
IT SERVICES						
Rolling Investment Programmes:						
ICT Replacement Programme	225.0	425.0	325.0	325.0	325.0	**1,625.0**
Disaster Recovery Systems Upgrade	0.0	0.0	50.0	0.0	0.0	**50.0**
Replacement Photocopiers/ Printers	0.0	0.0	0.0	60.0	0.0	**60.0**
	225.0	**425.0**	**375.0**	**385.0**	**325.0**	**1,735.0**
ORGANISATIONAL DEVELOPMENT						
Workplace Facilities: Estate/Asset Development	250.0	250.0	250.0	250.0	250.0	**1,250.0**
Workplace Facilities: additional IT requirement for increase in workforce.	30.0	10.0	10.0	10.0	10.0	**70.0**
	280.0	**260.0**	**260.0**	**260.0**	**260.0**	**1,320.0**
COMMERCIAL SERVICES						
COMMERCIAL INVESTMENT						
Commercial Investment	50,000.0	0.0	0.0	0.0	0.0	**50,000.0**

CAPITAL PROGRAMME 2020 to 2025 - DETAILS

	2020/21 (Yr 1)	2021/22 (Yr 2)	2022/23 (Yr 3)	2023/24 (Yr 4)	2024/25 (Yr 5)	Total
	£000	£000	£000	£000	£000	£000
PEOPLE SERVICES						
HOUSING						
Grant-Funded Schemes						
Disabled Facilities Grant	1,134.0	1,134.0	1,134.0	1,134.0	1,134.0	**5,669.8**
Home Improvement Agency (Part Grant Funded)	120.0	120.0	120.0	120.0	120.0	**600.0**
Handy Person Scheme (Housing Assistance Programme)	50.0	50.0	50.0	50.0	50.0	**250.0**
Repossession Prevention Fund	30.0	30.0	30.0	30.0	30.0	**150.0**
Housing Development						
Lee Street Bungalows	234.0	0.0	0.0	0.0	0.0	**234.0**
Cromwell Road Redevelopment	3,680.0	0.0	0.0	0.0	0.0	**3,680.0**
Pitwood Park	1,745.0	71.0	0.0	0.0	0.0	**1,816.0**
Housing Delivery Strategy						
Housing Delivery	10,000.0	10,000.0	10,000.0	0.0	0.0	**30,000.0**
	16,993.0	**11,405.0**	**11,334.0**	**1,334.0**	**1,334.0**	**42,399.8**
WELLBEING & INTERVENTION						
Rolling Maintenance Programmes:						
Harlequin Facilities Maintenance	40.0	40.0	40.0	40.0	40.0	**200.0**
Harlequin - Service Development	100.0	0.0	0.0	0.0	0.0	**100.0**
	140.0	**40.0**	**40.0**	**40.0**	**40.0**	**300.0**
COMMUNITY PARTNERSHIPS						

CAPITAL PROGRAMME 2020 to 2025 - DETAILS						
	2020/21 (Yr 1)	2021/22 (Yr 2)	2022/23 (Yr 3)	2023/24 (Yr 4)	2024/25 (Yr 5)	Total
	£000	£000	£000	£000	£000	£000
Rolling Maintenance/Investment Programmes:						
CCTV	30.0	30.0	30.0	30.0	30.0	**150.0**
	30.0	**30.0**	**30.0**	**30.0**	**30.0**	**150.0**
PLACE SERVICES						
PLACE DELIVERY						
Marketfield Way Redevelopment	18,858.6	23,212.0	15,100.0	0.0	0.0	**57,170.6**
Preston Regeneration	362.1	0.0	0.0	0.0	0.0	**362.1**
Horley Public Realm Improvements - Phase 4	100.0	500.0	0.0	0.0	0.0	**600.0**
Merstham Recreation Ground	700.0	700.0	0.0	0.0	0.0	**1,400.0**
Redhill Public Realm Improvements	0.0	30.0	0.0	0.0	0.0	**30.0**
	20,020.7	**24,442.0**	**15,100.0**	**0.0**	**0.0**	**59,562.7**
Economic Prosperity - Vibrant towns & villages	100.0	100.0	100.0	100.0	100.0	**500.0**
TOTAL APPROVED CAPITAL PROGRAMME	**96,100**	**40,855**	**30,099**	**4,725**	**4,549**	**176,328**

RESERVES POLICY

Introduction
The establishment, monitoring and review of the levels of reserves and balances are an important element of the Council's financial management systems and financial standing.

The Chief Finance Officer (Section 151 Officer) is required by law to formally report to the Council their opinion on the adequacy of the Council's reserves. Irrespective of this, a well-managed authority is clear about the reserves it needs now and in the future to support its service aspirations, while at the same time delivering value for money within a climate of significant resource pressure and economic/social risk.

This Policy does not cover non-distributable reserves required to support financial accounting transactions e.g. the Revaluation Reserve, Capital Adjustment Account and Pension Reserve. (Non-distributable reserves are those that cannot be used for revenue or capital purposes.)

Reserves can be held for four reasons:

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

Such reserves are generally referred to as Earmarked Revenue Reserves.

What are Reserves?
There is no clear definition of reserves even though reference is made to reserves in legislation. The Chartered Institute of Public Finance and Accountancy (CIPFA) states 'amounts set aside for purposes falling outside the definition of provisions should be considered as reserves.' Provisions are required for any liabilities of uncertain timing or amount that have been incurred.

Generally there are two types of reserves, those that are available to meet revenue or in some cases capital expenditure (Usable) and those that are not available to finance revenue or capital expenditure (Unusable). Useable reserves result from events that have allowed monies to be set aside, surpluses or decisions causing anticipated expenditure to have been postponed or cancelled. They can be spent or earmarked at the discretion of the Council.

The Council must manage its reserves in accordance with its strategic longer-term planning process.

Policy principles:

- The General Fund Balance will be maintained at a minimum of 15% of the net Revenue Budget to cover any major unforeseen expenditure.
- Earmarked revenue reserves will be maintained for specific purposes that are consistent with achieving Corporate Plan priorities and/or where they are required to account separately for Government funding streams.
- Reserves must only be used to fund one-off expenditure.
- Recurring expenses may only be funded from reserves if plans are in place to fund the ongoing costs and replenish the reserve within 12 months.
- Unplanned revenue income receipts will be held in a reserve pending future decisions as to their use.
- We aim to balance the Revenue Budget over the period of the MTFP without reliance on the use of reserves

July 2020

APPENDIX 4.2

REVENUE RESERVE BALANCES AT 31 MARCH 2020

	Balance at 1.4.20 £m	Purpose
General Fund Balance	**£7.693m**	Acts as a buffer against unpredicted budget pressures. The minimum level required is £2.6m

Earmarked Revenue Reserves	Balance at 1.4.20 £m	Purpose
Housing Delivery Strategy Reserve	18.581	Established as part of budget-setting 2020/21 – to support delivery of the Council's Housing Delivery Strategy. Funded from the equivalent of the balance on previous years' New Homes Bonus grant allocations plus the 2020/21 allocation.
Government Funding Reduction Risks Reserve	3.688	Reviewed as part of budget-setting 2020/21 – earmarked for the purpose of mitigating the planned reduction in Government funding pending delivery of new sustainable income streams.
Commercial Risks & Volatility Reserve	4.000	New reserve created as part of budget-setting 2020/21 - earmarked for the purpose of mitigating the impacts of delays in delivery of new sustainable commercial income streams.
Pension Reserve	1.507	Established to manage increases in employer pension contributions. Previous balance has been used to fund the advance payment of the employer's secondary pension contribution for 2020 to 2023. Reserve to be re-built over the medium term ready for the next Pension Fund revaluation in 2022.
Corporate Plan Delivery Fund (CPDF)	1.000	Provides time-limited funding to deliver key priorities, Corporate Plan objectives and invest–to–save initiatives, including investment in new technology.
Insurance Reserve	0.250	Provides cover against uninsured losses.
New Posts Reserve	0.750	Established to provide initial funding for new permanent posts created during the year to support delivery of new corporate initiatives. Thereafter the intention is to build these posts into the approved budget in the following year.
Homelessness Prevention	0.915	Established to account separately for the funding set aside for homelessness prevention.
Feasibility Studies (Commercial Ventures) Reserve	1.934	Established to ensure that funding is available to prepare business cases and obtain external professional advice for new initiatives designed to deliver new sustainable commercial income streams. To be managed by the Commercial Ventures Sub-Committee.

Earmarked Revenue Reserves	Balance at 1.4.20 £m	Purpose
Feasibility Studies (Infrastructure Initiatives) Reserve	0.250	Established as part of budget-setting 2020/21 – to fund the Council's contribution to councils in Surrey collectively funding the development of infrastructure feasibility studies so that bids can be made for full project funding when bidding rounds become available.
Environmental Sustainability	0.250	Established at the end of 2019/20 to fund Investment in delivery of the Environmental Sustainability Strategy.
Economic Development Initiatives Reserve	0.777	Established as part of budget-setting 2020/21 – to fund initiatives to raise awareness amongst local people of quality local employment opportunities.
Total Earmarked Revenue Reserves:	**£33.902m**[1]	

Total Revenue Reserves:	**£41.595m**

Note1: During April 2020 £6.2m was drawn from Reserves to fund the Employers Pension Contribution for 2020/21 to 2022/23, comprising £1.507m from the Pension Reserve and £4.693m from the General Fund Balance.

FEES & CHARGES POLICY

The Council's Medium-Term Financial Plan (MTFP) sets out our financial objectives to support delivery of the Corporate Plan. These plans remain challenging in the context of an uncertain economic future, on-going austerity measures, significant reductions in funding from Government and the move towards more locally-generated income streams.

In the future we will need to be financially self-sufficient and less reliant on central government funding. Maximising the potential for increased income will be integral to supporting delivery of the MTFP.

Seeking opportunities for income generation is a priority for the Council, alongside broader proposals for the trading and commercialisation of some services.

This Fees & Charges Policy outlines the key principles to be considered in charging for Council services in a transparent and consistent manner.

Scope
This Policy applies to the setting and reviewing of all fees and charges for Council services, where the Council has discretion to apply a charge and discretion over the level of charge applied.

The Policy excludes:

- Charges that are determined by Central Government
- Council Tax
- Business Rates
- Property rents
- Any charges where there are legal or contractual reasons for exclusion
- Any charges levied by Trading Companies or other third parties delivering services on behalf of the Council.

Application
Directorates should refer to this Policy when reviewing current charges or proposing new charges as part of the service & financial planning process for the forthcoming financial year, and for any other in-year consideration of service charging.

Understanding the relationship between cost and charges is vital when determining charges for services and support and advice should be sought from the Finance team when applying this Policy.

Aims and Objectives

The overarching aim of the Policy is to embed a commercial approach to setting fees and charges. An aim of commercialism is to ensure the Council thinks consistently in a business-like manner and clearly articulates the costs and benefits associated with the activities it carries out.

The objectives of the Fees & Charges Policy are:

- To promote efficiency and support the commercialisation of our business in order to support the MTFP and deliver the Corporate Plan
- To minimise the draw on local taxpayers of discretionary services and promote fairness by fostering a culture where discretionary services are supported largely by users rather than the council tax payer
- To set a clear, flexible and equitable framework of standards and procedures for applying charges and fees to relevant Council services for both individuals and organisations. The level of charge will reflect the cost plus a return where this is permissible/appropriate.
- To meet the aim of being 'business like' through service areas understanding and reviewing the costs and charges for their service areas.

Charging and Trading Legislation
The legislation and case law that governs Councils' ability to charge and generate income is complex. Specific powers to charge for services are contained in a variety of local government statutes.

These include:

- Local Authorities (Goods and Services) Act 1970 – introduced powers for councils to enter into agreement with other Local Authorities and public bodies for the supply of goods and services. Any agreement may contain such terms as to payment or otherwise as the parties consider appropriate.
- Local Government Act 2003 – added further opportunities to the above. This act enables council's to trade in activities related to their functions on a commercial basis and make a profit, which may be reinvested in services, through a trading company.
- Localism Act 2011 – the General Power of Competence (GPC) introduced a power to allow councils to do anything that an individual may do. However, for the purposes of charging, this should not exceed the cost of provision of the service in question, as operating for a commercial purpose (i.e. to make a profit) must be done through a trading company.

Standard Charging Principles
Standard principles will be applied to all fees and charges (within the scope of this Policy) set by the Council. Where a service plans deviate from these principles, the basis and reason for variation will be clearly documented and approved in accordance with the Council's Constitution/scheme of delegation.

Services that have discretion over charging are encouraged to operate more commercially in order to maximise efficiency and reduce dependence on corporate funding support. The ability of services to operate in this way is dependent on services being able to set and amend their charges with a level of flexibility, including consideration of current market rates and demand for the service. The Policy will also make decision making simpler and more timely.

This Policy enables us to apply differential charging, discounting and alternative pricing structures in order to maximise commercial benefit and target service take-up. Individual service areas can vary charge rates on a case by case basis, taking into account relevant market rates and the need to maximise income and operate efficiently.

All fees and charges will:

- Demonstrate how they contribute to the achievement of corporate and service objectives
- Maximise potential income, to achieve financial objectives, unless there is an explicit policy decision to subsidise a service
- Be subject to equality impact assessment screening and consultation where appropriate
- Minimise the costs of collection
- As a minimum be increased annually from 1 April each year in line with Consumer Price Index (CPI) inflation increases (rate published for the preceding September each year)
- Be subject to a scheduled review at least every 3-5 years.

Charging Models
When introducing or reviewing a charge the Council will follow one of three models:

Charge	Definition	Application
Full Cost recovery	Full Cost Recovery is defined in this Policy as the Chartered Institute of Public Finance and Accounts' (CIPFA's) 'total cost' model. When charging 'total cost' the Council is aiming to charge the user the full cost to the Council of providing that service. The 'total cost' to the Council is calculated following CIPFA methodology. The cost of the charge will include, in addition to the direct cost of providing the service, costs such as fair and appropriate proportion of the cost of	This is the Council's 'default' charging principle.

Charge	Definition	Application
	premises, central services and other overheads	
Direct Cost Plus	As a minimum the Council would recover the direct cost of providing the service plus wherever possible, a contribution to overheads. The level of overhead contribution is an operational decision, and will be dependent upon the particular circumstances and objectives.	This allows flexible pricing decisions to take account of external market conditions. For instance, there are circumstances where setting changes at a level more than full cost recovery may be appropriate (e.g. when trading with other local authorities or public bodies the Council is not limited in the amounts it can charge). This charging model also allows charges to be set below full cost recovery to achieve a particular objective – for example entering into a new market or attracting new business. However, in line with the Standard Charging Principles, the aim will always be to recover the full cost of a service over time.
Subsidised	A subsidised charge requires the Council to contribute to the direct cost of the service. Where the Council is not covering the direct costs of the service, it will require a contribution from the Council. All subsidies will be subject to the approval of the Executive.	This model provides the Council with the option to provide a service with full or partial subsidy. The level of subsidy will be determined by reference to the nature of the service and the rationale for any subsidy for example: • providing a public good • encouraging service take up • the user group's ability to pay. The financial impact of subsidy decisions on the budget will be identified both individually and collectively, and actively managed and reviewed.

Authority to Set and Vary Charges

The decision on charging levels will be based on the relevant charging method: full cost recovery, direct cost plus or subsidised.

All charging decisions must be made in accordance with the Council's Constitution (Budget and Policy Framework, Scheme of Delegation and Financial Procedure Rules) and be able to demonstrate consistency with our strategic priorities, policies and statutory obligations.

The decision to vary charges for existing chargeable services which are not subsidised is an operational decision, which will be taken by the appropriate Director/Head of Service in consultation with the Chief Finance Officer.

Policy Review
This Policy will be reviewed periodically, taking into account developing Council policies and priorities and any changes in legislation.

July 2020

APPENDIX 6

EXTRACT: STRATEGIC RISK REGISTER
STRATEGIC FINANCIAL RISKS

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
SR2	**Financial sustainability** The Council is now operating in a uniquely challenging and uncertain financial context. In the wake of the COVID-19 pandemic and likely recession which will follow, the Council faces a period of unprecedented financial uncertainty. The ongoing financial settlement with the Government also remains unclear with the Fair Funding Review and Business Rate Reset and Revaluation being delayed. There most significant risks relate to the extent to which the Government will fund the unplanned expenditure that is being incurred to deliver the Council's COVID-19 responsibilities at the same time as experiencing material reductions in income from fees and charges and local taxes. If this substantial financial burden is not mitigated through direct	PM Portfolio Holder: Cllr Schofield	Updated Medium-Term Financial Plan (MTFP) revenue budget forecasts are being prepared to set the scene for service & financial planning 2021/22. These will be used to confirm the extent of the financial challenges faced and support strategic service and financial planning decisions. We will continue to implement the actions detailed in the Capital Investment Strategy that was approved by Executive in January 2020. This too is being updated in Q1 to form the basis for development of the updated Capital Programme. This will help ensure that capital investment decisions support delivery of the Council's strategic and financial objectives.	We will continue to ensure that strong financial management arrangements are in place and continue to invest in skills and expertise to support delivery of the council's financial and commercial objectives while managing associated risks. The Council's Medium-Term Financial Plan was reported to the Executive in January 2020. This sets out the forecast budget challenges over the coming five years. It will form the basis for service & financial planning for 2021/22 onwards. The specific outcomes of the Fair Funding Review and Business Rates Reset remain unknown; however it is expected to result in significantly reduced funding. COVID-19 has resulted in material new financial risks,	**R**			

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
	Government support these unplanned financial pressures will have an adverse impact on the Council's capacity to deliver against its Corporate Plan ambitions in future years.		We prepared the Treasury Management Strategy 2020/21 for approval (under COVID-19 delegation powers) in April 2020. This will ensure that treasury investments achieve target returns within approved security and liquidity limits and that the financial impacts of borrowing requirements are taken into account during budget-setting.	both in 2020/21 and potentially over the medium term. Additional unbudgeted expenditure has been incurred to deliver the authority's response and budgeted sources of income have been impacted by reduced demand during lockdown. Government funding received to date is likely to address a significant proportion of the one-off cost pressures but there remains uncertainty about funding support for lost income from fees & charges and local taxes in 2020/21 as well as about whether income levels will return to pre-COVID levels in the remainder of the year and beyond.				
SR4	**Partner public sector funding decisions** The public sector is experiencing significant funding pressures. Budgetary decisions made by other public service providers will impact this borough's residents and businesses as well as the Council itself. The COVID-19 pandemic has increased pressure on public	PM Portfolio Holder: Cllr Schofield	We will continue to maintain relationships with key partners across the public sector. This supports good information sharing, including future service and financial information	We expect to continue to hold meetings to discuss priorities and funding between the Leader, Executive and key partners such as SCC, Police and Raven Housing Trust. We will seek to align Council and partner priorities around the new Corporate Plan wherever possible, to ensure that all services are meeting	**A**			

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
	services. These pressures will result in reduced partner capacity which may require the Council to increase services and support provided. This could have negative funding and resource implications.			the needs of our residents and businesses. We will seek to understand the funding decisions taken by partners at the earliest opportunity and engage with them to consider the implications and avoid/minimise any negative impact on the borough.				

APPENDIX 7

Service & Financial Planning Timetable 2021/22

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

COVID-19 Pandemic – Financial Implications

at June 2020

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

Government Funding

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

To date, relative to the scale of forecast financial impacts, the Council has received fairly limited financial support from Government to offset the impacts on its budget.

Emergency Grant allocation 1 - £42k.

- Equates to 64p per household.

Emergency Grant allocation 2 - £1.481m

- Equates to £22.70 per household.

Emergency Grant allocation 3 - £0.203m

- The Government announced a further round of £500m on 2 July
- Equates to 3.09p per household.

Funding support for Council income losses

- The Government also announced proposals to fund 75% of specified income losses after the first 5% on 2 July.
- This council's share of that funding had not been confirmed at the time of preparing this report

Rough Sleepers accommodation funding - £2k.

- In addition, £40k has been received from Surrey County Council from their Emergency Grant allocation to contribute to the cost of temporary accommodation for rough sleepers.

The total COVID-19 Emergency funding allocated so far to this Council to cover expenditure incurred and lost income is therefore £1.726m. However, as set out below, the forecast costs and loss of income forecast are potentially significantly in excess of the grants awarded to date.

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 has now published ‘Our Plan to Rebuild’ it is 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 not possible at this time and other updates will be provided through in year financial monitoring reports.

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

Council Tax Hardship funding - Round 1 - £0.754m

Business Grants funding - Round 1 - £23.m

Business Grants funding – Discretionary Scheme - £1.2m

Business rates – extended retail relief funding - £18.4m

Business rates – nursery/local newspapers relief funding - £0.718m

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

<u>Expenditure Pressures</u>
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.

To date the financial impacts have been modelled based on lockdown restrictions lasting for four months from April to July 2020 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 next return to MHCLG was due to be submitted on 31 July. The figures quoted in this report for cost and income pressures are based on actual figures and forecast at the time of preparing the 19 June MHCLG return.

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

Table 8.1: MHCLG Expenditure Category	Full Year £M	Type of Expenditure Incurred
Housing Rough Sleepers	0.179	Temporary accommodation for Rough Sleepers and additional demand for B&B accommodation
Environment & regulatory – waste Management	0.031	Garden Waste changes – admin costs Vehicle Hire – cemetery
Finance & Corporate	0.026	Staff remote working – IT systems and support
Finance & Corporate	0.063	Staff and Volunteer Training and Professional Support
Other - PPE (non-Adult Social Care) April 2020	0.088	Purchase of PPE for staff and volunteers
Other	1.004	Publicity materials – e.g. social distancing banners Support for Shielded Residents – including welfare calls, visits, foodbank and meals Support for Leisure Services provision Funding support - Voluntary Sector contributions
Total	**1.391**	

<u>Income Reduction Pressures</u>

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

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

Table 8.2: MHCLG Income Category	Full Year £M	Type of Income Loss
Cultural & Related SFC losses	0.659	Harlequin – income reduction Leisure Services Provider - reduced Management Fee
Planning & Development	0.329	Reduction in Planning Fee income
Other Sales, Fees & Charges income losses	1.883	Reduction in Car Parking income
Commercial Income losses	0.263	Commercial Rents – income reduction (including Redhill Market)
Other income losses	0.477	Garden Waste - income reduction
Other SFC income losses	0.171	Reduction in Rev and Bens Income from 3rd Party Clients
Total	**3.782**	

The main areas impacted include:

- Car parks usage and income from season tickets has fallen 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 until the end of July is forecast to reduce by £490k 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 has been reviewed and an extension has been agreed, reducing forecast income by £200k. A further impact is the reduction on forecast parking ticket revenue: the predicted loss of income until the end of July is £36k

- 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 - £88k.

- The increased risk to recovery of commercial rental income is estimated to be £116k

- The Revenues, Benefits and Fraud team are forecasting a reduction in recovery costs of £127k while magistrates courts are 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 £470k reduction in income.

It is important to note that the Council's income budgets are not all based on an assumption of a 100% collection rate. Where appropriate, a level of arrears is assumed and a provision is made for bad debts. It is currently too early in the financial year and the pandemic 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.

Property Rental Income

The Council has actively engaged with its tenants to support the transition back to normal trading and where appropriate has had discussions on repayment plans for the March and June quarters over the next 12 months.

