Agenda

Executive

Thursday, 22 July 2021 at 7.30 pm

New Council Chamber, Town Hall, Reigate

This meeting will take place in accordance with Government guidance. The Executive will assemble at the Town Hall, Reigate. Members of the public, Officers and Visiting Members should attend remotely.

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

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

Mari Roberts-Wood
Interim Head of Paid Service

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

1. Apologies for absence

To receive any apologies for absence.

2. Minutes (Pages 5 - 12)

To approve the Minutes of the meeting of the Executive held on 24 June 2021.

3. Declarations of interest

To receive any declarations of interest.

4. Zero Carbon Retrofit - Supporting Raven Housing Trust to Improve Local Homes (Pages 13 - 18)

Portfolio Holder for Housing and Support and Portfolio Holder for Corporate Policy and Resources.

5. Community Infrastructure Levy Spending Update (Pages 19 - 34)

Portfolio Holder for Planning Policy and Place Delivery.

6. Community Centres (Pages 35 - 98)

Portfolio Holder for Community Partnerships.

7. Medium Term Financial Strategy 2022/23 to 2026/27 (Pages 99 - 188)

Deputy Leader and Portfolio Holder for Finance and Governance.

8. Capital Investment Strategy 2022/23 (Pages 189 - 250)

Deputy Leader and Portfolio Holder for Finance and Governance.

9. Statements

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

10. Any other urgent business

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

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

11. 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.

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

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

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

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

BOROUGH OF REIGATE AND BANSTEAD

EXECUTIVE

Minutes of a meeting of the Executive held at the New Council Chamber - Town Hall, Reigate on 24 June 2021.

Present: Councillors M. A. Brunt (Leader), T. Schofield (Deputy Leader), R. H. Ashford, R. Biggs, N. J. Bramhall, V. H. Lewanski, C. M. Neame and K. Sachdeva

In attendance: Councillors Blacker, Chandler, Elbourne, Harrison, Humphreys, Sinden, Tary, Torra, Turner *(Clerk's Note: Those Members marked 'In attendance' attended the meeting remotely.*

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Archer.

Councillor Humphreys joined the meeting remotely so could not vote at the meeting.

2. MINUTES

The Minutes of the meeting on 25 March 2021 were approved.

3. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

4. REIGATE & BANSTEAD 2025 ANNUAL REPORT 2020/21

The Executive Member for Corporate Policy and Resources, Councillor Lewanski, introduced the report which set out the progress made towards the Borough's corporate objectives in 2020/21. Annex 1 set out the success measures that the Council was reported against and Annex 2 set out the progress made towards the Council's Equality Objectives.

Councillor Lewanski explained that obviously the pandemic has had a direct or indirect impact on some areas of the Council's work. However, the reports showed that, as well as the Borough's comprehensive emergency response, it had made good progress on its corporate priorities.

The reports were considered by the Overview and Scrutiny Committee at their 17 June meeting who made a number of observations to the Executive. These were outlined by Visiting Member and Chair of Overview and Scrutiny, Councillor

Harrison, at the meeting. These included requesting more current information on environmental sustainability and carbon emissions and the need to assess the value of the actions taken throughout the year, both in terms of value for money, and feedback from residents. The Economic Prosperity budget was around £400k and Members asked for more detail on service spending which was not primarily business as usual or Covid-related. The Committee noted that around a third of residents surveyed had indicated that they did not feel well informed about Council services. O&S Committee Members asked the Executive to seek to understand and improve this figure and to consider new ways to engage with residents.

During the discussion, Visiting Members asked for local Borough information on emissions and the source of the employment sectors set out in contextual indicators which did not include manufacturing in the top 5 employment sectors locally. Written responses would be provided to Members.

RESOLVED that the Executive:

1. Notes the Reigate & Banstead 2025 Annual Report for 2020/21, and
2. Notes the Equality Objectives Progress Reports for 2020/21.

5. LOCAL CHARACTER AND DISTINCTIVENESS DESIGN GUIDE SUPPLEMENTARY PLANNING DOCUMENT

The Executive member for Planning Policy and Place Delivery, Councillor Biggs, set out the background to the planning guidance documents known as Supplementary Planning Documents (SPDs). The SPD recommended for adoption at this meeting was the Local Character and Distinctiveness Design Guide SPD.

Councillor Biggs highlighted that:

- The Planning Policy Team had revised the 2004 Local Distinctiveness Design Guide SPG to reflect changes in local planning and national policy.
- The document had been revised to reflect recent development trends and case studies over the past 17 years including in relation to Development in Residential Areas of Special Character (RASCs), importance of good window design, solar and photovoltaic panels, conversion and redevelopment of barns, farms and other buildings in the countryside and green corridors, parkways and soft edges.
- A new chapter on Design Process had been added to help achieve good design in new developments.
- Following Executive approval on 28 January 2021, the draft revised SPD went out for a four-week public consultation in February 2021. Twenty-four responses were received, and these were set out in the SPD's Consultation Statement.
- All Members had had the opportunity to contribute to the document and the final responses from the consultation and the Council's comments had been circulated to Overview and Scrutiny Committee Members.
- The 2004 Supplementary Planning Guidance (SPG) required formal revocation as stipulated by the Local Planning Regulations.

Members welcomed the comprehensive document and thanked the team who had worked on it. The Leader, Councillor Brunt, commented that it gave a good insight into the diversity of the Borough.

Visiting Members asked whether the document would prevent developers from clearing trees from potential development sites. It was noted that this was a matter for the Council's Tree Officer to make sure there was proper protection for trees which contributed to the character of the area.

RESOLVED that the Executive:

1. Adopts the Local Character and Distinctiveness Design Guide Supplementary Planning Document (SPD);
2. Revokes the Local Distinctiveness Design Guide Supplementary Planning Guidance (SPG) 2004.

6. FEES AND CHARGES POLICY FOR LICENCED MOBILE HOME SITES

The Executive Member for Neighbourhood Services, Councillor Bramhall, introduced the item: Fees and Charges Policy for Licenced Mobile Home Sites.

Councillor Bramhall highlighted that:

- The policy had been prepared to enable the Council to charge fees in relation to the licensing of mobile home sites, as permitted in law. This covers site licensing fees and also fees for the new Fit and Proper Person test, which comes into effect in July 2021.
- The policy will allow the Council to recover the cost of its work licensing and inspecting these sites, which had previously been done for no charge, as well as the new duty to assess the Fit and Proper Persons which will be a substantial piece of work.
- The site licensing fees proposed included: application for grant of a new mobile home site licence, application to vary an existing mobile home licence, transfer of an existing mobile home site licence, annual fee, and deposit of site rules.
- The revenue income generated will contribute to the existing income budget of the Environmental Health service which had previously expanded in expectation of the introduction of new fees and charges.
- There were some additions to the Officer Scheme of Delegation contained within the Council's Constitution in relation to Section 5 (Housing and other Residential Accommodation).

Visiting Members asked if the Fees and Charges Policy related to Traveller mobile home sites. It was confirmed that this policy did not relate to Gypsy and Traveller sites.

Clerk's Note: Members were given a follow-up written answer to provide further clarification on this question.

Members noted that the fees seemed quite low and asked if these would cover costs of the officers' work. It was confirmed that the fees and charges would cover the officer time to administer these new site licence fees. The new Fit and Proper Person test was similar to that for a public house licensee so that this person would

run the site within the rules. This was a positive step forward. Many mobile home sites were well run but some needed extra work and this test would help the Council keep a closer eye on these particular sites. It also gave reassurance to residents living on mobile home parks that the site was being properly assessed.

Members asked how a complaint could be raised against a Fit and Proper Person. Katie Jackson, Environmental Health Manager, said residents had the right to complain if they had complaints about standards of compliance and the Council can take enforcement action. More information would be provided as a written answer.

RESOLVED that the Executive:

1. Approve the Fees and Charges Policy for Licenced Mobile Home Sites provided as Annex 1.
2. Approve the additions to the Officer Scheme of Delegation contained within the Council's Constitution, as set out in Annex 2 in relation to Section 5 (Housing and Other Residential Accommodation) to go to Council.

7. APPOINTMENTS TO THE BOARD OF THE BANSTEAD COMMON CONSERVATORS

The Executive Member for Neighbourhood Services, Councillor Bramhall, introduced the item to consider appointments to the Board of the Banstead Commons Conservators. The Conservators maintain and protect the integrity of Banstead Commons, a strategic part of the green belt in Reigate and Banstead.

The terms of two Conservators, Mr Broad and Mr Mill, concluded at the end of March 2021 who were both seeking re-appointment. Mr Cassidy and Mr Hatcher were nominating themselves to the vacant positions which were for a period of three years.

The Leader thanked the candidates for their service and for putting themselves forward. Members were grateful for the work that they do to support Banstead Commons.

RESOLVED that the Executive:

1. Appoint Mr Broad and Mr Mill as the two representatives, for the period to May 2024, to fill positions that have come to the end of their term on the Banstead Commons Conservators, after considering their applications under Exempt business.

8. QUARTER 4 2020/21 PERFORMANCE REPORT

The Executive Member for Corporate Policy and Resources, Councillor Lewanski, outlined the Council's performance up to the end of Quarter 4 (January to March 2021).

Councillor Lewanski highlighted that:

- Of the 12 indicators reported on in Q4, all were on target or within the agreed tolerance.

- The Q4 report also included three contextual performance indicators for the Executive's awareness.
- The report was considered by the Overview and Scrutiny Committee on 17 June 2021. The Committee made no formal observations or recommendations to the Executive although it asked for more information about definitions of affordable housing and the number of affordable housing completions.

Visiting Member and Chair of Overview and Scrutiny, Councillor Harrison, noted that affordable housing was considered an important issue for the Committee. One of the areas related to homelessness which had showed a decrease compared to Quarter 3. More information and an update from the Portfolio Holder for Housing & Support, Councillor Neame, had been requested. Councillor Neame confirmed that she would be responding to the Overview and Scrutiny Committee.

Councillor Harrison also highlighted that Overview and Scrutiny Committee Members had noted the high number of referrals from the National Fraud Initiative on fraud cases. The Committee had had assurance from the Acting Head of Paid Service that robust action was taken against individuals making fraudulent claims such as claiming for Single Person households for Council Tax rebates.

The Deputy Leader and Executive Member for Finance and Governance, Councillor Schofield, outlined the provisional Revenue and Capital budget outturn for last year.

Councillor Schofield highlighted the following points to Executive Members:

- It had been a challenging year as a result of the global COVID-19 pandemic which was reflected in the final budget outturn position.
- The impacts of the pandemic had been closely monitored throughout the year and for 2020/21 and 2021/22 they should be contained within the additional funding provided to date the Government. But use of Reserves may yet be necessary to offset future ongoing costs or income losses if additional funding is not provided by the Government over the medium term.
- For Service budgets, the full year outturn was £17.9m against a management budget of £16.0m resulting in an overspend of £1.9m (12%). A key reason for this overspend was the inclusion of income losses as a consequence of the COVID-19 pandemic.
- For Central budgets, the outturn was £6.9m against a management budget of £9.7m resulting in an underspend of £2.8m (29%). This underspend was mainly as a result of an underspend in Treasury Management costs and an underspend against Budget Contingencies.
- The Capital Programme outturn position was £25.8m which was £99.4m (80%) below the approved Programme for the year. The variance was as a result of £98.6m slippage and a net underspend of £0.7m. The slippage will be carried forward to be included in the Programme for 2021/22 onwards.
- Responses to the advance questions from Overview and Scrutiny were circulated before the meeting.

Overview and Scrutiny Committee Chair, Councillor Harrison, recognised that it had been a challenging year but finished better than expected although the Government had not made up all the revenue shortfall. It was noted that the Covid-related costs had been separated out in the budget. Also, the Collection Fund was going to be in

deficit this year due to COVID-19 and the deficit recovery would be spread over three years. The service budgets of ICT and Legal were underspent. The underspend in ICT was due to projects that were put on hold due to the COVID-19 pandemic response with other areas being prioritised. The Committee was interested in the hybrid working project. It was also noted that the Council was proposing to build up Reserves to cover Covid costs in future years. Land at Reading Arch Road had been purchased as part of commercial investments. The summary giving income losses and revenue lost or recovered was welcomed by the Committee.

RESOLVED that the Executive:

1. Notes Key Performance Indicator performance for Q4 2020/21 as detailed in the report and annex 1;
2. Notes the Revenue budget outturn for 2020/21 as detailed in the report and at Annex 2 and approve the recommended budget carry-forwards to 2021/22;
3. Notes the Capital Programme outturn for 2020/21 as detailed in the report and at Annex 3;
4. Notes the forecast year-end Revenue Reserves position; including the new Reserves that have been established to manage COVID-19 funds.

9. RISK MANAGEMENT - QUARTER 4 2020/21

The Executive Member for Corporate Policy and Resources, Councillor Lewanski, updated the Executive on Risk Management in Quarter 4 2020/21. Annex 1 of the report provided an update on all strategic risks, including their rating and a summary of key updates.

Councillor Lewanski highlighted the following:

- No new strategic risks were identified in Quarter 4.
- One strategic risk was recommended for closure which was: SR4 – Partner Public Sector Funding Decisions. This was recommended for closure as the Council's funding reliance on Surrey County Council had reduced, thus reducing the potential impact of any funding or budget decisions that Surrey makes.
- The impacts resulting from partner public sector funding decisions going forwards will be covered in SR2 – Financial Sustainability in the 2021/22 Strategic Risk Register.
- There was one red-rated operational risk and the detail of this was provided in an Exempt Annex.
- This report was considered by the Audit Committee on 10 June 2021. The Committee made no formal observations or recommendations to the Executive.

Visiting Members asked about the Strategic Risk relating to Gatwick Airport and whether the Council had a contingency plan for the anticipated increase in claims for Universal Credit once the furlough scheme came to an end. It was confirmed that the Borough was anticipating a potential increase. The Interim Head of Paid Service, Mari Roberts-Wood, said that the most significant impact would be the

volume of work for staff. The Universal Credit claims that it processed on behalf of the DWP were up quite significantly.

RESOLVED that the Executive:

1. Note the Q4 update on risk management provided by the report and associated annexes
2. Approve the closure of the strategic risk on 'Partner Public Sector Funding Decisions' (SR4) as detailed in the report and in Annex 2.

10. STATEMENTS

There were none.

11. ANY OTHER URGENT BUSINESS

There was none.

12. EXEMPT BUSINESS

RESOLVED that members of the Press and public be excluded from the meeting for the following item (s) 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 1 of Part 1 and Part 7 of Schedule 12A of the Act; and

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

Members considered the Exempt annexes to Agenda items 7 and 9.

The Meeting closed at 8.27 pm

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

SIGNED OFF BY	Head of Paid Service
AUTHOR	Alison Robinson, Housing Strategy and Performance Manager
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TO	Executive
DATE	Thursday, 22 July 2021
EXECUTIVE MEMBER	Portfolio Holder for Housing and Support, Councillor Caroline Neame Portfolio Holder for Corporate Policy & Resources, Councillor Victor Lewanski

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT	Zero Carbon Retrofit – Supporting Raven Housing Trust to Improve Local Homes

RECOMMENDATIONS

(i) That the Executive supports the approach of assisting Raven Housing Trust to meeting their Net Zero Carbon emissions targets through re-investment of the Development Clawback into retrofitting local homes.

(ii) The Head of Finance be authorised in consultation with the:

- **Executive Member for Finance & Governance**
- **Executive Member for Housing & Support**
- **Head of Housing**

To agree and sign an Agreement with Raven Housing Trust so that the funds can be re-invested.

REASONS FOR RECOMMENDATIONS

Approval of the recommendations in this report will enable Raven to re-invest Development Clawback receipts received during 2021/22 into home improvements to make homes in the borough more energy efficient and reduce their environmental impact. This will also support meeting Raven's and the Council's targets on climate change and environmental sustainability and improve homes for local people.

EXECUTIVE SUMMARY

Our partner Raven Housing Trust is required to meet the Government's net zero carbon target for all its homes by 2050, this is likely to reduce to 2035. It is committed to a programme of retrofitting resident's homes to improve energy efficiency and reduce environmental impacts. Tackling climate change is a mutual commitment requiring partnership working with businesses, local people and partners. The Council has already committed to tackling it in its published Environmental Sustainability Strategy.

To support meeting this target, Raven has requested the Council reinvest capital receipts arising from disposals, in advance of the expiry of the Clawback Agreement in March 2022. Increasing investment in retrofitting borough homes will benefit local residents. It is proposed that Raven will provide financial information regarding disposals and reinvestment of funds. As a major stockholder in the borough it is considered that the Council should be supportive of Raven's plan to work towards net zero carbon.

Executive has authority to approve the above recommendations.

STATUTORY POWERS

1. The Council has no statutory obligation to undertake this course of action but has general powers of competence under section 1 of the Localism Act 2011 to do anything that individuals with full capacity generally may do, subject to the provision of the Act.

BACKGROUND

2. In 2002 the Council completed the transfer of its housing stock to Reigate and Banstead Housing Trust, now known as Raven Housing Trust. A Large Scale Voluntary Transfer Agreement was agreed between the parties which covers many aspects of the future legal relationship between the Council and Raven.
3. One element, set out at the Sixteenth Schedule to the Transfer Agreement, is the Development Clawback Agreement. It sets out conditions and requirements relating to the sale of Raven assets until March 2022. In summary, in years 1-10 the Council received 50% of the sales revenues of asset disposals. In years 11-20 the proportion reduced to 25%. After 20 years the Council's interest in disposals ceases. Currently, eight months remain of the Development Clawback Agreement.

KEY INFORMATION

4. In Summer 2019 the Government became the first major economy to pass net zero carbon emissions into law. This committed the country to ending its contribution to global warming by 2050. Although it should be noted that the Government is seeking to bring this deadline forward to 2035 bringing greater financial pressure on housing providers. To achieve this, housing associations are assessing how they will achieve net zero homes across all their existing housing stock as well as implementing new ways to deliver new build homes at net zero carbon.

5. For Raven, the borough's largest social landlord, this means retrofitting 6,000 homes at a cost in excess of £97 million for borough homes. This is a significant challenge and Raven is committed to meeting it by making homes for local residents more energy efficient. This commitment coincides with the publication of the Council's own Environmental Sustainability Strategy and Action Plan in 2020. A coordinated approach to tackling this issue is needed across organisations.

6. Raven is seeking to achieve net zero carbon by reducing emissions by 85 percent of existing levels. The focus of works will be on improving the fabric of buildings first and will include loft, cavity, and / or external wall insulation to minimise heat demand and improved glazing and doors. It will be followed by moving to more efficient and renewable energy sources for example solar photo voltaic panels, installing air source / ground source heat pumps as appropriate. Raven has made a start on achieving their target but needs financial support from the Council.

7. To support their work to reach net zero carbon, Raven has requested the Council reinvest capital receipts arising from disposals, in advance of the expiry of the Clawback Agreement on 24 March 2022, to enable them to increase investment in retrofitting borough homes thereby benefitting local residents.

8. Raven has agreed to provide regular financial statements detailing any disposals made until 24 March 2022 and details on how the capital receipts are used on stock in the borough. This arrangement will be formalised between the parties.

9. More generally, the Council will continue to work with Raven Housing Trust to explore other opportunities to secure Government funding to support for its retrofit programme.

OPTIONS

10. Option one: The Council could reject the proposal to reinvest development receipts due from any Raven disposals. This would enable the Council to retain receipts from the final months of the Clawback Agreement and invest them in its own Capital Programme. This is not recommended. The Council has committed in its Environmental Sustainability Strategy to being proactive about tackling climate change and this proposal would benefit local residents.

11. Option two: The Council could agree a partial reinvestment of receipts. This is not recommended. Raven has already undertaken detailed cost analysis of retrofitting their borough housing stock. The costs are significant amounting to in excess of £97

million for borough homes. Our own Environmental Sustainability Strategy indicates the costs of change and the need to support partners as much as possible.

12. Option three: The Council agrees to waive the Clawback Agreement to its expiry on 24 March 2022 and cap it. This is the recommended option. It will support Raven to deliver its net zero carbon target and the Council's own commitments to tackle climate change.

LEGAL IMPLICATIONS

13. The Council is entitled under the terms of the Transfer Agreement to a percentage of the disposals on a sliding scale for a period of 20 years. The Council, can with the joint agreement of both parties to the agreement, alter the terms of it. It is proposed this be formalised through written consent in the form of a Waiver Agreement.

FINANCIAL IMPLICATIONS

1. The capital receipts received by the Council as a result of the Transfer Agreement have been used to support funding of the Capital Programme. In 2019/20 the Council received £1.4 million. In 2020/21 this reduced to £0.760 million. To date in 2021/22 receipts stand at nil.
2. The waiver of receipts will be capped at £1.0 million until expiry of the Agreement on 24 March 2022. Raven will be required to continue to supply information on disposals and also report how the receipts are spent.
3. This means that no more capital receipts from the Development Clawback will be available to be invested in the capital programme. However, it does not impact significantly on planned Capital Programme funding as the Development Clawback Agreement expires on 24 March 2022 and the Capital Programme did not include any assumed funding from this source beyond that date.
4. It is anticipated that the sum invested by Raven will be reported as being a capital grant to them in the Council's 2021/22 statement of accounts (subject to confirmation of the reporting approach with the external auditor at the time of preparing the accounts).

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

6. The Council has been undertaking a series of communications promoting its approach and priorities to tackling climate change. This decision supports tackling climate change, it is positive news for residents and endorses the Council's partnership approach. Raven is taking the lead within the social housing sector on climate change and sustainability in housing, this proposal will support a mutual commitment.

RISK MANAGEMENT CONSIDERATIONS

7. The potential risk to the Council's Capital Programme through loss of receipts has been considered. To date, in this financial year, no disposals have been made and the expected receipt is lower than previous years. The Programme is not reliant on receipts and therefore there is no risk to it.

OTHER IMPLICATIONS

- There are no other implications.

CONSULTATION

8. The Portfolio for Finance was consulted about the proposal.

POLICY FRAMEWORK

9. This proposal directly supports priorities within the Council's Five Year Plan. Reigate & Banstead 2025 commits the Council to the objective of environmental sustainability: including the need to reduce our own environmental impact, support local residents to do the same and make sure our activities increase the borough's resilience to the effects of climate change.
10. To take this objective forward, the Council agreed a new Environmental Sustainability Strategy and Action Plan in July 2020. This commits the Council to making the borough a more sustainable place to live through a series of actions directly, with residents and partners.

BACKGROUND PAPERS

1. Reigate & Banstead 2025: https://www.reigate-banstead.gov.uk/info/20205/plans_and_policies/280/reigate_and_banstead_2025
2. Environmental Sustainability Strategy and Action Plan : https://www.reigate-banstead.gov.uk/info/20065/environmental_sustainability_and_climate_change/1220/our_approach_to_environmental_sustainability

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

SIGNED OFF BY	Head of Planning
AUTHOR	Tanya Mankoo-Flatt, Principal Planning Development Officer
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TO	Executive
DATE	Thursday, 22 July 2021
EXECUTIVE MEMBER	Portfolio Holder for Planning Policy and Place Delivery

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards)

SUBJECT	Community Infrastructure Levy (CIL) Spending Update

RECOMMENDATIONS

(i) The Executive notes the updates for the projects in the current 5-year Community Infrastructure Levy (CIL) Strategic Infrastructure Programme (SIP) 2017-22.

(ii) The Executive notes the timetable and arrangements for preparing and agreeing a new 5-year SIP for 2022-27.

(iii) **The Executive notes progress on spending Local CIL funding since Local Area Advisory Panels were introduced in 2019**

REASONS FOR RECOMMENDATIONS

To help deliver the Five Year Plan objective to ensure new development is properly planned and sustainable, and therefore benefits the boroughs' communities, the Council collects Community Infrastructure Levy (CIL) and section 106 planning contributions, and invests it on supporting development, including through funding infrastructure projects.

This report provides an update on CIL funding collected from developments and spent to date for the "Strategic" element of the Council's CIL funds. It also covers the reporting arrangements for Local CIL.

The proposed new 5-year Strategic Infrastructure Programme (SIP) for 2022-27 will help to ensure infrastructure providers and the wider public are aware of this funding opportunity and provide a framework for investment in coming years.
EXECUTIVE SUMMARY
The Council's Strategic Infrastructure Programme (SIP) provides a framework for the allocation of the strategic portion of CIL over a 5-year period, giving clarity about the Council's infrastructure priorities. Annual review of the SIP helps to ensure that it remains reflective of the Council's priorities, and that the strategic portion of CIL funds is available when needed to support projects. In July 2017, the Executive approved the 2017-022 SIP, along with procedures for administering, reviewing, and updating the SIP. Progress on funding and delivery of the current SIP priority projects is provided in Annex 1. An invitation for new project bids to be (at least part) funded by Strategic CIL will be sent out in autumn 2021, to inform the next SIP for the period 2022-27. The Local CIL fund is administered and spent in accordance with the arrangements agreed by the Executive in July 2018, and subsequently with the relevant Portfolio holder and with all councillors, as required by 19 July 2018, Executive Minute 23. This streamlined system involves meetings of four Area Advisory Panels, with the exception of the Horley Town Council and Salfords and Sidlow Parish Council areas as those councils administer the Local CIL generated in their areas. The cost of this work is reported within the Planning Policy budget and is part-funded through an annual administration contribution (5% of CIL received) which funds the CIL Officer and Spending Support Officer posts.
Executive has authority to approve the above recommendations

STATUTORY POWERS

1. The Council has discretionary powers under the Planning Act 2008 (as amended) and the Community Infrastructure Levy Regulations 2010 (as amended) to introduce and to operate a levy on new development for the purpose of funding infrastructure and helping to address the cumulative impact of development on the area.

BACKGROUND

2. Following the adoption of the Core Strategy in 2014 and independent examination of development viability and other evidence in late 2015, in April 2016, the Council introduced the Community Infrastructure Levy (CIL) in the borough. Focussing on new build residential development, in April 2016, the Council adopted a range of CIL rates across different areas of the borough for new residential buildings, and also for convenience retail stores.
3. The Council must spend (or pass to others to spend) the Strategic portion of the CIL on "infrastructure" to support development of the area. The aim is to use CIL to address the infrastructure funding gaps through mitigating the cumulative impacts of development, which cannot be addressed through a s106 planning obligation.

4. For the purpose of CIL, “infrastructure”, includes open spaces, road and transport facilities, school and other educational facilities, flood defences, sporting and recreational facilities, and medical facilities. CIL guidance advises that infrastructure also includes cultural and sports facilities, district heating schemes, police stations and other community safety facilities.

5. The amount of CIL collected has built up over the past five years, and now far exceeds the amount that was originally estimated in 2017 to be collected over that period.

KEY INFORMATION

CIL Strategic Infrastructure Programme (SIP) Annual Review

6. The Strategic Infrastructure Programme (SIP) for 2017-22 was agreed by the Executive in July 2017. The SIP provides an indication of the projects that the Council has agreed to support with “strategic” Community Infrastructure Levy (CIL) funding (which is 80% of the CIL collected in the borough).

7. Inclusion in the SIP is not a formal commitment by the Council to fund that project. Release of Strategic CIL funding for agreed SIP projects will only be made where a project is at a suitable stage in its planning and delivery, and where other match funding required is available, amongst other measures.

8. When the current SIP was agreed in July 2017, the Executive delegated authority to the relevant Head of Service, in consultation with the relevant Portfolio holder(s) to allocate CIL monies to infrastructure providers for projects on the SIP, in order to allow timely transfer of CIL funds when needed. Allocation is made only once a formal Funding Agreement has been signed by both parties and added to the Council’s contract register.

9. In 2017 it was estimated that around £3-£4m would be collected for the Strategic CIL fund in the period 2017-2022, based on expected housing delivery through new builds. As of 1 May 2021, £9.25m had been collected, of which £7.4m was for the Strategic CIL fund.

10. As can be seen from the 2021 review at Annex 1, the SIP 2017-22 is progressing well, with almost £1m of Strategic CIL spent since 2017. Of the 12 project groups in the current SIP (consisting of 17 SIP projects in total) 6 projects have been funded to date, with one year for the current SIP.

11. One of the Council’s key priorities is the improvement of the junction at A23 / Three Arch Road / Maple Road, for vehicles, pedestrians and cyclists. The Council continues to work with Surrey County Council to secure the delivery of this key project, including considering other additional funding sources, and potential for a greater proportion of CIL funding (the original CIL allocation represented about 25% of the estimated project cost at the time). With the Greater Redhill Sustainable Transport Package Phase 2 (of which this project was to be part), would have provided 100% of the match funding for the Coast to Capital LEP funding.

12. As well as the 5-year SIP, at its meeting of 13 July 2017, the Executive also agreed that 10% of all “strategic” CIL funding be set aside each year for urgent or unanticipated projects. The 10% of strategic CIL to 1 May 2021 is £740,000.

13. Following agreement of the 5-year SIP in July 2017, with the agreement for annual review (and where appropriate updating) the first annual review was presented to the Executive in July 2018. The 2018 Executive meeting also agreed the index-linking of the project amounts in line with the change in construction cost indicator (from Building Cost Information Service (BICS), in order that the relative value of the CIL contribution does not reduce over time between being allocated in the SIP in 2017 and delivery of the project.
14. A wide-ranging Local CIL community consultation was carried out in 2019, which resulted in no SIP review that year. The results of the 2019 community consultation are available on the Council's website. Officer redeployments during the COVID-19 pandemic meant that it was not feasible to review the 5-year SIP in 2020.
15. Council officers have been liaising with the project delivery organisations as the SIP projects are worked up, and costs delivery timescales change, as is common with many infrastructure projects.

New 5-year SIP: timetable and arrangements

16. The current 5-year SIP runs to July 2022.
17. An invitation for submission of new strategic project bids to be (at least part) funded by the Council's Strategic CIL will be sent out to infrastructure providers active in the borough for a fixed period, potentially 6 weeks, in autumn 2021. The project bidding form and the assessment criteria that were used in 2016, are being refined in light of lessons learnt from the Council's first SIP and may be updated. During the bidding period, CIL officers will arrange to hold discussions with relevant Borough Council and County Council officers, and other infrastructure delivery organisations about potential project bids.
18. Once the bidding period is ended, all bids received, as well as all outstanding projects from the 2017-22 SIP, will be fully assessed, and a list of recommended projects to fund will be provided to the Executive in June 2022 to consider for agreement just before expiry of the first SIP. The Council's SIP for 2022-27 will coincide with the end of the current development plan period of 2027.
19. CIL rates are currently "nil" in Redhill and Horley town centre areas, as was required by the independent examiner who considered the Council's proposed rates in late 2015 (and reduced them from the £20 per sqm submitted). The Council's CIL rates could be reviewed alongside the preparation of a new Local Plan to which CIL rates are linked, depending upon the outcome of the Government's Planning Bill, expected in autumn 2021.
20. The Government White Paper, Planning for the Future (August 2020), proposed reforming CIL to introduce a new "infrastructure levy". This is proposed as new nationally set rate(s) being a fixed portion of the development value above a threshold. Section 106 planning obligations would also be overhauled. However, this proposal, similar in its design to the Planning Gain Supplement proposed in 2006, is generally unpopular, and it remains to be seen whether it will be implemented, and if so, in what form.

Spending Local CIL Funds

21. Whereas the Strategic CIL portion must be spent on funding "infrastructure", the Local CIL can be spent on a wider range of projects, provided the project "supports development of the area" by funding either the provision, improvement, replacement, operation or maintenance of infrastructure; or anything else that addresses the demands that development places on an area.

22. Following the Executive decision of July 2018, and the change to ward boundaries in May 2019, the ward-based allocation system for Local CIL funds was replaced with an area-based system. In accordance with the agreement of the Executive in July 2018, all councillors have had opportunity to input to the Terms of Reference for the Area Advisory Panels, which were agreed by the Head of Planning in consultation with the Portfolio holder for Planning Policy and Place Delivery. The first round of Local CIL Area Panel Advisory meetings was held in July 2019.

23. National CIL guidance advises that the use of local CIL funds should match priorities expressed by local communities. A survey held in late 2019 asked local communities their priorities for local improvements and invited project bids for Local CIL funding. The survey was promoted on social media, local media, by members, and the Council's website. The Council received over 385 responses. A summary of the survey results is available on the Council's website at:

    https://www.reigate-banstead.gov.uk/info/20088/planning_policy/20/community_infrastructure_levy_information/6

24. To date the Council has received approximately 290 bids for Local CIL funding. Of these, 19 were screened out as not complying with the legislative requirements regarding Local CIL spending. To date, 44 Local CIL project bids have had Local CIL funding "transferred" (i.e. spent), and a further 82 Local CIL project bids have had funding allocated to them but are not yet in a position to have funding transferred. Total Local CIL receipts to end of May 2021 was £1,404,579, with £511,428.24 already transferred (i.e. spent) of the £900,885 allocated.

25. As the CIL Local Fund generally funds smaller scale / lower value projects than the Strategic fund (delegated authority for authorising Local CIL spends is up to £100,000), a formal signed Funding Agreement is not considered necessary for CIL Local Fund projects. Instead, the applicant is required to confirm in writing that they agree to the Council's terms and conditions and will provide a timescale for project delivery.

26. Good practice is constantly evolving with local CIL spending, and it is anticipated that in the coming year speedier progress will be made to unlock projects with Local CIL funding allocation, which appear to be stalled and where funding has not yet been transferred. The appointment of a new dedicated CIL Spending Support Officer in spring 2021, funded from the 5% CIL Administration allocation, will pro-actively help to deliver projects with Local CIL funding allocated.

Reporting CIL Collection and Spending

27. The Council's first Annual Infrastructure Funding Statement (AIFS) 2020, covering 2019-20 was published in December 2020, and is available on the Council's website. An Infrastructure List in the AIFS sets out what the Strategic CIL portion may fund. There is now no restriction on S106 planning obligations also being used to fund

these items. This infrastructure list replaced the Regulation 123 Infrastructure List that was adopted in 2016. A link to the AIFS is available in the background documents to this report.

OPTIONS

28. Recommendation 1: The Executive notes the updates for projects in the current 5-year Community Infrastructure Levy (CIL) Strategic Infrastructure Programme (SIP) 2017-22.
    a. Option 1: Agree to note the updates to the SIP as presented at Annex 1. This option is recommended to ensure that the Council continues to support the sustainable development of the borough through provision of timely infrastructure and the improvements.
    b. Option 2: Do not note the updates to the SIP. This option is not recommended as it may leave the borough without the infrastructure it needs to support planned development.
29. Recommendation 2: The Executive notes the timetable and arrangements for a new 5-year SIP for 2022-27.
    a. Option 1: Agree to note the timetable and arrangements for preparation of the next 5-year SIP. This option is recommended to ensure that the Council's infrastructure providers and wider communities are alert to the opportunities presented by the preparation of a new infrastructure programme.
    b. Option 2: Do not agree to note the timetable and arrangements for preparation of the next 5-year SIP. This option is not recommended, as it will not help stakeholders to be involved in development of the new infrastructure programme.
30. Recommendation 3: The Executive notes spending of the Local CIL fund since Local Area Advisory Panels were introduced in 2019).
    a. Option 1: Agree to note the spending of the Local CIL fund since the Local CIL Area Advisory Panels were introduced in 2019. This option is recommended to ensure that the borough's infrastructure providers and wider communities are alert to the opportunities presented by the Local CIL, and that they and developers can clearly see the record of developer contributions set out in the Annual Infrastructure Funding Statement (the AIFS).
    b. Option 2: Do not agree to note spending of Local CIL fund since the Local CIL Area Advisory Panels were introduced in 2019. This option is not recommended as it would not maximise the opportunities presented by the Local CIL fund.

LEGAL IMPLICATIONS

31. National regulations and guidance define what the Strategic and Local CIL funding can be spent on, and how the Council must report this.
32. The Council's Legal Services Team has provided input to the Funding Agreement template which infrastructure providers are required to sign up to before receiving CIL receipts. The Constitution is due to be reviewed and the Scheme of Delegation will be amended to include the Council's Chief Finance Officer (CFO) alongside the

Head of Service and Portfolio holder for Planning Policy and Place Delivery to approve strategic CIL spending.

33. The Council is required to prepare and publish an annual report on developer contributions (both CIL and S106 planning obligations) received, allocated and spent in the borough for the previous "reporting year" (which is the financial year).

34. This national requirement replaces the former arrangement of reporting through Annual Monitoring Reports. The Council's first Annual Infrastructure Funding Statement (AIFS) was published on the Council's website in December 2020 and is provided as a background document to this report.

FINANCIAL IMPLICATIONS

35. Measures are in place to ensure that CIL is collected, recorded and spent in accordance with the Council's agreed financial procedures. The Planning team has day to day responsibility for maintaining CIL records while the Finance team ensure that these records are reconciled with the Council's accounting systems.

36. Delegating responsibility for decisions to release CIL funding to infrastructure providers to the Head of Service with the Portfolio holder for Planning Policy and Place Delivery has ensured the timely release of monies. Requiring providers of strategic infrastructure projects to sign up to a formal Funding Agreement protects the Council's CIL receipts against risk, as does the written agreement to Council's Terms of Grant for Local CIL funding.

37. CIL regulations allow for CIL administration costs to be funded from CIL up to a maximum of 5% of CIL receipts, per year. In 2020/21 this element of CIL spending was £57,333. From April 2021, this is funding two posts, the CIL Officer and the CIL Spending Support Officer, approximately £93,000.

EQUALITIES IMPLICATIONS

38. No direct equalities implications arising from this report have been identified.

39. The Council will include requirement for Equalities issues to be considered for all short-listed potential SIP-funded projects.

COMMUNICATION IMPLICATIONS

40. The relevant Council CIL webpages are updated to reflect the latest position with regard to both local and strategic CIL spending. The Local CIL Project Suggestion Form is kept on those pages, as a new funding bid may be made for Local CIL at any time.

41. The Policy Team will use its contacts database to advise infrastructure providers of the opportunity to bid for the new SIP in autumn 2021. A Strategic CIL Bid Form will be uploaded the website.

42. The AIFS provides an annual opportunity to publicise how much developer contributions the Council has collected to use to support development, and it has used developer contributions to support development in the borough. This is available on the Council's CIL webpages.

RISK MANAGEMENT CONSIDERATIONS

43. To manage potential financial and legal risks, SIP funding is subject to the beneficiary entering into a Funding Agreement with the Council. The Council's Legal Service and Finance Teams are involved in this process.
44. To manage potential reputational and / or legal risks if CIL is not administered, enforced and spent in a transparent way according to the legal requirements, the Council has adopted clear frameworks to CIL collecting and spending.
45. By engaging local communities and infrastructure providers active in the borough in spending the CIL, the Council helps to ensure that infrastructure and other improvements delivered using CIL funding reflects their priorities.

OTHER IMPLICATIONS

46. No other implications have been identified.

CONSULTATION

47. The Portfolio holder for Planning Policy and Place Delivery and Executive Members have been consulted on the contents of this report. The Council's Legal and Finance Teams have been consulted and provided input to this report.
48. A targeted consultation will be held in autumn 2021 directed at infrastructure providers active in the borough. This will include Borough and County Council services, as well as external organisations.

POLICY FRAMEWORK

49. Reigate & Banstead 2025 and the Council's development plan (the Core Strategy 2014; reviewed 2019 and the Development Management Plan 2019) are relevant to the SIP project assessment process. Both these documents form part of the Council's Policy Framework.
50. The projects included for prioritisation within the SIP will complement and support the delivery of corporate priorities, the Reigate & Banstead spatial strategy (the Core Strategy 2014 and Development Management Plan 2019), and the growth and development of the Borough. Both the CIL Local Fund and the Strategic Infrastructure Programme will help to deliver the infrastructure needed to support planned growth in the borough.

BACKGROUND PAPERS

1. Reigate & Banstead 2025

   https://www.reigate-banstead.gov.uk/info/20205/plans_and_policies/280/reigate_and_banstead_2025
2. Executive Meeting 19 July 2018 (Item 23: Community Infrastructure Levy Update, & Minute No. 23)
   https://reigate-bansteadintranet.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=215&Ver

=4

3. Executive Meeting 13th July 2017 (Item 5: Community Infrastructure Levy: Strategic Infrastructure Programme; & Minute No. 18)
http://democracy.reigate-banstead.gov.uk/aksreigate/users/public/admin/kab12.pl?cmte=CAB&meet=199&arc=71

4. Executive Meeting 7th January 2016 (Item 5: Community infrastructure Levy Approval and Implementation; & Minute No.79)
http://democracy.reigate-banstead.gov.uk/aksreigate/users/public/admin/kab12.pl?cmte=CAB&meet=180&arc=71

5. Community Infrastructure Levy Regulations
https://www.legislation.gov.uk/ukdsi/2010/9780111492390/contents

6. Community Infrastructure Levy Guidance
https://www.gov.uk/guidance/community-infrastructure-levy

7. Planning for the Future, White Paper (August 2020)
https://www.gov.uk/government/consultations/planning-for-the-future

8. Reigate & Banstead Annual Infrastructure Funding Statement (AIFS) 2020
https://www.reigate-banstead.gov.uk/info/20088/planning_policy/20/community_infrastructure_levy_information/4

Annex

Annex 1: 2021: Annual Review of Reigate and Banstead CIL Strategic Infrastructure Programme (SIP) 2017-2022

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Annex 1: 2021 Annual Update to the CIL Strategic Infrastructure Programme 2017-2022

Project Ref	Project Name	Scheme Promoter	Indicative CIL amount (with Index-linking)	Indicative date that CIL will be available	Update / comments
SIP-4	A240 shared footway and cycleway, Preston	Surrey County Council	£72,000 (indexed as of 2020 to £84,083.92)	2017 / 2018	The request to transfer £84,083.92 strategic CIL funding was made on 12 May 2020
SIP-16	Tattenham Health Centre surgery expansion with an additional consulting room	Tattenham Health Centre	£51,700	2017 / 2018	The request to transfer £51,700 strategic CIL funding was made on 27 March 2018 Planning permission (18/00195/F) was granted on 22nd March 2018. The prefabricated building installed within the Health Centre's internal courtyard has enabled the practice size to increase from 6,000 to over 6,500 patients, and has provided the health centre with space that pre - Covid was used as a room for training doctors and as a consequence provided more appointments for patients. During Covid times, it is used for face to face consultations with patients as it can be easily decontaminated in comparison with other consult rooms. The room has provided segregated working areas which has helped to keep the workforce safe. Due to its proximity of the room to the waiting room, frail elderly patients have easy access to the doctor.

SIP-11	Earlswood Common footpath restoration	Reigate & Banstead Borough Council	£49,900 (indexed to £56,007) RBBC Greenspaces advised that the final footpath cost was only £27,020	2017 / 2018	The request to transfer £27,020 strategic CIL funding was made on 14 July 2019. The timeframe for delivery of the Earlswood Common footpath restoration changed given the wider works at the Common, and the footpath restoration works have now been completed
SIP-14 St Bede's, Redhill and SIP-13 Oakwood school, Horley	Expansion of secondary school provision in Redhill and Horley Oakwood school, Horley (SIP-13) St Bede's, Redhill (SIP-14)	Surrey County Council	£500,000 (no indexation applied)	2018 / 2019	A total of £500,000 was allocated to assist in securing better quality school expansions at three SCC secondary schools, one in Horley and two in Redhill. As the expansion of Warwick School (SIP-15) was able to proceed without CIL funding, the allocated funding for secondary school expansion in the two towns was shared amongst the other two schools. The request to transfer £250,000 strategic CIL funding towards expansion of St Bede's, Redhill was made on 16 May 2019. The request to transfer £250,000 strategic CIL funding towards funding the installation of a new double modular Additional Learning Facility unit to provide for Special Educational Needs (SEN) at Oakwood, Horley was made in December 2019.
SIP-38	Redhill Library refurbishment	Surrey County Council	£308,000 (indexed as of 2021 to	2018/19	SCC plans to proceed with Redhill library refurbishment and upgrade to a more modern fit for future facility, although the plans and timescale have not been confirmed.

			£358,615)		Whilst it will be funded by SCC, the SIP contribution will enable a more comprehensive project to be undertaken. The project timescale, specification and cost are currently being revised.
SIP-35	Preston Regeneration – health and wellbeing / public realm	Reigate & Banstead Borough Council	£322,600 (indexed as of 2021 to £375,615)	2019/20	The Council continues to work with Surrey County Council to progress this project
SIP-36	Preston Regeneration – public transport	Surrey County Council	£340,000 (indexed as of 2021 to £395,874)	2019/20	The Council continues to work with Surrey County Council to progress this project, which includes installation of new bus shelters
SIP-42 Burstow Stream Flood Alleviation Scheme and SIP-37 Redhill Flood Alleviation Scheme	Burstow Stream and Redhill flood alleviation schemes	Environment Agency	£500,000 (indexed as of 2021 to £582,168 i.e. each £291,083.92)	2019/20	<u>Redhill Flood Alleviation Scheme</u> Detailed flood risk modelling of Redhill, incorporating both surface water and Main River flooding, has been undertaken. The EA has refined the Redhill modelling and has determined the location and number of properties at risk. It has also short-listed options to reduce this risk. Other funding has been secured from Flood Defence Grant in Aid (£750K) and Local Levy funding (£665K). The project may commence delivery in 2021, although project timing is currently under review. <u>Burstow Stream Flood Alleviation Scheme</u> The first phase of the Burstow Stream FAS was delayed in 2017/18 as part of a wider Environment

					Agency prioritisation exercise. The project commencing in 2018 with modelling work. The timeframe for delivery of the project has changed. CIL funding for the FAS is now anticipated to be needed after the current SIP, i.e. not before 2022
SIP-17	A23 / Three Arch Road / Maple Road junction improvements	Surrey County Council	£370,000 (indexed as of 2021 to £430,804)	2020/21	This is one of the Borough Council's key infrastructure priorities and is included in the Development Management Plan's Infrastructure Schedule. It also has the support of R&B Local Committee. The allocated SIP funding (SIP-17) represented about 25% of the anticipated project cost at the time of bidding (late 2016). The Greater Redhill Sustainable Transport Package Phase 2 (SIP-22a) includes this project amongst the five projects from R&B's Transport Strategy Forward Plan. Initial feasibility work was funded by S106 funding, With a public consultation on the initial scheme design options held between Nov 2018 and January 2019. Surrey County Council officers are working on detailed design for the junction improvements, funded by SCC and S106. Surrey CC officers advise that both the cost of preparing a detailed design, and the anticipated project cost have increased considerably since the bid was made in late 2016, and even with indexing of the SIP contribution, Surrey County

					Council officers advise of a significant shortfall in funding for the project, particularly as the anticipated LEP funding has not been forthcoming. It is likely that further CIL funding and potentially s106 planning obligation funding may be needed to deliver this project, and the Borough Council has advised SCC that other, non-developer contribution funding sources should be also be explored as the LEP funding appears not to be forthcoming.
SIP-22a	Greater Redhill Sustainable Transport Package Phase 2	Surrey County Council	£370,000 (indexed as of 2021 to £430,804)	2020/21	This package includes walking, cycling and junction improvements aimed at making travelling between Redhill, Reigate and Merstham by public transport, on foot and by bike safer, easier and faster. It expands on the STP Phase 1, which is completed. Surrey County Council has prioritised this project, with SCC revenue funding allocated for pre-business case feasibility work. This package includes the A23 / Three Arch Road / Maple Road junction improvements, as well as the A217 /Woodhatch junction (for which SCC has also applied to the DfT for “pinch point” funding towards its estimated project cost of £2.5m).
Banstead “Blue Light Hub” – consisting of	Blue Light Hub, Banstead		£500,000 (indexed as	2021/22	A total of £500,000 was allocated to the “Blue light” / “Emergency Services” Hub in Banstead.

SIP-8 Ambulance Make-ready Centre SIP-6 new Fire Station, Banstead		South East Coast Ambulance Service NHS Foundation Trust (SECAmb) Surrey Fire & Rescue)	of 2021 to £582,168)		The funding is for two projects, led by different organisations, on land within a single ownership. The transfer of £291,083.92 was requested in July 2021, to be used to part fund the total cost of £6,712,772.45 (excluding VAT) of a new Regional HQ facility incorporating a Make Ready Centre (MRC) at Banstead. Surrey County Council officers have advised that the Banstead Fire Station is unlikely to be in a position to progress to delivery within the current SIP period (ending July 2022). Assessment of the funding bid at the time noted that there was some uncertainty about the scheme's deliverability.
SIP-30	Reigate & Redhill Quality Bus Partnership (QBP)	Surrey County Council	£246,000 (indexed as of 2021 to £286,427)	2021/22	The QBP continued to be developed by SCC as a package of measures which could be delivered on its own or as part of the wider Redhill STP Phase 2 project, intended to make using the bus easier and more appealing.
Total Strategic CIL funding committed 2017-22			**£3,630,200**		Plus 10% of the Strategic CIL fund each year to be reserved for instances where the Borough Council is approached with requests for CIL funding for urgent or unanticipated projects. (See Executive Report 13 July 2017; paragraph 30) as of June 2021, this 10% is £740,000

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

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TO	Overview and Scrutiny Committee; Executive
DATE	Thursday, 15 July 2021 Thursday, 22 July 2021
EXECUTIVE MEMBER	Councillor Rod Ashford, Executive Member for Community Partnerships

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT	Community Centres Transformation

RECOMMENDATIONS

That the Overview and Scrutiny Committee:

i. Notes the proposals for the community centres and makes any observations for consideration by the Executive.

That the Executive:

i. Approve Option 1 and agree that the community centres in Banstead, Woodhatch and Horley will be operated by the Council as multi-use community centres.

ii. Agree that a programme of work commences to deliver multi-use community centres.

iii.	**Agree to the allocation of £15k from Corporate Plan Delivery Fund Reserve in 2021/22 to deliver re-branding and marketing for the centres.**
iv.	**Note the development of a budget growth proposal of £71k for new staff resource through service & financial planning for 2022/23 onwards to deliver and sustain this change.**
v.	**Agree that the oversight of this change and decisions on the operating model and service offer should be delegated to the Head of Community Partnerships in consultation with the Executive Member for Community Partnerships.**

REASONS FOR RECOMMENDATIONS

The community centres in Banstead, Woodhatch and Horley are significant, but partially underused council assets. They are currently used by a variety of occupiers and hirers and offer an older people's club where membership has declined over recent years. To reverse this decline the Council proposes to transform the centres into multi-use facilities that support the needs of all sections and age groups of the communities they serve, including older residents. The centres will be run in collaboration with local voluntary and community sector partners to provide for a greater focus on community enablement, a key aspect of the Corporate Plan.

EXECUTIVE SUMMARY

The report sets out a vision that our 3 community centres, in Banstead, Woodhatch and Horley, become vibrant, multi-use community centres supporting the breadth of our community.

Extensive engagement work was completed between December 2020 and March 2021 to inform the future of the community centres. This work confirms the value of the current centres' offer to those who use them, but also the significant potential to broaden the offer to the wider community, with a particular focus on providing spaces for residents of all ages to connect and focus on their wellbeing. This broader approach for the centres is about adding to the current offer. It builds on good practice for community spaces, which highlights the importance of focusing on the needs of the local community and engaging them in shaping the offer.

This report therefore recommends Option 1 as set out in this report, that the community centres evolve into multi-use community centres, expanding their reach across the whole community whilst continuing to support older residents. The offer at each centre will be different to reflect the local community and each centre will have its own local development

plan. There will be a strong focus on enabling volunteers of all ages to take roles in the centres that reflect their own interests and sharing these with others. There will be increased collaborative working with other organisations to ensure a broad offer across the whole borough, as well as partnership working with local organisations looking to meet local needs. Our community development team will work closely with our community centres team to support this.

To deliver this vision the report recommends: a programme of work to deliver this change; the allocation of £15k from the Corporate Plan Delivery Fund Reserve in 2021/22 to deliver re-branding and marketing; and, the development and submission of a budget growth proposal of £71k through the service & financial planning process for 2022/23 onwards. This budget growth will allow for additional capacity in the team who will work on developing and promoting the centres. The ongoing budget growth (if approved) will also result in a significantly expanded offer for residents thus increasing the community benefit of the centres.

STATUTORY POWERS

The Council has powers, under the Local Government Act 2000 to improve the social, economic and environmental well-being of the Borough's residents.

BACKGROUND

1. The community centres (Banstead, Woodhatch, Horley) operated for over 20 years on a partnership basis between the Council and three separate management committees. In September 2013 the Council Executive agreed to undertake a tendering exercise to procure a Community Centre contractor to operate the community centres. The outcome set for the procurement was to, "Appoint a partner organisation to operate the Council's community centres who will improve the overall range of services offered from the community centres and reduce the revenue costs of operating the centres." Following a tendering process Staywell, a charity specialising in older people's services, were awarded the contract.

2. The centres were operated by Staywell between April 2016 and March 2020. By mutual agreement this contract ended on 1st April 2020 and the running of the centres was brought back into the Council. The initial plan was to review the operation of the community centres over the summer of 2020 with the intention of setting a future vision for the centres in the Autumn of 2020. However, due to the COVID-19 pandemic these plans were delayed.

KEY INFORMATION

The case for change

3. The primary driver for the change is to increase the community benefit delivered by the community centres to residents.
4. The consultation and engagement undertaken between December 2020 and March 2021 highlights the value that existing users place on the current community centre service. However, this engagement and wider research, also identifies that an "over 50s club" model is now regarded by some as outdated. The older population is growing in the borough but needs are diversifying. The average age of members of the centres is now 82 and membership levels, whilst still healthy at over 1,100 members, are reported to have declined over recent years.
5. Residents highlight in their responses to the community centre survey a wide range of activities and support they think could helpfully be provided from the centres. Residents are supportive of the centres providing older people's activities. However, their top priority for the centres is the provision of services to support those of all ages experiencing loneliness and isolation. Whilst we can assume that there is a COVID-19 impact to this response it points to a strong desire for centres that enable people of all ages to connect.
6. Recent good practice and research points to the crucial importance in community spaces of service design and delivery with communities. Volunteering is also highlighted in research as a key route to wellbeing for people of all ages.