Table 8.3: Commercial Rental Income - Forecast by Business Type at June 2020

Business Type	No. of Tenants	Budget	Forecast	Shortfall
Hotel	1	0.317	0	(0.317)
Catering	11	0.214	0.214	-
Retail	2	0.245	0.245	-
Industrial	7	0.861	0.861	-

Table 8.3: Commercial Rental Income - Forecast by Business Type at June 2020				
Other Commercial	3	0.039	0.039	-
Leisure	2	0.139	0.139	-
Nursery	2	0.030	0.030	-
Third Sector	5	0.052	0.028	(0.024)
TOTAL	**33**	**1.897**	**1.556**	**(0.340)**

The effect of COVID-19 will become clearer at the June quarter-end where we should be in a better position to understand the transition back to 'normal' trading and assess public confidence as the easement of the lockdown progresses. This in turn will ultimately influence decision-making process on how we support our commercial tenants and confirm the financial impact this may have.

The most significant risk relates to Travelodge which has 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 creditors of Travelodge including the Council are opposing the application. If it is successful it could result in a shortfall in the region of £0.317m.

The forecast shortfall of £24k for the Third Sector relates to a combination of two Charity Properties where rent free periods have been agreed until the re-opening of the centres.

Capital Programme Impacts

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

In June all authorities received a letter from the Secretary of State on local growth programmes and potential funding. It stated that the Government is keen to explore how the acceleration of central government funding could be used to support the delivery of capital projects in order to stimulate the economy. LEPs are being encouraged to share their ideas with MHCLG, alongside any '*exceptional, additional shovel-ready capital projects*' which can be delivered within 18 months, meet value for money standards and deliver on two overarching objectives: driving up economic growth & jobs and supporting green recovery. This could include projects around town and city centre modernisation, investment in innovation and improvements to digital connectivity. Deadline for submissions was 18 June. At the time of preparing this report the LEP had indicated that funding would be made available to support delivery of the Marketfield Way development.

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

May 2020 based on the impacts during the first four months of 2020/21 and is likely to increase as more information becomes available. The financial impacts of a deficit on the Collection Fund (further details below) will add to these pressures.

The current estimate of the net adverse financial impact in 2020/21 is at least £1.0m after taking account of COVID-19 grant funding. In principle this can be funded through the Headroom Contingency sum that is included in the 2020/21 budget, however that would leave no remaining capacity to address other in- year budget risks without having to call on the Council's Reserves.

The Net Budget requirement for 2020/21 is £18.26m. As a percentage of the net budget requirement therefore, the potential combined loss of income and additional costs could be more than 5.5%.

An alternative measure (to allow comparison with other councils) is to calculate the impacts in relation to the Council's 'Core Spending Power', the Government's standard measure which takes into account the authority's annual local government settlement funding assessment, forecast council tax income and its new homes bonus allocation. This Council's core spending power for 2020/21 is £18.43m therefore the impact of the COVID-19 pandemic ranges is 5.4% of its Core Spending Power.

<u>Options for Mitigation of The Financial Impacts</u>

The main options for mitigating the financial impacts of COVID-19 include:

- Continue to lobby Central Government for additional funding in recognition of the impacts on district Councils and their ability to deliver services. The Council is actively working with other councils and networks on this.

- Look to make offsetting savings and efficiencies where possible before calling on the 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 that were intended to be funded from these resources.

- Potentially apply capitalisation to some of the costs and financial impacts to enable the Council to borrow and fund them on a long-term basis. Local authorities are lobbying for greater flexibility from Government in this area. This may include using capitalisation flexibilities to cover costs from forecast future capital receipts and this may include making targeted asset sales to support this.

Further updates on the forecast costs and income and how they might be funded will be included in the Quarterly budget monitoring reports and the draft 2020/21 budget report.

<u>Longer-Term Outlook</u>

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 debt at the end of May 2020 was £1,950.1 billion, an increase of £173.2 billion (20.5%) compared with May 2019, the largest year-on-year increase in debt as a percentage of GDP on record (monthly records began in March 1993).

Once the immediate crisis is over and lockdowns have ended, the IMF have indicated that governments will have to raise taxes and put the brakes on public spending to bring their books closer to balance.

This need to bring down public debt is going to come into play alongside an economic contraction unprecedented in modern times. This will not only place additional pressure on Government funding but is also likely to have considerable impact on the Council's ability to raise additional income.

In recent years, local government has been increasingly relying on business rates as a source of income, which will in future years be less buoyant. In addition to the medium-term impact of the economic effects of COVID-19, in January 2021 the UK's transition period with the EU comes to an end, and it is not yet clear what the nature of the final exit agreement will be and what impact that will have on the economy.

In the labour market it is estimated 8.7 m people are furloughed and classed as economically inactive. It is uncertain how the long-term effects on unemployment rates will work through the economy, however the Bank of England expected unemployment to double by the end of June to 9%. The latter figure may increase as the payments from Government are reduced from 80% to 70% in September and 60% in October. The scheme closed to all new entrants from 10 June. Any increase in unemployment and / or furloughing of employees will also affect the sums the Council has to pay in Council Tax support, the amount collected in Council Tax and may have further knock-on effects to the business rates base and income from all sources – including car parking, planning and commercial rents.

<u>Collection Fund Impacts</u>

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, town and parish councils and the Government), as well as this Council.

The latest forecast for Collection Fund impacts were set out in the June financial return to MHCLG

Table 8.4: Forecast Collection Fund Impacts	**Forecast Total Impact**
MHCLG Category:	**£m**
Business Rates Losses- COVID-19 (after reliefs)	3.400
Council Tax receipt losses	6.200

Collection Fund Losses	9.600
Total	**9.600**

The precepting authorities have a legal right to expect the billing authority to pay over their full precept when it becomes due, regardless of actual collection rate performance or take-up of Council tax support.

In response to COVID-19 the Government has rescheduled the dates when its 2020/21 share of business rates income from the Collection Fund is payable to help ease the initial cashflow impacts on billing authorities. This means that we can defer the payments which were due to have been paid over in April, May and June by six months.

<u>Council Tax Collection</u>
The two main risks to council tax income are:

- An increase in households claiming council tax support

  At the time of preparing this report the number of working age support claimants has increased from 2,442 to 2,667 (3.83%). Pensioner claimants are broadly the same

- If the collection rate falls below 99% due to non-payment.

  At 14 July the impacts on recovery were as follows:
  - 2019/20 debt: at end of June 2020 was 29.28%, monthly target 29.80%.
  - 2020/21 debt: at end of June 2020 was 28.43%, down by 0.85% or £1.05m.
  - 2,142 payers have requested to defer payments – representing 3.47% of households
  - 73% of households pay by direct debit. Reminders will be issued from June to non-payers. 142 DDs were returned as unpaid on 1 July 2020, compared to 174 on 1 June 2019.

The full picture will take some time to confirm however it is forecast that. Despite current string performance, the council tax Collection Fund will be in a deficit position by year-end 2020/21 as households and businesses find it increasingly difficult to pay as the recession deepens and Government support reduces. This deficit will have to be recovered from the precepting authorities. On 2 July the Government announced that 2020/21 Collection Fund losses may be recovered over three years rather than one; the details of how this will be implemented have not yet been confirmed.

A further risk to this Council, as the billing authority, is the Collection Fund cash flow risk; if council tax support takes up increases and collection rates fall, then the sums paid to the Government and precepting authorities would be higher than the cash collected. The Government has provided some support by rescheduling the dates when its 2020/21 share of business rates income from the Collection Fund is payable to help ease the initial cashflow impacts on billing authorities however the precepting authorities have confirmed that they expect sums due (based on the original forecasts) to be paid on time and in full.

Local Council Tax Support Scheme (LCTS)
The Government has allocated a hardship fund for those households that are struggling financially as a result of COVID-19 and this Council has been allocated additional funding of £0.754m. Those households that are already on LCTS but still pay a contribution towards their Council Tax are being credited with an additional £150 of support. These LCTS credits were processed in April and revised bills are being sent to individual households reflecting the lower amounts due.

In addition, Government funding has also been provided to make short term discretionary payments to those that are affected by the LCTS and are struggling financially. This funding is being distributed on a case by case basis as people contact the Council to discuss their situation.

Business Rates
Business rates are collected by this council with the majority of income received being paid over to the Government along with a share to the County Council.

In May 2020 the Government extended 100% rate relief to all businesses in the leisure and hospitality sector, regardless of size. This has reduced the sums to be collected during 2020/21 from £54m to £36m.

- The majority of businesses have now received the 100% Expanded Retail, for retail, hospitality and leisure, which totals £18,701,391 (974 businesses) .
- Nurseries have now received relief which totals £659,152 (24 nurseries).

The details on how local authorities are to be compensated for this income reduction are still to be confirmed by Government, but at this stage it is expected that the Government will reimburse the 19.4 million reduction in full.

It is currently unclear how businesses will clear any arrears of business rates due, but it is currently assumed that cash collected will fall and arrears will increase. An assessment will therefore need to be made about the provision for bad debt which may arise in 2020/21 and beyond and any changes to the appeals provision going back to 2010 in some cases. This will influence the level of income to the General Fund in 2020/21 to 2022/23.

To help mitigate this type of risk the council has already established a ‘Government Funding Reduction Risks‘ reserve which currently has a balance of £3.4m (Appendix 4.2). In principle this Reserve is available to help offset fluctuations to income paid from the Collection Fund to the General Fund as well as the impacts of other funding changes including ‘Negative RSG’, the Business Rates reset and the planned Fair Funding Review. However, the scale of COVID-19 risks was not taken into account when the Reserve was created and it will be necessary to review its adequacy as part of the next Medium-Term Financial Plan review.

Surrey Chief Finance Officers are also discussing options to manage this cashflow impact using a collective cashflow support arrangement. Local government finance consultants have been commissioned to provide analyses of the risks to Surrey councils of reductions in business rates income and have modelled a range of scenarios.

Unlike Council Tax where all income losses relating to the borough's income share fall on this council, as part of the local government funding system, the Government sets a 'floor' below which an authority's business rates income will not drop as a result of a national 'safety net' mechanism.

NNDR Recovery
At 6 July the impacts on recovery were as follows:

- 2019/20 debt: at the end of June 2020 collection performance was 31.76% recovered compared to a monthly target of 32.00%
- 2020/21 debt: at end of June 2020 collection performance was 33.07%, up by 1.31% compared to June 2019.

Cash Management.
At the end of May 2020, unlike some authorities which are facing a severe cashflow crisis, this Council remains in a good position to fund service provision without resorting to short-term borrowing.

Business Support Grants
In April 2020 the Government paid £23.8 million to the Council to administer the business support grant scheme. To date over £22.05 million has been paid to local businesses. This first round of grants was only available to companies on the rating list at mid-March 2020.

The Government subsequently announced an extension to the scheme for those businesses who may pay rent to a landlord, which includes rent and a contribution to rates. For that reason, they would not appear on the rating list. These businesses include:
- Businesses in shared office premises
- Permanent market traders with fixed asset costs
- Charities in small properties
- Bed and breakfast businesses that pay council tax

Funding of £1.156 million was made available for these grants and at 14 July £0.733 million had been paid out.

Other COVID-19 Financial Implications
On 28 April the Government announced that implementation of the Fair Funding Review and the move to 75% Business Rates Retention planned for 2021/22 has been 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.

Clarification is outstanding regarding whether this means the loss of Negative Revenue Support Grant (worth £1.5m for this Council) is also being pushed back a year; this will probably only become clear when the outcome of the Spending Review 2020 is announced in the Autumn.

GLOSSARY OF TERMS

Actuarial Valuation
An independent report of the financial position of the Surrey Local Government Pension Fund carried out by an actuary every three years. The actuary reviews the pension fund assets and liabilities as at the date of the valuation and makes recommendations such as, employer's contribution rates and deficit recovery period, to the Council.

Baseline Funding Level
The amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate at the outset of the scheme as forecast by the Government. It forms the baseline against which tariffs and top- ups are calculated.

Billing Authority
Reigate & Banstead Council is the Billing Authority with responsibility for calculating the amount to be raised through the council tax in this borough after taking into account the precepts levied by the major precepting authorities.

Budget Requirement
The Council's Revenue Budget after deducting funding streams such as fees and charges and any funding from reserves (excludes council tax and business rates income).

Capital Expenditure
Spend on assets that have a lasting value, for example, commercial investments including land and buildings and large items of equipment such as vehicles. This can also include indirect expenditure in the form of grants or loans to other persons or bodies.

Capital Programme
The Council's plan for future spending on capital projects such as buying land, buildings, vehicles and equipment.

Capital Receipts
Proceeds from the disposal of land or other assets and can be used to finance new capital expenditure; but cannot be used to finance revenue expenditure.

Capping
This is the power under which the Government may limit the maximum level of local authority spending or increases in the level of spending year on year, which it considers excessive. It is a tool used by the Government to restrain increases in council tax.

CIPFA
The Chartered Institute of Public Finance and Accountancy is one of the UK accountancy institutes. Uniquely, CIPFA specialises in the public sector. Consequently, CIPFA holds the responsibility for setting accounting standards for local government.

Collection Fund
A statutory account maintained by the Council recording the amounts collected from council tax and business rates and from which it pays precepts to Surrey County Council, the Police & Crime Commissioner, Towns, Parishes and the Ministry for Housing, Communities and Local Government for business rates.

Collection Fund Surplus (or Deficit)
If the Council collects more or less than it expected at the start of the financial year, the surplus or deficit is shared with the major precepting authorities, Surrey County Council and the Police & Crime Commissioner, in proportion to the respective council taxes. These surpluses or deficits have to be returned to the council taxpayer in the following year through lower or higher council taxes. If, for example, the number of properties or the allowance for discounts, exemptions or appeals vary from those used in the council tax base, a surplus or deficit will arise. From 2013/14 onwards the collection fund has included business rates income. The business rates surplus or deficit is shared with the Ministry for Housing, Communities and Local Government.

Headroom Contingency
This is money held centrally in the base budget to meet the cost of unbudgeted items of expenditure.

Council Tax Base
The council tax base for a Council is used in the calculation of council tax and is equal to the number of Band D equivalent properties. To calculate this, we count the number of properties in each band and work out an equivalent number of Band D equivalent properties. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992. They are: A 6/9, B 7/9, C 8/9, D 9/9, E 11/9, F 13/9, G 15/9 and H 18/9, so that Band A is six ninths of the 'standard' Band D, and so on.

The Council Tax Calculation
The formal calculation of council tax as presented in the Council Tax Resolution to Full Council in February each year.

CPI and RPI
The main inflation rate used in the UK is the CPI (Consumer Price Index); the Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is currently set at 2%. The CPI differs from the RPI (Retail Price Index) in that CPI excludes housing costs. Also used is RPIX, which is a variation on RPI, which excludes mortgage interest payments.

Earmarked Revenue Reserves
These balances are not a general resource but earmarked by the Council for specific purposes.

Financial Procedure Rules
These are a written code of procedures in the Council's Constitution, which provide a framework for the proper financial management of the authority. They cover rules for accounting and audit procedures, and set out administrative controls over the authorisation of payments, etc.

Financial Year
The local authority financial year commences on 1 April and finishes on the following 31 March.

General Fund
This is the main revenue fund of the local authority; day-to-day revenue budget spending on services is met from this fund.

General Fund Balance
This is the main unallocated reserve that is held to meet any unforeseen budget pressures.

Gross Domestic Product (GDP)
GDP is defined as the value of all goods and services produced within the UK economy.

Gross Expenditure
The total cost of providing Council services, before deducting income from Government or fees and charges for services.

Housing Benefit Subsidy
Local authorities determine and pay applications for housing benefit in accordance with the national scheme and receive a Subsidy grant from Government to fund the costs. The Government is moving to a national scheme of universal credit which includes an element of housing benefit.

Individual Authority Business Rates Baseline
This is derived by apportioning the billing authority business rates baseline between billing and major precepting authorities on the basis of major precepting authority shares.

'Local Share'
From April 2013, local councils have been allowed to keep a proportion of the business rates they collect from businesses in their area. In most areas, half of business rates will have to be paid over to central government (the 50% scheme), with some piloting 100% business rates retention. Billing

authorities continue to collect all of the business rates in their area on behalf of the major precepting authorities and central government. Reigate & Banstead's share of the 50% retained is 40%.

Net Expenditure
This is gross expenditure less service income, but before deduction of government grant.

National Non-Domestic Rates
Also known as 'Business Rates', National Non-Domestic Rates are collected by billing authorities including Reigate & Banstead and, up until 31 March 2013 were all paid into a central national pool, then redistributed to authorities according to resident population. From 2013/14 local authorities have retained a 'Local Share', see above, the aim of which is to provide an incentive for councils to help local businesses set up and grow.

New Homes Bonus
Under this scheme councils receive a New Homes Bonus per each new property built in the borough for the first four years following completion. Payments are based on match-funding the council tax raised on each property with an additional amount for affordable homes. It is paid in the form of an un-ring-fenced grant. Since 2017/18 the scheme excludes the first 0.4% of growth to 'sharpen the incentive'.

Prudential Borrowing
Set of rules governing local authority borrowing for funding capital projects under a professional code of practice developed by CIPFA to ensure that capital investment plans are affordable, prudent and sustainable. Local authorities generally borrow from the National Loans Fund via the Public Works Loan Board (PWLB), a statutory body operating within the UK Debt Management Office, an executive agency of the Treasury.

Reserves
We set aside resources to provide protection against difficult economic times. The level of reserves helps ensure a relatively secure financial base. It is important to carry out regular reviews to ensure an appropriate balance between securing the future financial position of the Council and investing in current delivery of services.

Revenue Expenditure
The day-to-day running cost of services provided by Council.

Safety Net
In order to prevent local authorities having to drastically cut services as a result of a significant fall in business rate income and to provide some protection against major economic shocks, the government introduced a safety net mechanism to ensure that no local authority will experience a fall in business rate income of more than 7.5% in any one year under the 50% scheme. This safety net is paid for by a Levy on what the government deems to be 'excessive growth'.

Section 151 Officer
Legally councils must appoint under section 151 of the Local Government Act 1972 a named Chief Finance Officer to provide professional financial advice. In Reigate & Banstead this is the post of Head of Finance.

Service & Financial Planning
The annual process for reviewing service priorities and preparing budget forecasts.

Settlement Funding Assessment (SFA)
A local authority's share of the local government spending control total which comprises its baseline funding level (in 2013/14 this was called the 'start-up funding allocation').

Specific Grants
As the name suggests, funding through a specific grant is provided for a specific purpose and cannot be spent on anything else e.g. Homelessness Prevention.

Spending Review

The Spending Review is an internal Government process through which the Treasury negotiates budgets for each Government department. The 2015 Spending Review set Government spending for the four financial years up to 2020/21. Spending Review20 is expected this year ready for implementation in 2021.

Tariffs and Top-Ups
Because the amount of business rates an individual authority is able to collect will vary enormously depending upon location and the characteristics of the authority, the government introduced a system of top-ups and tariffs to redistribute business rates around the country. Local councils with a relatively high level of business rates pay a tariff into a national pot which is used to pay top-ups to those local authorities with relatively low levels of business rates. Reigate & Banstead is a 'tariff' authority.

Treasury Management
The process of managing cash flows, borrowing and cash investments to support our finances. Details are set out in the Treasury Management Strategy which is approved by Executive and Full Council each year.

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

SIGNED OFF BY	Interim Head of Finance
AUTHOR	Pat Main, Interim Head of Finance and Assets
TELEPHONE	Tel: 01737 276063
EMAIL	pat.main@reigate-banstead.gov.uk
TO	Executive Overview & Scrutiny
DATE	Tuesday 28 July 2020 Thursday 22 October 2020
EXECUTIVE MEMBER	Councillor Tony Schofield, Portfolio Holder for Finance

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT:	**CAPITAL INVESTMENT STRATEGY 2021/22**

RECOMMENDATIONS:

(i) That the Capital Investment Strategy be adopted as the framework for the capital programme elements of service and financial planning for 2021/22 onwards.

REASONS FOR RECOMMENDATIONS:

The Council is required to set a budget by 11 March each year. This report and the associated documents will support this obligation for 2021/22.

EXECUTIVE SUMMARY:

This Strategy sets out the approach to capital investment. It forms a key part of the Council's governance arrangements and provides a mechanism by which investment and financing plans can be prioritised, ensuring that capital decisions take account of stewardship, value for money, prudence, sustainability, affordability and risks.

Executive has authority to approve the above recommendation.

STATUTORY POWERS

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

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

BACKGROUND

3. The Capital Investment Strategy for 2020/21 was approved by Executive in January and Council in February 2020. This was a new report in line with updated guidance, providing a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services.

4. This latest Capital Investment Strategy (the 'Strategy') reflects the outcome of further work to develop our approach in this area over recent months in anticipation of service and financial planning for 2021/22.

KEY INFORMATION

5. The purpose of the Strategy is to:

    - Demonstrate how the Council's capital expenditure plans contribute to the achievement of corporate priorities
    - Confirm how the Council will ensure that the Capital Programme is affordable and sustainable
    - Describe the framework for decision-making and prioritisation relating to capital expenditure
    - Set out the approach to evaluating and monitoring asset utilisation

    It is intended to be read in combination with the Treasury Management Strategy 2020/21 that was approved in April 2020 under delegated authority by the Chief Executive in consultation with the Leader, Portfolio Holder for Finance and Chair of Overview & Scrutiny (under COVID-19 emergency decision making powers).

6. The Strategy covers:

    - How the Council's capital investment plans will support delivery of corporate priorities and key strategies – including the Corporate Plan and Housing Delivery Strategy
    - How capital investment options are evaluated – to demonstrate effective governance, robust decision-making and compliance with new regulations and guidance
    - How the Council plans to achieve a balance between capital investment to support service delivery and investments that deliver a financial return to support the budget

- How the capital programme will be funded and how the Council will ensure it is affordable over the medium term
- How capital investment risks are managed

7. The Strategy is reviewed on an annual basis as part of service and financial planning.

<u>Guidance</u>

8. The requirement to prepare a Capital Investment Strategy was introduced as a consequence of revisions of the Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance, MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

OPTIONS

9. The Executive can accept, amend or reject any or all of the Capital Strategy and request that other factors are taken into account when preparing 2021/22 budgets.

LEGAL IMPLICATIONS

10. There are no direct legal implications arising from this report.

FINANCIAL IMPLICATIONS

11. The financial impacts of the Capital Investment Strategy will be reflected in the Council's 2021/22 Budget proposals. There are no additional direct financial implications that arise from this report.

12. The Chief Finance Officer confirmed in the 2020/21 budget report that they were satisfied that the proposed Capital Programme is prudent, affordable and sustainable.

EQUALITIES IMPLICATIONS

13. There are no equality implications arising directly from this report. An equalities impact assessment will be prepared as part of the Service and Financial Planning report to Executive in November when the full implications of all budget proposals, including any arising from the Capital Investment Strategy and Capital Programme, can be assessed.

COMMUNICATION IMPLICATIONS

14. There are no communication implications arising from this report. A copy of the Strategy will be published on the Council's website.

RISK MANAGEMENT CONSIDERATIONS

15. These are detailed in Annex 1

OTHER IMPLICATIONS

16. There are no other implications arising from this report

CONSULTATION

17. There are no communication implications arising from this report. Budget proposals arising from service & financial planning for 2021/22 will follow established consultation procedures.

POLICY FRAMEWORK

18. The recommendations in this report are a key decision because they form part of the annual service and financial planning process that lead to recommendation of the annual budget and council tax to full Council.

Background Papers:

- Budget 2020/21 & Capital Programme 2020 to 2025, *report to Executive, 24 January 2020*
- Treasury Management Strategy 2020/21, approved under delegated authority (COVID-19 emergency decision-making arrangements), April 2020
- Medium Term Financial Plan 2021/22 to 2025/26, *report to Executive 28 July 2020*

ANNEX 1

CAPITAL INVESTMENT STRATEGY SUMMARY
2021/22 to 2025/26
JULY 2020

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APPENDICES

1. Introduction

Capital expenditure mainly relates to buying, constructing or improving physical assets such as buildings, land and vehicles, plant and machinery. It may also include grants and loans made to private or public sector organisation for capital purposes. In order to count as capital expenditure assets must have a life of more than one year.

All capital expenditure must be financed, either from external sources (grants and other contributions), from the Council's own resources (revenue, reserves and capital receipts) or through debt (borrowing or leasing).

The CIPFA Prudential Code for Capital Finance in Local Authorities ('the Code') was updated in 2018 and requires all local authorities to prepare a 'Capital Strategy'. The Council's first Capital Strategy was reported in 2019. This latest version reflects the development work that has been undertaken over the past year.

The intention of the Code is that the Capital Strategy should provide an overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of council services and how associated risk is managed.

This Capital Strategy ('the Strategy') therefore builds upon the Council's emerging Commercial Strategy and Treasury Management Strategy in order to:

- Set the **long-term context** in which capital expenditure and investment decisions are made in a sustainable way.

- Set the basis upon which **risk and reward** and **priority outcomes** are considered as part of capital decisions.

- Set the context within which capital decision making is consistent with the concepts of **value for money, public stewardship and prudence**.

- Report explicitly on the deliverability, affordability and risk associated with Capital Strategy.

This Strategy tells the story of how this Council prioritises capital expenditure, sets capital budgets, decides on how much it can afford to spend (and borrow) and how it manages risk - through robust governance and performance monitoring.

It is intended to provide a framework for ongoing decisions and provide a useful strategic link to other interrelated Council strategies which are impacted by capital decision making - including the Corporate Plan, Medium Term Financial Plan and Treasury Management Strategy. The period covered is aligned with these interrelated Strategies.

This Strategy covers the following:

- **Section 2: Baseline Capital Asset Position**

- **Section 3: Strategic Direction** - sets out in summary terms the Council's long-term strategic context, in terms of its Corporate Plan 2025. It sets out how these translate to priorities when making capital decisions. It also sets out the Council's objectives in terms of debt levels and asset management.

- **Section 4: Capital Expenditure** - sets out the Council's priorities and principles when making capital investment decisions. It also sets out the control framework, the current Capital Programme and how this impacts upon the Council's revenue budget.

- **Section 5: Debt and Borrowing & Treasury Management** - sets out the impact of the Capital Strategy on the Council's debt and borrowing position.

- **Section 6: Deliverability, Affordability & Risk** - the Code requires the Council's Chief Finance Officer (Head of Finance) to explicitly report on these matters.

- **Sections 7, 8 and 9**: cover arrangements for equalities, scrutiny and consultation

COVID-19 Pandemic – Extraordinary Circumstances

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

2. Baseline Capital Asset Position

This section sets out the Council's baseline capital asset position in terms of:

- The value of its Capital assets at 31 March 2019 as reported in the Council's accounts
- The Council's commercial assets and other assets which generate a return and the projected income they generate per annum.
- How the condition of the assets is assessed
- How current assets have been funded.

Analysis of Capital Assets (source: Draft Statement of Accounts 2019/20)

The tables below summarise the Council's asset position in terms of the 'book value' in the latest draft of the Council's 2019/20 accounts.

Table 1: Council Assets by Accounting Classification

Description	Value at 31.3.2020 £m
Property Plant & Equipment	129.287
Heritage Assets	0.948
Investment Property	44.917
Total	**175.152**

Source: Valuation for 2019/20 Statement of Accounts

Table 2: Significant Assets at March 2020

Asset Name	Asset Type	Valuation 2019/20 Accounts £m
Redhill Distribution Centre, Salfords	Commercial	15.882
Offices, Regent House, Redhill	Commercial	15.298
Donyngs Sports Centre	Leisure	22.870
Land & Premises, Marketfield Way, Redhill	Under Construction	12.656[1]
Banstead Sports Centre	Leisure	19.057
Horley Sports Centre	Leisure	13.500
Supermarket / library / theatre, Warwick Quadrant, Redhill	Commercial	6.315
Offices, Beech House, Reigate	Commercial	5.709
Offices, Forum House	Commercial	5.472
Hotel, Redhill	Commercial	6.336
Retail/Gym, Linden House, 51b High Street, Reigate	Commercial	4.783
Harlequin Theatre, Redhill	Cultural	7.997
Priory Park, Reigate	Other Land & Buildings	2.924
Offices, Gloucester Road, Redhill	Commercial	2.382
Madeira Walk, Sandpit	Other Land & Buildings	2.061
Industrial, Reading Arch Road, Redhill	Commercial	1.850

Asset Name	Asset Type	Valuation 2019/20 Accounts £m
Town Hall Main Building	Other Land & Buildings	3.863
Gloucester Road Car Park, Redhill	Other Land & Buildings	1.828
Bell Street Car Park, Reigate	Other Land & Buildings	1.445
Vitoria Road Horley	Commercial/Other	1.280
Retail/Residential, 1-4 Quarrydene Parade, 1-10 Hearthstone, Merstham	Commercial/Residential	1.147
Bancroft Road Car Park. Reigate	Other Land & Buildings	2.211
61E, Albert Road North	Commercial	0.959

Source: Valuation for 2019/20 Statement of Accounts
Note 1: Historic valuation – redevelopment in progress

Property Assets

The property asset base is categorised in accordance with CIPFA guidelines:

- Operational property
- Non-operational property
- Investment property
- Community assets
- Properties held for disposal.

The full list of assets is published annually, in accordance with the Local Government Transparency Code, on the Council's website
http://www.reigate-banstead.gov.uk/downloads/download/582/assetregisterdataset

Operational Assets
The strategic objectives for operational assets are that they should be:

- Able to allow customers to access the service and any other related services of partners (where co-located) and suitable for staff to deliver these services;
- In good condition to the extent that services can be provided from them in a comfortable environment for both staff and customers without interruption;
- Suitable and fit for the purpose for which they are being used in terms of size, type and layout of accommodation – including accessible to people with disabilities;
- Flexible to the extent that they can be adapted economically to adjust to changing service needs, including sharing with partners in service delivery;
- Able to achieve a balance between efficiency in operation, running costs and long-term sustainability;
- Able to contribute positively to the immediate environment, particularly where there is a need for physical regeneration of the locality; and
- Maintained in such a way so as to minimise reactive maintenance and risk by improving planned maintenance arrangements.

The Council aims to deliver the best financial value from its portfolio by using property to deliver service efficiencies and reduce running costs.

Non-Operational Assets

The strategic objectives for non-operational assets are that they should be:

- Able to make the maximum contribution to service revenue budgets in terms of rental income at the minimum risk and expenditure; or
- Able to make a positive contribution to the social wellbeing of the community either through its presence as a heritage asset or through use by others such as voluntary groups, charity organisations or small businesses; or
- Acquired, disposed of or developed for reasons of strategic importance, such as to influence the physical and economic regeneration of the Borough.

Lettings & Disposals

S123 of the Local Government Act 1972 is a statutory requirement that requires the Council, except in limited circumstances, to obtain best consideration for lettings or disposals. Accordingly, all third-party lettings are on market terms. If financial assistance is provided it is done so through the Council's rental grant subsidy system and is therefore a transparent means of supporting qualifying organisations.

Investment Property

These assets are generally let on full repairing and insuring terms with the Council collecting the income, but either having no liability for repairs and maintenance, or recovering the expenditure via a service charge.

Table 3: Council Assets: Commercial Returns 2019/20

Asset Name	Asset Type	Price Paid £m/Year	Valuation 2019/20 Accounts £m	Rent £m	Gross Yield (Inc/Val)
Units 1-5 Redhill Distribution Centre, Salfords	Industrial / warehousing	£15m (2018)	15.8	0.833	5.27%
Regent House, Redhill	Offices	£15.35m (2018)	15.3	0.950	6.21%
Travelodge, Redhill	Hotel	£5.0m (2017)	6.3	0.317	5.03%
Warwick Quadrant, Redhill	Retail / Library / Theatre	£2.4m for other half-share of freehold (2005)	6.3	0.300	4.76%
Beech House, Reigate	Offices	£6m (2017)	5.7	0.400	7.02%
Forum House, Redhill	Offices	£5.53m (2017)	5.5	0.415	7.55%
Linden House, Reigate	Retail / gym	£4.7m (2014)	4.8	0.334	6.96%
*Crown House, Gloucester Road, Redhill	Offices	£2.15m (2017)	2.4	0.175	7.29%
1,3,4,6,14-16 and 20 Reading Arch Road, Redhill	Industrial	£0.045m for larger site including these properties (1972)	1.8	0.097	5.39%
1-4 Quarrydene Parade/Hearthstone, Merstham	Retail / residential	£0.017mk for larger site including this property (1950)	1.2	0.086	7.17%
55-63 Victoria Road, Horley	Restaurant / library / retail	Leaseback from TVHA following sale in 2013 of former Council-owned office building (2015)	1.3	0.100	7.69%
61E Albert Road North	Industrial / warehousing	£0.950m (2018)	0.9	0.097	10.78%

*held by Greensand Holdings Limited

Community Assets

These include community centres, parks/open spaces and pavilions. Some are let to community groups such as scouts or football clubs. The net income received from these assets is minimal and the Council often has responsibility for repair and maintenance of the building or land.

Properties Held for Disposal

These assets are held for disposal because they are surplus to operational or community requirements. In being held for disposal they will be assessed for realising the best capital receipt whether that is for example from a straight disposal, disposal with conditions or disposal with overage conditions. Prior to disposal the asset will be assessed for opportunities around capital receipt for example obtaining a relevant planning consent or resolution.

Asset Performance/Condition

The Council's approach to condition assessment is summarised at Appendix 10.

Land & Buildings
The most recent survey was carried out in 2017/18 and forms the basis of the rolling capital programme for property maintenance that was approved in February 2020. The survey focussed on the main operational and commercial assets.

Generally, the assets surveyed at that time were found to be in reasonable condition with no health & safety or structural issues. The priority areas for attention related to mechanical and engineering works such as boiler replacements and lift refurbishments, and civil engineering works to Council car parks. Examples of works that are scheduled include replacing the boilers in the main building at the Town Hall (£0.090m) in 2020/21 and refurbishing the Town Hall Middle Block roof (£0.240m) in 2021/22. Work is also underway in 2020/21 to replace a lift at Bancroft Road Car Park (£0.190m) and Clarendon Road lifts will be completed in 2021/22 (£0.190m).

Vehicles
During 2018, existing and future fleet vehicle requirements were reviewed. The outcome of this review was included in a capital growth bid during the service & financial planning 2020/21 process. Procurement and delivery are now underway.

Table 4: Vehicles & Plant

Description	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Refuse Vehicle Replacement	1.620	1.620	-	-	-	**3.240**
Vehicles & Plant	1.542	0.846	0.846	0.846	0.846	**4.926**

Capital Asset Funding at 31 March 2020

Assets have historically been funded through use of capital receipts, capital grants and drawing on available balances (internal borrowing). At 31 March 2020, the Council still had no long-term external borrowing.

The Treasury Management Strategy for 2020/21 was approved in April 2020 and includes authority to borrow up to £161.5m (Authorised Limit) to fund delivery of the approved Capital Programme 2020/21 to 2024/25.

3. Strategic Direction: Corporate Plan 2025

This section sets out in summary the Council's long-term strategic context - in terms of its Corporate Plan and Commercial Strategy. It explains how these translate to priorities when making capital decisions. It also sets out the Council's objectives in terms of debt levels and asset management.

Reigate & Banstead 2025 is the Council's Corporate Plan for the period 2020-2025. It sets out the Council's priorities and explains how we will focus resources and deliver services to those living, working and spending time in Reigate & Banstead.

The plan sets a vision that the Council will:

- deliver quality services and support;
- provide value for money;
- make the borough a great place to live, work in, do business and visit;
- be proactive about tackling climate change and reducing our environmental impact; and
- be flexible and sustainable, responding to the needs and demands of our borough, residents and businesses.

It includes objectives in relation to Housing, Vulnerable Residents, Communities & Community Safety, Leisure & Wellbeing, Towns & Villages, Economic Prosperity, Shaping our Places, Clean & Green Spaces, Environmental Sustainability, Financial Sustainability, Funding our Services, Operational Assets and Skills & Great People.

It also includes a set of 'cross-cutting commitments' describing how the Council will deliver services, covering aspects such as communications, customer contact, partnership working and financial efficiency.

This Capital Investment Strategy has been developed to align with the Plan vision and priorities.

Partnership Working

The Council has a strong track record of working in partnership with others to benefit the residents of the borough. The Council will continue to identify joint working opportunities if they contribute to overall council priorities. Such partnerships may relate to delivery of individual capital schemes or be more strategic and long term in nature.

Priority Areas

The Capital Strategy aims to deliver against the vision as set out in the Corporate Plan and emerging Commercial Strategy. Specifically, the Council's priorities in terms of its capital spend can be summarised as follows:

- The prosperity of the borough: investment that will stimulate **economic growth**.

- Income and efficiency: investment which promotes the **financial stability** of the Council.

- Supporting delivery of **core Council services**: investment that will empower our staff to deliver and improve the efficient and effective delivery of services to our community.

- Building Community assets: investment that will benefit our **communities**.

- Ensuring the **environmental quality and sustainability** of the borough: investment that will make the borough a more attractive place to live, work and visit or deliver wider environmental benefits.

Medium Term Financial Plan

The Medium-Term Financial Plan (MTFP) is summarised at Appendix 2. Costs of financing assets (borrowing) are reflected in MTFP budget forecasts.

Asset Funding

The Council has not historically had any need to borrow to fund its capital expenditure.

However, going forward it is recognised that significant capital expenditure (including commercial acquisition opportunities) will be necessary to meet Corporate Plan objectives, generate income and stimulate the local economy; and that this will require the Council to borrow.

The Council aims to balance risks and rewards when making decisions regarding the development of its Capital Programmes such that its levels of borrowing remain affordable, prudent and sustainable - both over the medium and the long-term.

Policies and procedures are in place to ensure that capital decisions are sound and overall debt levels remain proportionate and affordable.

This is under-pinned by the Treasury Management Strategy which helps ensure that annual borrowing limits that are affordable, prudent and sustainable.

Asset Management

Effective asset management is important to the Council. The condition of the Council's asset base will be monitored and maintained. Asset disposals will be considered in light of Council priorities, finances and risk.

Commercial Strategy
The Commercial Strategy is currently in development and will set out what commercialisation means to this Council, including:

- Income generation for reinvestment into Council frontline services;

- Creating a culture that encourages skills that support an enhanced approach to commercial work, including a positive culture and behaviours;

- Providing a response to reduction of Government grant and the increased need to be financially self-sustaining, whilst creating opportunity to change and supplement existing activities;

- Allowing optimisation of income and identifying new revenue opportunities that fit the remit and ambition of this Council;

- Using resources in an agile fashion to meet changing needs of residents; and

- Promoting internal efficiency and effectiveness when approaching commercial activities;

The Commercial Strategy will set out key deliverables and performance indicators for commercial projects and activities including:
- financial and time targets
- officer and Member engagement; and
- positive public perception.

Summary

The Capital Strategy aims to deliver against the Council's vision as set out in its Corporate Plan and Commercial Strategy

All capital decisions are considered in light of this vision and the Council sets priorities for capital spend accordingly.

The Council recognises that capital expenditure (including commercial acquisition opportunities) that meet its objectives, generate income and stimulate the local economy should be considered and that this will require the Council to borrow to fund it.

The Council aims to balance the risks and rewards when making decisions regarding the development of its Capital Programmes such that its levels of borrowing remain affordable, prudent and sustainable - both over the medium and the long term.

The condition of the Council's asset base will be monitored and maintained. Asset disposals will be considered in light of Council priorities, finances and risk.

4. Capital Expenditure Plans

This section sets out the Council's priorities and principles when making capital decisions. It covers the control framework, the current Capital Programme and how this impacts on the Council's revenue budget.

Capital Expenditure

Capital expenditure mainly relates to buying, constructing or improving physical assets such as buildings, land and vehicles, plant and machinery. It may also include grants and loans made to private or public sector organisation for capital purposes. In order to count as capital expenditure assets must have a life of more than one year.

All capital expenditure must be financed, either from external sources (grants and other contributions), from the Council's own resources (revenue, reserves and capital receipts) or through debt (borrowing or leasing).

Priority Areas for Investment 2020/21 to 2024/25

The Council's priorities in terms of its capital spend can be summarised as follows:

- The prosperity of the borough: investment that will stimulate **economic growth**.
- Income and efficiency: investment which promotes the **financial stability** of the Council.
- Supporting delivery of **core Council services**: investment that will empower our staff to deliver and improve the efficient and effective delivery of services to our community.
- Building Community assets: investment that will benefit our **communities**.
- Ensuring the **environmental quality and sustainability** of the borough: investment that will make the borough a more attractive place to live, work and visit or deliver wider environmental benefits.

Principles

In order to deliver against these priorities, capital decisions will apply the following principles:

- A clear business case is in place which is affordable and links to Council priorities. The Council's Commercial Governance Framework is set out at Appendix 1.
- Revenue consequences of capital decisions are identified and accounted for and must be affordable. The Medium-Term Financial Plan is summarised at Appendix 2; it reflects forecast borrowing costs.
- Sound asset management planning is applied to ensure maintenance of appropriate asset condition.

- Taking steps to maximise and leverage external funding wherever possible.

- Ensuring that decisions to invest in assets that generate a return consider relative risk and reward and are taken in line with the Council's Commercial Strategy, including the associated due diligence and governance checks (Appendices 1 and 5).

- Ensuring that all capital investment decisions are proportionate and risks are robustly managed. This may include spreading the risk by working in partnership with partners.

- Considering current condition, cost of maintenance and sustainability considerations when making asset disposal decisions along with capital receipt achievability and the opportunity cost of continued investment in the asset (as opposed to investing funds elsewhere).

- The contribution the asset makes to delivery of Council priorities.

- Broader risk management considerations - including any benefits/disbenefits associated with increasing/decreasing the Council's asset base in any particular area or sector.

Capital Investment Business Cases

Service Teams bid to include projects in the Capital Programme as part of the service & financial planning process in preparation for setting the Revenue Budget and Capital Programme and Medium-Term Financial Plan each year.

The Corporate Management Team appraises all bids and makes recommendations to the Executive. The recommended Capital Programme is then presented to Executive in January and to Council for approval in February each year.

Additional capital requirements and opportunities identified through the year are considered on their merits in line with the above governance controls. Any in year changes to the capital budget will be made in accordance with the constitution, including appropriate approval by Executive and/or Council.

Policies and Classification Controls

The Council sets aside prudent provision for the repayment of debt where borrowing or credit arrangements have been used to finance capital expenditure. This is known as the Minimum Revenue Provision (MRP). Business cases for capital investment therefore include not only the interest costs of any associated borrowing but also the costs of repayment of any debt. In order to ensure that borrowing levels are affordable over the long term a prudent assessment of asset life is made within the MRP thereby ensuring that any borrowing is fully provided for and repaid over the life of the asset.

The definition of which expenditure is classified as capital (as opposed to revenue) expenditure is subject to robust control via the Finance Team.

Further detail on capitalisation policies is set out at Appendix 4.

Commercial Assets and Due Diligence

The Council may target asset acquisitions that benefit, improve and/or develop the area and also generate new ongoing income streams.

The approach is explained at Appendix 3 which sets out the control framework around decisions on acquisition of assets which generate a return.

These controls include the role of the Commercial Ventures Executive Sub-Committee which approves new investment opportunities.

Other controls include adopting a robust approach to due diligence and financial appraisal, further details of which are set out at Appendix 5.

Governance

The Capital Programme is monitored by the Finance Team, the Corporate Governance Group (comprising the Chief Executive, Directors and Statutory Officers) and through quarterly financial monitoring reports that are presented to the Executive after review by the Overview & Scrutiny Committee.

The Commercial Ventures Executive Sub-Committee provides a check and challenge for proposals relating to acquisitions or disposal of land and property and commercial development opportunities on new or existing sites.

Reporting

Going forward a Capital Strategy - Annual Outturn Report will be produced every year as part of the quarter 4 performance report and will assess how the Capital Strategy has been implemented over the previous financial year - and how capital expenditure and capital financing has contributed to the provision of council services. It will also summarise how associated risks has been managed, identifying any key issues to be considered over both the medium and the longer term.

An outline template for this report is set out at Appendix 6.

The 2020/21 to 2024/25 Capital Programme:

The current projected Capital Programme and financing is explained below. The planned use of resources is in line with the Medium-Term Financial Plan.

Capital Expenditure

Capital expenditure forecasts to 2024/25 were approved by Council in February 2020 and are included in detail at Appendix 7. They are summarised in the table below:

Table 5: Capital Programme 2020/21 to 2024/25

CAPITAL PROGRAMME 2020/21 to 2024/25 by SERVICE	2020/21 Projected £m	2021/22 Projected £m	2022/23 Projected £m	2023/24 Projected £m	2024/25 Projected £m	TOTAL £m
ORGANISATION SERVICES:						
Strategic Property	4.385	1.332	1.658	1.374	1.258	**10.007**
IT Services	0.225	0.425	0.375	0.385	0.325	**1.735**
Organisational Development	0.280	0.260	0.260	0.260	0.260	**1.320**
PEOPLE SERVICES:						
Housing	16.990	11.405	11.334	1.334	1.334	**42.400**
Wellbeing & Intervention	0.140	0.040	0.040	0.040	0.040	**0.300**
Community Partnerships	0.030	0.030	0.030	0.030	0.030	**0.150**
PLACE SERVICES:						
Neighbourhood Operations	3.927	2.822	1.202	1.202	1.202	**10.353**
Place Delivery	20.021	24.442	15.100	0.000	0.000	**59.563**
Economic Prosperity	0.100	0.100	0.100	0.100	0.100	**0.500**
CORPORATE:						
Commercial Investment Strategy	50.000	0.000	0.000	0.000	0.000	**50.000**
TOTAL CAPITAL EXPENDITURE	**96.100**	**40.856**	**30.099**	**4.725**	**4.549**	**176.328**

CAPITAL PROGRAMME 2020/21 to 2024/25 by INVESTMENT TYPE	2020/21 Projected £m	2021/22 Projected £m	2022/23 Projected £m	2023/24 Projected £m	2024/25 Projected £m	TOTAL £m
Regeneration Schemes	20.021	24.442	15.100	-	-	59.563
Commercial Assets	53.333	401	0.637	0.431	0.431	55.233
Housing Delivery	15.689	10.101	10.030	0.030	0.030	35.880
Vehicles & Plant	3.512	2.466	0.846	0.846	0.846	8.516
Disabled Facilities	1.304	1.304	1.304	1.304	1.304	6.520
Operational Assets	0.750	0.740	0.665	0.652	0.605	3.412
Community Assets	0.703	0.471	0.461	0.411	0.527	2.573
ICT Assets	0.225	0.425	0.375	0.385	0.325	1.735
Car Parks	0.190	0.195	0.190	0.195	0.170	0.940
Tenanted Properties	0.100	0.100	0.100	0.100	0.100	0.500
Economic Prosperity	0.100	0.100	0.100	0.100	0.100	0.500
Leisure Centres	0.030	0.030	0.210	0.190	0.030	0.490
Other	0.144	0.081	0.081	0.081	0.081	0.466
TOTAL CAPITAL EXPENDITURE	**96.100**	**40.856**	**30.099**	**4.725**	**4.549**	**176.328**

The approved Capital Programme includes significant growth:

Table 6: Capital Growth 2020/21 to 2024/25

Service Area	Capital Growth
ORGANISATION	
Strategic Property	• Investment in building maintenance for the Council's tenanted and commercial properties including leisure centres, pavilions and infrastructure assets – scheme details to be confirmed following condition surveys that are being commissioned • Re-profiling of some elements of the November 2019 growth proposals following further assessments of priorities
Organisational Development	• Investment in IT facilities to support the development and adaptability of the Council's workforce to meet changing service needs
Commercial Investment Strategy	• Allocation of capital funding for future investment in new development 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. • Following the allocation of £25m in the 2019/20 Capital Programme a further £50m is recommended for investment in 2020/21 onwards, funded through prudential borrowing.
PEOPLE SERVICES:	
Wellbeing & Intervention	• Initial capital funding allocation of £0.100m to support future development of facilities at the Harlequin theatre over the next five years – this is a provisional figure, details to be articulated through more detailed Business Cases following agreement of new Vision and Objectives for the facility
Housing Delivery Strategy	• Investment of £30 million over the three years 2020/21 to 2022/23, funded in part through the allocation of resources equivalent to the value of New Homes Bonus receipts. • Updated funding allocation for the Lee Street Bungalows scheme to reflect the updated specification.
PLACE SERVICES:	
Place Delivery	• Preston Regeneration – confirmation of ongoing capital investment requirements – to be funded through a CIL allocation as part of the Strategic Infrastructure Plan (SIP).
CORPORATE:	
Commercial Investment Strategy	• Allocation of capital funding for investment in corporate priorities that also realise new income-generating opportunities. • Following the allocation of £25m in the 2019/20 Capital Programme a further £50m is recommended for investment in 2020/21 onwards, funded through prudential borrowing.