What will multi-use centres mean

7. The vision is for the centres to become vibrant multi-use centres. In moving to multi-use community centres the intention is to ensure that these are spaces that continue to meet the needs of older residents and also broaden their reach to the community as a whole. This will be locality based, the centres will seek to reflect the desires and needs of those in their area of the borough.
8. The operating model will focus on volunteer and community enablement, alongside partnership working. The centres already benefit from the significant support of volunteers and the Council will seek to broaden this with additional recruitment, training and support. We want to encourage volunteers of all ages to undertake roles that best reflect their interests and set up groups and activities for others where they wish to. Community Partnerships already has a strong track record of partnership working, with excellent connections to a large number of local stakeholders, providing opportunities to collaborate through the centres to improve outcomes for residents.
9. Centres will work closely with all areas of the Council reaching out to residents, with a particularly strong link to the community development team.
10. The focus on engagement includes the intention to work closely with all those with an interest in the centres including the former management committees. The model being explored is one of "friends" groups who inform centre activities and also fundraise.
11. The Council recognises that transport to the centres is a topic that a number of stakeholders have raised, noting transport was not a key barrier identified in the survey responses. The Council is keen to work in partnership with "friends" groups

and others to put arrangements in place that will meet the needs of residents of all ages who wish to come to the centres but do not have existing transport options.

Delivering the change

12. The change will be managed as a project with workstreams delivering against key elements of the change, to include:

- Centre specific development plans. As the approach is locality based each centre team is putting in place their own development plans, based around the needs of their own locality, working closely with community partnerships and wider partners.
- Rebranding, communications and marketing. The consultation and engagement work identifies that residents don't know what the centres offer or if they do know of the offer they largely identify it as only being for older residents. We therefore need to re-brand the centres as centres for all and undertake an ongoing marketing and communications exercise.
- Training and learning. We will support staff and volunteers at the centres to deliver the new approach, which will involve a range of training and learning opportunities.

13. The community centre project is managed through the People & Place officer Board. Subject to the agreement of the Executive to the recommendations in this report the project will complete the main delivery by the end of November 2021, including recruiting to the new staff posts.
14. It should be noted that the evolution of the centres will be ongoing beyond November 2021 and will involve an element of 'test and learn' as the centres establish what will work best and reflect resident needs and interests.
15. There are strong links to the Council's broader work on community development, wellbeing, older people's services and COVID-19 recovery as well as wider partnership work with Surrey County Council, NHS and other partners. Running the centres from within the Council allows us to work closely with, influence and respond rapidly to this wider agenda. The establishment of the food clubs at centres has already demonstrated this potential and exploratory partnership discussions with local voluntary organisations are already underway.

OPTIONS

16. Option 1 – Approve the recommendations in this report and commence a programme of work to deliver multi-use centres – **This option is recommended**.
17. Option 2 - The Council could continue to operate the community centres under the existing "As Is" arrangements with a core focus on older residents. However, this is likely to limit improved service delivery and future efficiency. This option is not recommended.
18. Option 3 – The Council could undertake an external tender exercise to procure a Community Centre Service model on a new multi-use basis. However, the experience and learning from the recent contract is that this is not likely to achieve

the benefits, in particular the wider community benefits, that the Council is seeking from the centres. This option is not recommended.

19. Option 4 - Cease delivery of service from community centres. It is realised that this option does not fit in with the Council's corporate plan or the responses from residents through the recent surveys and is unlikely to be accepted. It is included for the sake of completeness only. This option is not recommended.

LEGAL IMPLICATIONS

20. Section 2(1) of the Local Government Act 2000 enables the Council to use the power to promote well-being where it considers this will achieve any one or more of the following three objectives:

    a) the promotion or improvement of the economic well-being of its area
    b) the promotion or improvement of the social well-being of its area
    c) the promotion or improvement of the environmental well-being of its area

21. In operating multi-use community centres the Council is taking account of local circumstances and in particular the wishes and needs of the communities and residents that it serves.

FINANCIAL IMPLICATIONS

22. The Council is currently budgeting to spend £292k net to run the service in 2021/22. However, it should be noted that the income target is unlikely to be achieved due to the ongoing impacts of the COVID-19 pandemic (this will be reflected in the quarterly budget monitoring forecasts).

Community Centres Service	**Budget 2021/22 £**
Expenditure	592,700
Income	(300,600)
Net Budget	**292,100**

23. The Council is also budgeting to spend £83.2k from the Corporate Plan Delivery Fund to deliver the project in 2021/22 to cover the project manager salary and wider project costs.

24. To enable the centres to expand into multi-use centres reaching a wider number and breadth of the local community we are seeking approval to the allocation of a further £15k from the Corporate Plan Delivery Fund Reserve in 2021/22 to deliver re-branding and marketing for the centres. This is particularly to fund external expertise and materials to support a re-branding and re-launch of the centres and reflects the engagement and consultation feedback (see paragraph 12).

25. This report proposes the submission of a budget growth proposal of £71k through the service & financial planning process for 2022/23 onwards for new staff to start to deliver and sustain the change proposed in this paper. The additional growth is to cover the cost of a team leader post to lead the delivery of the centres and support

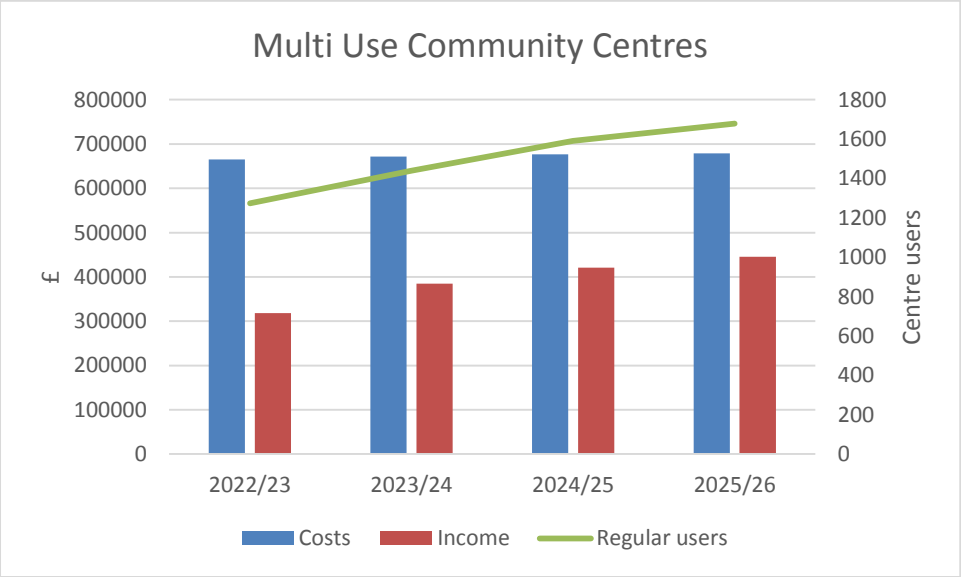
wide-ranging engagement, a part-time promotions & engagement officer and a contribution to transport to enable work with local partners to contribute to solutions that support travel to the centres for those who could not otherwise do so.

26. This funding will allow the service to grow usage of the centres over the next four years and reach the wider community, significantly increasing efficiency and therefore reducing the net cost per regular user.

27. A financial comparison has been completed between Option 1 - Multi-Use Community Centres and Option 2 - continuing the "As Is" Offer.

Option 1 – Multi-Use Community Centres

	2022/23 £	**2023/24 £**	**2024/25 £**	**2025/26 £**
Expenditure	665,389	671,462	676,543	678,802
Income	(318,170)	(384,559)	(421,027)	(445,413)
Net Budget Requirement	**347,218**	**286,903**	**255,516**	**233,389**
Projected number of centre users	1,274	1,439	1,591	1,679
Net cost per centre user	273	199	161	139



28. The basis for the multi-use option is:

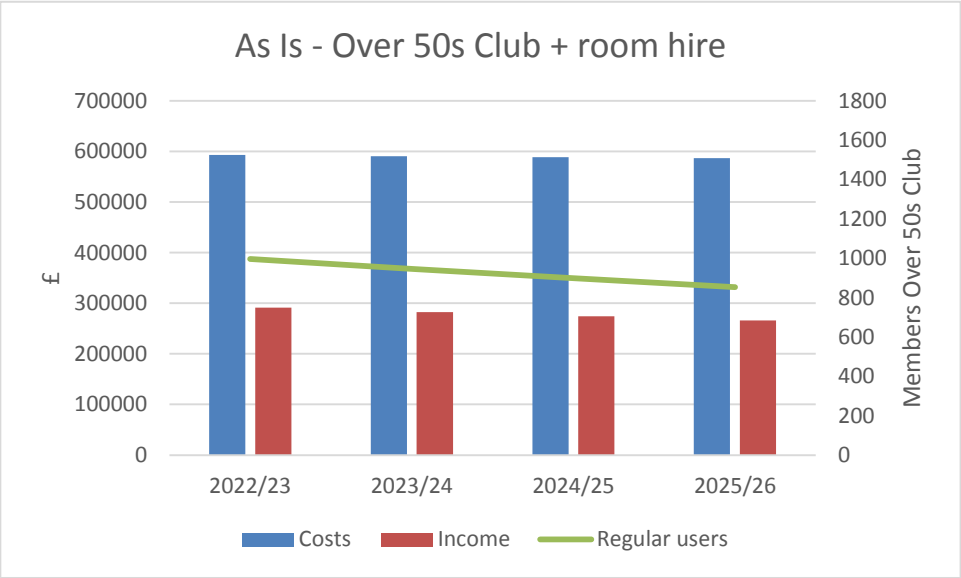
- The expenditure increases to reflect the increase in staff costs of £71k described above but also a small increase in variable costs linked to the growth of the centre e.g. the cost of food and consumables;

- The income growth comes from increases in the three main income lines for the centres: catering; activity income; and room hire. This is driven by a wider centre offer and increased promotion resulting in increased footfall;
- The wider centre offer and increased promotion result in increasing numbers of centre users from across the community. This will grow over time as the centres change and become more well known. The ambition for new users reflects membership numbers that were reported previously, so we are confident the centres have capacity, albeit our new offer is a much wider one so we hope to attract a diverse group of users as the centres grow;
- The projections have been completed by centre, based on each of the centres pre-covid levels of usage and the potential for growth.

29. By contrast if we continue with Option 2 "As Is", we expect to see members of an over 50s club and income gradually fall.

Option 2 – Continue "As Is" Offer

	2022/23 £	**2023/24 £**	**2024/25 £**	**2025/26 £**
Expenditure	592,700	590,500	588,500	586,500
Income	(291,238)	(282,344)	(273,895)	(265,869)
Net Budget Requirement	**301,462**	**308,156**	**314,605**	**320,631**
Projected number of over 50s club members	995	946	898	853
Net cost per member	303	326	350	376



30. The basis for the “as is” option is:

- The expenditure decreases based on a small decrease in variable costs linked to the decreasing use of the centres e.g. the cost of food and consumables;
- The income decreases because the catering and activity income decrease as use of the centre decreases. The room hire income would remain as it is in the 2021/22 budget;
- The fall in the projected number of members is based on our understanding of member attrition over recent years based on the current over 50s club membership offer. Despite the current team’s best efforts to recruit new members the nature of the current offer and the age of the current membership is resulting in attrition, here shown at 5%.

31. Comparison of the two options.

Net Budget Requirement	**2021/22 £**	**2022/23 £**	**2023/24 £**	**2024/25 £**	**2025/26 £**
Option 1 - Multi Use Centres	n/a	347,218	286,903	255,516	233,389
Option 2 – “As Is”	292,100	301,462	308,156	314,605	320,631
Increased / (Decreased) Net Costs	n/a	45,756	(21,253)	(59,089)	(87,242)

32. The comparison highlights that:

- the net budget for Option 2 is higher than the 2021/22 budget because we forecast that the income will slightly fall due to lower membership due to attrition, whilst costs remain largely the same because a large proportion of costs are fixed;
- the extra £71k requested for salary growth is included in Option 1 and increases the costs in this option but also drives income growth in comparison to Option 2.

33. A key financial risk to approving Option 1 – Multi-Use Community Centres is the forecast income growth and the extent to which this is achievable. This risk will be mitigated by close financial monitoring but also a ‘test and learn’ approach based on testing with users and partners which activities and offers are most successful, and best meet need, in which centres. This will allow us to identify further growth and therefore income streams as necessary.

Property Management Considerations

34. This paper focuses on the community centres service and related budgets. Community centre buildings are managed by the Council’s property team. They will

continue to be responsible for maintaining the buildings, for utilities and equipment and for leases and tenancies for occupiers e.g. hairdressers.

35. The current property management budget for community centre buildings is summarised below and is intended to support maintenance of the buildings in their current condition rather than any significant refurbishment.

Property Maintenance	**2021/22 £**
Revenue Budget Allocation	167,000
Income (leases/tenancies at will)	77,000

36. Community centre buildings, to differing degrees, are 'tired' having not been substantially invested in over recent years. The property team will be reviewing, as part of their broader work programme, the potential for building refurbishment to ensure the centres remain fit for purpose and support delivery of Option 1, including considering as far as possible environmental sustainability targets.

37. If a requirement for additional property maintenance investment is identified, above the existing budget allocations, a business case will be prepared, and budget growth approval sought through the annual service & financial planning process.

EQUALITIES IMPLICATIONS

38. An Equalities Impact Assessment has been completed, in particular noting the respondents and results of the survey. The intention is to support greater diversity of usage in the community centres. A key recommendation is to ensure close links between the centres and community development colleagues and a wide range of community groups to grow usage in a way that reflects the wide range of needs of the community, this will be ongoing.

COMMUNICATION IMPLICATIONS

39. The decision will be communicated to existing users and volunteers at the centres through newsletters and posters and to partners via a range of partnership channels. A public version of the consultation document will be published on the Council website and the centre pages of the website updated accordingly. Proactive lines will be prepared to confirm the new approach and the continued commitment to the centres.

40. As set out when describing the key project deliverables, the consultation and engagement work identifies that residents don't know what the centres offer or if they do know of the offer they largely identify it as only being for older residents. It is therefore crucial to re-brand the centres as centres for all and undertake a communications and marketing exercise. A proactive communications campaign to re-brand and market the centres and their offer is therefore planned to start from autumn 2021.

RISK MANAGEMENT CONSIDERATIONS

41. A project risk register has been created and will continue to be actively updated and monitored throughout the life of the community centre project. In particular, as noted in the financial implications section, there is a risk that the transformation and future operation may cost more than our initial projections or not result in the income growth or efficiency we are anticipating. This will be closely monitored by the Head of Community Partnerships in conjunction with the Head of Finance. If necessary, budget growth would have to be requested through the service & financial planning process as the scope of the development work required is confirmed.

OTHER IMPLICATIONS

42. In relation to the staffing of the centres the community centre project includes an HR workstream to deliver changes so that the staffing structure and job roles reflect the new focus on multi-use community centres. This will also include training and ongoing workshops.
43. This change does not involve a Full Time Equivalent (FTE) reduction, noting that subject to Executive agreement to the recommendations in this report there will be a small FTE increase (additional team leader and a part-time promotions & engagement officer).
44. However, with a new focus on delivering vibrant multi-use community spaces there will be a need to make changes in three areas. Firstly, many of the role descriptions are out of date and will require updating to reflect multi-use centres and the new approach. Secondly, the shift patterns of some roles may not meet the business need of multi-use centres and will be reviewed. Thirdly, some staff are not on current Council terms and conditions, it is not practicable from an equality perspective to keep staff on non-standard terms and conditions for the long term and therefore staff will be consulted on moving to Council terms and conditions, this will not have any detrimental impact on staff existing terms and conditions. A full consultation will be undertaken with staff later in 2021 on the proposed changes. No redundancies are anticipated, and all efforts will be made to avoid redundancies.

CONSULTATION

45. A consultation and engagement exercise has been undertaken between December 2020 and March 2021 which has included: 121 interviews with centre users; focus group discussions involving users, hirers and partners; and, surveys of both residents and centre members and volunteers. Over 1,200 responses have been received to the survey. The engagement report is a background paper to this paper. A summary version of the survey responses will also be published on the Council website.
46. Regular meetings have been held with the Executive Member for Community Partnerships. The Executive Member has chaired meetings of a Community Centre All Party Consultative Group. Officers have met with the former management committees of the centres.

47. Further consultation is planned in 2021. In particular with staff to consider the detail of the new operating model and the staff roles that result from this. Also, COVID-19 guidelines allowing, further focus group style engagement residents and partners is planned in 2021 to refine the approach.
48. We continue to engage with a cross-section of partners who do, or are interested in, using the community centres to support the reach of their services into our communities.

POLICY FRAMEWORK

49. The recommendations made here support the delivery of the Council's 2025 corporate plan. In particular the work will deliver against the People objectives to "Work with partners to create strong, safe and welcoming communities" and "Provide targeted and proactive support for our most vulnerable residents".
50. The corporate plan states the Council will "deliver community activities at our community centres around the borough". Noting that the community centres are also places from which the Council will support and work with community development, local community organisations and volunteers.

BACKGROUND PAPERS

1. Community Centres Survey Report Commentary
2. Community Centres Survey Slides
3. Equality Impact Assessment
4. Community Centre Outline Delivery Plan

Consultation on RBBC's community centres: understanding and meeting local needs

June 2021

Introduction

Reigate & Banstead Borough Council has embarked on a project to transform its three community centres at Banstead, Horley (also referred to as Regent House) and Woodhatch (in Reigate).

To progress the transformation, RBBC needs to:

- Develop the centres to meet local needs and interests
- Continue to support the needs of existing centre members, including reviewing the membership model.

To inform this work the council wanted to find out about residents' needs in the areas surrounding the centres, existing users' needs and what services the centres could offer to meet these. The council also wanted to understand the perception of the centres among users and the wider community and users' views on the topic of membership.

Through research, the council wanted to understand:

- Residents' awareness of the centres and the services they provide/have provided in recent years
- Residents' and members' preferences of services that could be provided through the centres
- Centre members' views on membership
- Feedback from current stakeholders in the centres on the existing community centre offer
- Ideas for new services
- Barriers to using/making more use of the centres

The council was also interested in how these factors differed between the three localities and among different demographic groups, such as age or gender.

RBBC has carried out three strands of research to meet these requirements:

- Demographic and geodemographic data analysis of each locality
- Exploratory qualitative discussion groups and interviews with centre stakeholders
- Quantitative surveys with centre users and residents.

These activities followed previous engagement with community centre staff and complemented other research, for example, into alternative models used elsewhere in Surrey and beyond.

Terminology

Current users of the centres were a key target audience in this research. The centres' users are mainly its members, that is, individuals who pay an annual membership fee and who use the services provided by each centre. However, in this report, the term users also includes volunteers who help run the centres and carers who assist friends or relatives use the services.

Additional context

This research has taken place during the Covid pandemic, specifically in the third lockdown. We do not know what impact the effect of the pandemic has had on participants' feedback and experiences

although some suggestions are discussed under Limitations (below). However, the council felt it was better to carry out the research sooner, taking into account possible influences of the pandemic on the results, rather than delay research altogether.

Methodology

Data analysis

RBBC completed two analysis exercises using publicly available datasets (e.g. census data from the Office of National Statistics) and geodemographic data from Mosaic, a consumer classification tool which gives more detailed insight into the demographics, lifestyles and behaviours of adults.

The first exercise analysed the membership databases of each centre and the second, a catchment area around each centre.

From the analysis, profiles of each group were produced, giving an overview of the age, gender, lifestyles and health of the centres' members and localities, and providing some context as to how services might need to evolve to meet future needs. See slides 2 and 3.

Interviews and discussion groups

To hear a range of perspectives of people closely involved in the centres, RBBC completed:

- 12 one-to-one, semi-structured phone interviews (four per centre) with volunteers and users with enhanced knowledge or experience of the centre. (Dec 2020 to Jan 2021)
- 3 group discussions (one per centre) over Zoom with 10-14 participants per group (Jan 2021)

The telephone interviews covered participants' involvement with the centre, what they thought the centre did well and less well, what they would miss if they did not go to the centre, who else in the community they thought could benefit from using the centre and how this support could be offered.

The discussion groups comprised current stakeholders of the centres and representatives of the wider community. To maximise the range of interests and experiences across the three groups and reflect the different types of locality each centre is based in, the composition of each group varied slightly.

Each session was attended by the relevant centre manager, the local RBBC community development officer and members of the former management committee from the centre. Other participants included committee members, hirers who had run activities, classes or other services, representatives of community or voluntary organisations, members and volunteers. The head of Community Partnerships observed each session which were run by the transformation manager for community centres and the consultation and insight officer.

The sessions were run as semi-structured discussions with a short presentation giving an overview of the community and the centre itself using the outputs of the data analysis exercises. Questions invited views about the centre's strengths and weaknesses, opportunities to meet other local needs, pros and cons of possible membership models.

Quantitative surveys

RBBC ran two self-completion surveys (15 Feb-22 March 2021). The results of the data analysis, interviews and discussion groups helped develop the questionnaires.

Survey 1: General public

- Paper survey delivered to 1,000 homes near each of the three centres (3,000 homes in total) with a covering invitation letter and Freepost return envelope

- Addresses selected using GIS data and local knowledge.
- Weblink provided in the letter to enable participants to take part online
- Weblink further publicised through RBBC's social media posts and other publicity such as a press release and item in Borough News.
- Question topics: awareness, use/barriers to use of the centres, preferences/ideas for current and future services, participants' demographics (e.g. age, gender, disability, postcode)

Survey 2: Centre members and volunteers

- Paper survey posted to all community centre members and volunteers with a covering invitation letter and Freepost return envelope (online access to survey available on request).
- Three versions of the survey produced: one for each centre (other than including the centre name, the questionnaires were otherwise identical)
- Number of surveys distributed: Banstead – 599, Horley – 127, Woodhatch – 480.
- The consultation was publicised in advance through the centres' newsletters.
- Question topics: use and barriers to use of the centre, reasons for using the centre, preferences and ideas around current and future services, views on membership, information about the participant (age, gender, disability, connection with the centre)

Timeline

Activity	When carried out
Data analysis	Dec 2020
Interviews	Dec 2020-Jan 2021
Discussion groups	Jan 2021
Surveys	15 Feb-22 Mar 2021

Limitations of research

The following factors may affect the findings and prevent the results being fully representative:

Self-completion methods introduce bias: e.g those with low literacy levels may be precluded from taking part, certain demographics more likely to participate. Participants were filtered through the survey according to their responses, therefore not all participants were asked all questions.

Covid: The restrictions presented by the pandemic have both influenced the methodology (preventing in-person face-to-face methods) and may have influence participants' feedback. E.g:

- Social isolation: with opportunities for social contact drastically reduced, those already experiencing isolation may have experienced this even more (or may be more used to it than other groups) while others might have experienced it for the first time.
- Closure of services: the community centres have largely been closed since March 2020. Other community services have also been closed intermittently during that time.
- Memory: centre users were asked about services they have not used for some time and this may affect their recollection. However, the survey asked about how important or valued the services were (which may be easier to recall) rather than factual details about them.

Participation

A full break down on completion numbers and rates is on slide 4. Below is a summary:

Survey 1: Centre members and volunteers

Using membership data for each centre, all users of each centre were surveyed, that is, current members, carers of members, volunteers.

In total, 1,206 people were invited to take part across the three memberships resulting in 500 responses – a mean response rate of 42%. Note that the Horley membership (127) is substantially lower than that of the other two centres (approx. 550). A detailed breakdown of participation is available on slide 4 of the results.

Survey 2: General public

Using the council's geographical information resources, a cluster of approximately 1,000 homes were mapped in the streets located most closely to each centre. This formed the primary sample for the survey of members of the general public. However, a weblink to the survey was also promoted to local residents through social media. The online link was available to anyone to use, including those who had received a paper copy of the survey through their door. Note, it was possible for individuals to complete the survey online and on paper (though we think this is unlikely). Therefore, it is not possible to calculate an overall response rate although slide 4 shows indicative rates based on completed paper surveys.

About our participants

Detailed demographic breakdowns of participants in the survey among the general public are available on slides 17 to 20. Based on home postcodes provided by participants, these are divided between the three localities to show an analysis by each area. By looking at all participants among this survey, it is possible to compare the breakdown with the borough's demography.

Based on mid-year ONS estimates for 2018, this table shows some groups are under-represented.

	General public survey participants	Borough
Gender: males are under-represented	Male: 27% Female: 71% Prefer not to say: 1%	Male: 49% Female: 51%
Age: Young people are under-represented	18-24: 0% 25-34: 5% 35-44: 15% 45-54: 17% 55-64: 20% 65-74: 21% 75-84: 14% 85+: 6% Prefer not to say: 1%	18-24: 8% 25-34: 15% 35-44: 19% 45-54: 19% 55-64: 15% 65-74: 12% 75-84: 7% 85+: 4%
Ethnicity: Black and minority ethnic groups are slightly under-represented.	White: 90% Mixed/multiple ethnic groups: 0% Asian/Asian British: 3% Black: African, Caribbean, Black British: 1% Other: 0% Prefer not to say 4%	White: 90% Mixed/multiple ethnic groups: 2% Asian/Asian British: 5% Black: African, Caribbean, Black British: 2% Other: 1%

Results

Detailed results from the survey showing key facts from the data analysis, survey headline result, charts and tables for survey question topics and additional analysis are on the attached slides. See

slides 5 to 10 for the results of the survey among residents' and slides 11 to 16 for the members' survey. An overview summarising the main findings is below.

Key findings

There is good awareness of the existence of the centres: around 80% of residents were aware of the council's community centre near to where they lived.

The current membership makes regular use of the services: 70% attend their centre at least weekly.

Among non-users, a lack of awareness of what the centres offer was most commonly cited as a reason for not using the centre, particularly among younger age groups (under 45s).

The user interviews and discussion groups suggested the services provided by the centres are not as well known in their communities as they should be with signage and marketing key areas to address.

There is a strong public perception that the community centres are for 'old people'. Definitions of 'old people' appears to link both to specific age groups (e.g. 65+) but also to negative culture views about ageing, for example, losing independence or deteriorating health/abilities.

Of the services provided in the current offer that people were most likely to say could be of use to them or their families were day trips, social activities and gentle exercise.

However, preferences varied by age and to a lesser extent by locality. For example, under 45s were more likely to select room hire as helpful while for the over 65s, day trips, foot clinics and gentle exercise were the priorities.

Looking ahead, residents felt support for loneliness would benefit their communities along with support for older people and those affected by dementia but views varied by locality.

Across localities, there was mostly a consensus in the services that were most important. There were some specific services favoured in certain areas. For example, Horley residents were more interested in poverty support when compared to other areas (slide 10).

There was little resistance to any of the suggested services, either among centre users or the wider public. However, a small minority in both groups felt some types of support should not be offered through the centres. This included children's and young people's services, support for people looking for work and support for people with mental health problems.

Other suggestions for activities included food banks/clubs, Citizens' Advice-type services, a plethora or social, health and educational activities.

For those who used the centre less frequently, being too busy and a lack of choice of activities were their main reasons. Cost, transport/access difficulties and lack of information about activities were barriers to some.

Among non-members, those who worked stated that the daytime operating hours of the centres meant that they could not make use of the current offer and that, e.g. evenings or weekend opening times would enable them to use their local centre.

Members cited company and companionship, physical activity and keeping mentally as key benefits.

Like the wider public, members' views of the services on offer and proposed varied slightly between the localities. However, members said they were looking forward to social activities, day trips, special events and gentle exercise when the centres re-opened. Services such as the hairdressers and hot meals were also frequently mentioned.

User interviews indicate that the centres (staff, volunteers, services and buildings) are highly regarded by users across all three areas.

The discussion groups and interviews revealed dual benefits to the community of using volunteers: first, they are a vital asset to the centres and, second, volunteering benefits the volunteers themselves. However, flexibility is needed to make best use of them, to balance their wants and needs with those of the centres, and more is needed to recruit, retain and involve them.