This results in an underlying total borrowing requirement of £151.5 million which (after applying internally available funding) translates to an estimated £137.7 million in external borrowing by 2024/25. Further details of capital financing and borrowing are set out in section 5.

Revenue Budget Impact of Capital Spending

The revenue budget impact of capital decisions is subject to ongoing review as part of the service & financial planning cycle.

It is important that the Council continues to model and monitor the revenue implications of its capital decisions. This will also form part of the annual reporting outlined above.

Further details are set out in Section 5 below.

Modelling the Impact of Additional Capital Spend

The approved Capital Programme (as set out above) is subject to change and amendment in line with the priorities set out above and an assessment of risk and reward.

The risk and rewards of new investment opportunities will be fully-assessed. The revenue impact of these and any other options/opportunities will be considered, as will the implications for Council borrowing limits and affordability.

Summary

The Council has set its priorities for capital spend and principles which will be applied when making capital decisions.

The Council has robust controls in place to manage capital spend which include capital bids and business cases, clear policies and classification controls, a Commercial Asset Strategy, due diligence, governance and reporting arrangements.

The approved Capital Programme (as modelled above) is subject to change and amendment in line with the priorities set out above and an assessment of risk and reward.

5. Debt, Borrowing and Treasury Management

This section sets out the impact of the Capital Strategy on the Council's debt and borrowing position.

Methods of Funding Capital Expenditure

There are a range of methods of funding capital expenditure as follows:

- **Government grants** and non-government contributions. Where there is a requirement to make an application to an external agency for external funding and, when appropriate, to commit Council resources as matched funding to any bid for external resources, a business case must be presented to the Executive (and full Council if insufficient capital budget exists) for approval.

- **Prudential borrowing**. The Council will investigate opportunities to resource capital projects using prudential borrowing where plans are sustainable, affordable and prudent. Full appraisal will take place to ensure that, where appropriate, sufficient revenue returns are generated to cover the cost of borrowing.

- **Capital receipts**. Where the sale of an asset leads to the requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and provided for, capital receipts will be available to support the Capital Programme as a corporate resource. Commercial asset capital receipts here will be used to support the sustainability of the Council's Commercial Asset Strategy.

- **Revenue contributions**. Revenue budgets or reserves could be used to support the financing of a capital project.

- Use of **Leasing**. Some of the assets used by the Council are financed by a lease arrangement, for example vehicles. There may be instances where leasing could offer value for money and it will remain a consideration when options are being appraised.

- **Section 106 Agreements** (Town and Country Planning Act 1990). In considering an application for planning permission, the Council may seek to secure benefits to an area or restrict uses or activities related to a proposed development through the negotiation of a 'planning obligation' with the developer.

Treasury Management

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."*

One of the main functions of treasury management (the other being cash-flow management) is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations.

The Capital Strategy and Treasury Management strategy are therefore closely linked as the Capital Programme determines the borrowing need of the Council.

The Council is required to annually approve a Treasury Management Strategy that, in light of the Council's approved budget, establishes investment and borrowing policies for the Council for the current and future financial years.

In compliance with the requirements of the Prudential and Treasury Codes, the following section looks at the Council's capital financing and treasury management activity.

The Capital Financing Requirement

The table below sets out the Council's Capital Financing Requirement (CFR). The CFR represents total historic outstanding capital expenditure which has not yet been financed from either revenue or capital resources.

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

Table 7: Capital Financing

CAPITAL FINANCING	2018/19 Actual £m	2019/20 Budget £m	2020/21 Projected £m	2021/22 Projected £m	2022/23 Projected £m	2023/2024 Projected £m	2024/25 Projected £m
Capital Grants[1]	3.966	1.679	1.843	1.600	1.187	1.187	1.187
Capital Receipts	20.133	-	8.806	24.489	26.778	-	-
Revenue Contributions	0.090	0.213	-	-	-	-	-
New Homes Bonus	-	-	10.000	7.000	-	-	-
Local Enterprise Partnership (LEP) Funding	-	2.570	-	-	-	-	-
Total Financing	24.189	4.462	20.649	33.089	27.965	1.187	1.187
Net Borrowing Requirement	15.046	43.090	75.890	7.768	2.134	3.538	3.362
Total Expenditure	39.235	47.552	96.539	40.857	30.099	4.725	4.549

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

Table 8: Cumulative Projected Capital Financing Requirement

CAPITAL FINANCING REQUIREMENT	2018/19 Actual £m	2019/20 Budget £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Brought Forward CFR	3.953	18.999	61.922	137.493	144.769	146.155	148.731
Carried forward CFR	18.999	61.922	137.493	144.769	146.155	148.731	151.204
Movement in CFR	**15.046**	**42.923**	**75.571**	**7.276**	**1.386**	**2.576**	**2.473**

Assessment of External Borrowing

The table below analyses the need to borrow externally (being the difference between the Council's CFR and its internally available funds).

Table 9: Cumulative External Debt

CUMULATIVE EXTERNAL DEBT	2018/19 Actual £m	2019/20 Budget £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Gross Debt at 1 April	**-**	**12.000**	**55.090**	**130.980**	**133.748**	**133.748**	**134.420**
Expected Change in Debt	15.046	43.090	75.452	2.768	-	0.672	3.362
Other Long-Term Liabilities	-	-	-	-	-	-	-
Expected Change in Other Long-Term Liabilities	-	-	0.438	-	-	-	-
Sub Total	**15.046**	**43.090**	**75.890**	**2.768**	**-**	**0.672**	**3.362**
Gross Debt at 31 March	**12.000**	**55.090**	**130.980**	**133.748**	**133.748**	**134.420**	**137.782**
The Capital Financing Requirement	18.999	61.922	137.493	144.769	146.155	148.731	151.204
Under/ (Over) Borrowing	**6.999**	**6.832**	**6.513**	**11.021**	**12.407**	**14.311**	**13.423**

The above table shows that the Council is forecast (based on its current Capital Programme) to borrow up to £137.7 million by 2024/25. This is within the Operational Limit of £151.5 million and the Authorised Borrowing limit of £161.5 million in the approved Treasury Management Strategy.

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

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

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

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

Table 10: Financing Cost as Percentage of Net Revenue Stream

FINANCING COSTS AS % OF NET REVENUE STREAM	2018/19 Actual £m	2019/20 Budget £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Net Revenue stream	21.403	16.294	25.438	20.003	20.803	21.636	28.829
Net Financing costs	(0.851)	(0.413)	0.021	0.550	1.009	1.013	1.013
%	(3.98%)	(2.53%)	0.08%	2.75%	4.85%	4.68%	3.51%

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

Flexible Use of Capital Receipts

As part of the Local Government Finance Settlement in March 2016, the Secretary of State for Housing, Communities and Local Government provided Local Authorities with the opportunity to use capital receipts to fund the revenue costs of transformation. This flexibility was then extended to 2021/22.

The Council's Flexible Use of Capital Receipts Strategy is included at Appendix 8.

Monitoring Borrowing Limits

The Council monitors cashflows and borrowing to ensure it complies with the limits set out by the Treasuring Management Strategy.

Policy on Borrowing in Advance of Need

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

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

PWLB Consultation 2020
The Government is currently consulting on intervention to address the issue of 'debt-for-yield'. It proposes:

- Requiring authorities that wish to access the Public Works Loans Board (PWLB) for funding to confirm that they do not plan to buy investment assets primarily for yield;
- Publishing guidance defining the activity that the PWLB will no longer support, with clear protections for service delivery, regeneration, housing, and the refinancing of existing debt;
- Standardising the information currently gathered through the application process for the PWLB Certainty Rate and using this as the primary way to confirm with authorities that their plans conform with the guidance. Authorities that wish to buy investment assets primarily for yield would remain free to do so but would not be able to take out new loans from the PWLB in the year in which they have bought the asset.

Governance

The Overview & Scrutiny Committee is responsible for scrutiny and governance of Treasury Management within the Council. It reviews the Treasury Management policy and procedures and all Treasury Management reports.

The Capital Programme is monitored by Executive who also review all Treasury Management reports. Council approve the Treasury Management Strategy each year along with the half-year performance report.

Throughout the year, the Overview & Scrutiny Committee receives Treasury Management updates and an Annual Treasury Management Outturn Report is reported to Executive and Council.

The Treasury Management function is subject to regular internal and external audit reviews.

Further detail can be found in the Treasury Management Strategy 2020/21 – 2024/25.

6. Affordability, Delivery & Risks

The Prudential Code states that it is the responsibility of the Council's Chief Finance Officer (Head of Finance) to explicitly report on the affordability, delivery and the risks associated with this Strategy. This section reports on these matters.

Affordability (and Proportionality)

As set out in Section 4, affordability is a key criterion when considering whether a project should be approved for inclusion within the Capital Programme. Before any decisions are made, new schemes are considered by the relevant officer Boards and Member meetings which consider business cases and capital bids.

All projects must also have a clearly identified capital funding source with a definite commitment of financial support if external funding, such as an external grant, is to be used. On-going revenue costs associated with a capital asset must be provided for within the revenue budget.

Where borrowing is to be used, interest and repayment costs (the MRP charge) are accounted for within revenue budgets. MRP is matched to a prudent asset life. Any income streams put forward to fund an asset must be sustainable.

In terms of assets which generate a return, due diligence arrangements are in place to stress test key assumptions and demonstrate affordability.

Annual borrowing costs (interest costs and MRP) are monitored in the context of the Council's overall budget and the income generated from assets. These measures are set out in section 4 and remain affordable.

In accordance with MHCLG guidance the Council's processes highlighted above ensure that the Council's level of debt and aggregate risk remains proportionate.

<u>Return on Investment</u>
This is a business case measure of the expected percentage return after taking account of original acquisition costs plus the cost of construction or other enhancement and all associated fees. It will take account of whether the proposal would be attractive in the marketplace and whether it secures value for money.

<u>Impact of Investment</u>
Capital investment will be undertaken primarily to secure change; to make a positive difference to the Borough, its residents, businesses and visitors. This cannot only be evaluated in financial terms therefore outcomes will be determined that are to be achieved by the investment and also the degree of certainty attached to them. Outcomes for this purpose will vary depending on the nature of the investment.

Delivery

Capital Programme delivery is monitored on a monthly basis at officer level and quarterly by Executive and Overview & Scrutiny.

The Capital Strategy - Annual Outturn report (referenced in Section 4) will assess how the Capital Strategy has been implemented over the previous financial year - and how capital expenditure and capital financing has contributed to the provision of council services.

Risk Management

The Council is exposed to a range of risks with regard to the continued affordability and delivery of it's the Capital Programme including:

- Financial risks related to the investment of the Council's assets, cash flow and market volatility;
- Macroeconomic risks related to the growth or decline of the local economy, interest rates, inflation and the wider national and global economy;
- Reputational risks related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception; and
- Governance risks related to ensuring that prudence and careful consideration are prominent in the Council's decision-making.

It is important to recognise that there are always risks associated with a large Capital Programme and associated borrowing, but these can be mitigated and indeed are mitigated. A summary of key risks is set out at Appendix 9.

Governance is addressed through transparent reporting and the oversight provided by Executive, Overview & Scrutiny and the Commercial Ventures Executive Sub-Committee.

Due diligence is undertaken on acquisitions and external advice is sought wherever necessary.

There are clear links from the Capital Strategy to the Treasury Management Strategy, prudential indicators, authorised borrowing limits and the revenue budget. These are also subject to review and oversight by Members Audit and Risk Committee, Executive and Council.

New borrowing will increase the Council's annual level of fixed interest and repayment costs which is subject to ongoing review within budgetary reporting and quarterly Treasury Management updates reports.

The Council makes 'prudent' provision for debt repayment which broadly reduces indebtedness in line with each asset's life and so charges the economic consumption of capital assets as they are used.

Investment properties carry a different type and level of risk relating to variations in income streams (tenant non-renewal etc.) and from asset values (impact of economic conditions and sector trends etc.). The Council has established a clear strategy, criteria and a governance process around such investment purchases to minimise the risk and to balance risk and reward.

When making decisions - particularly around assets which generate a return - due diligence processes include second opinion on asset values, site visits, surveys and market intelligence. They also include risk analysis and sensitivity analysis in order to model how affordability is impacted by stress testing key underlying assumptions. Consideration is also made to the profile of the Council's asset base - and how effectively risk is spread across different asset types and sectors. Further detail on the management of this specific risk is set out at Appendix 9.

COVID-19

The COVID-19 pandemic has resulted in significant new risks and uncertainties for local authorities many of which cannot yet be quantified over the medium to long term. These include potential delays to capital programme delivery due to lockdown and supply chain disruption. Also impacts of a downturn in the economy resulting in reduced asset values, lower capital receipts and lower than forecast income streams from assets. To date there has not been any significant disruption to delivery of schemes that are currently in progress. The ongoing impacts on the Council's capital investment plans will be subject to review over the course of the year.

Knowledge & Skills

The Finance Team has responsibility for preparing and on-going management of the capital and treasury management strategies and Capital Programme. The team is staffed by professionally qualified accountants with extensive local government finance experience. Team members attend all relevant training courses, workshops and events to ensure that their knowledge and skills are up to date and the Council is in a position to address all new technical developments. The overall responsibility for capital and treasury activities lies with the Council's Chief Finance Officer (Head of Finance) who, in accordance with statue, is professionally qualified and is suitably experienced to hold the post.

The Council provides training to Members on an annual basis, which is delivered by Council Officers and external advisors. Members are updated on developments and any issues of significance throughout the year with information presented to the Audit Committee, Overview & Scrutiny Committee, Executive (responsible for the Capital Programme), Member Panels and at Member briefings.

The Council uses Link Asset Services, Treasury Solutions as its external Treasury Management advisors and recognises that that it is essential to engage with external providers of expertise in order to acquire access to specialist skills and resources.

When looking at commercial activity transactions, officers from relevant professional disciplines from across the Council are involved in conducting due diligence exercises. Alongside the internal teams the Council also uses where appropriate external advisors to complete the due diligence process.

Internal Audit

Independent assurance as to the effectiveness of controls in this area is also provided as part of the Council's risk-based Internal Audit Plan.

Summary

The Council's Chief Finance Officer (Head of Finance) has reported explicitly on the deliverability, affordability and risk associated with Capital Strategy as set out above.

7. Equalities Impact Assessments

The annual service & financial planning reports include information about the implications of budget proposals, including capital investment plans. Where new service changes, projects or policies are proposed, equalities impact assessments will be carried out by the responsible officers.

8. Scrutiny

The annual draft budget proposals are considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in December and the conclusions and recommendations of the Panel and the Committee are reported to the Executive for consideration when the final budget proposals are presented to them in January.

Treasury Management reports are considered by the Overview & Scrutiny Committee and their feedback and questions are reported to Executive.

9. Consultation

The Capital Investment Strategy is published on the Council's website.

The annual budget proposals, including the Capital Programme, are circulated to the business community via the Business e-bulletin (which has in excess of 1,500 recipients).

Appendices

1. Commercial Governance Framework
2. Medium Term Financial Plan 2021/22 to 2025/26
3. Commercial Asset Strategy
4. Accounting Policies
5. 5.1 Framework for Investment Decisions

   5.2 Property Investment Decisions Checklist
6. Capital Investment Strategy - Annual Report Template
7. Capital Programme 2020/21 to 2024/25
8. Flexible Use of Capital Receipts Strategy
9. Risk Management
10. Asset Condition Assessment

Commercial Governance Framework 2019

Background

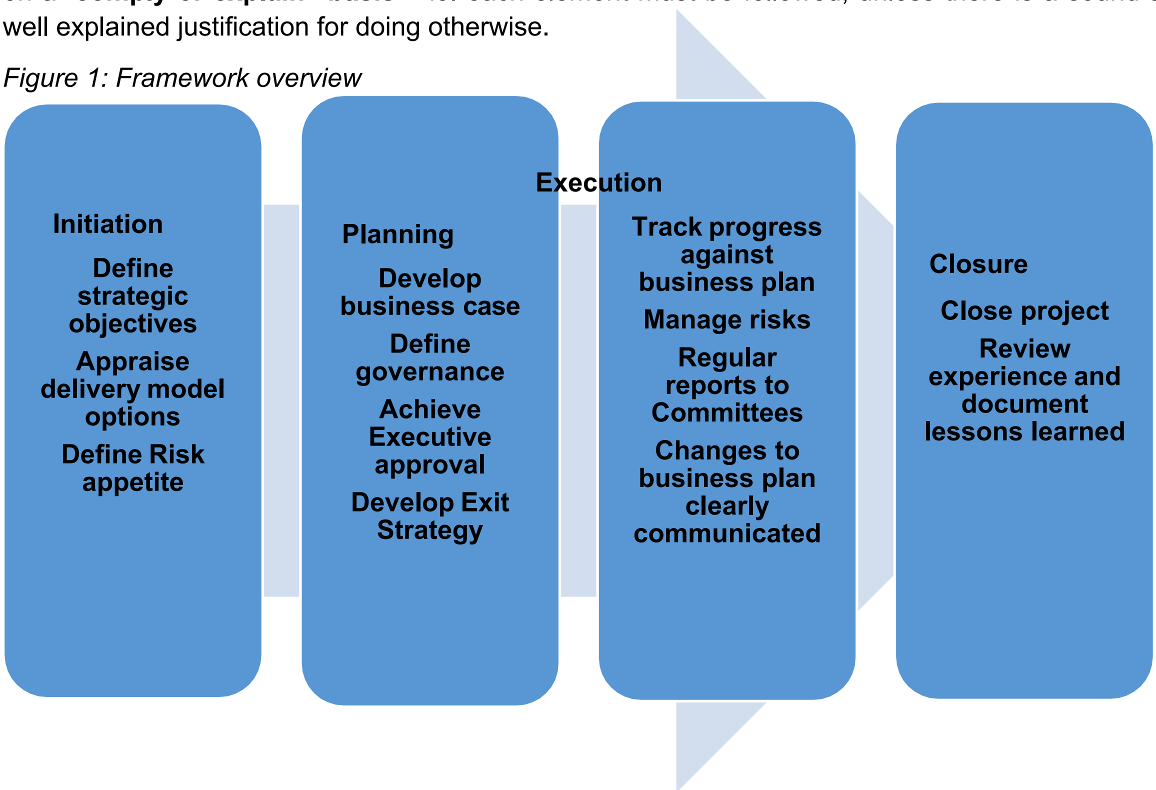
1. This Framework is the distillation of lessons learnt from a review of commercial governance arrangements undertaken by a Member Task Group in 2018-19. The objective of this Framework is to set out a best practice template for the set up and delivery of commercial ventures and companies by the Council in future.

Approach

2. The Framework is structured to follow the lifecycle stages of a commercial venture, with elements applying to each stage – initiation: planning: execution: closure.

3. The Framework provides a structured approach against which individual proposals can be assessed on a "**comply or explain" basis** – ie. each element must be followed, unless there is a sound and well explained justification for doing otherwise.

Figure 1: Framework overview



Scope

4. This Framework applies to any commercial venture (eg limited company or LLP in which the Council is a shareholder), or another internal or external structure whose impact on the Council is potentially similar to a commercial entity, where the Council's actual cumulative exposure (by combination of nominal value of ordinary or preference share capital, loan commitments, payments/remuneration to partners and other exposures) exceeds £100,000 (net of projected income).

5. For as long as the venture is of smaller scale than this threshold (which may be a result of the Council being a minority shareholder) or in a trial phase, discretion can be applied in how the Framework is applied.

Framework: Golden Rules

6. A number of key principles inform the Council's approach to the set up and delivery of commercial ventures. These principles (known as Golden Rules) should be applied before any such ventures are approved on a "comply or explain" basis. Explanations for any non-compliance should be recorded and scrutinised before the venture is approved.

(i) The shareholder function for all ventures will be exercised by a single, properly constituted Commercial Ventures Executive Sub-Committee. This may be supported by Member/Officer advisory group(s) where appropriate, for specific ventures, but the Sub-Committee will be the route for all formal reporting and decision making (except where items are taken directly to the Executive or to Full Council).

(ii) The structure chosen and related elements (eg shareholdings, employment contracts, other incentives, lines of accountability) must be considered as a whole by the Executive to ensure that there is alignment between incentives of the commercial venture /company and the Council's objectives.

(iii) The allocation of Council resources to a venture by the Executive will only occur on the basis of a report containing a completed version of the Initiation and Planning Checklist (Figure 2), with supporting documents as appropriate. Such resources will then only be transferred following execution of appropriate agreements (eg loan agreements).

(iv) The Sub-Committee will receive updates from ventures, based on the Execution and Closure Checklist (Figure 3) on a quarterly basis (the level of detail of such updates being proportionate to the scale of each venture). Reporting should capture reasons for decisions and the underlying supporting evidence relied upon.

(v) Internal financial reporting (ie. to the Council's finance function) will be undertaken monthly, with reconciliation of cross charges and intragroup balances.

(vi) Any material changes to the business plan for any venture will be reported to and agreed by the Executive Sub-Committee.

(vii) There will be strong controls over, and transparency relating to, potential conflicts of interest and related party transactions – covering officers, members, other shareholders, customers and suppliers. The highest risk applies to s151 Officer, Monitoring Officer, Head of Paid Service and Executive members and therefore there is a presumption against the appointment of any of these postholders to a Director role.

(viii) Business plans will require the early appointment of a Non-Executive Director (or equivalent independent member).

(ix) Appointment to all roles will be skills led, informed by a documented skills audit.