Some aspects of the centres received particular praise in the user interviews: e.g., in Horley the food and the centre staff, the management at Woodhatch, the celebratory lunches in Banstead.

Views about membership varied between the three centres, with Banstead members most likely to state that it was important. Woodhatch and especially Horley's membership are less supportive.

For those who felt it was important, this tended to be around commitment and a sense of belonging. For those who did not support membership, reasons were around opening the centre up to a broader range of people. There were also some concerns around affordability.

Recommendations

- Build on services currently provided which are well received by current users and introduce new ones to broaden the appeal of the centres to reach new audiences.
- Build on the assets of well-regarded volunteers and staff to aid the transformation.
- Review and invest in the marketing of the community centres, particularly in relation to perceptions of the centres being exclusively for older (70+) people.
- If needed, consider the impact that the negative perceptions around being old has on encouraging older people to use the centres.
- Consider testing the combinations of services highlighted through the analysis with stakeholders, such as with community development workers, or community members.
- Carry out further engagement research into the needs of men, younger people and minority ethnic groups and how these needs could be met.
- Continue engagement with current users as the centres transform.
- Feedback supports the idea of a locality-centred approach the developing the centres; although there was plenty of common ground across the three areas, there were also differences between the three areas.
- Both the qualitative and quantitative research revealed different views about membership between the localities. Finding an approach that suits most members may be a challenge and will require careful engagement and communication among the existing membership if the council is to retain them.
- The proportion of people who selected proposed services that they did not think should be offered is small – less than 10% in each case – but there is some consistency across the surveys, discussion groups and interviews. If the council plans to introduce these services (children's/parents/young people's activities, support for people looking for work, support for people with mental health problems), it may be worth finding out more about people's concerns and/or giving careful consideration to services are planned or promoted.
- Consider further exploring themes of companionship and loneliness. Both are current 'hot topics' in the media although loneliness has been of interest to the council pre-Covid. Exploring these further might give valuable additional context.

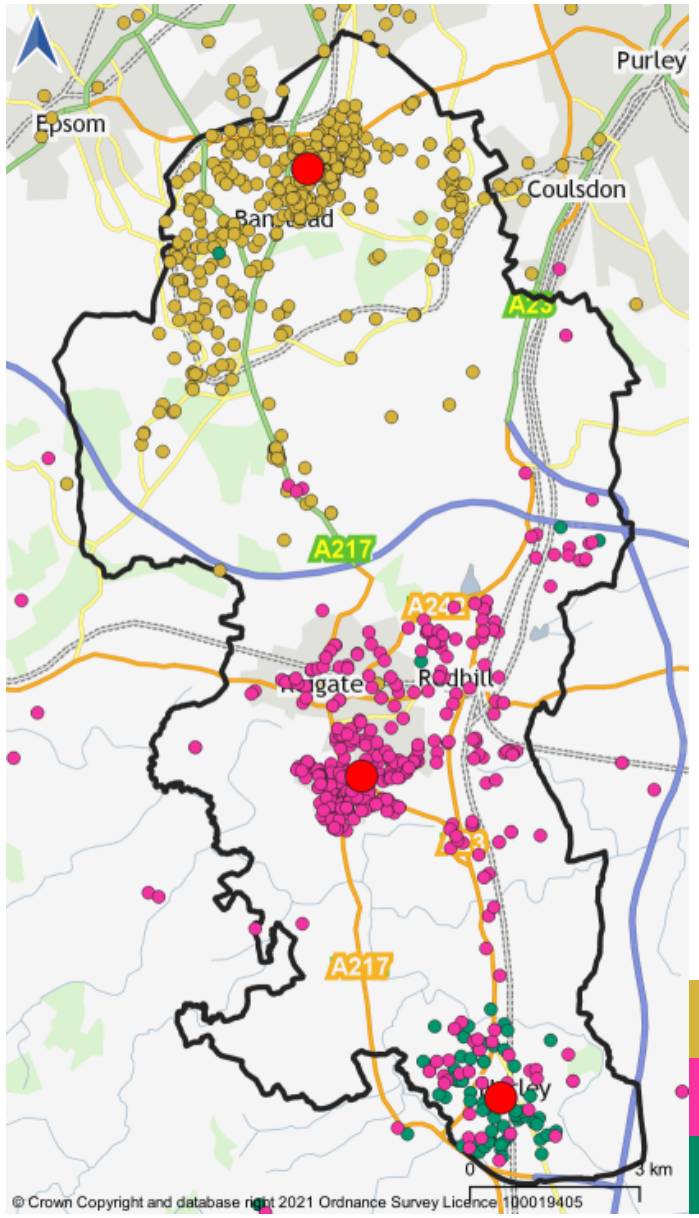
RBBC Community Centres

High level geographic review and detailed survey results

May 2021

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

Current member geographies



The majority of members live quite close to the community centre that they are a patron of

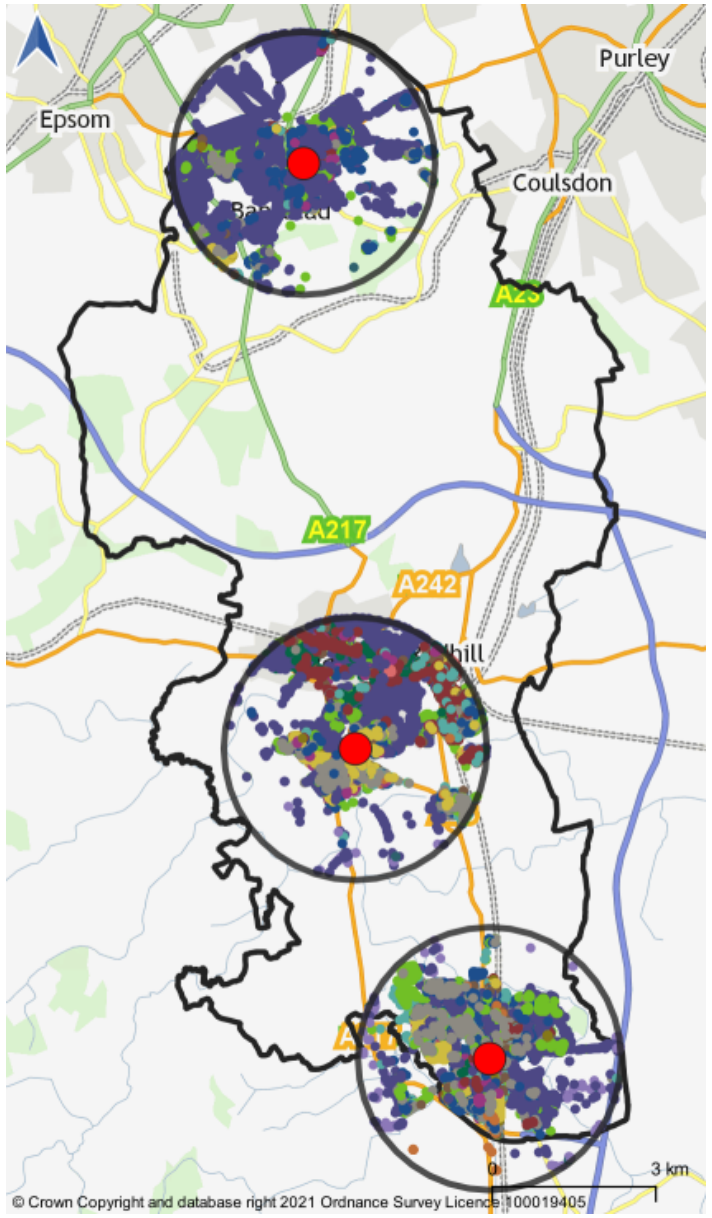
- Banstead seems to have the most members traveling from outside of the borough to visit their centre
- Woodhatch members also have long journeys to their centre. Interestingly, some members are even located within Horley and yet prefer to travel north
- Horley has the most concentrated group of members, with most of the members being within a 3km radius of the centre

Banstead

Woodhatch

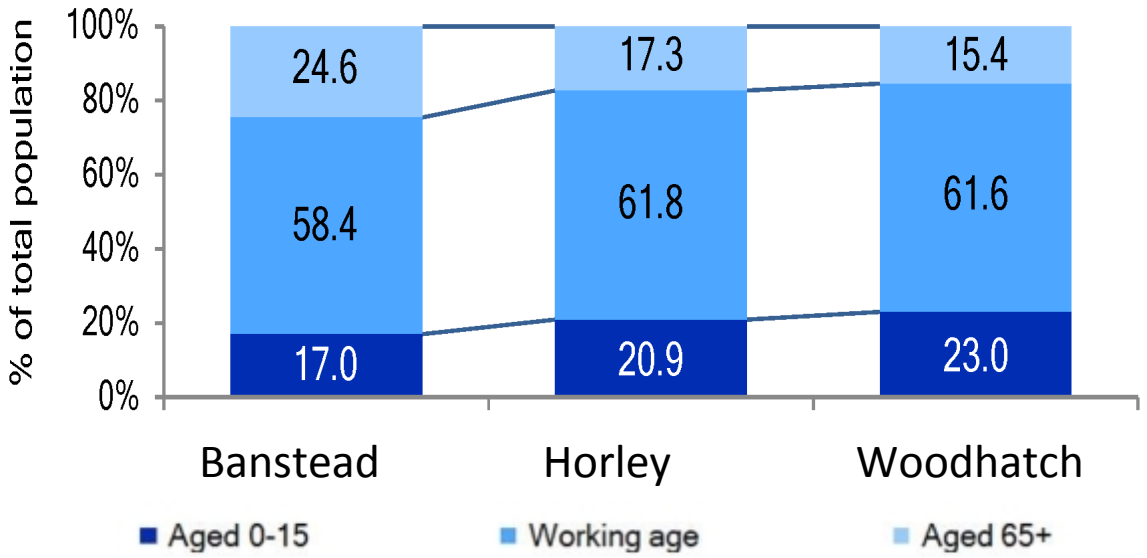
Horley

Household profiles



Looking at the mosaic profiles we can see how demographics differ between the residents

- The mosaic breakdown shows that Banstead has a very homogenous set of demographics which, from the below graph, appears to be older than the other regions
- Alternatively, Woodhatch and Horley both have younger residents and a lot more varied mix of mosaic classes (which only slightly overlap)



Good response rates to survey

	Number of surveys distributed (approx.)	Number of surveys completed	Number of surveys completed (online)	Number of surveys completed (paper)	Response rate % (based on no paper surveys competed)
Residents	3000	723	212	511	17%
Members (Banstead)	599	244	1	243	41%
Members (Woodhatch)	480	237	21	216	45%
Members (Horley)	127	43	2	41	32%

Residents survey summary

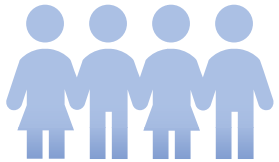
Over 50% of residents say they weren't a user of the centre, their most common barriers were:

- I did not know about it or the services it offered (25%)
- Other (21%) – wide range of comments mostly focused on an older peoples offer not being relevant to them
- I was not interested in its services (13%)

Top 3 current services residents though were useful for the over 50 population:

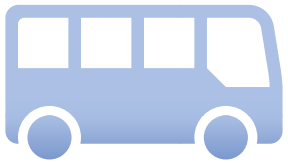
Exercise

39%



Social activities

38%



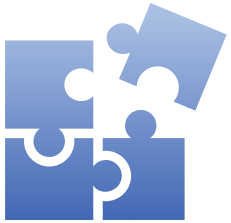
Day trips

39%

Top 3 potential services residents were interested in (for all residents):

Support for loneliness & isolation

84%



Older people's activities

83%

Wellbeing activities, exercise and relaxation

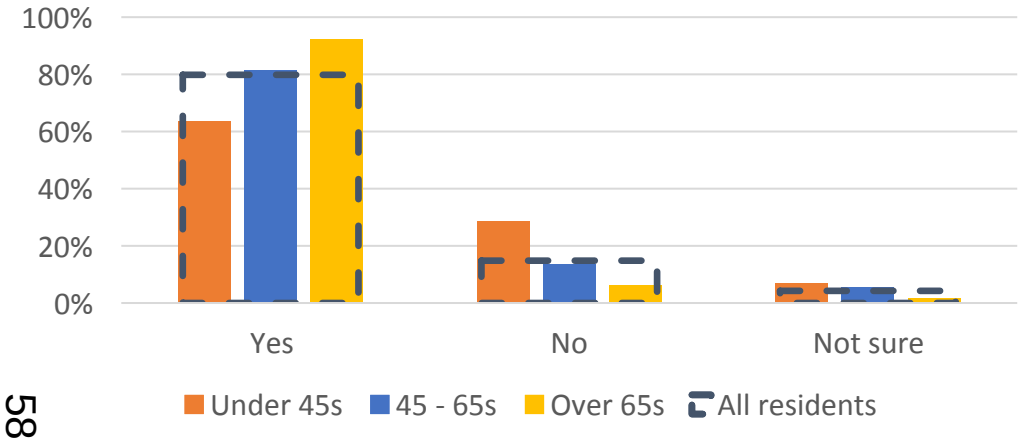
81%

n=723

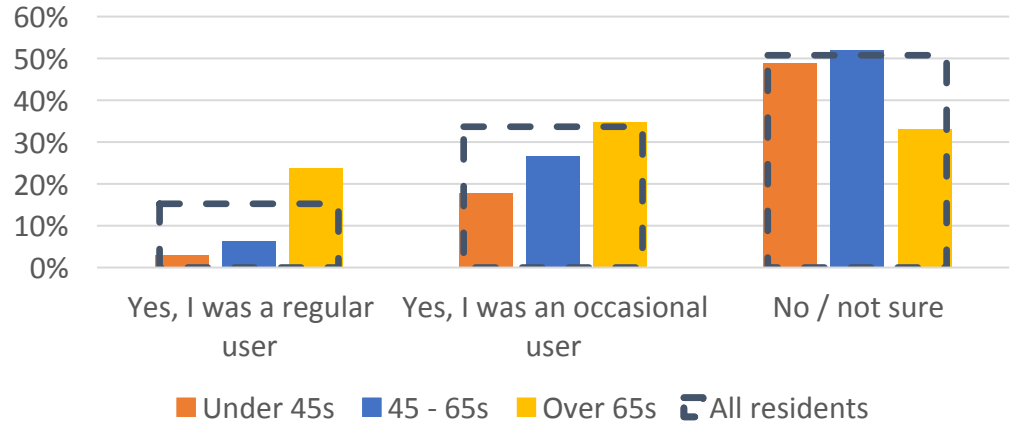
Residents

Age Split

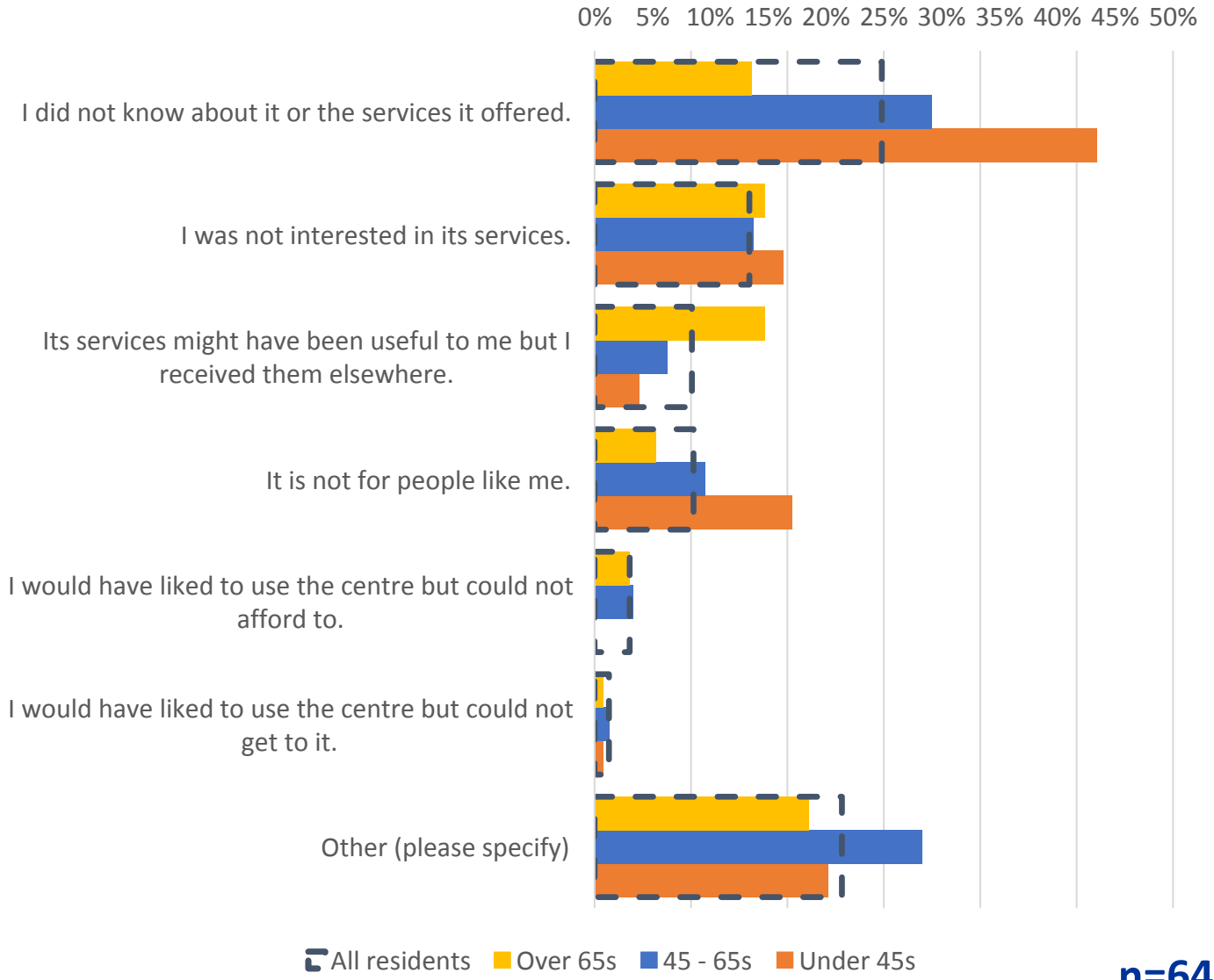
Before seeing this survey, were you aware of any of Reigate & Banstead Borough Council's community centres?



Thinking about before the COVID outbreak, did you use any of the community centres?



If you did not use your local community centre (before COVID) or only used it occasionally, why was that? Tick all that apply.

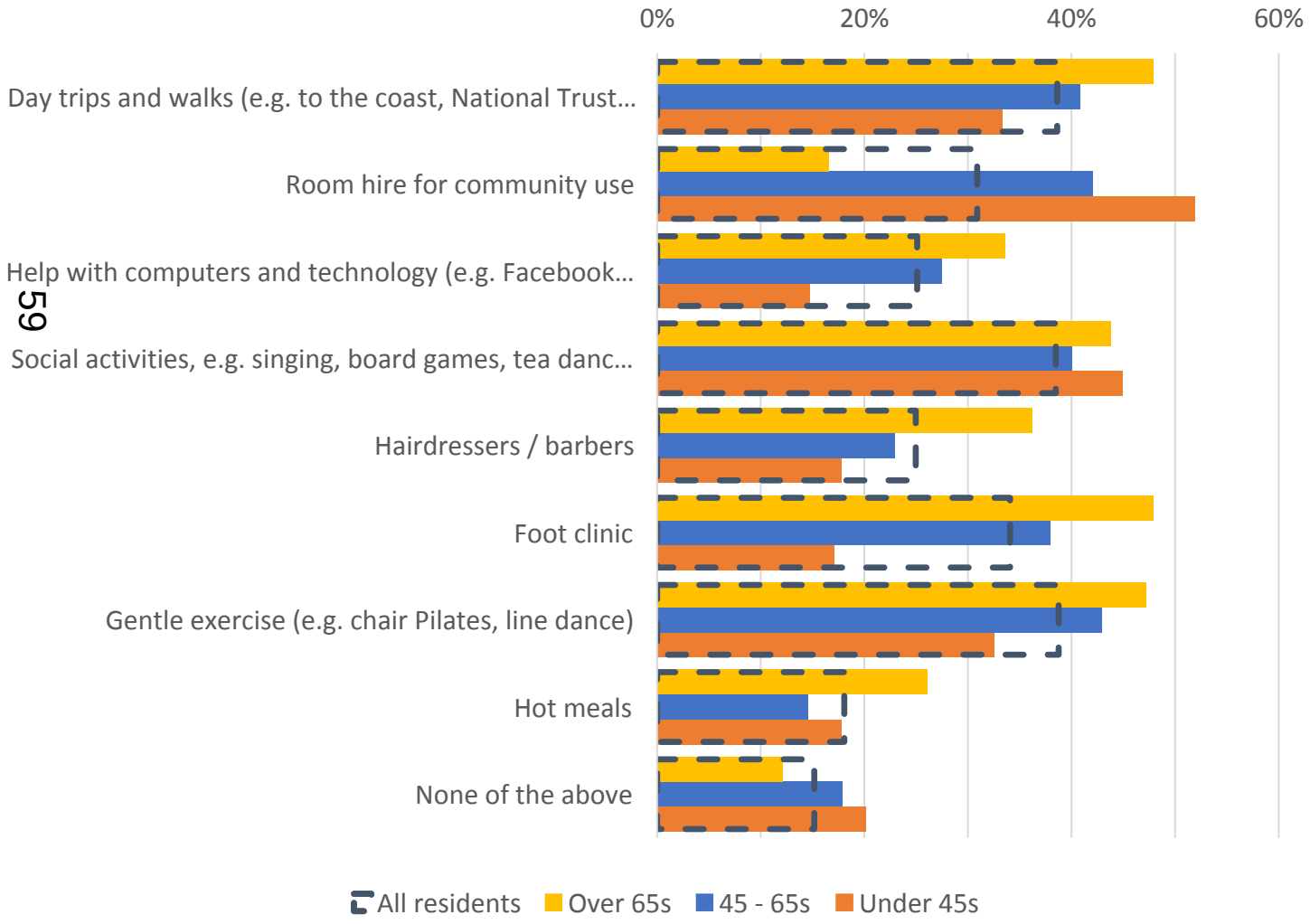


n=643

Residents

Age Split

Here are some of the services offered in our community centres before COVID, **with a focus on residents over 50**. Looking forward to after the pandemic, which ones, if any, could be helpful to you or your family, whatever your ages? Tick all that apply.



Under 45s

- Room hire (52%), social activities (45%) and gentle exercise/day trips (33%) were considered most appealing

45 – 65s

- Gentle exercise (43%), rooms for hire (41%) and day trips (41%) were highest ranking services – however social activities (40%) and foot clinics (38%) were also very appealing

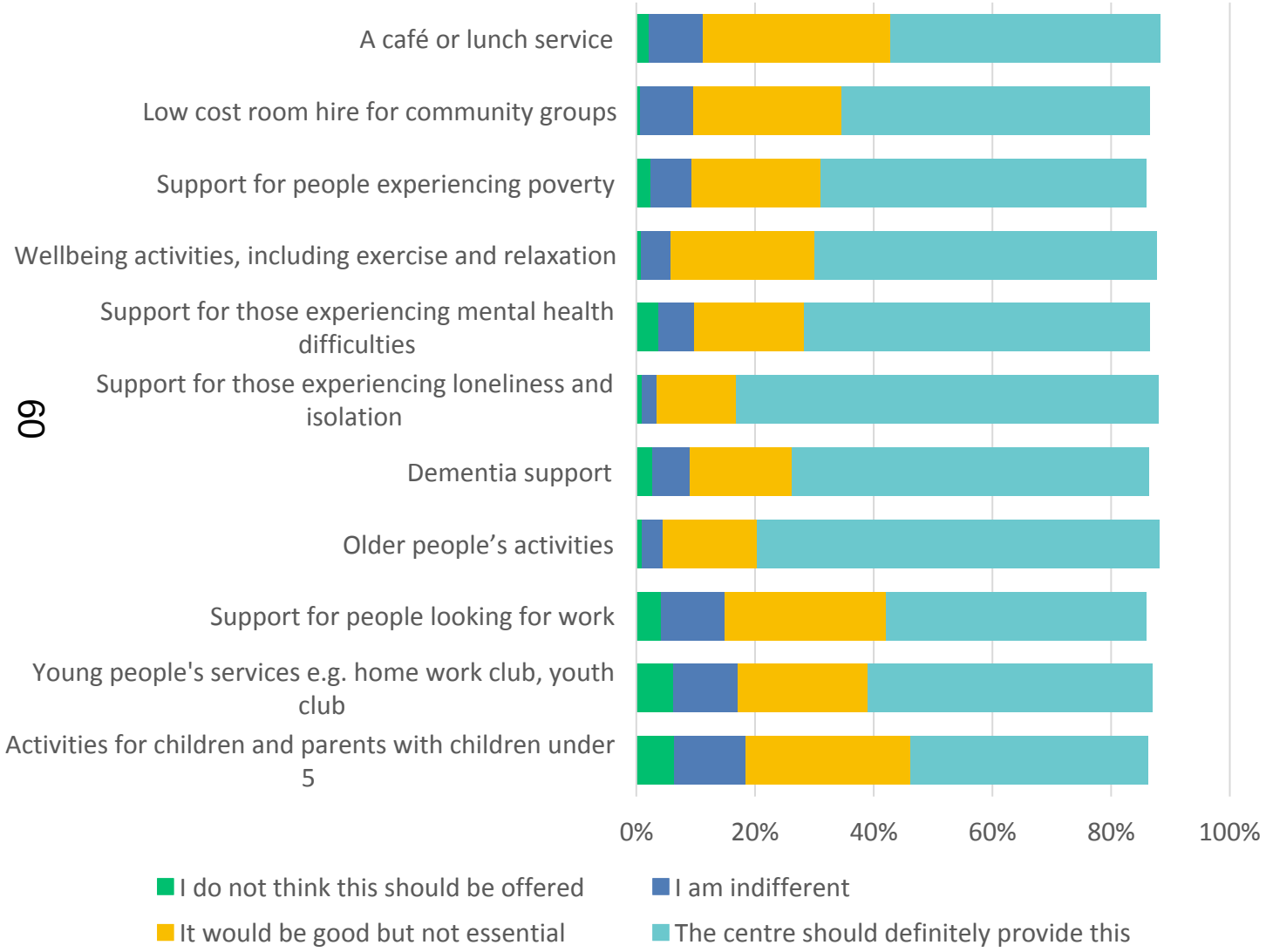
Over 65s

- Day trips (48%), foot clinics (48%) and gentle exercise (47%) were the top three most appealing - They also had above average interest in hairdressers, help with technology and hot meals

n=643

Residents

Thinking about your needs or other needs in the community, how do you feel about each of these services which could be offered at the centres? Tick one statement for each row



Top 3 "definitely" responses

- Loneliness and isolation (71%)
- Older people (68%)
- Dementia (60%)