(x) The Local Authorities (Companies) Order 1995 sets out the rights for an authority and individual member to receive company specific information. In applying the reasonableness test the Council will apply a presumption in favour of sharing relevant information with individual members. The presumption (to be confirmed as part of the initial business case/approval) should be that companies should file full accounts to the Council and publicly (on a voluntary basis if other criteria require a lesser form of reporting).

Commercial Governance Checklist

7. A practical checklist is set out below, which is based on the suite of Key Lines of Enquiry (KLOE) which were used in the Task Group's review of past commercial ventures and is therefore grounded in the Council's practical experience. For each line of enquiry it records evidence of compliance (or the rationale for non- compliance).

8. The Checklist has two parts, covering different stages of the lifecycle and therefore to be used at different stages and, most likely, to different governance bodies:

- **Initiation and Planning**: to be presented to the Executive when a request is made to approve the venture, and hence provides a reference point against which the operation of the venture can be measured.

- **Execution and Closure:** to be presented to the Executive Sub-Committee on a regular (at least annual) basis, to enable it to discharge its role in monitoring delivery of the venture against the business plan.

Figure 2: Checklist - Initiation and Planning

Requirement	Evidence of compliance (or explanation for non-compliance)
Initiation	
a. How does the project fit with the Council's vision?	
b. What are the objectives of the venture?	
c. What is the Council's appetite for each of the risks involved with the venture? Do we understand the risks?	
d. What are the pros and cons of potential delivery vehicles? Why do we need a corporate entity (if that is what is recommended)?	
e. Why is this the preferred delivery vehicle?	
f. What is the structure of the proposed corporate entity? i. Structure (limited company, LLP, other). ii. Other shareholders/partners involved. iii. Capital structure (equity, debt, other).	
g. What actions have been taken to obtain Member buy in?"	
h. What actions have been taken to obtain officer buy in?"	
i. Is the Council's role in commercial decision-making clear?	
Planning	
a. Does the assessment cover relevant criteria including costs, complexity, risks, return on investment?	

Requirement	Evidence of compliance (or explanation for non-compliance)
b. Is there a robust business case (to a comparable standard to that which an external investor would require)? Does the business case adequately cover?: i. Projected income and expenditure, over a reasonable time horizon. ii. A clear view of the amount of financing required from the Council, and other parties, over the same time horizon. iii. A range of scenarios covering both optimistic and pessimistic outcomes, showing the financial impact on the Council in each. iv. Success/outcome measures, translated into KPIs which will be reported regularly to the Executive Sub-Committee. v. Any other requirements on the Council, eg staff time, office space, or use of other Council assets. vi. Potential tax (corporation tax, VAT, other) and other liabilities arising. vii. How any unexpected losses would be absorbed. viii. Market and other research on which the financial forecasts are based. ix. Any Intellectual Property already possessed or expected to be developed as part of the venture, and clarity over its ownership. x. Resolution/shutdown plans/exit strategy in the event of a significant adverse event. c. What is the proposed governance model? i. Role of Chairman of the Board (or equivalent). ii. Composition of the Board (or equivalent), including Non-Executive Director(s). iii. The proposed measures for training and evaluation of performance of the Board. iv. Arrangements for reporting back to the Council: i. To officers. ii. To the Commercial Ventures Executive Sub-Committee. iii. To the Overview & Scrutiny Committee. v. Potential constraints on sharing of information with the Council, and ways of addressing them (eg if there is to be a minority shareholder, ensuring that the Articles of Association and/or other documentation allow for full information flow to the Council). vi. Any other governance mechanisms proposed, eg advisory board, stakeholder committee.	

Requirement	Evidence of compliance (or explanation for non-compliance)
d. Who are the key people involved and how have we satisfied ourselves that their skills and experience are relevant and sufficient? i. Identities, skills and experience of key personnel (covering people management, leadership, financial and commercial skillsets). ii. Results of due diligence on key personnel. iii. Assessment of potential conflicts of interest – including any current or expected involvement of related parties/companies.	
e. What controls will be in place to minimise/mitigate risk? i. Procurement and fraud controls. ii. Financial controls (within the Council) to ensure funds advanced are in line with approved limits. iii. Financial controls (within the company/venture) including authorisation of expenditure. iv. Controls relating to other risks arising from the venture.	

Figure 3: Checklist – Execution and Closure

Requirement	Evidence of compliance (or explanation for non-compliance)
Execution	
a. Is performance, resource and financial information being adequately tracked?	
b. Is the delivery of the project being tracked and monitored and early action being taken to address risks?	
c. What business management reporting processes are in place?	
d. What processes are in place to manage income/sales and to confirm compliance with the agreed business case?	
e. Is financial forecasting reviewed and managed to ensure adequate funding and cashflow available to confirm compliance with the business case? Is there a clear separation between the reports from the company/venture and the covering analysis by the Council's officers?	
f. What financial controls are in place to ensure expenditure complied with the agreed business case? Have the directors attested that these controls have been complied with during the previous reporting period?	
g. Are processes in place for agreeing changes to the business case (services delivered/sold/finances and resources required)?	
h. Is there assurance that no project creep is occurring? What change control processes are in place?	
i. Have all contracts entered into (since the previous review) been checked for any conflicts of interest, and if any such conflicts arise, have these been resolved and/or made transparent?	

j.	What corporate actions/filings have been reported to Companies House since the previous report?	
k.	What are the results of the most recent evaluation of Board performance?	
Closure		
a.	Was the agreed exit strategy (as set out in the Planning stage) followed? If not, why not?	
b.	Has there been a review of the venture, appropriate to the scale of the venture and involving all relevant stakeholders?	
c.	Are lessons learnt being captured and implemented?	

Review

9. The Framework and its implementation shall be reviewed regularly and initially no later than 12 months after its adoption to ensure that it is meeting its objective and that lessons learnt drive improvement.

APPENDIX 2

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

MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2020/21 £m	Cumulative Impact 2021/22 £m	Cumulative Impact 2022/23 £m	Cumulative Impact 2023/24 £m	Cumulative Impact 2024/25 £m	Cumulative Impact 2025/26 £m
20/21 Budget Requirement	**24.600**					
LESS: one off pension payment in 20/21	(6.200)					
20/21 Adjusted Budget Requirement	**18.400**					
Pressure • Reversal of one-off use of Reserves in 2020/21		1.256	1.256	1.256	1.256	1.256
Pressure • Pay cost inflation/contractual increases		0.710	1.420	2.130	2.840	3.550
Pressure • Additional borrowing costs for previously approved Capital Programme commitments		0.500	1.000	1.000	1.000	1.000
Pressures • Service budget growth • Investment in new Corporate Plan priorities and COVID-19 Recovery • COVID-19 ongoing impacts on income budgets		*To be confirmed as part of service & financial planning*				
Opportunities • Employer Pension Contribution - one-off reduction in 2021/22		(0.400)	(0.400)	(0.400)	(0.400)	(0.400)
Opportunities • Service efficiencies and other budget savings • Commercial Strategy - new income streams		*To be confirmed as part of service & financial planning*				
Council Tax • Assumed 1.99% pa. increase plus 1.0% taxbase growth		(0.400)	(0.820)	(1.260)	(1.710)	(2.170)
NNDR • Reflects loss of 'Negative RSG' grant in 2021/22 and Business Rates Reset in 2022/23		0.200	1.500	1.900	2.300	2.300
Forecast Gap Compared to 2020/21 Budget	**0.000**	**1.866**	**3.956**	**4.626**	**5.286**	**5.536**
Annual Increase in Gap		1.866	2.090	0.670	0.660	0.250
Gap as % of 2020/21 budget requirement	-	10.1%	21.5%	25.1%	28.7%	30.1%

APPENDIX 3

Commercial Asset Investment Strategy

Introduction
The Council has for several years had a Strategy, targeted towards investment in assets that generate new ongoing income streams in support of achieving the Council's ambition of being financially self-sufficient.

Strategic Context
The Council's Corporate Plan 2025 sets out our priorities for the next five years and explains how we will focus our resources and deliver services to those living, working and spending time in Reigate & Banstead. This includes aims to achieve financial sustainability by maximising income and efficiency opportunities. This includes developing our existing land, commercial properties and acquisitions that generate new additional income that will contribute to the local economy.

The Council recognises that asset management and investment is critical to the delivery of efficient and effective services. The effective use of Council-owned property and assets can contribute to the local economy and act as a catalyst for investment and strengthen the prosperity of the borough.

This Commercial Asset Investment Strategy focuses on investment acquisitions and development and underpins the framework for how the Council will manage use of its assets into the future. It sets out the organisational arrangements for implementing and developing the Strategy.

Aims and Objectives
The aim of this strategy is to realise the benefits of the effective management of investments, which include:

- Creating a balanced portfolio of assets that minimises management costs and resources.
- Increasing returns and creating new revenue income streams.
- Adopting an approach of balancing risk and reward.
- Supporting delivery of the Council's objective to ensure financial self-sufficiency
- Supporting the local economy.

Governance
This strategy will form the basis on which any investment decisions are made; the summary below sets out the decision-making process.

Stage 1	Initial assessment of investment opportunity by officers overseen by Commercial Ventures Officer Board.
Stage 2	Recommendation for decision to proceed to offer to Commercial Ventures Executive Sub-Committee.
Stage 3	Negotiation and full due diligence.
Stage 4	Final recommendation to Commercial Ventures Executive Sub-Committee.

The Commercial Ventures (officer) Board will carry out an initial high-level assessment and desk top valuations of any investment opportunity. Key criteria for the assessment will include:

- The investment will help deliver against the Council Plan objectives;
- Acquisition type: Good quality commercial property in traditional sectors, i.e. retail office and industrial, to ensure a mixed portfolio is achieved. Also, housing where it supports Corporate Plan objectives and delivers the target return.
- Location: priority to investments within the boundary of the borough or within the surrounding areas of economic benefit.

The assessment will cover an initial financial appraisal, any legal constraints and use of any market intelligence available.

The Commercial Ventures Board will receive proposals and act as a catalyst for making recommendations to proceed to offer to the Commercial Ventures Executive Sub-Committee.

Following a positive decision, an offer will be made to the property owners/agents subject to checks being carried out e.g. disclosure of freehold title, the property being clear of any onerous restrictions, full structural, mechanical and electrical surveys.

Strategic alignment with other Council policies
As with any strategy, there is a need to be mindful of other work-streams and Council priorities. These include:

- Medium Term Financial Plan, Revenue Budget and Capital Programme
- Treasury Management Strategy - will ensure compliance with approved borrowing levels.
- Capital Strategy - will set the long-term context in which capital expenditure and investment decisions are made in a sustainable way.
- Commercial Strategy
- Housing Delivery Strategy
- Environmental Sustainability Strategy

Scope
This strategy will apply to all acquisitions of land and property. An acquisition is defined as acquiring a legal interest in land and property by the taking of a freehold, leasehold or license in land and property for investment purposes.

Performance
The Council is committed to understanding how the performance of its assets contributes to satisfaction levels of its customers. It will use this information to ensure that assets remain fit for purpose and continue to deliver accessible services that meet the needs of the community. This is against a background of changing service requirements and rising levels of public expectation.

Value for Money
The Council will ensure that any acquisitions deliver value for money in terms of service benefit, operating costs and financial return from its assets. The Council will continually challenge whether its assets are required, are fit for purpose, and contribute to the delivery of the Council's priorities.

Innovation
The creative use of Council assets can act as an effective driver for change. The Council has an excellent track record of delivering through a partnership approach and continues to seek new opportunities for collaboration with other public authorities, third sector and private sector.

By attracting private sector financing and sharing some of the risks, these innovative ways of working may allow the Council to progress ambitious, large scale plans that were previously considered unaffordable or too long-term.

Data Management
In all cases where an acquisition occurs, arrangement will be made to ensure that details are recorded in the Council's asset management and financial records. Where appropriate the Council's business rate liabilities and insurance requirements will be updated.

Compliance
The Council will ensure that all acquisitions are safe and they fully comply with all statutory obligations, e.g. health and safety (including asbestos and water safety).

The Council will endeavour to ensure that it complies with its leasehold obligations, including building repairs. It will be pragmatic in its approach and seek to ensure value for money in all the work undertaken.

Environmental Sustainability

The Council is keen to minimise the adverse impact, and maximise the positive impact, that its activities may have on the environment. It is committed to reducing energy consumption and carbon emissions from acquisitions and any developments adopting sustainable forms of construction.

Disposal

Linked to the acquisitions is the potential for disposal of assets, the key drivers include:

- Obtaining capital receipts, which can be reinvested in new acquisitions.
- Clearly defining surplus and under-used property and asset rationalisation.
- Identification of potential development and disposal opportunities that may deliver wider redevelopment benefits and/or capital receipts or revenue. This may include working in partnership with a developer partner.
- Pro-active disposal of small landholdings that may be a maintenance liability, provided that the proposed uses are in line with the Local Plan.

Summary

This Strategy reflects the latest guidance and past performance on delivering against the Council's Asset Strategy. Going forward the Strategy will focus on acquisitions, development of existing assets and reviewing the long-term future of legacy assets and provide a framework for managing the use of Council assets into the future. It will be subject to regular review to ensure it remains current.

APPENDIX 4

Accounting Policies

The Accounting Policies which inform the Financial Statements of the Council are in accordance with statutory provisions and the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which adopts relevant International Financial Reporting Standards (IFRS).

The key accounting policies applicable to this authority, and any specific policies adopted where local discretion can be applied are subject to approval by Audit Committee.

The full accounting policies are contained within the notes to the Core Financial Statements to the Final Accounts. Those polices related to the recording and financing of capital expenditure are reproduced from the 2018/19 Accounts below.

Capital Grants and Contributions

Where no grant conditions exist or conditions have been met, capital grants and contributions are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Capital Grants Unapplied Account via the Movement in Reserves Statement. The amount of the grant or contribution that has been used to finance expenditure is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account when they have been applied to fund capital expenditure.

Where grant conditions exist and have not initially been met, the grant is recognised in the Capital Grants Receipts in Advance Account. When grant conditions have been met, the grant is then recognised in the Comprehensive Income and Expenditure Statement and transferred via the Movement in Reserves Statement to the Capital Adjustment Account. If the grant conditions are not and/or are unlikely to be met then the grant will be repaid.

Grants and Contributions Attributable to Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Heritage Assets

The Council's heritage assets consist of paintings (oil and watercolour) and marble sculptures which have been donated to the Council and are held in the Town Hall, and the mayor's regalia.

These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an annual basis. The collection is relatively static with donations being rare. Where they do occur, donations are recognised at valuation.

The Council also hold land and historical structures such as the Reigate Heath Windmill and the caves in the castle grounds.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts which is credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

De-Recognition of Property, Plant and Equipment

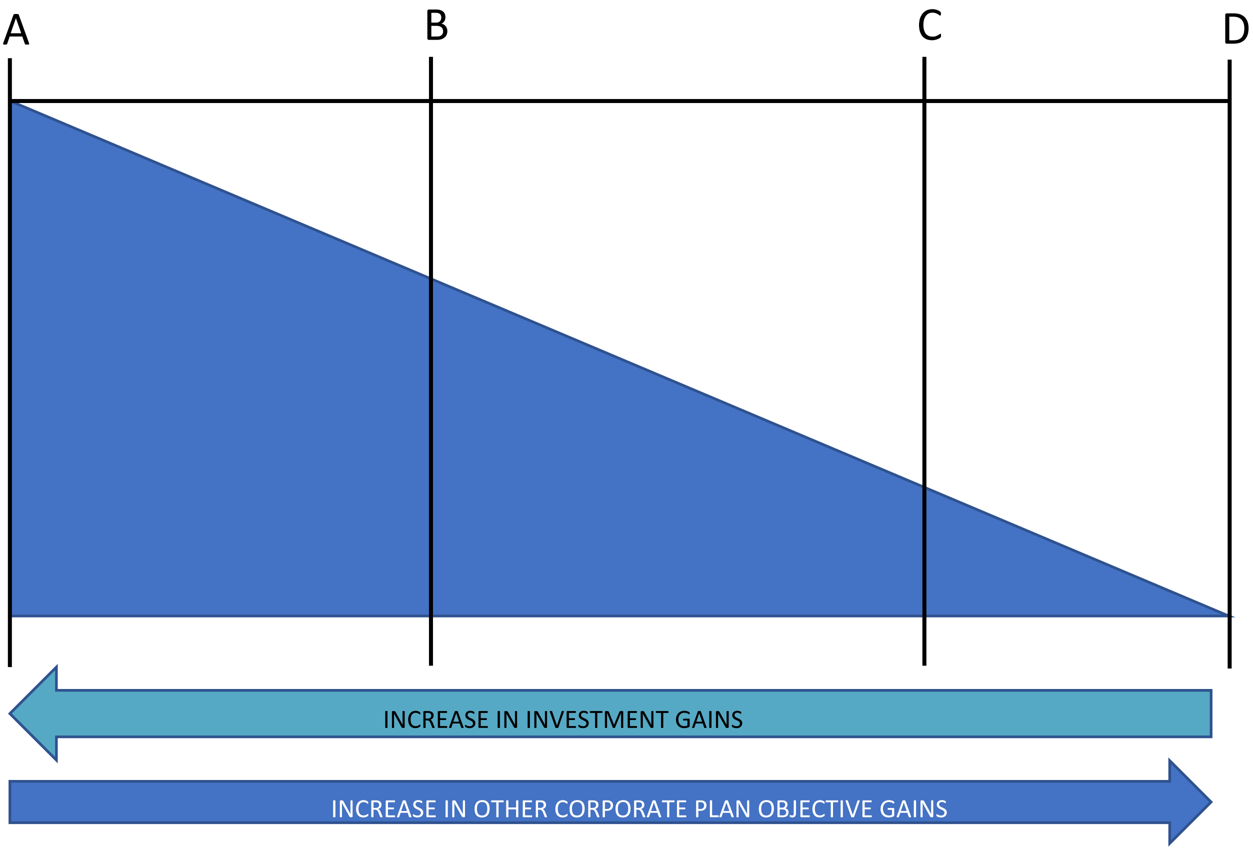
An item of property, plant or equipment is derecognised by disposal or when no future economic benefit or service potential is expected from its use. The carrying amount of the asset in the balance sheet is written off to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Sale proceeds from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains on the Revaluation Reserve, for assets disposed of or decommissioned, are transferred to the Capital Adjustment Account.

Income from asset disposals in excess of £10,000 is classed as capital receipts. The balance of capital receipts is credited to the Capital Receipts Reserve and used to fund new capital expenditure or repay debt. The written off value of disposals is reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a long-term asset on the balance sheet. These are generally grants and expenditure on property not owned by the Council. Expenditure is charged to the surplus/deficit on the Provision of Services as the expenditure is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

FRAMEWORK FOR INVESTMENT DECISIONS



What's the primary purpose?
A - Shorter-term financial benefits
B - Longer-term overall financial benefits
C - Mainly other Corporate Plan objective benefits/some financial benefits
D - Only other Corporate Plan benefits

Property Investment Decisions - Checklist

Criteria	Measure		
Financial			
Price	Comparison with Red Book value		
Purchase Costs	Within industry norm		
Financial return on total investment cost	>5%	>2.5% and strongly supports corporate plan objectives	<2.5%
Return over short to medium term	Negative inflow (net income stream)	Positive inflow (net cost)	
Net Present Value	>3.5% above cost of capital	<3.5% over cost of capital + significant contribution to corporate objectives	<3.5% over cost of capital
Internal Rate of Return (over the long-term life of the asset)	<10 years	10-20 years	>20 years
Payback	<15 years	15-20 years	>20 years
Stress test/tipping point	>50% value of covenant	<50% but >30%	<30%
Impact on MTFP (£)	Annual impact on MTFP funding gap (net cost or income)		
Financial Standing/appraisal of company financial health	>60% 50-60% with >12m covenant	50-60% with <12m+ covenant	<50%
Credit Score	No significant issues identified (Dun & Bradstreet or equivalent)		
Treasury Management			
Complies with ‘Borrowing in Advance of Need’ test	Complies		
Impact on Corporate Cash Flows			
Within Operational Boundary	Complies		
Within authorised limit	Complies		
Liquidity concerns	None		
Exit Strategy	Does not add new risks to MTFP forecasts		
Lease accounting classification	Operating Lease (not Finance lease)		
Opted to Tax	VAT on acquisition is recoverable and no adverse impact on the Council’s Partial Exemption status	VAT on acquisition is not recoverable with adverse impact on the Council’s Partial Exemption status	
Property Characteristics			
Location	In borough or clearly supports local economy		
Category	Supports balanced but diverse portfolio which may comprise: • Shops - Class A1 • Offices – Class A2/B1 • Industrial - Class B2 • Distribution & Storage - Class B8 • Hotels & Hostels - Class C1 • Residential Institutions - Class C2 • Dwellings, Houses, Flats & Apartments - Class C3		

Criteria	Measure		
	• Non-Residential Institutions - Class D1 • Assembly & Leisure - Class D2 • Other – not included above		
Type	Prime/secondary/tertiary Established office/industrial		
Tenure	Freehold or long leasehold(s)		
Occupation	Single occupier with good covenant	Multi-let	Vacant
Condition	Good condition; or Price reflects works required	Significant concerns about life, value or potential returns	
Environmental	Flood risk, conservation area, etc		
Planning	Use conforms to planning consents		
Energy Performance	> D	< D with details provided of works required to achieve D	< D
Title	Transfer required		
Legal	Any issues identified (including permitted use) Tenant check (company and directors)		
Rent	At or above market rent		
Income Flow	5+ years to lease renewal/tenant break option		
Rent Review	Upward only, preferably at market standard frequency		
Repairs	Full repairing and insuring lease (property policies arranged through the Council's insurers)		
Corporate Plan Priorities			
Strategic significance	Has significant strategic value Supports delivery of key corporate objectives		

Key

Exceeds minimum criteria for investment – recommended for consideration
Does not fully meet criteria - may be considered if issues can be addressed
Does not meet criteria – not recommended for consideration

APPENDIX 6

Capital Investment Strategy
Annual Report Template

Asset Base Update

- *updated analysis of the Council's capital asset base.*

Expenditure in year v planned (link to priorities)

- *summary of capital expenditure in year, explaining key variances of actuals v budget.*
- *summary of how capital expenditure links to the Council's priorities.*
- *identify any key issues.*

Commercial Assets

- *analysis of the Council's commercial assets, valuations and income streams.*

Commercial Acquisition Decisions During the Year

- *overview of acquisition decisions.*

Asset	Type	Cost	Return	Decision Date	Comments

Commercial Asset Performance

Asset	Income	Expenditure	Net Return	Target Return on Acquisition	Void Rate	Comments

Commercial Asset Condition

Asset	Condition	Issues & Actions

Asset Funding

- *summary of borrowing costs (interest and MRP).*

	Actual	Planned	Variance	Comments
Borrowing				
Interest				
MRP				

Risk management

- *summary of key risk management actions during the year.*

Conclusions

- *recommendations regarding future investment and funding.*
- *recommendations regarding potential disposals.*

APPENDIX 7

Capital Programme 2020/21 to 2024/25

CAPITAL PROGRAMME 2020 to 2025 - DETAILS						
	2020/21 (Yr. 1)	2021/22 (Yr. 2)	2022/23 (Yr. 3)	2023/24 (Yr. 4)	2024/25 (Yr. 5)	Total
	£000	£000	£000	£000	£000	£000
ORGANISATION SERVICES						
PROPERTY SERVICES						
Rolling Property Maintenance Programmes:						
Beech House, London Road, Reigate	3,000.0	0.0	0.0	0.0	0.0	**3,000.0**
Forum House, Brighton Road, Redhill	70.0	100.0	100.0	150.0	150.0	**570.0**
Unit 61E, Albert Road North	55.0	11.5	200.0	11.5	11.5	**289.5**
Regent House	25.0	50.0	100.0	90.0	90.0	**355.0**
Linden House, 51b High Street, Reigate	17.3	11.3	28.8	11.5	11.5	**80.3**
Units 1-5 Redhill Distribution Centre. Salfords	40.3	17.3	57.5	17.3	17.3	**149.5**
Crown House	75.0	135.0	75.0	75.0	75.0	**435.0**
Tenanted properties - occupied by third parties - planned building maintenance	100.0	100.0	100.0	100.0	100.0	**500.0**
Commercial Investment Properties	50.0	76.0	76.0	76.0	76.0	**354.0**
Operational Buildings	115.0	145.0	110.0	95.0	80.0	**545.0**
Priory Park Maintenance	198.0	10.0	10.0	10.0	30.0	**258.0**
Public Conveniences	5.0	4.0	4.0	4.0	20.0	**37.0**
Infrastructure (Walls etc.)	55.0	10.0	60.0	10.0	60.0	**195.0**
Allotments	14.0	12.0	12.0	12.0	22.0	**72.0**
Cemeteries & Chapels	40.0	20.0	20.0	20.0	40.0	**140.0**

CAPITAL PROGRAMME 2020 to 2025 - DETAILS						
	2020/21 (Yr. 1)	2021/22 (Yr. 2)	2022/23 (Yr. 3)	2023/24 (Yr. 4)	2024/25 (Yr. 5)	Total
	£000	£000	£000	£000	£000	£000
Leisure Centres	30.0	30.0	210.0	190.0	30.0	**490.0**
Pavilions	90.0	110.0	50.0	50.0	50.0	**350.0**
Car Parks Capital Works	190.0	195.0	190.0	195.0	170.0	**940.0**
Earlswood Depot/Park Farm Depot	50.0	20.0	20.0	20.0	20.0	**130.0**
Day Centres	75.0	85.0	75.0	67.0	65.0	**367.0**
Harlequin Property Maintenance	40.0	140.0	110.0	120.0	100.0	**510.0**
Building Maintenance – consultancy/capitalised staff costs.	50.0	50.0	50.0	50.0	40.0	**240.0**
	4,384.5	**1,332.0**	**1,658.3**	**1,374.3**	**1,258.3**	**10,007.3**
IT SERVICES						
Rolling Investment Programmes:						
ICT Replacement Programme	225.0	425.0	325.0	325.0	325.0	**1,625.0**
Disaster Recovery Systems Upgrade	0.0	0.0	50.0	0.0	0.0	**50.0**
Replacement Photocopiers/ Printers	0.0	0.0	0.0	60.0	0.0	**60.0**
	225.0	**425.0**	**375.0**	**385.0**	**325.0**	**1,735.0**
ORGANISATIONAL DEVELOPMENT						
Workplace Facilities: Estate/Asset Development	250.0	250.0	250.0	250.0	250.0	**1,250.0**
Workplace Facilities: additional IT requirement for increase in workforce.	30.0	10.0	10.0	10.0	10.0	**70.0**
	280.0	**260.0**	**260.0**	**260.0**	**260.0**	**1,320.0**

CAPITAL PROGRAMME 2020 to 2025 - DETAILS						
	2020/21 (Yr. 1)	2021/22 (Yr. 2)	2022/23 (Yr. 3)	2023/24 (Yr. 4)	2024/25 (Yr. 5)	Total
	£000	£000	£000	£000	£000	£000
COMMERCIAL SERVICES						
COMMERCIAL INVESTMENT						
Commercial Investment	50,000.0	0.0	0.0	0.0	0.0	**50,000.0**
PEOPLE SERVICES						
HOUSING						
Grant-Funded Schemes						
Disabled Facilities Grant	1,134.0	1,134.0	1,134.0	1,134.0	1,134.0	**5,669.8**
Home Improvement Agency (Part Grant Funded)	120.0	120.0	120.0	120.0	120.0	**600.0**
Handy Person Scheme (Housing Assistance Programme)	50.0	50.0	50.0	50.0	50.0	**250.0**
Repossession Prevention Fund	30.0	30.0	30.0	30.0	30.0	**150.0**
Housing Development						
Lee Street Bungalows	234.0	0.0	0.0	0.0	0.0	**234.0**
Cromwell Road Redevelopment	3,680.0	0.0	0.0	0.0	0.0	**3,680.0**
Pitwood Park	1,745.0	71.0	0.0	0.0	0.0	**1,816.0**
Housing Delivery Strategy						
Housing Delivery	10,000.0	10,000.0	10,000.0	0.0	0.0	**30,000.0**
	16,993.0	**11,405.0**	**11,334.0**	**1,334.0**	**1,334.0**	**42,399.8**

CAPITAL PROGRAMME 2020 to 2025 - DETAILS						
	2020/21 (Yr. 1)	2021/22 (Yr. 2)	2022/23 (Yr. 3)	2023/24 (Yr. 4)	2024/25 (Yr. 5)	Total
	£000	£000	£000	£000	£000	£000
WELLBEING & INTERVENTION						
Rolling Maintenance Programmes:						
Harlequin Facilities Maintenance	40.0	40.0	40.0	40.0	40.0	**200.0**
Harlequin - Service Development	100.0	0.0	0.0	0.0	0.0	**100.0**
	140.0	**40.0**	**40.0**	**40.0**	**40.0**	**300.0**
COMMUNITY PARTNERSHIPS						
Rolling Maintenance/Investment Programmes:						
CCTV	30.0	30.0	30.0	30.0	30.0	**150.0**
PLACE SERVICES						
NEIGHBOURHOOD OPERATIONS						
Rolling Maintenance/Investment Programmes:						
Refuse Vehicle Replacement	1,620.0	1,620.0	0.0	0.0	0.0	**3,240.0**
Vehicles & Plant	1,542.0	846.0	846.0	846.0	846.0	**4,926.0**
Fleet Vehicle Wash-Bay Replacement	350.0	0.0	0.0	0.0	0.0	**350.0**
Play Areas Improvement	226.0	230.0	230.0	230.0	230.0	**1,146.0**
Air Quality Monitoring Equipment	109.0	40.0	40.0	40.0	40.0	**268.0**
Park & Countryside – Infrastructure & Fencing	45.0	45.0	45.0	45.0	45.0	**225.0**
Contaminated Land – Investigation Work	30.0	30.0	30.0	30.0	30.0	**150.0**
Land Flood Prevention	6.0	10.5	10.5	10.5	10.5	**48.0**
	3,927.0	**2,821.5**	**1,201.5**	**1,201.5**	**1,201.5**	**10,353.0**

CAPITAL PROGRAMME 2020 to 2025 - DETAILS						
	2020/21 (Yr. 1)	**2021/22 (Yr. 2)**	**2022/23 (Yr. 3)**	**2023/24 (Yr. 4)**	**2024/25 (Yr. 5)**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
PLACE DELIVERY						
Marketfield Way Redevelopment	18,858.6	23,212.0	15,100.0	0.0	0.0	**57,170.6**
Preston Regeneration	362.1	0.0	0.0	0.0	0.0	**362.1**
Horley Public Realm Improvements - Phase 4	100.0	500.0	0.0	0.0	0.0	**600.0**
Merstham Recreation Ground	700.0	700.0	0.0	0.0	0.0	**1,400.0**
Redhill Public Realm Improvements	0.0	30.0	0.0	0.0	0.0	**30.0**
	20,020.7	**24,442.0**	**15,100.0**	**0.0**	**0.0**	**59,562.7**
Economic Prosperity: Vibrant towns & villages	100.0	100.0	100.0	100.0	100.0	**500.0**
TOTAL APPROVED CAPITAL PROGRAMME	**96,100**	**40,855**	**30,099**	**4,725**	**4,549**	**176,328**

APPENDIX 8

Flexible Use of Capital Receipts Strategy

As part of the Local Government Finance Settlement (LGFS) in March 2016, the Secretary of State for Housing, Communities and Local Government provided Local Authorities with the opportunity to use capital receipts to fund the revenue costs of transformation. This flexibility was then extended to 2021/22 as part of the 2018/19 LGFS.

The flexible use of capital receipts is designed to offset the revenue cost of transformational projects which are expected to deliver future ongoing revenue savings for either the Council or other public sector delivery partners.

In order to take advantage of the change of use to capital receipts, the Council must act in accordance with the statutory guidance issued by the Secretary of State. This guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy.

Qualifying expenditure
Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

Projects
There are currently no projects in place that plan to make use of the capital receipts flexibility.

Should this change, details of the expected savings/service transformation will be provided to full Council alongside the impact on the Council's Prudential Indicators.

APPENDIX 9

Risk Assessment

Ref	Risk	Impact	Likelihood	Mitigation	Residual Risk
CIS1	Financial risks where the costs of maintaining an asset are understated.	M	M	Agency, legal costs, management costs, debt repayment and insurance costs are included in the financial assessment as are any other known commitments. The condition of the property is also considered.	Unknown costs may materialise that exceed budget forecasts.
CIS2	Financial risks where income streams associated with an asset are overstated and/or void periods are understated.	M	M	Individual decisions are informed by a detailed financial assessment which includes a review of income projections based on current contractual terms. The length of contracts is also considered, and a judgement is made as to a reasonable void period which is flexed depending on the number and type of rental agreements in place. The strength of the market demand for the property is also considered, as is the credit rating status of sitting tenants. The assessment of decisions includes consideration of the Council's exit strategy.	There are no guarantees that tenants will remain solvent and/or fulfil their agreements. The market may change (potentially as a result of wider economic issues) which may impact on market rental values. The life of the asset and the period of the financial model typically extends beyond any leases that are in place and there is no guarantee that premises will remain let over the period of the financial model/borrowing.
CIS3	Financial risks where the (resale) value of the asset is overstated and/or reduces. Or the life of the asset is overstated.	M	M	An independent valuation of the property is commissioned as part of the decision-making process. The Council also receives advice and market intelligence from its property advisors. The financial assessment includes both interest and repayment of borrowing.	Resale valuations cannot be guaranteed to increase/remain static. While the cost of loan repayment is modelled within the financial assessment, any desire to sell the asset within the payback period could result in a capital shortfall should the market valuation decline.

Ref	Risk	Impact	Likelihood	Mitigation	Residual Risk
CIS4	Strategic risks where the benefits, improvements and development potential of an asset are overstated	M	M	Individual acquisition decisions consider the benefit, improvement and development of the area as well as income generation for the authority.	The actual long-term economic impact of acquisitions may be less than anticipated.
CIS5	Reputational risks related to dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.	H	L	Individual acquisition decisions consider the benefit, improvement and development of the area and contribution to agreed corporate objectives that were subject to stakeholder consultation.	The acquisition and development of individual assets may result in negative opinion.
CIS6	Environmental sustainability risks related to delivery of the Strategy	M	L	Individual acquisition decisions consider the benefit, improvement and development of the area and contribution to agreed corporate objectives that were subject to stakeholder consultation. Environmental sustainability considerations are taken into account when making individual investment decisions.	The acquisition and development of individual assets may result in negative opinion.
CIS7	Risks relating to the profile of the Council's asset base - and how effectively risk is spread across different asset types and sectors	H	L	Individual acquisition decisions consider the asset class and the extent to which it will help ensure a balanced portfolio.	The risk associated with individual asset classes will be influenced by a range of factors that may change over time.
CIS8	Risks relating to the COVID-19 pandemic	H	M	Deliverability of approved schemes and funding forecasts will be subject to review as the medium/long term impacts are confirmed. Income from commercial rents is likely to be at higher risk of non-payment due to a downturn in the economy and changes in how tenants operate resulting in reduced demand for office space.	It may be necessary to re-assess deliverability and/or affordability of some schemes and update capital investment plans in response. Discussions with tenants have taken place since the start of the pandemic to assess their ability to pay and future requirements. It is still too early to form a clear picture of what the medium to long term implications may be.

Key:

IMPACT						
Grave	5		CIS5			
Significant	4			CIS8		
Moderate	3		CIS6	CIS1 CIS2 CIS3 CIS4		
Minor	2					
Almost none	1					
		1	2	3	4	5
LIKELIHOOD		Rare	Unlikely	Possible	More Than Likely	Almost Certain

APPENDIX 10

Asset Condition Assessment

Programmed Planned and Reactive Maintenance

Management of the Council's property maintenance programme, condition surveys and project management of small to medium size construction projects is carried out by the Property Services team. This team incorporates Facilities Management, with responsibility for the day to day running of the buildings to support and enable ongoing service delivery. The team is augmented by external consultants when specialist advice or additional resources are required.

Compliance with numerous statutory requirements relating to maintenance and management of properties are dealt with in-house, augmented by external consultants when specialist advice is required. The main legislative areas covered are:

- Disability Discrimination Act;
- Control of Asbestos Regulations;
- Health and Safety at Work Act;
- Environment Protection Act (contaminated land);
- Control of Substances Hazardous to Health Regulations (Legionella);
- The Regulatory Reform (Fire Safety) Orders;
- Gas safety and fixed wire testing;
- Fire risk assessments; and
- Lifts and Lifting Operations Lifting Equipment Regulations (LOLER).

Health and Safety schedules have been checked and updated, with all due inspections and certifications in hand.

A rolling five-year programme of condition surveys, regular inspection of the properties and liaison with service managers determines the revenue and capital budgets required over the medium term.

The objective is to reduce reliance on capital to fund planned and reactive maintenance, through continued aggregation of planned maintenance contracts and efficient re tendering of services that the Council purchases from external contractors.

Budgets for, and the cost of, repairs and maintenance are split between planned maintenance and reactive maintenance in order to monitor and measure the progress of improving the proportion of expenditure on the former at the expense of the latter.

All procurements are undertaken in accordance with the Council's Contract Procedure Rules and making use of the Council's E-Procurement system. This approach ensures both compliance with legislation governing public sector procurement and an open and competitive process for securing the most economically advantageous terms.

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SIGNED OFF BY	Commercial and Investment Director
AUTHOR	Tom Borer, Policy Officer
TELEPHONE	Tel: 01737 276717
EMAIL	tom.borer@reigate-banstead.gov.uk
TO	Overview and Scrutiny Committee
DATE	Thursday, 22 October 2020
EXECUTIVE MEMBER	Portfolio Holder for Investment and Companies

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Companies Performance Update - Autumn 2020

RECOMMENDATIONS

1. **To note the Autumn 2020 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 Autumn 2020.

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, Pathway for Care Limited. The Council also owned RBBC Limited until its recent closure.

All these companies are currently considered to be performing 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. Section 4 of the Localism Act 2011 stipulates that where in the exercise of the general power a local authority acts for a purely commercial purpose, the authority must do so through a company.
3. 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

4. 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.
5. 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.
6. These activities take place within financial limits set out as part of the Council's budget and capital programme.
7. 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.
8. The last full update was considered in Autumn 2019. There was due to be an update in Spring 2020, but this was postponed due to the need to respond to the Covid-19 pandemic.

KEY INFORMATION

1. 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. The Council also previously owned RBBC Limited until its recent closure.
2. All these companies are currently considered to be performing in line with the Council's current objectives and expectations.

3. More detail of the current status and performance of the Council's interest in each company is set out below.

Greensand Holdings Limited

4. 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.
5. The company was initially funded through a loan from the Council. It now generates an income from one of its property holdings, and provides an income to the Council through its repayments and interest on the loan.
6. The company has received £13,258,009 in loan funding from the Council, with total interest charged to 31 March 2020 of £438,859.
7. The company currently holds one active property, which provides a rental income sufficient for the company to meet its repayment and loan obligations to the Council and to generate a profit.
8. The current Directors of the company are William Pallett, Derek Beck and Councillor R. Michalowski.
9. The company, from a shareholder perspective, is currently judged to be performing well.
10. The Directors' Report and Audited Financial Statements for the year ended 31 December 2019 for Greensand Holdings Limited are provided as Annex 1 to this item.
11. 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

12. 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.
13. 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.
14. Future plans are being revised in light of the occurrence of Covid-19, but progress continues to be made.
15. The Annual Report and Financial Statements for the year ended 31 December 2019 for Horley Business Park Development LLP are provided as Annex 2 to this item.
16. Additional details are available in the exempt report set out in the Part 2 section of this agenda.

Pathway for Care Limited

17. 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.
18. 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.
19. 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.
20. 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 has not generated a profit, and therefore has not yet provided a dividend income to the Council.
21. The company reports that it is on track to generate a net profit in 2020.
22. The company has recently reduced its voids, revised its operating model and consistently generated a monthly profit.
23. The current Directors of the company are Paul Green, Warren Richards; and Councillor V Lewanski, the Council appointed Director.
24. The Unaudited Financial Statements for the year ended 31 July 2019 for Pathway for Care Limited are provided as Annex 3 to this item.
25. Additional details are available in the exempt report set out in the Part 2 section of this agenda.

RBBC Limited (Pathway Digital)

26. RBBC Limited was split from Pathway for Care in April 2018, as a potential digital monitoring technology business supported by external investment.
27. In the event, no suitable external investment was secured, and it was decided to dissolve the company, as reported in the performance update in March 2019. This process has now been concluded following delays at Companies House due to the Covid-19 pandemic and response.

Forthcoming Business

28. The Council is currently developing its Commercial Strategy, a report on which form part of this agenda. This will help shape and direct the future actions of the Council around commercially relevant activities.
29. As individual projects are developed, these will be brought forward for consideration by relevant committees, and will be available for scrutiny as required.

LEGAL IMPLICATIONS

30. There are no direct legal implications of this report.
31. 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

32. 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.
33. 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

34. 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.
35. 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.
36. 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.
37. 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.
38. 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
39. 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
40. 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. 41. 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.
CONSULTATION
42. The Members of the Commercial Ventures Executive Sub-Committee are consulted on an ongoing basis as to the performance and actions of companies owned or part-owned by the Council, along with other Members of the Executive or wider Council where appropriate. 43. The Overview and Scrutiny Committee is invited to make any observations on the contents of this report to the Commercial Ventures Executive Sub-Committee, who will be considering it in turn.
POLICY FRAMEWORK
44. The recommendations of this report are not in conflict with the Council's Policy Framework. 45. 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.

Registered number
10508302

GREENSAND HOLDINGS LIMITED

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

GREENSAND HOLDINGS LIMITED

COMPANY INFORMATION

Directors	W Pallett D Beck (appointed 23 May 2019)
Auditor	Kreston Reeves LLP Springfield House Springfield Road Horsham West Sussex RH12 2RG
Registered office	Town Hall Castlefield Road Reigate Surrey RH2 0SH
Registered number	10508302

GREENSAND HOLDINGS LIMITED

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GREENSAND HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and audited financial statements for the year ended 31 December 2019.

Principal activities
The company's principal activity during the year was that of commercial property investment and development.

Directors
The directors who served during the year were as follows:

J Jory (resigned 31 July 2020)
W Pallett
D Beck (appointed 23 May 2019)

Directors' responsibilities
The directors are responsible for preparing the Directors' 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 International Financial Reporting Standards (IFRSs) (as adopted by the European Union) and applicable UK 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;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Disclosure of information to the auditor
The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that

Post balance sheet events
The directors are satisfied that the financial statements adequately disclose the potential impact of the emergence of Covid-19 post year end. Due to the unknown future impact of Covid-19, the valuation of the investment property has been reported on the basis of 'material valuation uncertainty'. The directors confirm that they have a reasonable expectation that the company will continue in operational existence for the foreseeable future.

GREENSAND HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Small company special provisions
The report of the directors has been prepared taking advantage of the small companies exemption in Part 15 of the Companies Act 2006.

This report was approved by the board on 08/09/20 and signed on behalf of the board by

W Pallett
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

GREENSAND HOLDINGS LIMITED

Opinion

We have audited the financial statements of Greensand Holdings Limited (the "company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of 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.

Emphasis of matter

We draw attention to note 5 in the financial statements, which explains that the independent valuation of investment property has been reported on the basis of 'material valuation uncertainty' due to the future impact of Covid-19 being unknown. Our opinion is not modified in respect of this matter.

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 the 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.

Matters on which we are required to report by exception
In the light of our 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
- 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 and the Directors' Report in accordance with the small companies regime 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 set out on page 1, 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Kreston Reeves LLP

Graham Hunt BA FCA (Senior Statutory Auditor)
for and on behalf of Kreston Reeves LLP
Statutory Auditor, Chartered Accountants
Horsham

Date: 15 September 2020

GREENSAND HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Revenue		175,780	177,015
Administrative expenses		(53,360)	(51,851)
Fair value movement on investment property		(210,500)	48,900
Operating (loss)/profit	6	(88,080)	174,064
Finance income		570	298
Finance costs	7	(102,149)	(102,361)
(Loss)/profit before taxation		(189,659)	72,001
Tax expense	8	31,721	1,407
(Loss)/profit for the year		(157,938)	73,408
Total comprehensive income for the year attributable to shareholders		(157,938)	73,408

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the loss for the above financial year.

The above results were derived from continuing operations.

GREENSAND HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

COMPANY REGISTRATION NUMBER: 10508302

	Notes		2019		2018
		£	£	£	£
ASSETS					
Non-current assets					
Investment property	9		2,382,000		2,592,500
Current assets					
Inventories	10		11,076,938		-
Trade and other receivables	11		57,118		-
Cash and cash equivalents	12		122,643		42,663
TOTAL ASSETS			13,638,699		2,635,163
LIABILITIES					
Current liabilities					
Trade and other payables	13	124,887		45,865	
Current tax liabilities	13	3,960		10,194	
		128,847		56,059	
Non-current liabilities					
Borrowings	14	13,394,006		2,269,639	
Provisions	16	-		35,681	
		13,394,006		2,305,320	
TOTAL LIABILITIES			13,522,853		2,361,379
SHAREHOLDERS' EQUITY					
Share capital	17		100		100
Revaluation reserve	18		82,185		257,004
Retained earnings	18		33,561		16,680
TOTAL EQUITY AND LIABILITIES			13,638,699		2,635,163

The financial statements were approved by the board and authorised for issue on 08/04/20 and signed on behalf of the board by

W Pallett
Director

The notes on pages 10 to 20 form part of the financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Equity attributable to equity holders of the company			
	Issued share capital	Revaluation reserve	Retained earnings	Total equity
	£	£	£	£
At 1 January 2019	100	257,004	16,680	273,784
Loss for the year	-	-	(157,938)	(157,938)
Transfer to revaluation reserve	-	(174,819)	174,819	-
Total comprehensive income for the year	-	(174,819)	16,881	(157,938)
At 31 December 2019	100	82,185	33,561	115,846

	Equity attributable to equity holders of the company			
	Issued share capital	Revaluation reserve	Retained earnings	Total equity
	£	£	£	£
At 1 January 2018	100	202,785	(2,509)	200,376
Profit for the year	-	-	73,408	73,408
Transfer to revaluation reserve	-	54,219	(54,219)	-
Total comprehensive income for the year	-	54,219	19,189	73,408
At 31 December 2018	100	257,004	16,680	273,784

GREENSAND HOLDINGS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	£	£
Cash flows from operating activities		
(Loss)/profit for the year	(157,938)	73,408
Adjustments to cash flows from non-cash items:		
Finance income	(570)	(298)
Finance costs	102,149	102,361
Revaluation	210,500	(48,900)
Corporation tax	3,960	3,912
Deferred tax	(35,681)	(5,319)
Operating cash flows before movements in working capital	122,420	125,164
Working capital adjustments:		
Increase in inventories	(11,076,938)	-
Increase/(decrease) in payables	(4,170)	(48,942)
(Increase)/decrease in receivables	(57,118)	100
	(11,138,226)	(48,842)
Cash (used in)/generated by operations	(11,015,806)	76,322
Income tax paid	(3,912)	-
Net cash (used in)/generated by operating activities	(11,019,718)	76,322
Investing activities		
Interest received	570	298
Net cash generated by investing activities	570	298
Financing activities		
Loan from shareholder	11,124,367	-
Interest paid	(25,239)	(102,361)
Net cash generated by/(used in) financing activities	11,099,128	(102,361)
Net increase/(decrease) in cash and cash equivalents	79,980	(25,741)
Cash and cash equivalents at beginning of year	42,663	68,404
Cash and cash equivalents at end of year	122,643	42,663

1 General information

Greensand Holdings Limited is a private company limited by share capital and incorporated in the United Kingdom under the Companies Act 2006. The nature of the company's operations and its principal activities are set out in the Directors' Report.