Residents under 45 top 3 "definitely" responses

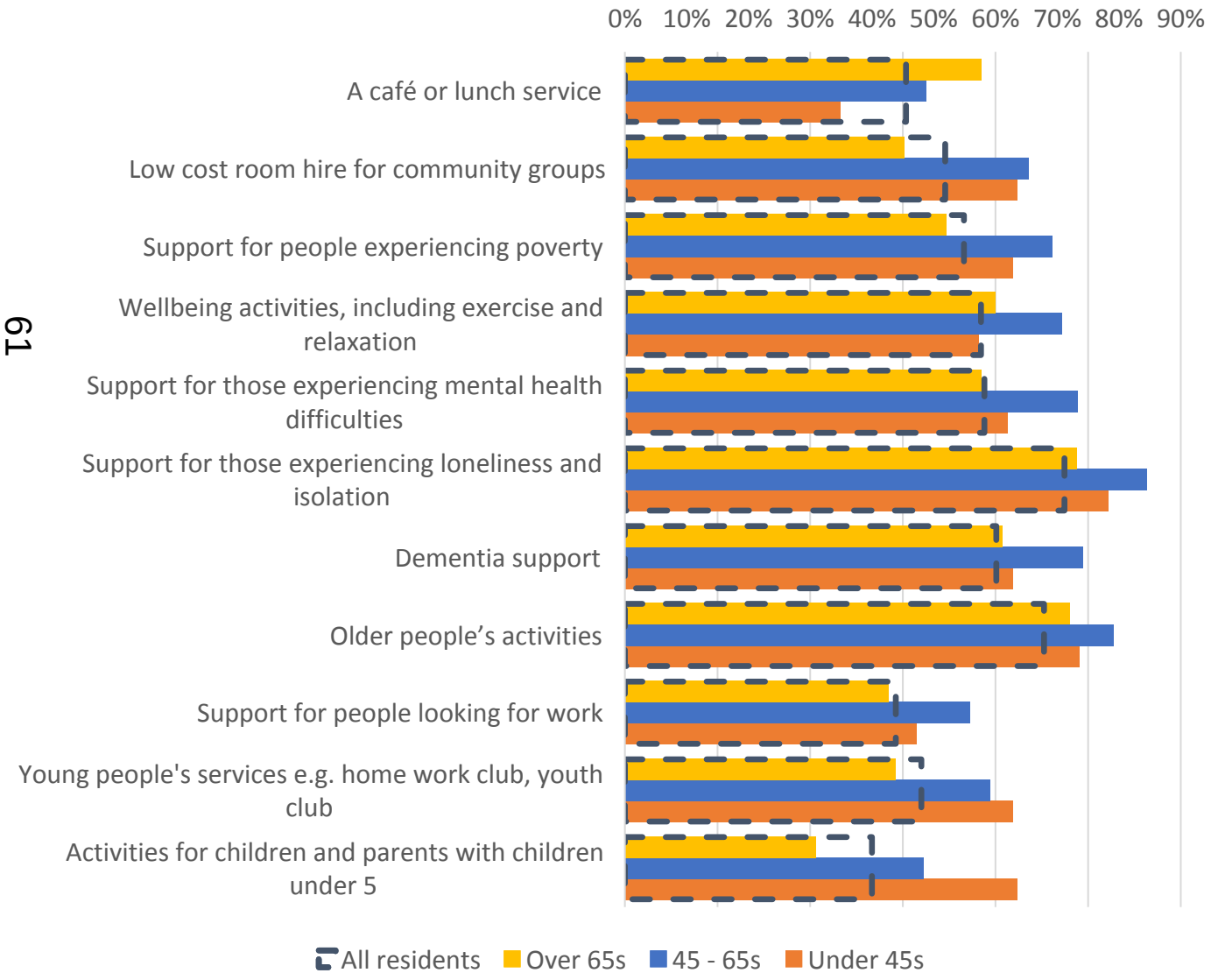
- Loneliness and isolation (78%)
- Older people (74%)
- Low cost room hire and activities for children under 5 (both 64%)

n=446

Residents

Age Split

Thinking about your needs or other needs in the community, how do you feel about each of these services which could be offered at the centres? Tick one statement for each row (definite responses only)



Under 45s

- There is appetite for activities for children (64%) and young people's services (63%)

45 - 65

- This demographic showed a strong interest in many of the services provided – with a much higher than average interest in dementia support (74%)

Over 65s

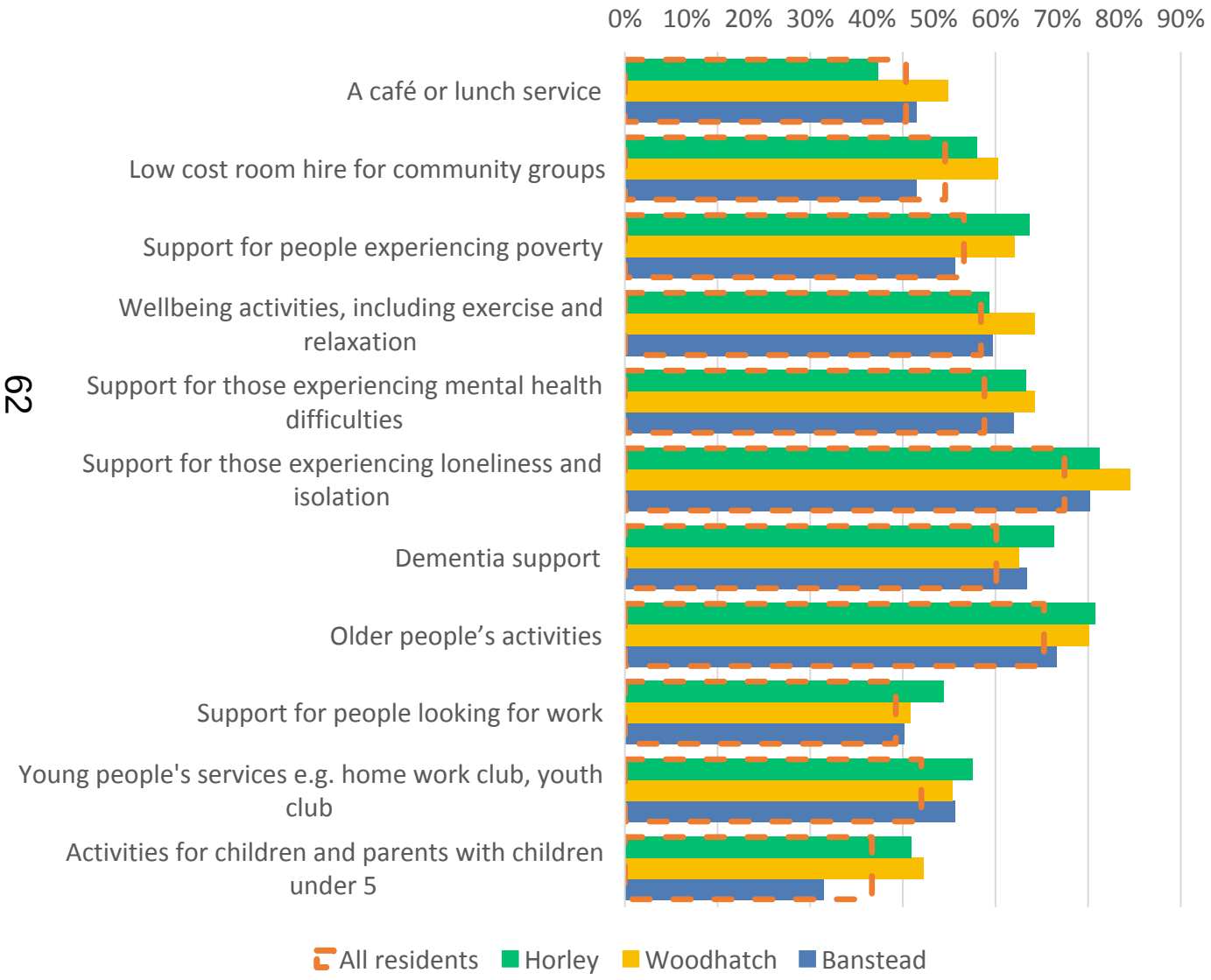
- Have a higher interest in a café or lunch service (58%) compared to other demographics

n=643

Residents

Region Split

Thinking about your needs or other needs in the community, how do you feel about each of these services which could be offered at the centres? Tick one statement for each row (definite responses only)



Banstead

- Residents are much less interested in activities for under 5's (32%) and low cost room hire (47%)

Woodhatch

- There is a focus on mental health (66%) and loneliness support (82%) in the area – perhaps a younger demographic is also experiencing mental health issues

Horley

- Poverty support (66%) is a higher priority for Horley compared to other areas

n=446

Members and volunteers survey summary

Over 70% of respondents attend a centre once a week or more

For those who only used the centre a few times a month or less the main reasons given for this were:

- I was too busy
- Not enough choice of activities
- Something else (wide range of comments)

Top 3 reasons for currently (pre-COVID) using the community centre:

Company and companionship

63%

Physical activity

45%

Keep mentally active & learn new skills

37%

Top 3 services residents were interested in returning to:

Day trips

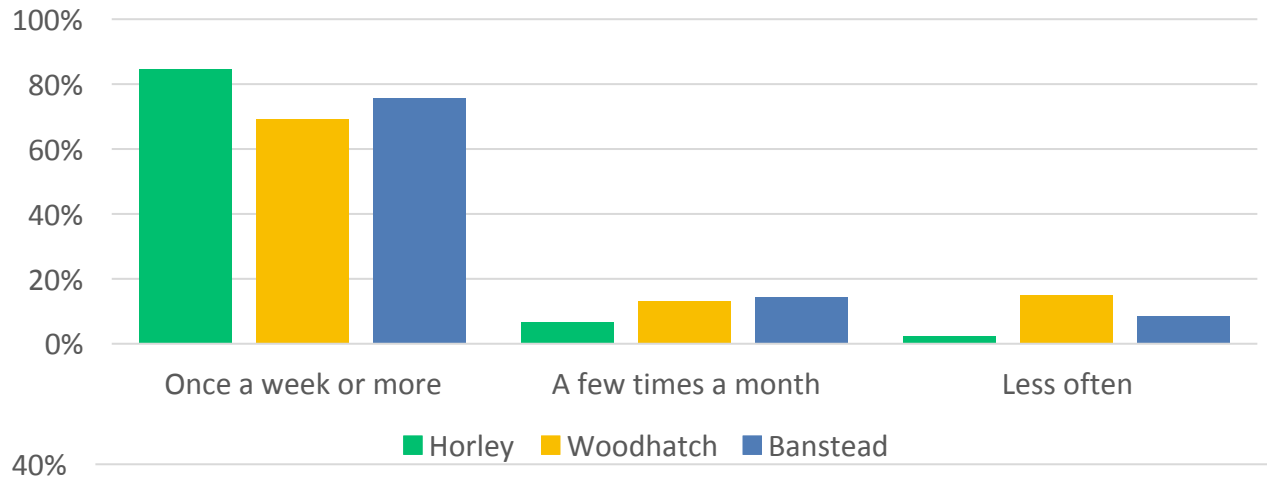
Special events

Gentle exercise

n=524

Members and volunteers

Thinking about before the COVID outbreak, how often did you visit the centre?
If you only used the centre a few times a month or less, what stopped you visiting more? Tick all that apply.



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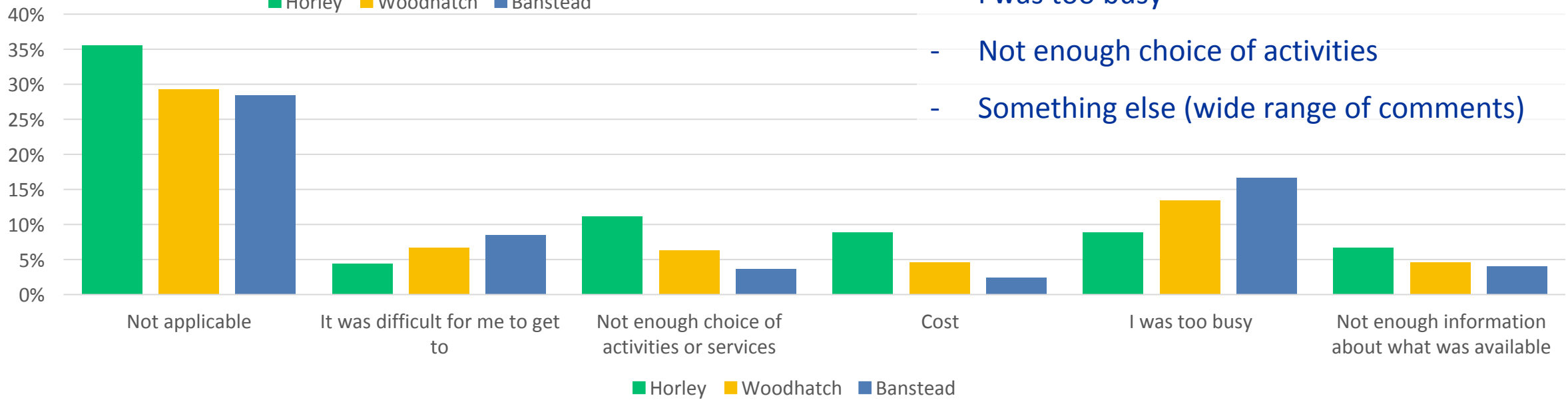


n=524

Members and volunteers

What are your main reasons for coming to the centre? Choose your top 3.

Main reasons for visiting the centres, include

- Company or companionship
- To keep physically active
- To keep mentally active

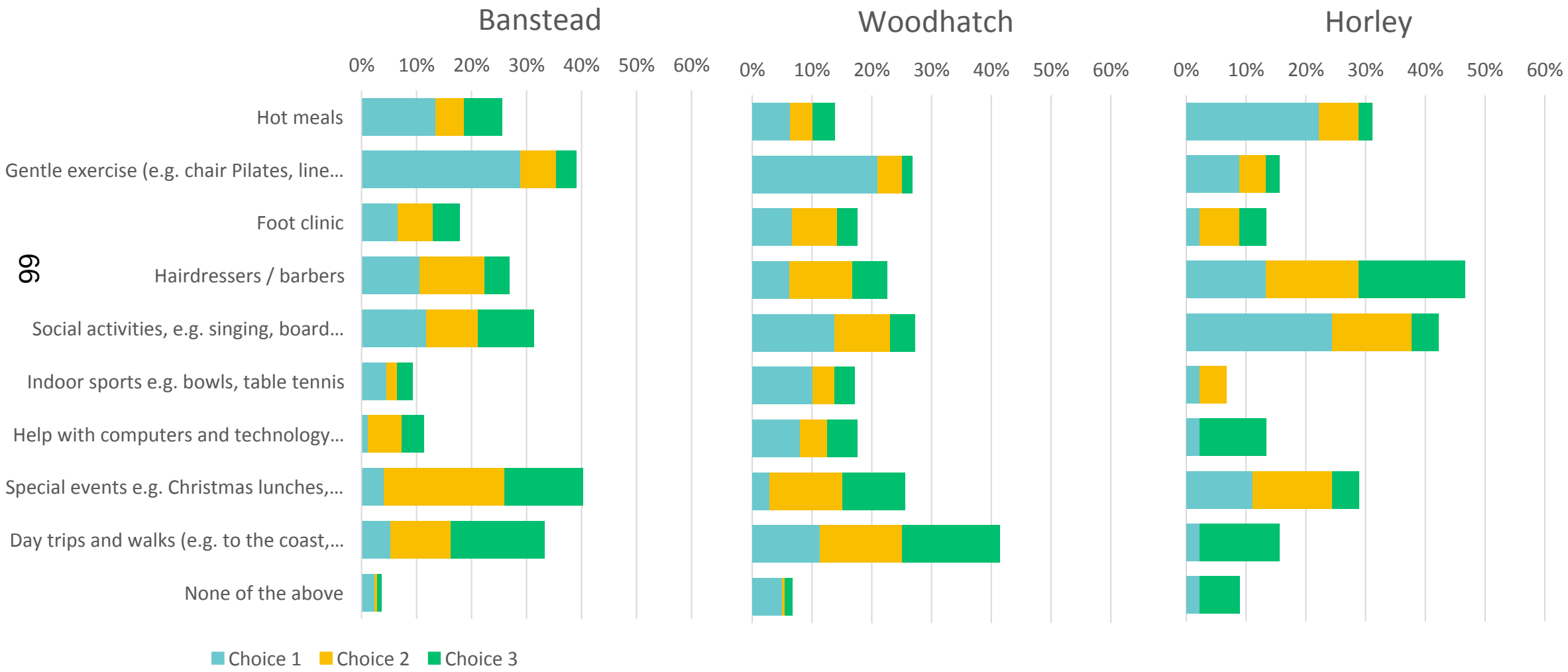
Key themes varied between regions:

- **Banstead** and **Woodhatch** members were very driven by physical activity and company or companionship
- In **Horley**, staff and volunteers are a huge factor for members – they ranked as the tied second, with 44% of members

n=524

Members and volunteers

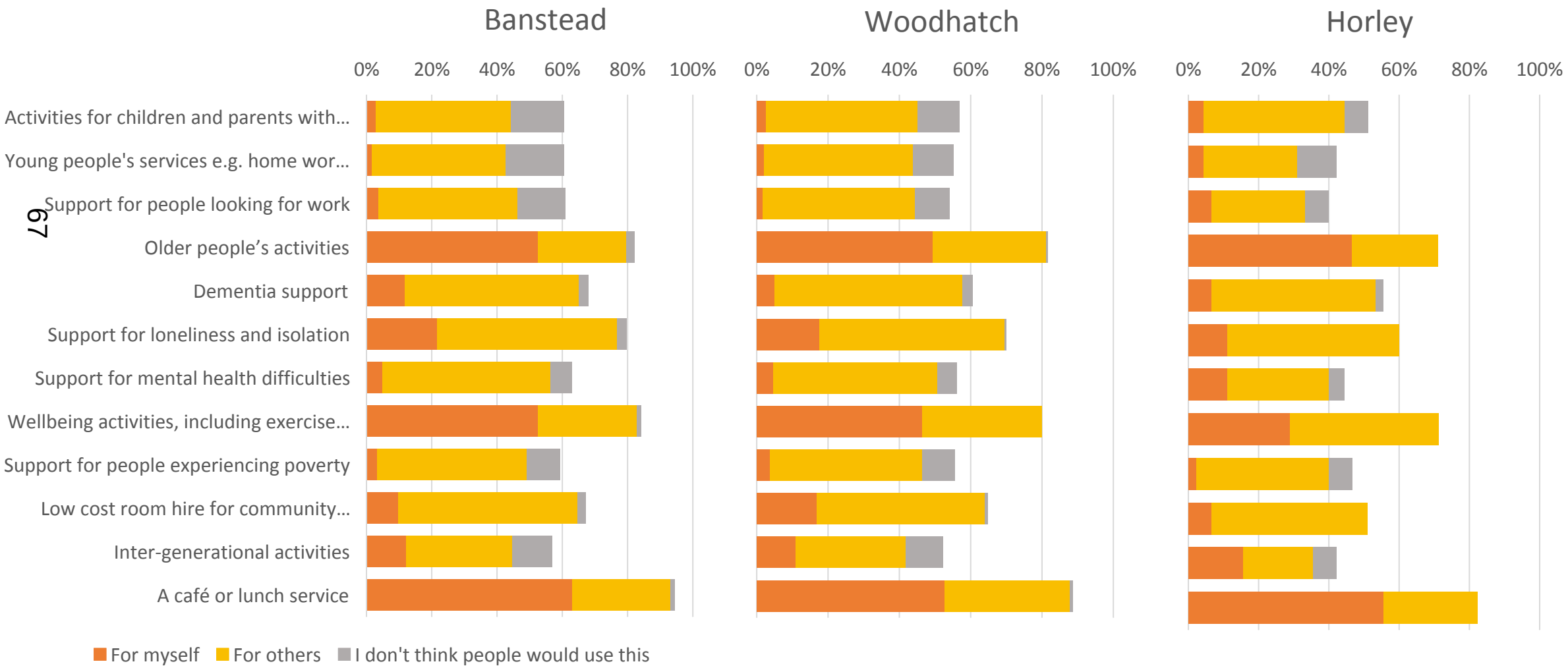
Here are some of the services offered at our community centres before COVID. Not all were offered at each centre. Which services, classes or activities are you most keen to return to when the centres are fully re-opened? Choose your top 3



n=524

Members and volunteers

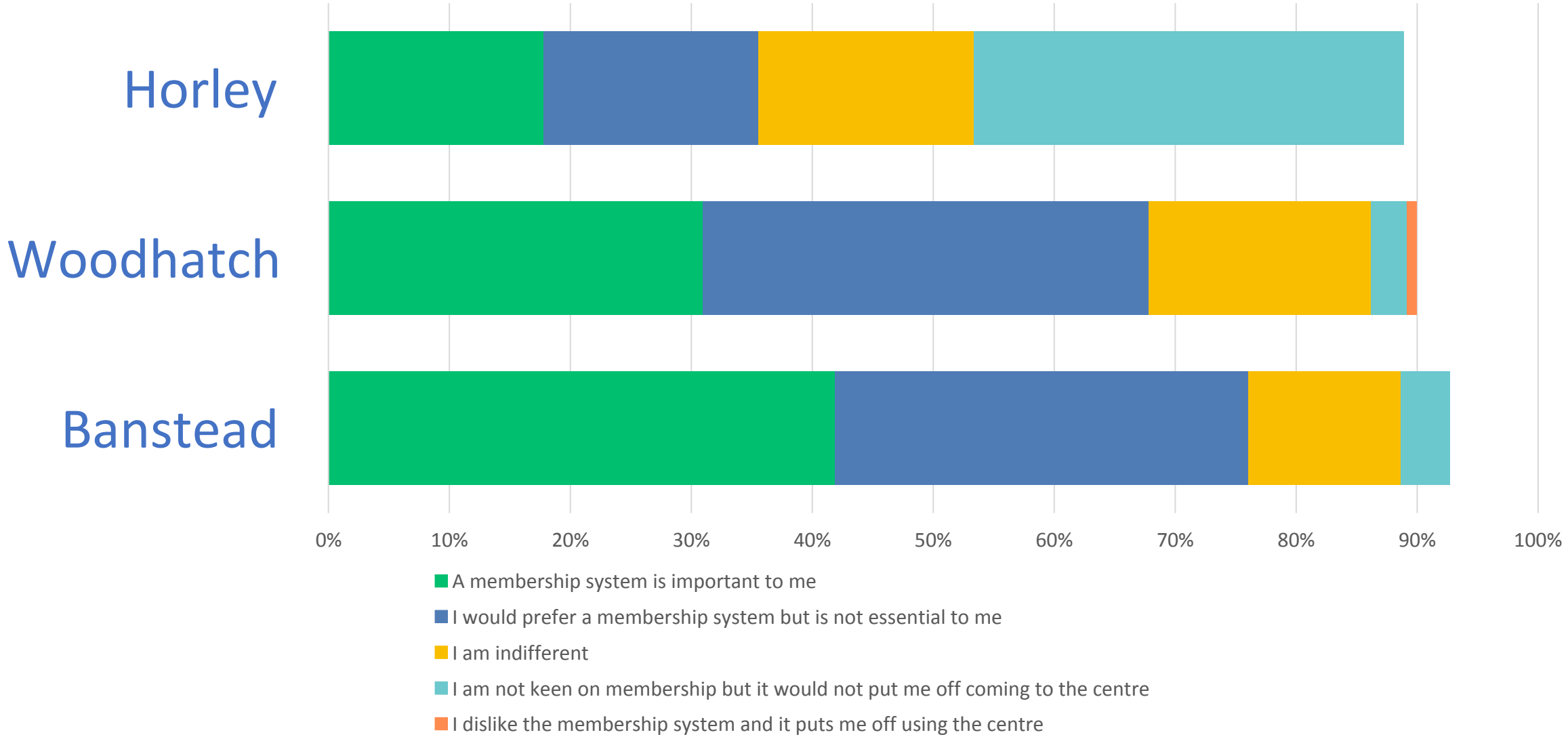
Thinking about your needs or the needs of other people in the community, how do you feel about each of these services which could be offered at the centres? You can tick more than once response per column.



n=524

Members and volunteers

How do you feel about having a system of membership at the community centres?



n=524

Demographic profiles – Resident survey: Full sample

Are you..?	
Male	27%
Female	71%
Prefer not to say	1%

What age range are you in?	
18-24	0%
25-34	5%
35-44	15%
45-54	17%
55-64	20%
65-74	21%
75-84	14%
85-89	4%
90+	2%
Prefer not to say	1%

What is your ethnic group?	
White: British	86%
White: Irish	1%
Any other White background	3%
Asian/Asian British: Pakistani	0%
Asian/Asian British: Chinese	1%
Asian/Asian British: Indian	1%
Any other Asian background	1%
Any other Black/African/Caribbean background	0%
Black/African/Caribbean/Black British: Caribbean	1%
Black/African/Caribbean/Black British: African	0%
Any other Mixed/Multiple ethnic background	0%
Mixed/Multiple ethnic groups: White and Asian	0%
Other ethnic group	0%
Prefer not to say	4%

Are your day to day activities limited because of a long term health problem or disability?	
No	79%
Yes, limited a little	15%
Yes, limited a lot	5%
Prefer not to say	2%

Are you a carer for someone whose day to day activities are limited?	
No	92%
Yes	7%
Prefer not to say	1%

Demographic profiles – Member survey: Banstead

Are you..?	
Male	14%
Female	85%
Prefer not to say	0%

What age range are you in?	
Under 35	0%
35-44	0%
45-54	0%
55-64	3%
65-74	19%
75-84	46%
85-89	22%
90+	8%
Prefer not to say	2%

What is your ethnic group?	
White: English/Welsh/Scottish/Northern Irish/British	97%
White: Irish	1%
Prefer not to say	1%

Are your day to day activities limited because of a long term health problem or disability?	
No	55%
Yes, limited a little	34%
Yes, limited a lot	10%
Prefer not to say	1%

Are you a carer for someone whose day to day activities are limited?	
No	92%
Yes	8%
Prefer not to say	0%

Demographic profiles – Member survey: Woodhatch

Are you..?	
Male	20%
Female	77%
Prefer not to say	3%

What age range are you in?	
Under 35	1%
35-44	1%
45-54	0%
55-64	2%
65-74	30%
75-84	42%
85-89	15%
90+	8%
Prefer not to say	1%

What is your ethnic group?	
White: English/Welsh/Scottish/Northern Irish/British	99%
White: Irish	0%
Prefer not to say	1%

Are your day to day activities limited because of a long term health problem or disability?	
No	58%
Yes, limited a little	33%
Yes, limited a lot	5%
Prefer not to say	3%

Are you a carer for someone whose day to day activities are limited?	
No	93%
Yes	7%
Prefer not to say	0%

Demographic profiles – Member survey: Horley

Are you..?	
Male	23%
Female	69%
Prefer not to say	8%

What age range are you in?	
Under 35	0%
35-44	3%
45-54	3%
55-64	5%
65-74	24%
75-84	34%
85-89	16%
90+	11%
Prefer not to say	5%

What is your ethnic group?	
White: English/Welsh/Scottish/Northern Irish/British	92%
White: Irish	3%
Prefer not to say	6%

Are your day to day activities limited because of a long term health problem or disability?	
No	47%
Yes, limited a little	24%
Yes, limited a lot	21%
Prefer not to say	8%

Are you a carer for someone whose day to day activities are limited?	
No	91%
Yes	9%
Prefer not to say	0%

Equality Impact Assessment

Why do I need to consider equality issues?

Under the Equality Act 2010, as a public authority, we have a duty to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other prohibited conduct
- advance equality of opportunity between people who share a protected characteristic and people who do not share it
- foster good relations between people who share a protected characteristic and people who do not share it

"As a public body, it is important that everyone who needs to can access our services."