The address of its registered office and principal place of business is:
Town Hall
Castlefield Road
Reigate
Surrey
RH2 0SH

2 Adoption of new and revised standards

During the financial year, there were no new IFRSs or IFRIC interpretations that were effective for the first time that would be expected to have a material impact on the company.

The following pronouncements have been adopted in the year and either had no impact on the financial statements or resulted in changes to presentation and disclosure only:
- IFRS 16 'Leases'; effective 1 January 2019
- IFRIC 23 'Uncertainty over income tax treatments'; effective 1 January 2019
- Annual Improvements (2015-2017); effective 1 January 2019

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the company, which have not been applied in these financial statements, were in issue but not yet effective. In some cases these standards and guidance had not been endorsed by the European Union:
- Definition of a Business (Amendments to IFRS 3); effective 1 January 2020
- Definition of Material (Amendments to IAS 1 and IAS 8); effective 1 January 2020
- Conceptual Framework for Financial Reporting; effective 1 January 2020

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the company.

3 Significant accounting policies

Statement of compliance and basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union and are consistent with the IFRSs as issued by the International Accounting Standards Board and IFRIC interpretations issued and effective at the time of preparing these financial statements and are in accordance with the Companies Act 2006.

3 Significant accounting policies - continued

Basis of accounting
These financial statements have been prepared on the historical cost basis as modified by the accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates and rounded to the nearest £.

The following principal accounting policies have been applied:

Presentation of financial statements in accordance with IAS 1 (Revised 2007)
The financial statements are presented in accordance with IAS 1 Presentation of Financial Statements (Revised 2007).

Revenue
Revenue is measured at the fair value of the consideration recoverable, net of VAT. The company's policy for the recognition of revenue from operating leases is described in the leasing policy below.

Leasing
The company as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant leases.

Investment properties
Investment property, which is property held to earn rentals and/or capital appreciation is initially recognised at cost, including associated transaction costs, and subsequently at fair value at the balance sheet date. The fair value is based on market values as determined by professionally qualified external valuers. Gains or losses arising from changes in the fair value of the investment property are included in profit or loss for the period in which they arise.

Inventories
Inventories comprise land and property held for development and resale, and are stated at the lower of cost and net realisable value. Cost includes all directly attributable expenditure necessary to bring the stocks to their existing condition and location. Costs are assigned by specific identification and include the cost of acquisition, subsequent development costs and borrowing costs during development. Net realisable value is determined by the directors.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently at amortised cost. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

Cash and cash equivalents
Cash and cash equivalents at the end of the reporting period comprise cash at bank and in hand.

Trade and other payables
Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

3 Significant accounting policies - continued

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the periods of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred, unless they relate to a qualifying asset in which case they are capitalised and included as part of the cost of the qualifying asset at the year end.

Taxation

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

Current tax

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

Deferred tax

Deferred tax is tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that such taxable profits will be available, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit.

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 statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case deferred tax is also dealt with in equity.

Accounting for financial assets and liabilities

The company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, credit risk and liquidity risk. The directors consider that the company does not have material exposures in any of these areas and consequently does not use derivative financial instruments to manage these exposures.

The company's financial assets consist of trade and other receivables, and are summarised in note 4. Trade and other receivables are financial assets with fixed or determinable payments, none of which are quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest rate method, less provision for impairment.

Receivables are considered for impairment on a case-by-case basis when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default.

The company's financial liabilities include borrowings, trade and other payables which are measured at amortised cost using the effective interest rate method. A summary of the company's financial liabilities is given in note 4.

3 Significant accounting policies - continued

Going concern
The financial statements have been prepared on a going concern basis. While the impact of Covid-19 has been assessed by the directors so far as reasonably possible, due to its unprecendented impact on the wider economy, it is difficult to evaluate with any certainty the potential outcomes on the company's trade, its tenants and suppliers. However, taking into consideration the company's planning, the nature of its long term borrowings and the continuing support of its shareholder, the directors have a reasonable expectation that the company will continue in operational existence for the foreseeable

4 Financial risk management

The company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management programme focuses on the unpredictability of the marketplace and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the Board of Directors.

Market risk
The company is exposed to market risk, primarily related to interest rates and the market value of the investment property and the net realisable value of inventories.

Interest rate risk
The company monitors interest rate cash flow exposures on its long term borrowing. The company does not use derivative financial instruments to mitigate these risks.

Credit risk
The company's exposure to credit risk is limited to the carrying value of financial assets recognised at the balance sheet date, as summarised below:

	2019	2018
	£	£
Classes of financial assets - carrying amounts		
Cash and cash equivalents	122,643	42,663
Trade and other receivables	57,118	-
	179,761	42,663

The maximum exposure to credit risk in relation to trade and other receivables is equivalent to the year end balance.

The company continuously monitors the creditworthiness of tenants and other counterparties. The company's policy is only to deal with creditworthy counterparties.

The directors consider that all the above financial assets are not impaired at the reporting date under review and are of good quality credit, based on all available financial information.

The company is not exposed to any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics other than those debtors which are disclosed in note 11. The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

4 Financial risk management - continued

Liquidity risk

Liquidity needs are monitored carefully on a day-to-day basis. Longer term liquidity needs are assessed through monthly, quarterly, and annual cash flow forecasts.

As of 31 December 2019, the company's liabilities have maturities which are summarised below:

	Within 6 months	**6 to 12 months**	**2 to 5 years**	**Later than 5 years**
	£	**£**	**£**	**£**
Trade and other payables	**124,887**	-	-	-
Borrowings	-	-	-	**13,394,006**
	124,887	-	-	**13,394,006**

This compares to the maturity of the company's financial liabilities in the previous reporting period as follows:

	Within 6 months	*6 to 12 months*	*2 to 5 years*	*Later than 5 years*
	£	*£*	*£*	*£*
Trade and other payables	*45,865*	-	-	-
Other taxes and social security costs	*6,282*	-	-	-
Corporation tax	*3,912*	-	-	-
Borrowings	-	-	-	*2,269,639*
	56,059	-	-	*2,269,639*

Capital management policies

The company's capital management objectives are:

- to ensure the company's ability to continue as a going concern; and
- to provide an adequate return to shareholders.

Capital for the reporting period under review is summarised as follows:

	2019	**2018**
	£	**£**
Share capital	**100**	**100**
Revaluation reserve	**82,185**	**257,004**
Retained earnings	**33,561**	**16,680**
Borrowings	**13,394,006**	**2,269,639**
	13,509,852	**2,616,831**

The company has no covenant obligations with respect to capital ratios.

5 Critical accounting judgements

Critical judgements in applying the company's accounting policies
In the process of applying the company's accounting policies, the following judgements have had the most significant effect on the amounts recognised in the financial statements:

Investment properties
The company holds investment property with fair value of £2,382,000 at the year end (see note 9). In order to determine the fair value of investment property the company has engaged independent valuation specialists with experience in the location and nature of the property being valued. They have used a valuation technique based on comparable market data. The determined fair value of the investment property is most sensitive to fluctuations in the property market. As the future impact of Covid-19 is unknown, the valuation provided by the independent valuer has been reported on the basis of 'material valuation uncertainty'.

Recoverability of inventories
Inventories are stated at the lower of cost and net realisable value, taking into account all available evidence at the reporting date. The intention is to hold the inventories for development and at the balance sheet date they are not forecast to be realised in the short to medium term. Their ultimate realisation may be affected by the outcome of uncertain future events. The commercial viability of the development is kept under regular review by the directors to ensure that, so far as reasonably possible, inventories continue to be stated at the lower of cost and net realisable value.

6 Operating loss/profit

	2019	2018
	£	£
This is stated after charging:		
Auditor's remuneration - audit work	4,000	2,600
Auditor's remuneration - other services	2,224	1,750
	6,224	4,350

7 Finance costs

	2019	2018
	£	£
Loan interest	102,149	102,361

In addition to loan interest included as a finance cost, during the year the company capitalised loan interest of £135,896 (2018: £nil), which has been included at the year end as part of the cost of inventories.

8 Taxation

Analysis of tax credit in year	2019 £	2018 £
Total current tax (see below)	3,960	3,912
Deferred tax (see below and note 16)	(35,681)	(5,319)
	(31,721)	(1,407)

Factors affecting tax credit for year

The credit for the year can be reconciled to the (loss)/profit in the statement of comprehensive income as follows:

	2019 £	2018 £
(Loss)/profit before tax on continuing operations	(189,659)	72,001
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(36,035)	13,680
Effects of:		
Fair value movement not taxable	39,995	(9,291)
Utilisation of losses brought forward	-	(477)
Total current tax (see above)	3,960	3,912
Total deferred tax (see above)	(35,681)	(5,319)
Total tax credit for the year	(31,721)	(1,407)

9 Investment property

	Freehold property £
Fair value	
At 1 January 2019	**2,592,500**
Revaluation	**(210,500)**
At 31 December 2019	**2,382,000**
Fair value	
At 31 December 2019	**2,382,000**
At 31 December 2018	**2,592,500**

Investment property with a fair value of £2,382,000 was held as security against borrowings.

The company's investment property is classed as level 2, as defined by IFRS 13 Fair Value Measurement, in the fair value hierarchy as at 31 December 2019. Level 2 inputs are observable and comprise an assessment of current market conditions, recent sales prices and other relevant information for similar assets in the locality.

The fair value of the company's investment property as at 31 December 2019 was determined by an independent external valuer at that date. The valuations are in accordance with the Royal Institution of Chartered Surveyors ("RICS") valuation - Professional Standards ("The Red Book"). Fair values of investment properties are calculated using an income approach and the main assumptions supporting the valuation are in respect of rents due, extant leases and yields.

The valuation of the investment property was undertaken by Wilks Head & Eve LLP. As the future impact of Covid-19 is unknown, the valuation provided by Wilks Head & Eve LLP was reported on the basis of 'material valuation uncertainty'.

The property income earned by the company from its investment property, which is leased to tenants under non-cancellable operating leases, amounted to £175,780 for the year.

The historical cost of the investment property is £2,299,815.

10 Inventories

	2019 £	2018 £
Inventories	**11,076,938**	**-**

The cost of inventories recognised as an expense in the year amounted to £nil (2018 - £nil).

11 Trade and other receivables

	2019 £	2018 £
Trade receivables	**22,410**	**-**
Prepayments and accrued income	**63**	**-**
Other receivables	**34,645**	**-**
	57,118	**-**

All amounts are due within one year. The carrying value of receivables is considered a reasonable approximation of fair value.

12 Cash and cash equivalents

	2019 £	2018 £
Cash at bank	122,643	42,663

13 Current liabilities

	2019 £	2018 £
Trade payables	10,513	-
Accruals and deferred income	114,374	45,865
Trade and other payables	124,887	45,865
Other taxes and social security costs	-	6,282
Corporation tax payable	3,960	3,912
	128,847	56,059

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note. The company's exposure to market and liquidity risks, including maturity analysis relating to trade and other payables, is disclosed in the financial risk management note.

14 Non-current liabilities

	2019 £	2018 £
Borrowings	13,394,006	2,269,639

15 Borrowings

	2019 £	2018 £
Secured borrowings		
Loans and accrued interest due to shareholder	13,394,006	2,269,639
Amount due for settlement within 12 months	-	-
Amount due for settlement after 12 months	13,394,006	2,269,639

The loans from Reigate and Banstead Borough Council are denominated in sterling with an interest rate equivalent to the rate charged by the Public Works Loan Board plus 2%. The final repayment dates are between 19 February 2032 and 25 October 2034. The loans and accrued interest are secured on the freehold investment property and inventories.

16 Provisions for liabilities

Deferred taxation provided in the financial statements is as follows:

	Provided 2019 £	Provided 2018 £
Unrealised gain on revalued assets	-	35,681

Under IAS 12, a deferred tax provision is made for the tax that would potentially be payable on the revaluation of investment property at its fair value in these financial statements.

During the year £35,681 of the provision brought forward was released to the Statement of Comprehensive Income.

17 Share capital

	2019 Number	2019 £	2018 Number	2018 £
Allotted and fully paid				
Ordinary shares of £1 each	100	100	100	100

18 Reserves

Share capital
Represents the nominal value of shares that have been issued.

Revaluation reserve
Represents a non-distributable reserve arising on the revaluation of the investment property to its fair value.

Retained earnings
Represents accumulated realised profits less accumulated realised losses.

19 Operating lease arrangements

Property rental income earned during the year was £175,780. The lessees do not have an option to purchase the property at the expiry of the lease period.

At the balance sheet date the company had contracted with tenants for the following total future minimum lease receipts:

	2019 £	2018 £
Within one year	174,690	174,690
One to two years	123,563	174,690
Two to three years	98,000	123,563
Three to four years	98,000	98,000
Four to five years	32,667	98,000
In over five years	-	32,667
	526,920	701,610

20 Related party transactions

Reigate and Banstead Borough Council ("RBBC") (Shareholder)

During the year RBBC provided a further loan to the company of £10,988,471, bringing the total amount of loans received by the company from RBBC to £13,258,110 (2018: £2,269,639). Interest charged on the loans in the year amounted to £238,045 (2018: £102,361). At the year end £76,910 (2018: £25,801) of unpaid interest is included in accruals and £135,896 (2018: £nil) of unpaid interest has been added to the loan and included as part of the amount due to RBBC at the year end of £13,394,006 (2018: £2,269,639) (note 14). RBBC recharged its officer time spent dealing with company management and administration and this amounted to £35,367 (2018: £38,114). The balance outstanding at the year end is £18,258 (2018: £15,714).

W Pallett (Director)

During the year the company was charged £1,552 (2018: £1,015) for management services by Mr W Pallett.

21 Financial instruments

Categories of financial instruments

The company held the following financial assets:

	2019 £	2018 £
Trade and other receivables	57,055	-
Cash and cash equivalents	122,643	42,663
	179,698	42,663

The company held the following financial liabilities:

	2019 £	2018 £
Trade and other payables	106,993	45,865
Borrowings	13,394,006	2,269,639
	13,500,999	2,315,504

22 Post balance sheet events

The outbreak of coronavirus (Covid-19), which was declared by the World Health Organisation as a pandemic in March 2020, represents a non-adjusting post balance sheet event for the company. The directors acknowledge the general economic uncertainty caused by the Covid-19 outbreak and continue to monitor its impact on the company. At the date of approval of the financial statements, the directors are of the opinion that Covid-19 has had no significant impact on the company's activities.

23 Ultimate controlling party

The company is controlled by Reigate and Banstead Borough Council which owns 100% of the company's share capital.

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Horley Business Park Development LLP

Annual Report and Financial Statements

For the year ended 31 December 2019

Limited Liability Partnership Registration No. OC407343 (England and Wales)

Horley Business Park Development LLP

Limited Liability Partnership Information

Designated members	Reigate & Banstead Borough Council Berwick Hill Properties Limited Millhill Properties (Horley) Limited
Limited liability partnership number	OC407343
Registered office	Reigate & Banstead Borough Council Town Hall Castlefield Road Reigate Surrey RH2 0SH
Auditor	Moore Kingston Smith LLP Betchworth House 57-65 Station Road Redhill Surrey RH1 1DL
Business address	Reigate & Banstead Borough Council Town Hall Castlefield Road Reigate Surrey RH2 0SH

Members' Report

For the year ended 31 December 2019

The members present their annual report and financial statements for the year ended 31 December 2019.

Principal activities
The principal activity of the Limited Liability Partnership ("LLP") continued to be the development of a business park.

Members' drawings, contributions and repayments
Each member's subscription to the capital of the LLP and its conditions for repayment are determined by the members' agreement.

Members capital is classified as a liability and on ceasing to be a member of the LLP, a member is entitled to a return of their capital.

Details of changes in members' capital in the year ended 31 December 2019 are set out in the Reconciliation of Members' Interests.

Certain members have also provided loans to the LLP in accordance with loan agreements and the members' agreement. The loans have been treated as a liability and included as 'members' capital classified as a liability' rather than as loans made to the LLP which would be included as part of creditors. The members' consider this accounting treatment more accurately reflects the substance of the loan transactions. The loans are repayable in accordance with the member's agreement. On ceasing to be a member of the LLP, a member is entitled to a return of any loan amount and interest which have not previously been repaid.

The availability of drawings is dependent on the cash requirements of the LLP. The member's agreement makes provision for certain members to receive development management fees and other service fees prior to the allocation of the remaining profits among the members. There is no requirement for the members to make good losses.

Designated members
The designated members who held office during the year and up to the date of signature of the financial statements were as follows:

Reigate & Banstead Borough Council
Berwick Hill Properties Limited
Millhill Properties (Horley) Limited

Auditor
The auditor, Moore Kingston Smith LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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

Company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) the members 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing these financial statements, the members 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 limited liability partnership will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership’s transactions and disclose with reasonable accuracy at any time the financial position of the limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008). They are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor
Each of the members in office at the date of approval of this annual report confirms that:

- so far as the members are aware, there is no relevant audit information of which the limited liability partnership's auditor is unaware, and
- the members have taken all the steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the limited liability partnership's auditor is aware of that information.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

This report was approved by the members on and signed on their behalf by:

....
Reigate & Banstead Borough Council
Designated Member

....
Berwick Hill Properties Limited
Designated Member

....
Millhill Properties (Horley) Limited
Designated Member

Independent Auditor's Report

To the Members of Horley Business Park Development LLP

Opinion

We have audited the financial statements of Horley Business Park Development LLP (the 'limited liability partnership') for the year ended 31 December 2019 which comprise the Profit And Loss Account, 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 limited liability partnership's affairs as at 31 December 2019 and of its loss 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 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

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 limited liability partnership 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 members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership’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 members are responsible for the other information. The other information comprises the information included in the members' 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit; or
- the members were not entitled to prepare the financial statements in accordance with the small limited liability partnerships regime.

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement, the members 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 members 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 limited liability partnership 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.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the limited liability partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- Conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the limited liability partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the limited liability partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the limited liability partnership'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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Matthews (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP ....

Chartered Accountants
Statutory Auditor

Betchworth House
57-65 Station Road
Redhill
Surrey
RH1 1DL

Profit and loss account

For the year ended 31 December 2019

	2019 £	2018 £
Administrative expenses	(10,088)	(8,542)
Interest receivable and similar income	54	-
Loss for the financial year before taxation	(10,034)	(8,542)
Loss for the financial year before members' remuneration and profit shares	(10,034)	(8,542)
Loss for the financial year before members' remuneration and profit shares	(10,034)	(8,542)
Members' remuneration charged as an expense	-	-
Loss for the financial year available for discretionary division among members	(10,034)	(8,542)

Horley Business Park Development LLP

Balance Sheet

As at 31 December 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Current assets					
Stocks		1,218,467		1,086,314	
Debtors	**3**	21,317		49,637	
Cash and cash equivalents		244		17,482	
		1,240,028		1,153,433	
Creditors: amounts falling due within one year	**4**	(201,216)		(256,169)	
Net current assets			1,038,812		897,264
Represented by:					
Loans and other debts due to members					
Members' capital classified as a liability			1,079,728		928,146
Members' other interests					
Other reserves classified as equity			(40,916)		(30,882)
			1,038,812		897,264
Total members' interests					
Amounts due from members			(20,100)		(20,100)
Loans and other debts due to members			1,079,728		928,146
Members' other interests			(40,916)		(30,882)
			1,018,712		877,164

These financial statements have been prepared in accordance with the provisions applicable to limited liability partnerships subject to the small limited liability partnerships' regime.

The financial statements were approved by the members and authorised for issue on .... and are signed on their behalf by:

....
Reigate & Banstead Borough Council
Designated member

....
Berwick Hill Properties Limited
Designated Member

....
Millhill Properties (Horley) Limited
Designated Member

Limited Liability Partnership Registration No. OC407343

Reconciliation of Members' Interests

For the year ended 31 December 2019

Current financial year	EQUITY Members' other interests	DEBT Loans and other debts due to members less any amounts due from members in debtors			TOTAL MEMBERS' INTERESTS
	Other reserves	**Members' capital (classified as debt)**	**Other amounts**	**Total**	**Total 2019**
	£		**£**	**£**	**£**
Amounts due to members			(20,100)		
Members' interests at 1 January 2019	(30,882)	928,146	(20,100)	908,046	877,164
Loss for the financial year available for discretionary division among members	(10,034)	-	-	-	(10,034)
Members' interests after loss for the year	(40,916)	928,146	(20,100)	908,046	867,130
Introduced by members	-	51,775	-	51,775	51,775
Interest on capital	-	99,807	-	99,807	99,807
Members' interests at 31 December 2019	(40,916)	1,079,728	(20,100)	1,059,628	1,018,712
Amounts due to members			(20,100)		
			(20,100)		

Horley Business Park Development LLP

Reconciliation of Members' Interests (Continued)

For the year ended 31 December 2019

Prior financial year	**EQUITY**	**DEBT**			**TOTAL**
	Members' other interests	**Loans and other debts due to members less any amounts due from members in debtors**			**MEMBERS' INTERESTS**
	Other reserves	**Members' capital (classified as debt)**	**Other amounts**	**Total**	**Total 2018**
	£		**£**	**£**	**£**
Amounts due to members			(20,100)		
Members' interests at 1 January 2018	(22,340)	587,374	(20,100)	567,274	544,934
Loss for the financial year available for discretionary division among members	(8,542)	-	-	-	(8,542)
Members' interests after loss for the year	(30,882)	587,374	(20,100)	567,274	536,392
Introduced by members	-	259,400	-	259,400	259,400
Interest on capital	-	81,372	-	81,372	81,372
Members' interests at 31 December 2018	(30,882)	928,146	(20,100)	908,046	877,164
Amounts due to members			(20,100)		
			(20,100)		

1 Accounting policies

Limited liability partnership information

Horley Business Park Development LLP is a Limited Liability Partnership incorporated in England and Wales. The registered office is Reigate & Banstead Borough Council, Town Hall, Castlefield Road, Reigate, Surrey, United Kingdom, RH2 0SH.

The Limited Liability Partnership's principal activities are disclosed in the Members' Report.

1.1 Accounting convention

These financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" issued in January 2017, together 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 limited liability partnership. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principle accounting policies adopted are set out below.