The term 'protected characteristic' covers age, disability, gender reassignment, pregnancy and maternity, race (including ethnic or national origins, colour or nationality), religion or belief, sex, and sexual orientation. If we fail to consider how a proposal could affect different groups in different ways, it is unlikely to have the intended effect. This can contribute to greater inequality and poor outcomes.

The Equality Duty applies to all the decisions made in the course of exercising the Council's public functions. It applies to service provision and also internal operations and is a legal obligation.

In addition to this, the Council has specific Equality Objectives for 2020 to 2024 relating to:

- Using data and local intelligence better
- Supporting good community relations
- Accessible information and services
- Working for the Council

When formulating, reviewing, planning or providing services or policies, the Council needs to demonstrate that it has assessed the impact of any changes on people who are protected under the Equality Act, and that it has taken steps to remove or minimise any harm that it has identified.

More information about our objectives, and the Equality Act, can be found at www.reigate-banstead.gov.uk/equality.

When should I do an Equality Impact Assessment?

"Do not leave the Equality Impact Assessment to the last minute!"

If you are considering changes to a service, a new or updated strategy or policy, or starting a new project, and people will be impacted by those changes in any way, you need to think about equality issues as part of the process.

The Equality Impact Assessment is one part of this ongoing process and will help ensure that all proposals contribute to improvements in equality and promoting good relations.

This template has been prepared to assist you. You will need to complete the template and make it available to inform the decision as to whether to implement your proposal (for example, agree your strategy or policy, or sign off your project for implementation). The decision maker may be your Head of Service, a Director, the Place and People Board, or the Council's Executive.

Please contact Cath Rose, Head of Corporate Policy, if you have any questions about the Equality Impact Assessment process, and suggestions about how it could be improved, or would like any assistance in completing the template.

1. Introduction

1.1 Service:	Community Partnerships
1.2 Name of proposal, policy, strategy or project:	Community Centres Transformation
1.3 This is:	A change to an existing policy or strategy *If other, please specify:* Click or tap here to enter text.
1.4 Completing officer's name:	Isabel Wootton
1.5 Date initially completed:	20/05/2021

2. About the proposal

*** Note that the term 'proposal' is used here to include any new services proposed for introduction, changes to an existing service, withdrawal of an existing service, any new policy or strategy or change to an existing policy or strategy, and any project ***

2.1 What is the main purpose of the proposal? *Please explain in one or two short paragraphs*
To expand the reach of the community centres in Banstead, Woodhatch and Horley to further meet community needs.

2.2 Why is it being introduced / reviewed / changed now? *This could be, for example, because of new government legislation or guidance, because of changing service user needs, or for financial reasons.*
The community centres were run by an external service provider under contract between 2016 and 2020. They offered an over 50s club as well as room hire and a food service. In 2019 a project was established to a) transfer the operation of the centres to the Council as of April 2020 and to b) consider the potential to transform the centres to further meet community needs. The project has established, through survey and engagement work, that there are a range of ways in which the service can be expanded to better meet community needs. In particular using a volunteer and resident led model to widen the activities offered in the centres to ensure the programme of activities reflects a wider range of community needs.

2.3 Who is the intended audience or target group(s) for the proposal?
Internal audience or group: Staff and councillors
External audience or group: All residents
If other, please specify. Please also use the section below to provide more details about the audience or target group(s): Click or tap here to enter text.

3. Assessment of potential impact

Information about the protected characteristic groups as defined by the Equality Act is available here. You should also use this assessment to consider impacts on other vulnerable groups such as those on low incomes.

In undertaking your assessment, please think about every stage of your process, including the design phase, any consultation, the delivery phase and once the proposal is up and running.

Who could be affected by your proposal?

3.1 Will the proposal affect people - service users, employees or the wider community?	Yes	*If yes, please identify which group(s):* More than one of the above
3.2 Will the proposal introduce a change which will significantly affect how services or functions are delivered?	No	*Please briefly explain your answer:* The change will retain community centres in a largely recognisable delivery model however the focus will expand to multi-use community centres and meeting the needs of a wider range of residents.

Data and evidence

In undertaking this assessment, you will need to consider relevant data and evidence, depending on the people the proposal will affect, for example:

- Relevant information about service users held by your service
- Relevant information about staff (eg, the workforce equality information published on the website, staff surveys etc)
- Relevant information about borough residents (eg the borough equality information published on the website, service user surveys etc)
- Relevant information published by third party organisations (eg data, research studies etc)
- Feedback or information from organisations representing target equality groups

3.3 Please list the evidence / data sources you have considered in assessing the likely impact of your proposal	The survey results from work completed Feb – Mar 2021 on community centres. See the separate full report – the response table is at Annex A. As well as the wider the discussion groups and interviews which enabled the team to hear from community representatives with insight on some of the groups we were less likely to hear from through the survey. E.g. RBBC's comm development workers, learning difficulties organisation (Horley), YMCA Sovereign Centre (younger families and youth work). The membership list of the centres – in light of data transferred from the previous provider. See the summary data at Annex B. It is noted that as well as the members of the centres the centres are all hired by a wide range of community groups of all ages and with a wide range of interests and representatives were invited to the discussion groups.	
3.4 Are there any significant gaps in the evidence base that mean it is difficult to assess the likely impact of your proposal?	Yes	*If yes, please explain what the gaps are and suggest how those gaps could be filled in the future* The survey results (see separate evaluation report – the response table is set out below at Annex A) identifies that some groups are under-represented in the responses. It proposed that more work be completed to consider the needs of men, younger people and minority ethnic groups and how these needs could be met. This will be taken forward with the data and insight team in 2021, and will involve partner engagement.

Potential impact

3.5 Does your proposal relate to a service or function which information indicates is important to those with protected characteristics?	Yes	*If yes, please outline the issues – these could include (for example) access to information or ability to use or access a service.* The proposal involves expanding an existing community centre service that is currently regularly used by users whose average age is 82. (see member data breakdown at Annex B).
3.6 Will the proposal intentionally target any particular protected characteristic group?	No	*If yes, please identify the group and explain the reason for this and what the intended impact is*. The proposal is to expand the reach of the community centres to reach broader community needs. The intention is to increase the inclusivity of the centres. The centres will continue to meet the

		needs of older residents. The broader reach will seek to address issues such as loneliness, identified through the survey, rather than intentionally target a particular protected characteristic group. The centres will continue to hire rooms to groups with a wide range of interests from across the community.
3.7 Will the proposal intentionally exclude any particular protected characteristic group?	No	*If yes, please identify the group and explain the reason for this and any direct or indirect impact on that group.* Click or tap here to enter text.
3.8 Will the proposal be able to be equally accessed by all at every stage of the process? Or are there barriers that might inhibit access for some people?	May be barriers that could inhibit access	*Please identify any barriers. These could be physical, digital, social or cultural:* The intention is to have centres that are available to all residents. However, we need to explore further with partner groups whether there are social or cultural barriers that may inhibit access or discourage residents from attending and how these might be addressed. The project includes a workstream to consider transport options and to review the geographic offer for older residents across the borough with the intention of ensuring an offer that all residents can reach.
3.9 Does the proposal have the potential to reduce inequalities or improve outcomes for protected characteristic groups?	Yes, Improve outcomes	*Please briefly explain your answer.* The intention is to provide activities and community spaces that enable volunteers and community groups from across the borough to offer services which improve the quality of life for residents.

3.10 Considering the above information, please summarise the likely impact on protected characteristic groups (within the organisation, outside the organisation or both) *This may be direct, indirect or differential impact. Use the above link for definitions, and consider issues such as physical access to services, different cultural or social practices and how people are able to access information.*		
	Nature of impact	**Please briefly explain your answer**
Age *including children, young people or older people*	Positive	The proposal seeks to build on the services for older residents that work well and revitalise the offer building from best practice which focuses on user led service design and volunteer led engagement.

		The proposal seeks to test the potential for a younger people's offer being offered at centres in collaboration with partners. It should be noted here and in all the sections of 3.10 below that the centres offer room hire to a wide range of community groups with a wide range of ages and diverse interests. This will continue and we will seek to further expand the room hire in support of diversity.
Disability *including physical, sensory or learning disability or long-term health impairment*	Positive	The resident survey highlighted dementia support as something that the centres should explore. Whilst the centre staff themselves are not experts in dementia services, and it is not the intention that they are trained to be, the project proposal includes exploring work with partners about what could be offered in this space. The discussion groups also drew out a few groups that were keen to use the centres – the Horley group included a service provider for adults with learning disabilities which was keen to use the centre more, the Banstead group had several mentions of a Parkinson's group. All centres have existing hirers from groups that support those with differing disabilities e.g. deaf group; carers group for those with disabilities. There was also reference in the discussion groups to the accessibility of the buildings being very good (which we understood to mean the disabled access) – so an opportunity to enable more people with disabilities to use these important resources.
Gender reassignment	Neutral	
Marriage and civil partnership	Neutral	
Pregnancy and maternity	Positive	The transformation plans will have a positive impact by way of the centres being venues where there will be more opportunities for local groups to support pregnant women and parents with young children.
Race or ethnicity	Positive	Based on the limited ethnicity data available for the current centre users (this was not a well populated field in the data transferred to us) the current centre user base is largely white. The proposal, in seeking to expand the reach of the centres, will seek to engage partners, volunteers and residents to test the attractiveness of activities and groups that may expand the users of the centres to better reflect the ethnic profile of the borough. In particular working with groups to identify any gaps in activities that could be addressed.

Religion or belief	Neutral	
Sex	Positive	The current centre user base is largely female. The proposal, in seeking to expand the reach of the centres, will seek to engage partners, volunteers and residents to test the attractiveness of activities and groups that may engage men.
Sexual orientation	Neutral	
Deprivation	Positive	The centres in Woodhatch and Horley have recently become the locations for Food Clubs co-ordinated through the RBBC community development team. These clubs provide food support to those on a low income. This activity, alongside the support services highlighted in the survey, demonstrate the potential for the centres to continue to grow the offer for those on low incomes.
Other vulnerable group	Choose an item.	

3.11 Has there been any consultation with relevant interested parties or is any consultation planned?

This could include consultation, further evidence gathering or changing or amended the proposed approach. Give consideration to both consultation within the Council (eg staff) and outside the Council (eg residents).

Yes, already undertaken

RBBC has carried out three strands of research to support the project and consider how best to develop the centres to further meet needs whilst continuing to support existing users:

- Demographic and geodemographic data analysis of each locality
- Exploratory qualitative discussion groups and interviews with centre stakeholders, including hirers
- Quantitative surveys with centre users and residents.

These activities followed previous engagement with community centre staff and complement other research, for example, into alternative models used elsewhere in Surrey and beyond.

3.12 What actions have been, or could be, taken to increase the positive impacts for people with protected characteristic(s) or other vulnerabilities? *This could include changing or amending the proposed approach.*

Conversations with partners in the statutory and voluntary sectors have begun to establish how the centres can best have positive impacts on those with protected characteristics. The intention is that these partner conversations should continue, utilising the community development partner networks as well as wider borough wide partner fora to seek a wide range of views and develop specific centre based plans that reflect this.

3.13 What actions have been, or could be, taken to reduce potential negative impacts on people with protected characteristic(s) or other vulnerabilities? *This could include changing or amended the proposed approach, or allowing the proposal to be tailored to fit different individual circumstances*
The measures outlined in 3.12 will also help identify and address any potential negative impacts as proposals are further developed.

3.15 Are there any remaining negative impacts for people with protected characteristic(s) or other vulnerabilities? *For example, physical, cultural or information access issues that cannot be resolved.*
No
If yes, please summarise which groups could be impacted and how. Click or tap here to enter text.

3.16 Is any remaining negative impact legal or intended? *The Equality Act says discrimination can be justified if it can be demonstrated that this is a proportionate means of achieving a legitimate aim (for example, see here). However, this should always be a last resort.*
Choose an item.
If yes, please explain further. Click or tap here to enter text.

IMPORTANT: **Any remaining negative unintended impacts must be drawn to the attention of the decision-maker (for example, the relevant Board or Committee).**

The following must be considered by decision-makers before any final decision is made:

- **Does the assessment indicate any direct discrimination? If yes, the proposal would be unlawful and must be rejected.**
- **Does the assessment indicate any indirect discrimination? If yes, the proposal should be rejected unless it can be justified under legislation, for example:**
  - It is necessary to the Council effectively carrying out its function
  - The Council has been unable to find an alternative method of achieving its aims and objectives with a decreased discriminatory effect
  - The decision-maker considers that the means employed to achieve its aims and objectives are proportionate, necessary and appropriate.

In the event that there are negative impacts remaining and it is concluded that the proposal should still be agreed/implemented, it is highly recommended that consultation is carried out (including with representatives of the affected group) before the final proposal is agreed.

4. Monitoring and review

4.1 How do you proposed to monitor and review the impact of your proposal? *Please outline how you will monitor the impact of your proposal, once implemented, on protected characteristic groups, and what the mechanisms for review are (for example if any negative impact is found to be occurring)*
The centres will have a range of KPIs to assess their reach which will include age and ethnicity. Qualitative review will also be undertaken through feedback to assess the impact and any potential negative impacts. These will be reported to the Head of Service and Council Portfolio Holder responsible for Community Centres in order that actions can be taken accordingly. If negative impacts do arise the team will quickly and proactively revisit the nature and type of activities provided, the way they are provided and how we promote and communicate them and take actions to address the negative impacts.

Annex A – Community centre survey responses demographics

Based on mid-year ONS estimates for 2018, this table shows that some groups are under-represented in the responses.

	General public survey participants	Borough
Gender: males are under-represented	Male: 27% Female: 71% Prefer not to say: 1%	Male: 49% Female: 51%
Age: Young people are under-represented	18-24: 0% 25-34: 5% 35-44: 15% 45-54: 17% 55-64: 20% 65-74: 21% 75-84: 14% 85+: 6% Prefer not to say: 1%	18-24: 8% 25-34: 15% 35-44: 19% 45-54: 19% 55-64: 15% 65-74: 12% 75-84: 7% 85+: 4%
Ethnicity: Black and minority ethnic groups are slightly under-represented.	White: 90% Mixed/multiple ethnic groups: 0% Asian/Asian British: 3% Black: African, Caribbean, Black British: 1% Other: 0% Prefer not to say 4%	White: 90% Mixed/multiple ethnic groups: 2% Asian/Asian British: 5% Black: African, Caribbean, Black British: 2% Other: 1%

Annex B

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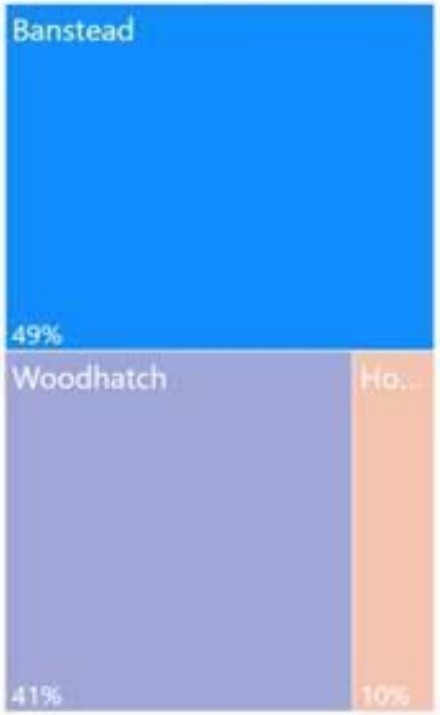
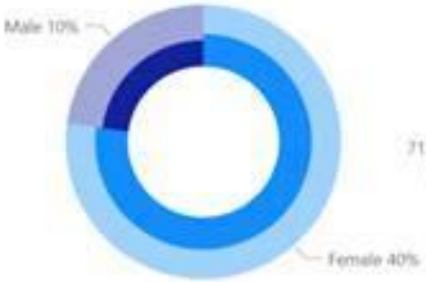
Community Centres' Clients

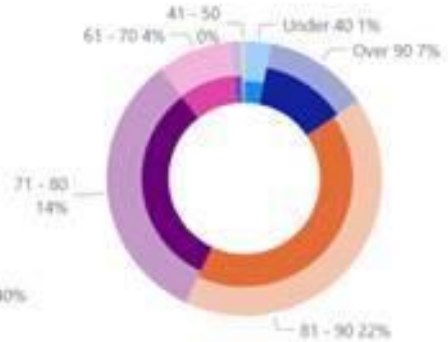
Data from March 2020



573



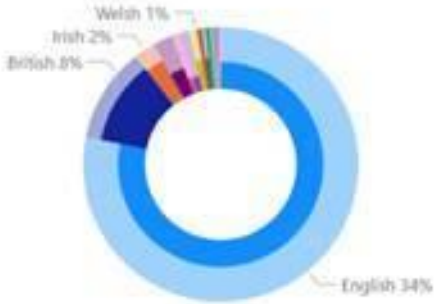
Gender	Count
Female	458
Male	110
Total	**568**



age_band	Count
81 - 90	257
71 - 80	165
Over 90	86
61 - 70	46
Under 40	13
51 - 60	6
Total	**573**

Average age

82.3



Ethnicity	Count
English	134
British	33
Irish	7
Any other white Background	4
Any other Asian Background	2
Welsh	2
White and Black Caribbean	2
Bangladeshi	1
Caribbean	1
Chinese	1
Indian	1
Total	**190**

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RBBC Community Centres

Transforming the Centres

Outline Delivery Plan

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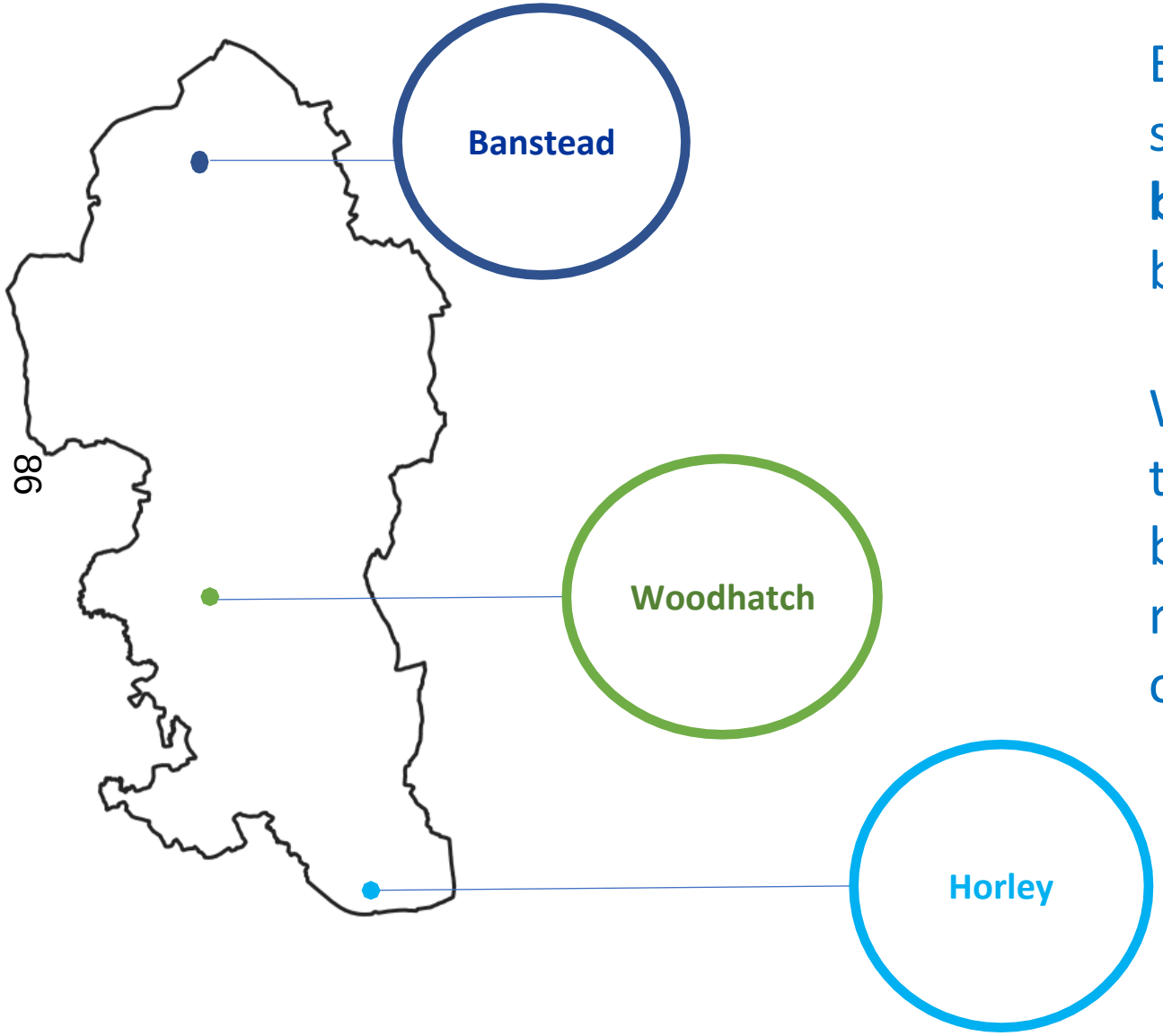
Our vision is for three vibrant multi-use community centres



Ensuring these large community spaces are operated so that they **benefit residents** across the borough.

Working collaboratively, each of the centre's offers will be shaped by and delivered with local residents and partners with a focus on **Wellbeing** for all.

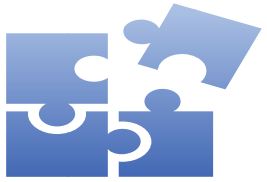
We've talked to over 1,200 people

Over 700 residents

Over 50% of residents say they weren't a user of the centre, their most common barriers were: not knowing about the centre or not feeling it was relevant to them.

Top 3 potential services residents were interested in:

Support for loneliness & isolation
84%



Older people's activities
83%

Wellbeing activities, exercise and relaxation
81%

Over 500 current users & volunteers

Over 70% of respondents attend a centre once a week or more

Top 3 services existing users were interested in returning to:

Day trips

Special events

Gentle exercise

Partners
(Hirers, local groups etc)

Works well

- Positive staff and volunteers
- Great spaces for room hire and community activities
- Activities for older residents
- Emerging new partnerships and previous strong partnerships

Could work better

- Perception of older people's day centre – puts some people off
- Lack of promotion (PR) and signage
- Significant opportunity for more partnership working to reach across the community and lots of partners keen to engage

See full survey results. Survey completed Feb – Mar 2021. Residents n723. Members and vols n524.

We will widen our community centre offer – open to all

Vision: vibrant, multi-use community centres for all.
The detail of the offer will differ by centre - shaped by local residents and partners.

Spaces	Activities	Food & Drink	Outreach
Spaces for residents to come together. Sessional room hire for community groups, businesses and private hires. Spaces for charities and small businesses (e.g. hairdressers, podiatrists) to occupy to provide services that meet local need.	An activity programme that supports resident wellbeing. Shaped by local residents and the passions of volunteers these will be low cost activities largely run by volunteers and instructors.	Healthy and affordable drinks and snacks. A hot lunch offer for all. Linking to food clubs, food banks & growing projects. Using local produce.	Working with partners to ensure an accessible, offer borough wide. Integrated within community partnerships and working across RBBC to provide a location for outreach activities.

We are introducing a new way of working

Centre teams will work collaboratively in all they do. Growing successful activities and taking a 'test and learn' approach to new offers.

Activities will be **designed with communities**, building on good practice on co-production, to result in offers which have a **positive impact on wellbeing.** Recent survey and engagement work (see separate reports) informs where we start from.

Increasing **volunteers** - who share their passions and interests with others. Research demonstrates the value of volunteering to the volunteer as well as to the organisation, and its particular value to support wellbeing.

We plan to build **Friends groups for each centre**, engaging with the former management committees to do so, so that they bring together a diverse group of the community and those with an interest in the centre to inform what the centre does and support it with fundraising and promotion.

Working closely with community development, including the partner networks, centres will be an **active partner in local and borough partnership groups**.

Our ambition is for wide ranging new offers

The centres will enable:

- **New community projects based in the centres, enabled through community development**
- **Wide ranging community activities delivered by local groups and partners, building on those already on offer to create an enticing programme**
- **New activities inspired by the interests of volunteers and the needs of the community e.g.**
  - **Art classes**
  - **Youth Choirs**
  - **Drama groups**
- **New café menus to bring in those from across the community**

We will re-brand to reflect the new broad offer.
Centre marketing will reach across the community.

Early work demonstrates the potential

Food clubs

- Co-ordinated through community development working with the community centres and volunteers.
- Operating at Regent House Horley and the Woodhatch Centre since late 2020 (and in other community development areas). And set up at speed because of centre availability and staff support.
- For residents on a low income, benefits (including state pension) or who are finding themselves in temporary financial difficulties.
- Residents pay £1 for a full years membership, and then a further £2 each visit for a selection of food.
- Working with Fareshare, who redistribute surplus food, to cut down on food waste.

FareShare
fighting hunger, tackling food waste

U5s Daily timetable – Woodhatch Centre

- Co-ordinated through the Woodhatch centre team working with community partners, hirers, volunteers and instructors a new U5s timetable has been put together.
- To commence September 2021 with taster sessions in August 2021.
- Monday to Friday timetable to include:
  - Robot Reg - Phonics
  - Robot Reg - Maths
  - Jo Jingles Music
  - Music Bees
  - Children's Yoga
  - Grandparents Stay and Play
  - Story and Puzzle Time
  - Pregnancy Yoga

Further development is underway, building from the survey

	Pen portrait from 2021 engagement	Initial explorations – locality based approach**
Banstead	A homogenous set of demographics, residents are older than the other areas. Top 3 resident interests: Loneliness and isolation; Older people; Dementia. Residents are much less interested in activities for under 5's than other areas but are interested in young people's offer.	New exercise activities Wellbeing workshops After school offer - exploring with partners/schools
Woodhatch*	A wide age range and diverse types of households. Top 3 resident interests: Loneliness and isolation; Older people; Wellbeing activities. There is a focus on mental health and also greater interest in room hire than other areas.	U5s – daily programme of activities with partners Intergenerational - Grandparents club with VCS partners Youth – building links to local schools
Horley*	A wide age range and diverse types of households. Top 3 resident interests: Loneliness and isolation; Older people; Dementia. Poverty support is a higher priority for Horley compared to other areas.	Intergenerational - Grandparents club with VCS partner Food club extension - poverty and healthy food Dementia support – working with partners

* Woodhatch and Horley both have RBBC community development workers (2 areas of 6 in total across RBBC). They have higher levels of deprivation than other areas of the borough.
**as centres open up post the pandemic opportunities to test new ideas will increase, this is simply where we will start building from our survey and engagement work to date

Appendices

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The existing offer

	Spaces	Over 50's Club	Wider Offer and Notes
Banstead	1,200 sqm 6 key hireable rooms Occupiers: Surrey Choices; Hairdressers; Citizens Advice Bureau; Age Concern Banstead	550 Members*	Café recently revitalised, operates alongside hot lunch offer Regular programme of events Minibus to centre prior to covid (funded via former management committee)
Woodhatch	975 sqm 6 key hireable rooms Occupiers: Hairdressers; Podiatrist	450 Members*	Café and hot lunch offer Regular programme events and previously day trips co-ordinated from this centre No previous transport offer to centre
Horley	1,000 sqm 3 key hireable rooms (1 has stage) Occupiers: Hairdressers	100 Members*	Hot lunch offer High loyalty amongst smaller user group Minibus to centre prior to covid (funded via former management committee)

*Average age of members is 82.