1.2 Going concern

The LLP is in the process of developing a new business park with all directly attributable project costs incurred to date being carried forward as work in progress in the balance sheet. The development is currently in the approval phase and has yet to reach the stage where an application can be submitted for planning consent. The members are not aware of any matters that will prevent a planning application being made although there can be no certainty in this regard. The members have confirmed that sufficient funds will be made available to the LLP to enable it to continue with the development process and that the LLP has no capital commitments at the Balance Sheet date. The majority of current liabilities at the Balance Sheet date are represented by a deferred government grant and will be recognised over the useful economic life of the development once complete. The LLP has met the pre-conditions associated with the grant and so the members do not believe the grant is repayable. Based on these factors, the members therefore consider that it is reasonable for the financial statements to be prepared on a going concern basis

1 Accounting policies **(Continued)**

1.3 Members' participating interests

Members' participation rights are the rights of a member against the LLP that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed remuneration and profits).

Members' participation rights in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with section 22 of FRS 102. A member's participation rights including amounts subscribed or otherwise contributed by members, for example members' capital, are classed as liabilities unless the LLP has an unconditional right to refuse payment to members, in which case they are classified as equity.

All amounts due to members that are classified as liabilities are presented within 'Loans and other debts due to members' and, where such an amount relates to current year profits, they are recognised within 'Members' remuneration charged as an expense' in arriving at the relevant year's result. Undivided amounts that are classified as equity are shown within 'Members' other interests'. Amounts recoverable from members are presented as debtors and shown as amounts due from members within members' interests.

Where there exists an asset and liability component in respect of an individual member's participation rights, they are presented on a gross basis unless the LLP has both a legally enforceable right to set off the recognised amounts, and it intends either to settle on a net basis or to settle and realise these amounts simultaneously, in which case they are presented net.

Where members incur expenses on behalf of the LLP and then recharge those expenses to the LLP at cost, the costs are treated as administrative expenses and, if applicable, capitalised as work in progress. The recharged costs do not fall to be treated by the LLP as 'members' remuneration charged as an expense'. This accounting policy represents a departure from the SORP, which sets out the accounting principles of classifying amounts paid to members as 'members' remuneration charged as an expense'. The members consider that this accounting policy adopted represents the substance of the underlying transaction and is necessary in order that the financial statements give a true and fair view.

The profit and losses due to or from members, which have not been allocated until after the balance sheet date, are treated in these financial statements as unallocated at the balance sheet date and included within other reserves. In accordance with the members' agreement, there is no requirement for the members to make good any losses or negative balances on 'other reserves'.

1.4 Stocks

Work in progress comprises the development of a new business park. It is valued at the lower of cost and estimated net realisable value of the completed project. Cost includes all direct costs.

Borrowing costs which are directly attributable to the work in progress project are capitalised as work in progress and carried forward as an asset on the balance sheet. In the year borrowing costs of £99,807 (2018: £81,372) were capitalised in work in progress.

1.5 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.

1.6 Financial instruments

The LLP only has financial instruments classified as basic and measured at amortised cost. The LLP has no financial instruments that are classified as 'other' or financial instruments measured at fair value.

1 Accounting policies **(Continued)**

1.7 Equity instruments

Equity instruments issued by the limited liability partnership are recorded at the proceeds received, net of direct issue costs.

1.8 Taxation

No provision has been made for taxation in the financial statements. Each member is exclusively liable for any tax liabilities arising out of their interest in the LLP, which will be assessed on the individual member and not on the LLP.

1.9 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred it is recognised as deferred income and not deducted from the carrying value of the asset.

2 Judgements and key sources of estimation uncertainty

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period,or in the period of the revision and future periods if the revision affects both current and future periods.

Realisation of work in progress

The members estimate the net realisable value of work in progress, taking into account all available information at the reporting date. The work in progress is not forecast to be completed in the short to medium term and its ultimate successful completion may be affected by the outcome of uncertain future events. The success of the development is not currently assured. Having made appropriate enquiries, the members have a reasonable expectation that the development will progress to completion and that sufficient funding will be available to enable this to happen. On this basis, work in progress has been carried forward at cost.

3 Debtors

Amounts falling due within one year:	**2019** £	**2018** £
Amounts due from members	20,100	20,100
Other debtors	1,217	29,537
	21,317	49,637

4 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	-	116,204
Other creditors	201,216	139,965
	201,216	256,169

5 Loans and other debts due to members

In the event of a winding up the amounts included in "Loans and other debts due to members" will rank equally with unsecured creditors.

6 Events after the reporting date

The Members recognise that since the Balance Sheet date the worldwide COVID-19 pandemic has taken hold. The Members have assessed the impact of this on the LLP and consider any impact or delays to be short term only. As a result the Members believe that the LLP will be able to continue in business and meet its liabilities as they fall due for a period of at least twelve months from the date of approval of the financial statements.

7 Related party transactions

All members are considered to be related parties of the LLP.

Horley Business Park Development LLP

Management Information

For the year ended 31 December 2019

Horley Business Park Development LLP

Detailed Trading Profit and Loss Account

For the year ended 31 December 2019

		2019		2018
	£	£	£	£
Cost of sales				
Opening work in progress - long term	1,086,314		636,595	
Direct costs	132,153		449,719	
Closing work in progress - long term	(1,218,467)		(1,086,314)	
Gross loss		-		-
Administrative expenses		(10,088)		(8,542)
Operating loss		(10,088)		(8,542)
Investment revenues				
Bank interest received	54		-	
		54		-
Loss before taxation		(10,034)		(8,542)

Horley Business Park Development LLP

Schedule of Administrative Expenses

For the year ended 31 December 2019

	2019	2018
	£	£
Administrative expenses		
Legal and professional fees	208	-
Accountancy	2,020	-
Audit fees	4,595	5,542
Bank charges	182	-
Insurances	333	-
Telecommunications	2,750	3,000
	10,088	8,542

Company Registration No. 10339398 (England and Wales)

PATHWAY FOR CARE LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2019

PAGES FOR FILING WITH REGISTRAR

PATHWAY FOR CARE LIMITED

CONTENTS

PATHWAY FOR CARE LIMITED

BALANCE SHEET

AS AT 31 JULY 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	**3**		12,998		5,361
Current assets					
Debtors	**4**	795,085		71,447	
Cash at bank and in hand		3,888		19,271	
		798,973		90,718	
Creditors: amounts falling due within one year	**5**	(793,793)		(38,941)	
Net current assets			5,180		51,777
Total assets less current liabilities			18,178		57,138
Creditors: amounts falling due after more than one year	**6**		-		(187,974)
Net assets/(liabilities)			18,178		(130,836)
Capital and reserves					
Called up share capital	**7**		1,100,100		768,706
Profit and loss reserves			(1,081,922)		(899,542)
Total equity			18,178		(130,836)

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

For the financial year ended 31 July 2019 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

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

		2019		2018	
	Notes	**£**	**£**	**£**	**£**

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

....
P Green
Director

Company Registration No. 10339398

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, 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 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.

1.3 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.

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:

IT Equipment	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 Accounting policies **(Continued)**

1.4 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.

1.5 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.

1.6 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.

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.

1 Accounting policies **(Continued)**

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.

1.7 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.

1.8 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.

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 Accounting policies **(Continued)**

1.9 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.

1.10 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 Employees

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

	2019 Number	2018 Number
Total	59	5

3 Tangible fixed assets

	IT Equipment £
Cost	
At 1 August 2018	7,969
Additions	12,308
Disposals	(6)
At 31 July 2019	20,271
Depreciation and impairment	
At 1 August 2018	2,608
Depreciation charged in the year	4,665
At 31 July 2019	7,273
Carrying amount	
At 31 July 2019	12,998
At 31 July 2018	5,361

4 Debtors

	2019	2018
Amounts falling due within one year:	**£**	**£**
Trade debtors	312,919	71,328
Other debtors	236,617	119
	549,536	71,447
Deferred tax asset	245,549	-
	795,085	71,447

5 Creditors: amounts falling due within one year

	2019	2018
	£	**£**
Trade creditors	43,805	11,141
Taxation and social security	-	737
Other creditors	749,988	27,063
	793,793	38,941

6 Creditors: amounts falling due after more than one year

	2019	2018
	£	**£**
Amounts owed to group undertakings	-	187,974

7 Called up share capital

	2019	2018
	£	**£**
Ordinary share capital		
Issued and fully paid		
100 Ordinary of £1 each	100	100

7 Called up share capital **(Continued)**

	2019	2018
	£	£
Preference share capital		
Issued and fully paid		
Preference shares classified as equity	1,100,000	768,606
Preference shares classified as liabilities	(1,100,000)	(768,606)
	-	-
Total equity share capital	1,100,100	768,706

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

SIGNED OFF BY	Pat Main, Interim Head of Finance
AUTHOR	Catriona Marchant, Democratic Services Officer
TELEPHONE	Tel: 01737 276066
EMAIL	catriona.marchant@reigate-banstead.gov.uk
TO	Overview and Scrutiny Committee
DATE	Thursday, 22 October 2020
EXECUTIVE MEMBER	Chair of the Overview and Scrutiny Committee

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	**Constitution of Budget Scrutiny Review Panel 2020/21**

RECOMMENDATIONS

1. **To agree the membership of the Budget Scrutiny Review Panel and the timetable for scrutiny of the Budget for 2020/21 as set out in the report;**
2. **To agree the scope of the Budget Scrutiny Review Panel's work during 2020/21.**

EXECUTIVE SUMMARY

To consider the membership, timetable and scope of work of the Budget Scrutiny Review Panel during 2020/21.

BACKGROUND

1. The Executive at its meeting on 27 February 2020 supported the Committee's request in the Committee's work programme 2020/21 for the Budget Scrutiny Review Panel to be re-established for 2020/21.
2. The Committee is therefore requested to agree activity for the Panel for the year 2020/21. This will focus on consideration of the draft budget proposals for 2021/22.

Agenda Item 8

MEMBERSHIP

3. The Budget Scrutiny Review Panel is a 7 Member panel. The political proportionality requirements do not apply to scrutiny panels. However, the Committee has always sought to apply the principles. Therefore, this year's membership is as follows:

Conservative	4
Residents' Association	1
Green	1
Liberal Democrat	1

4. Meetings of the Panel are open to any Councillor to attend.
5. The Committee is asked to consider the nominations for Membership of the Panel, and the following have been received:

Conservative Party:	Nominations to be confirmed.
Residents' Association:	Cllr N. Harrison
Green Party:	Cllr J. Essex
Liberal Democrats:	Nomination to be confirmed.

The remaining nominations will be confirmed at the meeting.

6. The Committee is requested to approve the nominations made.

TIMETABLE

7. The indicative timetable for development of budget proposals for 2021/22 is as follows:

Event	Date
Executive: To approve the draft budget proposals for 2021/22 for formal consultation.	19 November 2020
Budget Scrutiny Review Panel: To consider and review the draft budget proposal.	3 December 2020
Overview and Scrutiny Committee: To receive the Panel's feedback and provide recommendations to the Executive on the draft budget.	9 December 2020
Executive: To consider the recommendations of the Overview and Scrutiny Committee on the Budget for 2021/22	17 December 2020
Executive: To approve the Proposed Budget for 2021/22, after considering Overview and Scrutiny Committee recommendations, and make a recommendation on the 2021/22 Council Tax to Full Council.	28 January 2021
Full Council: To consider the Council Tax for 2021/22.	11 February 2021

ROLE OF THE OVERVIEW AND SCRUTINY COMMITTEE

8. The Panel's activity will therefore focus on considering and responding to the draft budget proposals for the municipal year 2021/22 published by the Executive. As in previous years this is expected to focus on providing an opportunity for Panel members to review the draft budget proposals, raise questions, receive written responses and have an opportunity to meet to discuss them.
9. The Overview and Scrutiny Committee will consider the report of the Budget Scrutiny Review Panel at its meeting on 9 December and make any comments on the draft budget for 2021/22, for consideration by the Executive in line with the Council's Policy Framework and Budget Procedure Rules.

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

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

EQUALITIES IMPLICATIONS

12. 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.

13. 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.

14. The Committee, and the Review Panel, should ensure regard is given to these duties by considering them through the course of its work. This should include considering:
    - How budget proposals impact on different groups within the community, particularly those that share the protected characteristics;
    - Whether the impact on particular groups is fair and proportionate;
    - Whether there is equality of access to services 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.

Agenda Item 8

BACKGROUND PAPERS
• Overview and Scrutiny Committee Work Programme 2020/21

Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | 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 22 October 2020
EXECUTIVE MEMBER	Not applicable

KEY DECISION REQUIRED	No
WARDS AFFECTED	All Wards

SUBJECT	Overview and Scrutiny Committee's Work Programme 2020/21

RECOMMENDATIONS

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

REASONS FOR RECOMMENDATIONS

The work programme for the Overview and Scrutiny Committee was recommended by the Overview and Scrutiny Committee at its meeting on 20 February 2020 and was recommended by Executive on 27 February 2020 that it be approved by Council. Following Annual Council's decision on 28 May 2020 to constitute a separate Audit Committee, the Overview and Scrutiny Work Programme was updated.

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

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

EXECUTIVE SUMMARY

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

Work Programme 2020/21
The Work Programme 2020/21 is a useful tool in planning the overview and scrutiny work programme. The Future Work Programme will be updated before each meeting and feed into the Corporate Forward Plan.

Recovery Scrutiny Panel
A Recovery Scrutiny Panel will consider the Recovery Plan and workstreams set up by the Council following the Covid-19 pandemic and emergency response. Recommendations from this O&S Panel may lead to changes in the Work Programme.

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

STATUTORY POWERS

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

BACKGROUND

2. The Overview and Scrutiny Committee Work Programme 2020/21 was agreed earlier in 2020 and sets out a programme of activity that is in line with the Council's priorities.
3. This report requests the Committee to use the Overview and Scrutiny Committee Work Programme 2020/21 and Action Tracker as a tool to assist the Committee in managing its activities during the year.

OPTIONS

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

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

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

EQUALITIES IMPLICATIONS

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

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

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

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

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

COMMUNICATION IMPLICATIONS

9. There are no communication implications.

RISK MANAGEMENT CONSIDERATIONS

10. There are no risk management considerations.

CONSULTATION

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

POLICY FRAMEWORK

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

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

BACKGROUND PAPERS

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

ANNEXES

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

REIGATE AND BANSTEAD BOROUGH COUNCIL:

OVERVIEW AND SCRUTINY COMMITTEE WORK PROGRAMME

Date of issue: 13 October 2020

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
22 October 2020								
Pat Main, Interim Head of Finance	Deputy Leader and Portfolio Holder for Finance	Interim Head of Finance	**Medium-Term Financial Plan 2021/22 – 2025/26** To consider the Medium-Term Financial Plan 2021/21 – 2025/26	22 Oct 2020	28 July 2020		Open	PFP
Pat Main, Interim Head of Finance	Portfolio Holder for Finance	Head of Finance	**Capital Investment Strategy 2021/22** To review the Council's Capital Investment Strategy	22 Oct 2020	28 July 2020			
Kirsty Jane Hill, Democratic Services Officer	Portfolio Holder for Investment and Companies	Director of Commercial and Investment	**Companies Performance Update** To receive an update on the performance of Council companies.	22 Oct 2020			Part exempt	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Catriona Marchant, Democratic Services Officer	Chair of the Recovery Scrutiny Panel	Cath Rose, Head of Corporate Policy	**Recovery Scrutiny Panel** To consider the Panel's feedback and observations from the Panel's meeting on 14 October 2020.	22 Oct 2020	19 Nov 2020		Open	
Catriona Marchant, Democratic Services Officer	Chairman of the Overview and Scrutiny Committee	Interim Head of Finance	**Constitution of Budget Scrutiny Panel: Service and Financial Planning 2021/22** To agree the membership and constitution of the Budget Scrutiny Panel.	22 Oct 2020			Open	
3 December 2020 (Budget Scrutiny Panel)								
Catriona Marchant, Democratic Services Officer	Chairman of the Overview and Scrutiny Committee	Interim Head of Finance	**Budget Scrutiny Panel: Service and Financial Planning 2021/22** For the Budget Scrutiny Panel to (i) consider the provisional budget proposals for 2021/22; (ii) report back to the Overview and Scrutiny Committee with their findings; and (iii) make recommendations to the Executive in line with the Council's budget and policy procedure rules.	9 Dec 2020	17 Dec 2020		Part Exempt	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
9 December 2020								
Catriona Marchant, Democratic Services Officer	Portfolio Holders - Organisation	Director of Commercial and Investment	**Portfolio Holders Update – Organisation (December 2020)** To receive an update on the work of the Organisation Portfolios.	9 Dec 2020			Open	
Catherine Rose, Head of Corporate Policy	Portfolio Holder for Neighbourhood Services	Director of Place	**Environmental Sustainability Strategy** To consider the Council's environmental sustainability strategy.	9 Dec 2020				
Catriona Marchant, Democratic Services Officer	Chairman of the Overview and Scrutiny Committee	Interim Head of Finance	**Budget Scrutiny Panel: Service and Financial Planning 2021/22** To receive a report from the Budget Scrutiny Panel to i) consider the provisional budget proposals for 2021/22 and make recommendations to the Executive in line with the Council's budget and policy procedure rules.	9 Dec 2020	17 Dec 2020		Part Exempt	
Caroline Waterworth, Director of	Portfolio Holder for Investment and Companies	Director of Commercial and Investment	**Commercial Strategy (Part 1)** To consider the Council's	9 Dec 2020			Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Commercial and Investment			Commercial Strategy					
Pat Main, Interim Head of Finance	Deputy Leader and Portfolio Holder for Finance	Interim Head of Finance	**Treasury Management Half Year Report 2020/21** To consider the Treasury Management Half Year Report 2020/21.			10 Dec	Open	PFP
Luke Harvey, Project & Performance Team Leader	Deputy Leader and Portfolio Holder for Finance, Portfolio Holder for Corporate Direction and Governance	Head of Projects and Performance, Interim Head of Finance	**Quarterly Performance Report (Q2 2020/21)** To consider Council performance in the second quarter of the year with regard to Key Performance Indicators, Revenue and Capital Budget Monitoring and Risk Management.	9 Dec 2020	17 Dec 2020		Open	
21 January 2021								
Tom Borer, Policy Officer	Leader of the Council	Chief Executive	**Leader's Update (January 2021)** To receive an update on the work of the Council and future plans.	21 Jan 2021			Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Mari Roberts-Wood, Director of People	Portfolio Holder for Community Partnerships, Portfolio Holder for Housing and Benefits, Portfolio Holder for Wellbeing and Intervention	Director of People	**Portfolio Holder Briefing - People Portfolios** To receive a briefing from the People Portfolio Holders.	21 Jan 2021			Open	
Catriona Marchant, Democratic Services Officer	Chairman of the Overview and Scrutiny Committee	Interim Head of Finance	**Budget 2021/22, Capital Programme 2021 to 2026 and Council Tax 2021/22** To consider final budget proposals and make any final recommendations to Executive.	21 Jan 2021			Part Exempt	
Caroline Waterworth, Director of Commercial and Investment	Portfolio Holder for Investment and Companies	Director of Commercial and Investment	**Commercial Strategy (Part 2)** To consider the Council's Commercial Strategy	21 Jan 2020			Part Exempt	
Catriona Marchant, Democratic Services Officer	Chair of the Recovery Scrutiny Panel	Cath Rose, Head of Corporate Policy	**Recovery Scrutiny Panel** To consider the Panel's feedback and a further update from officers and make recommendations.	21 Jan 2021	28 Jan 2021		Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Catriona Marchant, Democratic Services Officer	Leader of the Council	Head of Legal and Governance	**Calendar of Meetings 2021/22** To consider the proposed schedule of meetings.	21 Jan 2021	28 Jan 2021	11 Feb 2021	Open	
18 February 2021								
Ross Spanton, Community Safety Officer, Justine Chatfield, Head of Community Partnerships	Portfolio Holder for Community Partnerships	Head of Community Partnerships	**Annual Community Safety Partnership Scrutiny - 2019/20** To review the work of the East Surrey Community Safety Partnership in 2020/21.	18 Feb 2021			Open	
18 March 2021								
Luci Mould, Director of Place	Portfolio Holder for Neighbourhood Services, Portfolio Holder for Place and Economic Prosperity, Portfolio Holder for Planning Policy	Director of Place	**Portfolio Holder Briefing - Place Portfolios** To receive a briefing from the Place Portfolio Holders regarding the Place business areas and their portfolios.	18 Mar 2021			Open	
Catriona Marchant, Democratic	Chair of the Recovery Scrutiny Panel	Cath Rose, Head of Corporate Policy	**Recovery Scrutiny Panel** To consider the Panel's	18 Mar 2021	25 March 2021		Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Services Officer			feedback and a further update from officers and make recommendations.					
Kirsty Jane Hill, Democratic Services Officer	Portfolio Holder for Investment and Companies	Head of Legal and Governance, Interim Head of Finance	**Companies Performance Update** To receive an update on the performance of Council companies.	18 Mar 2021			Part exempt	
Luke Harvey, Project & Performance Team Leader	Deputy Leader and Portfolio Holder for Finance, Portfolio Holder for Corporate Direction and Governance	Head of Projects and Performance, Interim Head of Finance	**Quarterly Performance Report (Q3 2020/21)** To consider Council performance in the third quarter of 2020/21 with regard to Key Performance Indicators, Revenue and Capital Budget Monitoring and Risk Management.	18 Mar 2021	25 Mar 2021		Open	
Pat Main, Interim Head of Finance	Deputy Leader and Portfolio Holder for Finance	Interim Head of Finance	**Treasury Management Strategy 2021/2022** To consider the Treasury Management Strategy for 2021/22.	18 Mar 2021	25 March 2021	8 April	Open	PFP
Catriona Marchant,	Chairman of the Overview and	Head of Legal and Governance	**Overview and Scrutiny Committee: Annual Report**				Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Democratic Services Officer	Scrutiny Committee		**2020/21** To consider the Annual Report of the Committee's work.					
Catriona Marchant, Democratic Services Officer	Chairman of the Overview and Scrutiny Committee	Head of Legal and Governance	**Overview and Scrutiny Committee: Proposed Work Programme 2021/22** To consider the proposed work programme for the Committee for 2021/22.	18 Mar 2021	25 Mar 2021	8 Apr 2021	Open	

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

Action tracker - Overview and Scrutiny Committee 2020/21 – Updated 14 October 2020

Meeting 2020/21	Subject and request	Action	Who	When	Completed
10 Sept 2020	Item 4 – Leader's Update	**Marketfield Way development – communications** Members asked for an update on the communications planned for Marketfield Way development in Redhill town centre including hoardings planned around the site.	Request to officers	Completed	Written response giving an update on communications ongoing and planned emailed to Members on 14 October. This included information about crane advertising, hoardings planned for the perimeter of the site, as well as social media campaigns and a planned newsletter.
10 Sept 2020	Item 6 – Q1 2020/21 performance report	**Feasibility Studies (Commercial Ventures) Reserve** – Members asked for a written response to give further information about the feasibility studies work on delivering change in Horley Town Centre.	Request to officers	Completed	Written response circulated to Members on 28 September 2020.
10 Sept 2020	Item 11 – Future Work Programme and Action Tracker	**Trust Funds** – Members had received a written response about ongoing work to trace and examine legal documents regarding Trust Funds including the Reigate Baths Trust Fund and Commons Trust to identify what the funds can or cannot be used for. It was noted that it would be a long and complex process as work involved	Request to officers	In progress	Written response circulated to Members on 3 September 2020 giving an update on work to trace and examine legal documents regarding Trust Funds.

		detailed examination of the trust deeds and consultation with the Charity Commission. Members asked for an update when available.			