Structure and costs

Current Community Centre Service Budget

Budget 2021/22- Community Part	
Staff costs	442,500
Non staff	150,200
	592,700
Income	300,600
Net	292,100

Non staff costs	
ICT	9000
Office	27000
Finance	3000
Direct Costs	106200
Food & Drink	*40000*
Cleaning & Kitchen Supplies	*15000*
Activity Provision	*25000*
Other	*51200*
Promotions	5000
	150200

Notes:
Property budget is separate to the service (Revenue - £167k costs, £77k income)
The impact of covid puts the 2021/22 income at significant risk.
Project costs in 2021/22 are an additional £83k to budget.
Staff costs include use of casuals and overtime to cover leave and out of hours.

Staff structure

Each centre has a staff team in line with the structure below.

Since the transfer in April 2020 the centre teams have been reporting to the community centres project manager (a fixed term position).

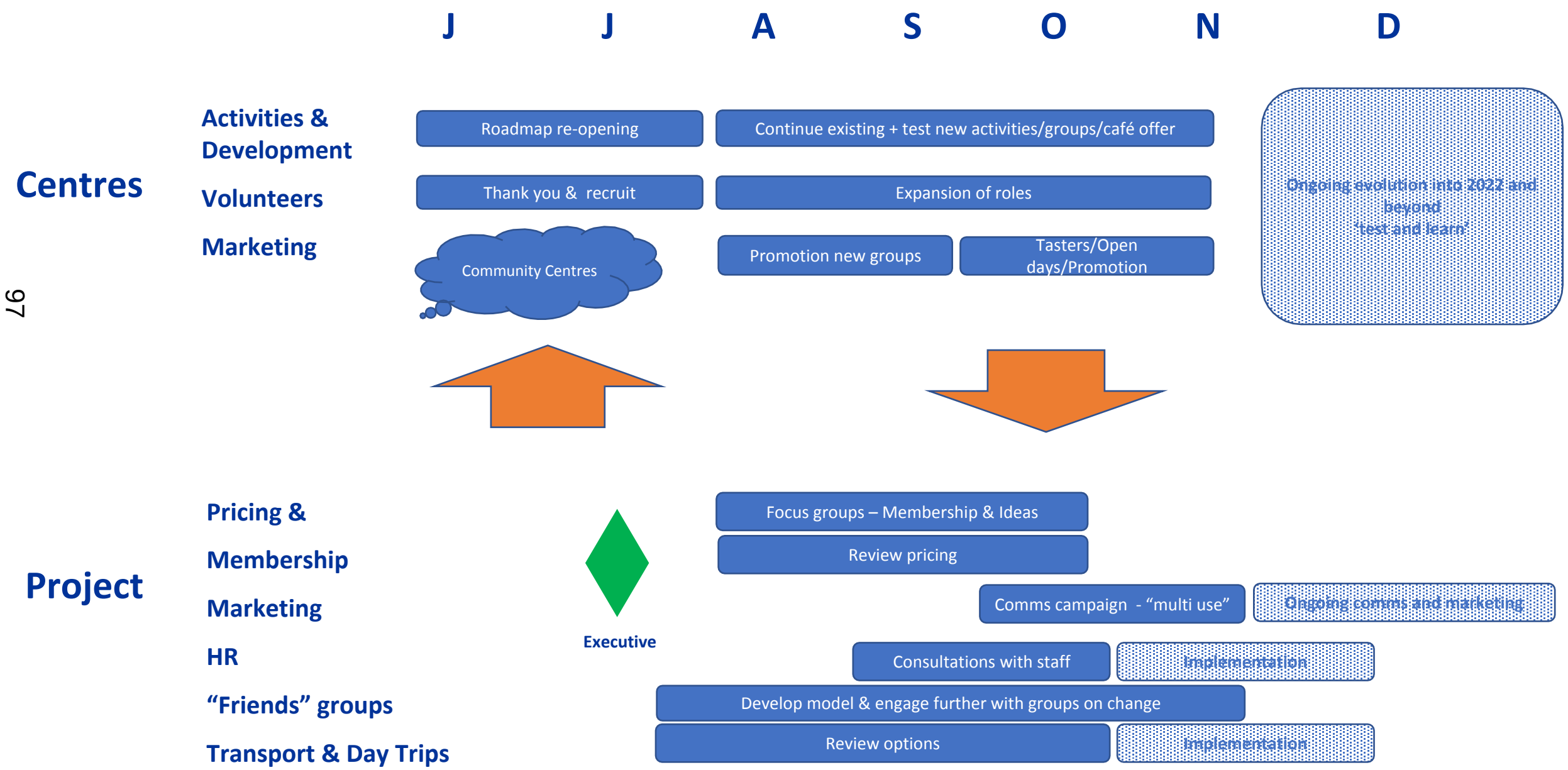
The proposal is for a team leader (who the centre teams would report to when the project manager position is at an end) and a promotions and engagement officer reporting to the team leader and supporting communications for all centres.

Existing Role	FTE
Manager/Co-ordinator	2.8
Assistant	2.3
Cook	2.1
Caretaker	6.2
	13.3
New Role	
Team Leader	0.8
Promo & Engagement officer	0.4
Proposed Total Staff	**14.5**

Key aspects of the change in 2021

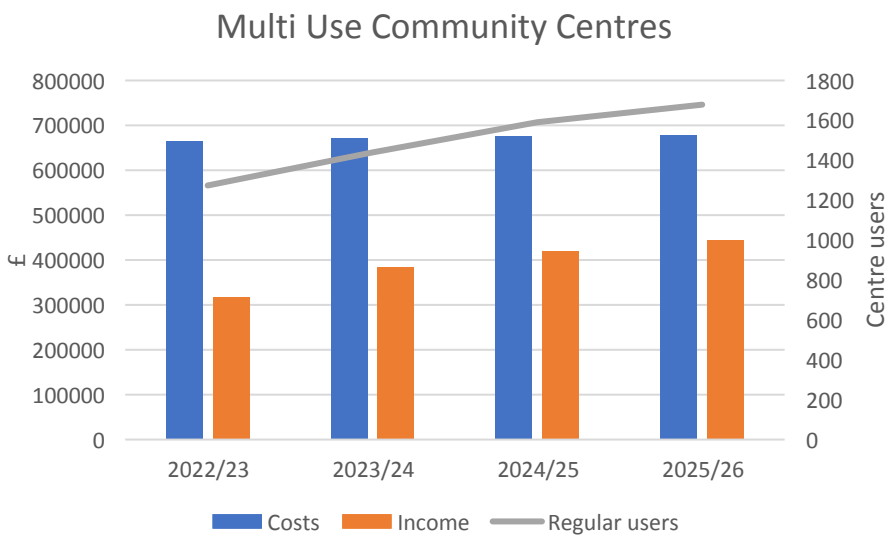
Individual Centre Development Plans	Centres each finalise a development plan – individual to their centre – reflecting local need and plans to grow service to establish multi-use centre. Communities and partners involved in developing the plans. Both thanking and growing the volunteer base.
Marketing & Communications	Re-branding to communicate new vibrant community centres, re-positioned for all residents. Marketing through a wide range of channels to increase awareness and footfall. Tasters and open days to invite people in.
HR & Training	Consultation with staff on changes to support the move to multi-use centres. Recruitment to two new part time posts – team leader and promotions and engagement officer. Training offer for staff and volunteers to support new approach.
Pricing and membership	Pricing of all offers, including room hire, will be reviewed to provide greater alignment and transparency across centres, some small increases at some centres may therefore occur where prices have not been recently reviewed. The concept of centre membership will be reviewed. Principles would be: membership is optional; it should offer benefits to those who choose a membership; membership for one centre is membership for all.

2021 – Plan towards multi-use centres



Ambition and Impact

Increase Reach and Footfall



Centre Users	Banstead	Woodhatch	Horley
2021/22	547	453	103
2025/26	799	692	188
Growth	46%	53%	82%

Notes:
Focus on Regent House Horley to result in more significant growth than at other centres but the nature of the building limits total growth.
Banstead and Woodhatch user numbers in 2025/26 reflect pre 2015 levels, albeit this will be a different offer.
Increased users/footfall drives increases in the catering and activity income.
Promotion and partnership working increases room hire utilisation and therefore income.

Increase Impact

- Skilled staff team understanding what residents need / want and the centres' role in delivering our corporate priorities, and working effectively in partnership to achieve better outcomes for more residents through the centres.

- A greater range of activities and services supporting a wider range of residents, across age range, ethnicity and wider protected characteristics. Aimed at addressing local needs, (i.e. variations in offer between centres). Ultimate aim of improved wellbeing.

- Key growth indicators
  - Users
  - Door stats on footfall
  - Volunteers

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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	Overview & Scrutiny Executive
DATE	Thursday 15 July 2021 Thursday, 22 September 2021
EXECUTIVE MEMBER	Councillor Tony Schofield, Portfolioholder for Finance & Governance

KEY DECISION REQUIRED	Yes
WARDS AFFECTED	(All Wards);

SUBJECT	Medium-Term Financial Plan 2022/23 to 2026/27

RECOMMENDATIONS

Overview & Scrutiny

(i) To note the report and raise any comments for consideration by Executive.

Executive

(i) That the Medium-Term Financial Plan be adopted as the framework for the budget elements of service and financial planning for 2022/23 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 2022/23.

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 2022/23 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 15 July 2021 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 Overview

7. The MTFP provides an update on the Council's budget position. It follows on from the Budget Report 2021/22 to Executive in January and the Council Tax recommendations to Full Council in February.

8. It covers the following:

   - Objectives and priorities for the 2022/23 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 2022/23;
- 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;
- Updated forecasts for the financial implications of the COVID-19 pandemic;
- Reserves and Fees & Charges policies;
- A summary of budget risks and sensitivities and how they will be managed; and
- Information about the service and financial process and budget-setting timetables.

Forecast Budget Gap

9. The forecast budget gap over the next five years is set out below. Further details are provided at Annex 1.

Table 18: MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2021/22 £m	Forecast Budget 2022/23 £m	Forecast Budget 2023/24 £m	Forecast Budget 2023/34 £m	Forecast Budget 2025/26 £m	Forecast Budget 2026/27 £m
FORECAST GAP	**-**	**1.863**	**2.367**	**2.855**	**4.014**	**4.514**
Annual Increase in Gap	-	1.863	0.504	0.488	1.159	0.500
Gap as % of 2021/22 budget requirement	**-**	10.7%	13.6%	16.4%	23.1%	25.9%

10. The key factors that 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 & financial planning process. • Legacy impacts of the COVID-19 pandemic, in particular on service income budgets, will become clearer when the first quarter's budget monitoring position is reported to Executive in September. • While an estimate for the 2022/23 pay award has been included in modelling this is subject to negotiation and has to be considered in the context of the significant financial challenges faced over the medium term. Employee costs comprise 34.6% of gross direct expenditure in the 2021/22 budget
Central Budgets	• Treasury Management costs will rise over the MTFP period as a consequence of the borrowing requirement to fund the approved Capital programme. They also take into account forecast repayments from loans to the council's companies. Over the MTFP period net borrowing costs are forecast to increase from 10% of the net Revenue Budget to 14.5%.
Council Tax	• Council tax setting assumptions are based on a £5 increase and forecast movements in the taxbase. • Legacy impacts the COVID-19 pandemic on recovery performance and council tax support demand have not yet been forecast; they will be considered when the taxbase for 2022/23 is prepared in the autumn.

NNDR	• Removal of Negative RSG Grant and the Business Rates reset are forecast to take place in 2024/25; they have the effect of negating the benefit of all forecast business rates growth over the MTFP period. • Legacy impacts the COVID-19 pandemic on recovery performance have not yet been forecast; they will be considered when the final forecasts for 2022/23 are prepared in the autumn
Use of Reserves	• Funding for the 2021/22 budget includes drawing £0.235m from the General Fund Reserve. If equivalent savings, efficiencies or new sources of income are not identified for 2022/23 this requirement to call on Reserves will continue to increase and further reduce available balances. • The 2021/22 budget also depends on drawing £0.104m from the Government Funding Risks Reserve (Housing Benefit subsidy reduction) and £0.138m from the Commercial Risks Reserve (Redhill hotel rent income and Revenues & Benefits trading income reduction). The ongoing requirement for this funding will have to be assessed.

11. Key changes since the January 2021 budget report include:
    - Updated forecast for pay cost inflation to reflect the salary budget for 2021/22;
    - Updated forecasts for council tax and business rates income following confirmation of the measures announced by the Government to mitigate COVID-19 impacts on the collection fund;
    - Updated forecast for borrowing costs to reflect the Capital Programme outturn in 2020/21; and
    - Updated assumptions on continuation of the additional Government grants awarded in the 2020/21 settlement.

12. In summary, as for the majority of councils, this authority is facing a challenging financial future. Over recent years budget efficiencies have been achieved to address the forecast gap, specifically through deletion of central budgets that were not required. These options are no longer available. While Reserves remain buoyant there is an underlying budget gap that must be addressed through the service & financial planning process; through reducing costs or generation of new sustainable sources of income.

OPTIONS

13. 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 2022/23 budgets.

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

15. These are addressed throughout the report and Annex.

EQUALITIES IMPLICATIONS

16. 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. An Equality Impact Assessment is carried out in support of the proposed budget annually, and where individual changes, projects or policies are developed, equalities impact assessments will be carried out by the responsible officer(s).

COMMUNICATION IMPLICATIONS

17. 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

18. 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

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

OTHER IMPLICATIONS

20. None

CONSULTATION

21. 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).

22. Savings and growth proposals will be considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in December 2021. The conclusions and recommendations of the Panel and the Committee are reported to the Executive.

POLICY FRAMEWORK

23. 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).

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

25. 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 2021/22 & Capital Programme 2021/22 to 2025/26*, *report to Executive,* 28 January 2021

- *Treasury Management Strategy 2021/22, report to Council, 8 April 2021*
- *Capital Investment Strategy 2022/23,* Report to Executive, 22 July 2021

ANNEX 1

MEDIUM TERM FINANCIAL PLAN
2022/23 to 2026/27
July 2021

Introduction

1. Medium Term Financial Plan Objectives
2. Medium Term Financial Plan Priorities
3. Medium Term Financial Plan Context
4. Corporate Plan Priorities
5. Budget-Setting Priorities 2022/23
6. The Revenue Budget
7. Revenue Budget Funding
8. Council Tax
9. Business Rates (National Non-Domestic Rates)
10. New Homes Bonus
11. Revenue Reserves
12. Medium Term Financial Plan Forecast 2022/23 onwards
13. Capital Investment Strategy
14. Treasury Management & The Prudential Code
15. Medium Term Financial Plan Risks & Sensitivities
16. Budget Equalities Impact Assessments
17. Budget Scrutiny
18. Consultation
19. Service & Financial Planning Timetable 2022/23
20. CIPFA Financial Management (FM) Code
21. CIPFA Resilience Index
22. Conclusion

APPENDICES

1. Revenue Budget 2021/22

2. Medium Term Revenue Budget Forecast 2022/23 to 2026/27

3.1 Capital Programme 2021/22 to 2025/26

4.1 Reserves Policy

4.2 Revenue Reserve Balances at 31 March 2021

5. Fees & Charges Policy

6. Strategic Financial Risks

7. Service & Financial Planning Timetable 2022/23

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 2022/23 to 2026/27 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 2021 the Executive approved the previous version of the MTFP which was based on the objectives of the Corporate Plan 2020-2025. 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 2022/23.

Key changes since the January 2021 budget report include:

- Updated forecast for pay cost inflation to reflect the outturn budget position for 2020/21;
- Updated forecasts for council tax and business rates income following confirmation of the measures announced by the Government to mitigate COVID-19 impacts on the collection fund;
- Updated forecast for borrowing costs to reflect the Capital Programme outturn in 2020/21; and
- Updated assumptions on continuation of the additional Government grants awarded in the 2020/21 settlement.

The draft budget report later this year will set out the detailed actions required to deliver a balanced budget for 2022/23 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; and
- 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 the **COVID-19 Pandemic**. The latest assessment of the potential financial impacts for this Council is set out below and 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 has been delayed but is still is due to be introduced at some point in the future;

- 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. Commercial opportunities will be pursued in line with the guiding principles set out in the commercial strategy part 1 adopted in 2020

- To carry out an annual **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; and

- To continue to monitor any potential financial impacts of **Brexit** (for example on the Council's procurement plans) following approval of the Withdrawal Agreement Act in January 2020 .

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 the COVID-19 pandemic 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 (date to be confirmed), 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.

The Economy and Public Spending

There is now considerable uncertainty in financial and economic forecasts. In June 2021 the Office for National Statistics (ONS) reported

- *The UK economy, measured by gross domestic product (GDP), is estimated to have contracted by 1.6% in Quarter 1 (Jan to Mar) 2021. The level of GDP in the UK is 8.8% below pre-pandemic levels at the end of 2019.*
- *Output, the total value of goods and services produced, fell by 2.1% in the services sector in Quarter 1 2021, compared with Quarter 4 (Oct to Dec) 2019. The largest contributors to this fall were from the education, wholesale and retail trade, and accommodation and food services industries, especially at the beginning of the quarter, in response to the tightening of coronavirus (COVID-19) restrictions.*
- *The national lockdown in January 2021 meant schools switched to remote learning while pubs and restaurants had to offer takeaway only. This resulted in the 14.7% fall in education output and 18.6% fall in accommodation and food services output in Quarter 1 2021.*
- *In contrast, the health industry experienced an increase in output in Quarter 1 2021, reflecting the inclusion of the impact of the NHS Test and Trace service and coronavirus vaccination programme.*
- *In May 2021, the public sector spent more than it received in taxes and other income requiring it to borrow £24.3 billion, the second-highest May borrowing on record.*

- *The public sector is still borrowing a substantial amount to support the economy. While May's borrowing was only around a half of that in May last year, it was still more than four times that of May 2019.*
- *Central government receipts were estimated to have increased by £7.5 billion in May 2021 compared with May 2020, reaching £56.9 billion. Of these receipts, taxes were £41.4 billion, £6.0 billion more than in May last year and broadly in line with those of May 2019.*
- *Central government bodies were estimated to have spent £75.6 billion on day-to-day activities (referred to as current expenditure) in May 2021, £10.6 billion less than a year earlier but £17.3 billion more than in May 2019. Of this, the cost of the government's coronavirus job support schemes in May, scheduled to close in September 2021, was £5.2 billion, £11.7 billion less than a year earlier.*
- *In the financial year ending (FYE) March 2021 (April 2020 to March 2021), the UK public sector borrowed £299.2 billion, reduced by £4.0 billion from April's first provisional estimate but still the highest annual borrowing since records began in FYE March 1946. Official forecasts suggest that borrowing could reach £233.9 billion in FYE March 2022.*
- *Expressed as a ratio of gross domestic product (GDP), public sector net borrowing in FYE March 2021 was 14.3%, the highest such ratio since the end of World War Two, when it was 15.2% in FYE March 1946.*
- *The recent substantial increase in borrowing has led to a sharp increase in public sector net debt, which currently stands at 99.2% of GDP, the highest ratio since the 99.5% recorded in March 1962.*

In July 2021 the Office for Budget Responsibility (OBR) reported:

- *After the second 'once in a century' shock in just two decades, our third Fiscal risks report focuses on three large, and potentially catastrophic, sources of fiscal risks.*
- *The pandemic could leave £10 billion per year in spending pressures and long-term economic scars.*
- *While unmitigated climate change would spell disaster, the net fiscal costs of moving to net zero emissions by 2050 could be comparatively modest.*
- *While interest rates touched historical lows during the pandemic, the public finances are increasingly exposed to future rate rises due to a higher debt stock and a shortening of its effective maturity.*

In summary they concluded that:

- *Catastrophic risks are real and may have become more frequent;*
- *While it is difficult to predict when catastrophic risks will materialise, it is possible to anticipate their effects;*
- *There are advantages in preventing or halting a process that involves rapidly escalating costs early;*
- *When investing in risk prevention, governments have a tendency to 'fight the last war'; and*
- *In the absence of perfect foresight, fiscal space may be the single most valuable risk management tool.*

Office for Budget Responsibility, *Fiscal Risks Report, July 2021*.

Interest Rates

Bank Rate has remained at 0.1% (July 2021) since it was cut in March 2020. In their June meeting the Monetary Policy Committee voted unanimously to keep interest rates on hold at 0.1% and the stock of sterling non-financial investment-grade corporate bond purchases at £20bn. However, they voted by a majority of 8-1 to maintain the existing programme of UK government bond purchases at £875bn. The Committee does not intend to tighten monetary policy at least until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably.

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

Source: *Link Asset Management June 2021*

Inflation

The annual inflation rate rose to 2.1% in the 12 months to May 2021, up from 1.5% to April and above market forecasts of 1.7%, with the main upwards contributor being clothing, motor fuels, recreational goods and meals & drinks consumed out. This is the first time that the measure has been above the Bank of England's 2% target since July 2019 and the highest figure since that same period. In a recent press release, the Bank of England noted 'financial market measures of inflation expectations suggest that the near-term strength in inflation is expected to be transitory.'

Table 2: FORECAST INFLATION (CPI)	2021/22 %	2022/23 %	2023/24 %	2024/25 %	2025/26 £%
Forecast CPI	1.7	2.3	2.0	1.9	2.0

Source: *Link Asset Management June 2021*

Economic Growth

UK GDP grew by 1.5% in the three months April 2021, ending a three period streak of contractions and in line with market expectations, a preliminary estimate showed. This is the first expansion since the three months to December 2020. The y/y figure rose to 27.6% for April 2021 compared to the 1.4% y/y growth in March 2021. In the May Monetary Policy Report, the Bank of England revised its GDP growth forecasts upwards for Q2 2021 to 21.5% y/y from 17.6% y/y, but was likewise revised downwards to 7.1% y/y for Q2 2022 from 8.9% y/y.

Impact of COVID-19

The financial year 2020/21 will go down in history as being the year of the pandemic. The first national lockdown in late March 2020 did huge damage to an economy that was unprepared for such an eventuality. This caused an economic downturn that exceeded the one caused by the financial crisis of 2008/09. A short second lockdown in November did relatively little damage but by the time of the third lockdown in January 2021, businesses and individuals had become more resilient in adapting to working in new ways during a three month lockdown so much less damage than was caused than in the first one. The advent of vaccines starting in November 2020, were a game changer. The way in which the UK and US have led the world in implementing a fast programme of vaccination which promises to lead to a return to something approaching normal life during the second half of 2021, has been instrumental in speeding economic recovery and the reopening of the economy. In addition, the household saving rate has been exceptionally high since the first lockdown in March 2020 and so there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and hotels as soon as they reopen.

Source: Link Asset Management June 2021

Potential ongoing implications of the COVID-19 pandemic 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; and
- Impacts on the Council's 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 £1.6m 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 2022/23
- July 2018 – new simplified Business Rates Reset first suggested
- December 2018 – no figures beyond 2021/22 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 2021/22 only
- Spending Review20 (SR20) – delayed to autumn 2020 due to the Government's COVID-19 pandemic response - focussed on prioritising funding to support the ongoing response to the pandemic to:

- control and suppress the virus;
- increase support to public services; and
- support jobs and businesses.

- Provisional Local Government Finance Settlement 2021/22 - published in December 2020. Covers one year only; based on Spending Review20 (SR20) funding levels. There remains a commitment from the Government to return to multi-year settlements at some point but that is likely to depend on whether COVID-19 continues to have significant impacts on local government finances during 2021/22. The main points are set out below:
  - **Council Tax** – the council tax referendum limit is 2% for lower tier authorities; it was confirmed that districts would be allowed to apply the higher of the referendum limit or £5;

  - **Business Rates Retention –** the business rates multiplier was frozen for 2021/22 instead of increasing in line with inflation. Therefore. the three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) remain at 2020/21 levels. However, the Under-Indexing Multiplier Grant has been increased to ensure that local authorities' shares of NNDR income is not impacted;

  - **Top Up/Tariff Adjustments ('Negative RSG')** – as in previous years, the Government eliminated the negative RSG impacts;

  - **Lower Tier Services Grant** – a new un-ringfenced lower tier services grant of £111m was announced in the Provisional Settlement. The purpose is to ensure that no authority has a total Core Spending Power less than in 2020/21. It is assumed that this will continue for 2022/23 only;

  - **New Homes Bonus** - 2021/22 allocations to be paid with the legacy payments due from previous years (2018/19 and 2019/20 with no legacy payments for the new 2021/22 in-year allocations and no legacy payment was paid for 2020/21. The 'deadweight' of 0.4% was maintained;

  - **Rough Sleepers** - £750m, a 60% increase on the previous spending review;

  - **Troubled Families Programme** - £165m;

  - **£4bn 'levelling up' fund (UK Shared Prosperity Fund)** - local areas can apply directly with the focus on town centre regeneration and culture;

  - **Redmond Review of external audit** - £15m allocated to implement the review recommendations (audit fee increases);

  - **COVID-19 Funding** – £2.2bn of funding was announced in SR20 to support local government in 2021/22. To include:
    - Hardship Grant – Tranche 5 (£1.55bn)

- Local Council Tax Support Grant (£670m) to help fund the expected increase in demand for local council tax support in 2021/22
- Sales, Fees and Charges compensation scheme (Q1 2021/22 only);
- Tax Income Guarantee Scheme (£790m estimated) to fund 75% of irrecoverable losses in council tax and business rates (in addition to the 3-year collection fund spreading arrangements).

Recent funding announcements include:

- a further £400 million through the Contain Outbreak Management Fund (COMF) which is now being paid direct to lower tier councils (previously distributed via Surrey Country Council. This funding is to help local authorities contain local outbreaks, reduce transmission and protect the vulnerable; and
- Restart Grants worth up to £18,000, further Additional Restrictions grant funding and extension of rates reliefs for businesses.

- **Local Government Funding Reform** – no papers were published relating to the Review of Relative Needs & Resources (Fair Funding), the Business Rates Reset and the Business Rates fundamental review. The Provisional Settlement confirmed that it remains the Government's intention to implement these reforms in 2022/23 but it remains uncertain whether they will be able to do so under the current circumstances.

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 delayed once more 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 (new date to be confirmed);

Business Rates Revaluation

- Delayed by an additional year to 2023 as a consequence of the COVID-19 pandemic;
- In June 2021 the Government launched a consultation on revaluations taking take place every three years instead of the current system of every five years;

New Homes Bonus:

- Alongside the latest single-year allocation for 2021/22 the Government confirmed its intention to make 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 Review21;

Specific Grants:

- There is still an expectation that these will be rolled into the funding system when 75% business rates retention is introduced (date to be confirmed)
- The Tax Income Guarantee and Lower Tier Services Grant were introduced in 2021/22; for the purposes of this report these are assumed to cease in 2022/23;

Negative RSG Grant

- It has also not yet been confirmed when this will cease. Further information may be announced as part of Spending Review21; for the purposes of this report it is assumed to cease by 2026/27; and

Council Tax:

- There is a possibility of increased freedoms (primarily for social care precepting authorities). Further information may be announced as part of Spending Review21.

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 (2021/22) and capital investment plans for two financial years (2021/22 and 2022/23). Spending Review20 was then delayed from July to November 2020 to enable the Government to remain focused on responding to the COVID-19 pandemic.

Spending Review21 is expected in autumn 2021 and there is some speculation that this may be a multi-year settlement, however that is to be confirmed.

In June 2021 the Government launched a consultation which could see business rates revaluations take place every three years instead of the current five. The consultation is part of the fundamental review of business rates which the Treasury now indicated will not conclude in 2021 as previously planned, instead publishing 'preliminary conclusions in the autumn ahead of 'final conclusions' next spring.

Between 1990 and 2010, business rates revaluations took place every five years. The 2015 revaluation was postponed until 2017 and in May 2021, the 2021 revaluation was postponed until 2023 to reduce uncertainty for businesses affected by COVID-19. The Treasury argues that making revaluations more frequent would ensure they better reflect changing economic conditions.

Service & Financial Planning: Government Funding Assumptions

For the purposes of preparing this MTFP and the draft 2022/23 budget the following has been assumed:

- No changes to total local government funding as a result of Spending Review21;
- The most far-reaching funding changes will be delayed until at least 2023/24;
- When implemented, the funding changes are forecast to reduce this Council's Government funding by £0.0.740m in year one followed by a further £0.220m

and £0.250m in each of the two subsequent years (£2.290m in total). This is as a consequence of the removal of 'Negative RSG' grant and the Business Rates reset. The forecast assumes there will be no other transitional funding arrangements for these changes;

- Council taxbase growth of up to 1.0% per annum and council tax increases continue to be capped at a maximum of 1.99% or £5; and
- Funding from New Homes Bonus to cease in 2022/23 (no new allocations). This does not have any direct implications for budget setting because New Homes Bonus is not treated as a source of funding when balancing the Revenue Budget.

4. Corporate Plan Priorities

The Council's Corporate Plan 2020-2025 sets out our priorities for the five year period, 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 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 '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; and
- An 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.

Commercial Strategy

Following the Member task group review of commercial activity in 2018, and the establishment of the Commercial Ventures Executive Sub Committee and a new Commercial directorate in 2019, Part 1 of the Commercial Strategy was developed in consultation with Commercial Ventures Executive Sub Committee members and approved by the Executive in November 2020.

The definitions and principles that it includes, and the categories of activities it sets out, are intended to assist in the understanding of why this Council needs to undertake commercial activity, and how funding allocated in 2020/21 and 2021/22 will be focused. It also includes a Commercial Activity Action Plan, progress on which will be reported annually. The Action Plan will support delivery of new income generation opportunities for inclusion in future MTFP forecasts.

Part 1 sets 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;

It is based on three guiding principles:

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

- **Principle 2:** Any decisions which have a commercial aspect will be based on a robust assessment of the business case using consistent relevant criteria, and appropriate due diligence and risk assessment; and

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

Part 2 of the Strategy is now in development and will provide more detail about the implementation of commercial activity, particularly investment activity. The intention is that Part 2 will be regularly updated to take account of market conditions, project progress and MTFP projections.

5. Budget-Setting Priorities 2022/23

The Priorities that will be taken into account when preparing the draft Budget for 2023/24 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; and

- 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. treasury management costs and income and audit fees;

- **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 which includes the continued impact (benefit) of the one-off elimination of 'Negative Revenue Support Grant' that was announced by the Government in September 2019 and has continued in subsequent years pending the outcome of local government funding reforms;

- **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'; and

- **Contributions (to)/from Reserves**: This relates to use of Earmarked Revenue Reserves, which have been allocated to fund specific purposes. 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 (£0.235m in 2021/22).

Revenue Budget Outturn 2020/21
In February 2020 the Council set a net Revenue Budget for 2020/21 of £24.459m, including an advance payment of employer's pension contributions of £6.204m. Transfers from the Corporate Plan Delivery Fund and other Earmarked Reserves during the year resulted in a net increase to £25.713m.

Service Budgets

The 2020/21 Original Budget for Services approved by Council in February 2020 was £14.90m. At 31 March 2021 the full year outturn was £17.852m against a management budget of £16.010m resulting in an overspend of £1.841m (11.5%). The primary reason for this overspend is the inclusion of income losses as a consequence of the COVID-19 pandemic.

The table below summarises the 2020/21 provision outturn reported to Executive in June 2021.

Table 3: REVENUE BUDGET MONITORING AT 31.3.21	**Original Budget £m**	**In-Year Adjustments £m**	**Management Budget £m**	**Year-end Outturn £m**	**Year End Variance £m**
Service Budgets – including the impacts of COVID-19 pandemic income losses	14.900	1.110	16.010	17.852	1.841
Central Budgets	9.560	0.142	9.702	6.935	(2.767)
Sub-Total	**24.459**	**1.253**	**25.713**	**24.787**	**(0.925)**
COVID-19 Pandemic – unplanned expenditure					3.782
COVID-19 Pandemic – specific Government Funding					(3.327)
COVID-19 Pandemic - other Government Funding					(4.170)
COVID-19 Pandemic – distribution of discretionary Business Grants to 31 March					(0.238)
Total Revenue Budget Outturn 2020/21 inclusive of COVID-19 Pandemic Expenditure and Funding					**(4.878)**
Transfers to Reserves:					
Contribution to General Fund Balance/Earmarked Reserves					2.184
Unspent balances on specific Government funding for COVID-19 impacts - to be transferred to an Earmarked Reserve					0.456
Balance of COVID-19 Government funding for discretionary business grants - to be transferred to an Earmarked Reserve to fund the ongoing Pandemic Response					0.238
Balance of other COVID-19 Government funding - to be transferred to an Earmarked Reserve to fund the Council's ongoing pandemic response					2.000
Total					**4.878**

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

Organisation:

- £0.617m overspend in Finance, which is mostly attributable to the costs of interim staff covering vacant posts and additional support for the closure of accounts and advising on development projects. Permanent staff recruitment has now been completed with all staff in post by October. The Head of Finance post is still covered on an interim basis. Other overspends within Finance relate to £0.060m increased cost of financial software and £0.020m

transactional related charges from the Council's banking provider. These pressures have been addressed during 2021/22 Service & financial Planning.

- £0.231m underspend in ICT due to lower software costs, hardware maintenance costs and staff vacancies.
- £0.231m underspend in Legal Services due to vacancies. These posts have now been recruited.
- £0.094m underspend in Democratic Services
- £0.184m underspend in Elections due to cancelled local elections
- £0.116m increased income for Land Charges
- £0.070m underspend in Organisation Development & Human Resources due to vacancies earlier in the year.

Place:

- £0.074m net overspend in Refuse and Recycling due to additional temporary staff and overtime; offset in part by fuel price decreases and increased income
- £0.105m additional Fleet costs of older vehicles
- £1.702m income losses from Parking
- £0.097m savings on fuel costs and vacant posts for Street Cleansing

People:

- Housing – the underspend reflects receipt of £0.402m additional funding that will be carried forward for use in 2021/22
- Revenues &, Benefits & Fraud – the primary underlying causes contributing to the £1m overspend at year end (20/21) are:
    - loss of income due to the COVID-19 pandemic: £0.179m was lost due to courts being closed and therefore costs from council tax summonses were not recovered. Another £0.070m was lost from the service's external contracts for commercial work.
    - Irrecoverable bad debts were written off - £0.200m for Fraud/Compensation cases; £0.101m Council Tax Benefits debts balance; £0.095m Housing Benefit Overpayments.
    - £0.095m reduction in Housing Benefit subsidy due to an increase in private supported accommodation in the borough for which the Council does not get fully reimbursed by the Government. The subsidy rate on all Housing Benefit expenditure was 99.3% of net expenditure, less than the usual rate of 99.6% in previous years. £0.140m against Software Acquisitions and External printing. Budget growth has been approved for these two areas for 2021/22.
    - £0.160m of Printing and Software related cost pressures. This budget has also been reviewed as part of the 2021/22 Service & financial Planning process.
- Supporting Families – the underspend reflects receipt of £0.240m additional funding that will be carried forward for use in 2021/22

- Harlequin Theatre – income losses due to the COVID-19 pandemic £0.266m
- Leisure Services – management fee income losses due to the COVID-19 pandemic £0.240m

Senior Management Team

- £0.266m underspend in the Chief Executive's Office due to reduced salary costs

The service & financial planning process for 2022/23 will include an assessment of whether any Service budgets require realignment to reflect historic outturn trends.

COVID-19 Expenditure and Funding

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

Throughout the year the pandemic has represented a potentially material financial risk to the Council's budget and financial position. The underlying analyses have evolved throughout the year therefore it is only now, at the close of the year that the final outcomes can be reported. Initially there was genuine concern across the local government sector that funding provided by the Government would not match the additional expenditure incurred or the income that was being lost. The final outcome is much more positive; for 2020/21 at least.

Wherever practicable the additional costs of delivering the Council's response to the pandemic have been recorded separately in order to track costs and ensure that all available Government funding was being claimed. As explained above, the primary exception was income losses as a consequence of the pandemic which have had to continue to be recorded against service income budgets.

The table below sets out a summary of the additional pandemic-related expenditure and the funding that has been received to offset it, as reported to Executive in June 2021.

Table 4: COVID-19 EXPENDITURE AND FUNDING AT 31.3.21	**Additional Expenditure £m**	**Additional Funding £m**	**Net Expenditure / (Funding) £m**
COVID-19 Pandemic - Expenditure less specific grants & funding	3.782	(3.327)	**0.455**
COVID-19 Pandemic - other Government funding	-	(4.170)	**(4.170)**
COVID-19 Pandemic - discretionary business grants for distribution/retention (remaining balance at 31 March)	0.102	(0.340)	**(0.238)**

Further detail is provided at Appendix 8.

Total additional expenditure as a consequence of the pandemic was £3.782m. The most significant areas of activity included:

- Supporting Shielded Residents and contributions to Voluntary Sector activities - £1.921m
- Council-wide expenses including staff redeployment, supporting remote working and compliance checks on grants - £0.631m
- Garden Waste additional expenses - £0.148m and customer refunds £0.475m
- Environmental & Regulatory checks and control measures - £0.220m
- Provision of support for the homeless - £0.156m
- Cultural services additional expenses - £0.080m
- Marketing and Public Notices - £0.071m
- Purchase of PPE - £0.153m

Specific grants and donations to support the above included:

Table 5: COVID-19 Specific Government Grants	**£m**
Contain Outbreak Management Funding (COMF) to support vulnerable residents	1.331
Hardship Funding – to support council tax benefit claimants	0.755
Homelessness Support Grants	0.289
New Burdens Funding – for additional admin costs	0.275
Clinically Extremely Vulnerable Funding	0.253
Reopening the High Street Safely Grant	0.132
Emergency Assistance Funding	0.089
Other Funding & Donations	0.058
Compliance & Enforcement Grants	0.058
Environmental Response Funding	0.040
Environmental Health Grant	0.040
Winter Grant Funding – for food for families	0.007
Total	**3.327**

The majority of this funding was received direct from the Government but some came via Surrey County Council and also from the general public.

The general funding support from Government has comprised:

Table 6: COVID-19 General Government Funding Support	**£m**
Sales Fees & Charges Compensation Grant – representing c65% of all losses incurred	2.337
Emergency Grant for general COVID expenditure	1.833
Total	**4.170**

On balance the position at year end is much more encouraging than initially feared; all costs have been funded and income losses made good for 2020/21. There is also a healthy funding balance to carry forward to 2021/22 to help fund the ongoing pandemic

response and impacts on service delivery, including income losses. In the budget report for 2021/22 these were forecast to be in the region of £2.220m:

Income losses

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

Expenditure pressures

- Homelessness prevention - £0.210m

Other potential pressures relate to the Council's leisure provider who may not be able to pay their management fee in full again in 2021/22.

Updated forecasts for 2021/22 will be reported to Executive in the first quarter's budget monitoring report.

Additional Government COVID-19 funding for 2021/22 includes a confirmed £0.638m grant for general COVID expenditure and a further contribution towards Sales, Fees & Charges losses in quarter one (amount to be confirmed). This will supplement the £2.000m that was set aside in an Earmarked Reserve (details above) at year end. A further allocation of Contain Outbreak Management Funding (COMF) is also expected.

Looking forward beyond 2021/22 there remain concerns that ongoing costs and residual income losses may ultimately add to the forecast budget gap over the medium term as there is no current prospect of further Government funding for the majority of these pressures beyond the end of June 2021. When the carried-forward funds and any new Government grants have been exhausted any ongoing unfunded impacts will have to be accommodated within future budget-setting decisions and may result in a call on Reserves until sustainable solutions are implemented.

As previously-reported, over the medium term, the main options for mitigating the financial impacts of COVID-19 include:

- Continue to lobby Central Government for additional funding in recognition of the residual impacts on district Councils and their ability to deliver services;
- Look to make offsetting savings and efficiencies where possible before calling on Reserves; and
- Make use of Earmarked Revenue Reserves to close the gap. This has implications for the projects and services and other potential risks that were intended to be funded from these resources.

As a final resort it would be necessary to apply for permission from Government to capitalise some of the costs and financial impacts to enable the Council to borrow and fund them on a long-term basis. This would place the Council in the spotlight as being at risk of financial failure.

Further updates on forecast impacts on costs and income and how they might be funded will continue to be included in the quarterly budget monitoring reports throughout 2021/22.

Central Budgets

The 2020/21 Original Budget for Central budgets approved by Council in February 2020 was £9.560m. At 31 March the outturn was £6.935m against a management budget of £9.702m resulting in an underspend of £2.767m (28.52%).

This underspend is mainly as a result of:

- £1.586m forecast underspend in Treasury Management: this is due to the net effect of increased income from loans and investments, including interest on the second loan to Greensand Holdings Limited (for the purchase of land at Horley) and lower than forecast borrowing costs due to Capital Programme slippage; and
- £0.722m forecast underspend in Budget Contingencies.

COVID-19 Business Grants & Reliefs

During the year the Council's Revenues, Benefits & Fraud team was required by the Government to administer grants and additional business rate reliefs for local businesses and also Test & Trace payments to individuals to help them mitigate the financial impacts of the pandemic.

As reported to Executive in June 2021, these grants included:

Table 7: COVID-19 Government Funding for Distribution/Repayment	**Funding Received for Grants & Reliefs to Businesses £m**	**Funding Received for Payment to Individuals £m**
Additional Restrictions Grants	4.295	
Local Restrictions Support Grants	9.833	
Christmas Support Payments (Pubs)	0.032	
Closed Business Lockdown Payments	6.282	
Additional Business Rate Reliefs	23.680	
Test & Trace Payments		0.213

At 31 March £34.505m had been distributed. The unspent balance on these sums (£9.835m) will be accounted for at year end but does not form part of the Council's resources. Any unspent balances when these individual grant schemes end will eventually have to be paid back to the Government.

As reported to Executive in June 2021, the only exceptions are the following grants where the Council has discretion over how the funds are distributed and can retain the funds until distributed in full. The unallocated balance will be held in an earmarked COVID-19 Reserve at year-end for ongoing distribution in 2021/22.

Table 8: COVID-19 Business Grants for Distribution/Retention	Funding Received for Grants to Businesses £m
Local Discretionary Grants Fund	0.130
Local Restriction Support Grants (Open)	0.210

Revenue Budget 2021/22

The Revenue Budget for 2021/22 was approved in February 2021. In summary it comprises:

Table 9: BUDGET SUMMARY 2021/22	Budget 2021/22 £m
1. Net Cost of Services	14.903
2. Central Budgets	2.492
NET EXPENDITURE 2021/22	**17.395**
3. Council Tax	14.365
4. National Non-Domestic Rates (NNDR)	1.819
5. Un-ringfenced Grants – transferred to Reserves	2.193
6. Other Un-ringfenced Grants	0.734
7. Contribution to Earmarked Reserves:	(2.193)
8. Call on Earmarked Reserves in 2021/22:	0.242
9. Use of funds from the General Fund Balance to support the 2021/22 Revenue Budget[1]	0.235
NET SOURCES OF INCOME 2021/22	**17.395**

NOTE 1: The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2021/22. Over recent years the budget outturn has been an underspend position with no requirement to call on Reserves.

Service Budgets

Table 10: SERVICE BUDGET PROPOSALS	Budget 2021/22 £m
ORGANISATION	
Communications / Customer Service	1.052
Finance	1.168
ICT	1.810

Table 10: SERVICE BUDGET PROPOSALS	Budget 2021/22 £m
Legal & Governance	2.022
Organisational Development & HR	0.785
Corporate Policy, Projects & Performance (inc environmental sustainability)	0.420
Property / Commercial	(1.510)
PLACE	
Economic Prosperity	0.398
Neighbourhood Operations	3.119
Place Delivery	0.326
Planning	0.548
PEOPLE	
Community Development	1.588
Housing	0.950
Revenues, Benefits & Fraud	0.525
Wellbeing & Intervention	0.537
SENIOR MANAGEMENT TEAM	1.166
TOTAL	**14.903**

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. Further details are provided at Appendix 1.

Table 11: CENTRAL BUDGETS	Budget 2021/22 £m
Insurance	0.460
Treasury Management	
○ Interest on Investments and Company Loans	(1.218)
○ Interest on Borrowing	0.165
○ Minimum Revenue Provision	1.361
○ Interest on Trust Funds and Treasury transaction costs	0.041
External Audit Fees[1]	0.067
Budget for Staff Salary Increases[2]	1.428
Preceptor Grants	0.038

Table 11: CENTRAL BUDGETS	Budget 2021/22 £m
Apprenticeship Levy[3]	0.069
Visa Sponsorship Budget	0.005
Central Training Budget	0.077
Central Salary Contingencies	-
Central Budgets	**2.492**

NOTES
1. 2021/22 audit fees were subject to confirmation at the time of preparing this report. The Provisional Settlement included an additional £15m to help fund increased fees following the Redmond review of external audit. Individual allocations are to be confirmed.
2. To be transferred from Central to Service budgets in April 2021 to reflect allocation of the pay increase across services
3. To be confirmed when final salary costs are confirmed

7. Revenue Budget Funding 2021/22

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

Table 12: REVENUE BUDGET FUNDING	Budget 2021/22 £m
1. Council Tax	14.365
2. National Non-Domestic Rates (NNDR)	1.819
3. Un-ringfenced Grants – transferred to Reserves	
• COVID-19 Emergency Funding - Allocation 5	0.638
• New Homes Bonus	0.887
• Homelessness Prevention	0.668
4. Other Un-ringfenced Grants	
• Lower Tier Services Grant	0.394
• COVID-19 Tax Income Guarantee Grant (estimate)	0.150
• COVID-19 Local Council Tax Support Grant	0.190
5. Contribution to Earmarked Reserves:	
• COVID-19 Emergency Funding – transferred to new COVID-19 Reserve	(0.638)
• New Homes Bonus – 2021/22 allocation transferred to Government Funding Risks Reserve	(0.887)

Table 12: REVENUE BUDGET FUNDING	Budget 2021/22 £m
• Homelessness Prevention – 2021/22 allocation transferred to Earmarked Reserve	(0.668)
6. Call on Earmarked Reserves in 2021/22:	
• Government Funding Risks Reserve *(Housing Benefit subsidy reduction)*	0.104
• Commercial Risks Reserve *(Redhill hotel rent income reduction and Revenues & Benefits trading income)*	0.138
7. Use of funds from the General Fund Balance to support the 2021/22 Revenue Budget[1]	0.235
NET SOURCES OF INCOME 2021/22	**17.395**

Factors taken into account include:

Retained Business Rates Income and Negative RSG Grant	• This Council's share of retained business rates will be £2.620m after taking account of the historic Collection Fund deficit brought forward plus the first of three instalments of £0.578m relating to recovery of the 2020/21 deficit.
Council Tax	• The forecast level of Council Tax income for 2021/22 is based on a £5.00 Band D equivalent increase and the forecast tax base.
New Homes Bonus	• Includes forecasts for New Homes Bonus in 2021/22 based on the December 2020 Provisional Settlement announcement. These funds (£0.887m) have been transferred to Reserves.
Contributions (To)/From Reserves	• Includes the net contribution of £0.235m that will be required from the General Fund Balance to address the forecast remaining Revenue Budget gap in 2021/22 and contributions from Earmarked Reserves for specific risks. Also, the transfer to Reserves of the 2021/22 New Homes Bonus Allocation and Homelessness Prevention Grant.

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 2021/22
The referendum cap was confirmed with the Provisional Local Government Funding Settlement Announcement in December 2020, 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 £14.100m to £14.365m.

As reported to Executive in November 2020, the impacts of the forecast increase in the taxbase and collection performance for 2021/22 was 225.5 Band D equivalent properties, an increase of 0.37% compared to 2020/21, after allowing for growth of 1.56% offset in part by an increase in local concessionary tax support as a result of the pandemic.

COVID-19 Impacts
As forecast, overall collection rates were lower in 20/21 due to the disruption caused by the pandemic; recovery action through the courts was not possible for several months and Revenues team capacity was reduced due to the competing demands of processing business grants. Nevertheless recovery performance in comparison to other councils remained strong. During the year the Government introduced measures to help councils manage disrupted cashflows and to spread the Collection Fund deficit over three years to help offset the financial impacts of reduced income compared to the original budget.

Council Tax Policy
Changes to council charges on empty homes were approved during 2021/22: homes that have been empty and substantially unfurnished for more than ten years will be charged a Council Tax long term empty premium equivalent to 300% of the Council Tax in addition to their current Council Tax.

As these changes help deliver a county-wide initiative to reduce the number of empty properties throughout Surrey, the County Council has agreed to reallocate its share of the increased funding that results from changes in Empty Homes policies to participating boroughs and districts in the years in which the policies apply, where agreed conditions are met. The funding is intended to be used for new schemes that cannot be funded within existing budgets.

The County Council plans to invite bids in September in each year. This Council’s share of the funding for 2021/22 is £0.041m and a proposal has been submitted and agreed to use the funds to support delivery of the Environmental Sustainability Strategy.

Further submissions will be made in future years when invited to do so by the County

Council.

Council Tax Precepts 2021/22

Table 13: ANALYSIS OF DRAFT COUNCIL TAX BY PRECEPTOR		
Authority	£000	% share
Surrey County Council[1]	94,061.1	74.48%
Surrey Police & Crime Commissioner[1]	17,339.8	13.73%
Reigate & Banstead Borough Council	14,418.6	11.42%
Horley Town Council	428.1	0.34%
Salfords & Sidlow Parish Council	42.0	0.03%
	126,289.6	**100.00%**

Table 14: ANALYSIS OF DRAFT COUNCIL TAX CHANGES BY PRECEPTOR				
Authority	**2021/22**	**2020/21**	**Increase[1]**	
			£	**%**
Surrey County Council	1,549.10	1,511.46	37.64	2.49%
Surrey Police & Crime Commissioner	285.57	270.57	15.00	5.54%
Reigate & Banstead Borough Council	237.46	232.46	5.00	2.15%
Horley Town Council	41.51	39.71	1.80	4.53%
Salfords & Sidlow Parish Council	29.72	27.18	2.54	9.35%
	2,143.36	2,081.38	61.98	2.89%

Local Council Tax Support Scheme

The Council funds c10% 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 general Government funding is provided; the costs fall on the General Fund.

The Council's Scheme is scheduled for review during 2021/22.

During 2021/22 the Government provided a one-off grant of £0.190m to help fund the potential additional costs of the scheme due to increased applicants following the pandemic. This is not expected to continue in 202/23.

Council Tax Collection Performance 2020/21

This Council's collection performance for council tax in 2020/21 was 98.06% (98.65% in 2019/20); 37th highest performance compared to all English local authorities

Council Tax Options 2022/23

Each 1% increase in Council Tax generates £0.144m additional income for this borough. A £5 increase in 22/23 would yield £0.510m additional income

Council Tax Forecasts
For MTFP modelling purposes, the Council Tax income forecast at June 2021 is set out below:

Table 15: COUNCIL TAX FORECAST	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Forecast Resources	14.360	14.900	15.410	15.940	16.330	16.650
Annual Increase in Income	-	0.540	0.510	0.530	0.390	0.320
Cumulative Increase in Income		0.540	1.050	1.580	1.970	2.290
Band D	£237.46	£242.46	£247.46	£252.46	£257.46	£262.46
Band D Increase	-	£5.00	£5.00	£5.00	£5.00	£5.00
Taxbase Increase	1.15%	1.5%	0.7%	0.4%	0.5%	0.5%

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.

Over recent years the Government has ben undertaking a review of how business rates will operate going forward and has stated its intentions to achieve 75% localisation of business rates. The full impact of this cannot be assessed until the details of these changes are release by the Government.

Appeals
Business rate forecasts include an assessment of the likelihood of successful appeals.

Business Rates Collection Performance 2020/21
Collection performance for business rates in 2020/21 was 99.8% (99.94% in 2019/20); this was the 2nd highest performance in the country compared to all English local authorities

Business Rates Forecast at June 2020

Table 16 : NNDR FORECAST	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Forecast NNDR Resources	1.819	1.710	2.060	2.690	2.750	2.980

Table 16 : NNDR FORECAST	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Less 'Negative RSG Grant'	-	-	-	(0.740)	(0.980)	(1.230)
Net Forecast	**1.819**	**1.710**	**2.060**	**1.950**	**1.770**	**1.750**
Annual Increase / (Reduction)	-	(0.109)	0.350	(0.110)	(0.180)	(0.020)
Cumulative Increase / (Reduction)	-	(0.109)	0.241	0.131	(0.049)	(0.069)

These forecasts take into account the impacts of spreading 2021/22 collection fund losses over three years and the removal of one-off support measures after 2021/22.

COVID-19 Impacts
From the onset of the pandemic local businesses in the retail, hospitality, leisure and nursery sectors were awarded £23.68m in additional business rate relief as part of the Government's support to those parts of the economy that experienced the most significant impacts during lockdown.

As forecast, overall collection rates were lower in 20/21 due to the disruption caused by the pandemic; recovery action through the courts was not possible for several months and Revenues team capacity was reduced due to the competing demands of processing business grants. Nevertheless recovery performance in comparison to other councils remained strong.

Spending Review20 in November 22020 confirmed that the Government planned to fund 75% of business rate and council tax losses for 2020/21. However it was not until June 2021 that the methodology for the Tax Income Guarantee Scheme to be applied to business rates losses was finally confirmed. This significantly reduced compensation from the scheme for the majority of authorities compared with projections based on the Settlement announcement.

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 2021/22 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 remain unclear due to the delay in the Fair Funding review.

New Homes Bonus funds are transferred to Reserves each year to help manage future financial risks; they are not used to fund the Revenue Budget.

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; and
- 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 2021 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 2021 budget report that a working balance of £3.0m is considered the minimum level required. This represents just over 15% of the net budget for 2021/22. This minimum level will be reviewed again as part of 2022/23 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 17 : USEABLE REVENUE RESERVES	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2019/20 £m	2020/21 £m	2021/22 £m
General Fund Balance	6.075	6.717	8.737	5.912	12.547	12.547	8.949	3.000
Earmarked Reserves	9.526	10.963	13.485	19.075	21.703	25.042	32.646	38.738
Total Reserves	**15.601**	**17.680**	**22.222**	**24.987**	**34.250**	**37.589**	**41.595**	**41.738**
Reserves as a % of the Net Revenue Budget	119.14%	135.01%	169.70%	190.81%	261.55%	287.05%	255.26%	240.00%

COVID 19 Reserves
The 2021/22 Reserves include sums set aside following the COVID-19 pandemic:

- £2.000m to cover ongoing general expenditure and to help mitigate the impacts of income losses;
- £0.108m Government funding for discretionary business grants received in 2020/21 and carried forward to 2022/23; and
- £0.534m for other pandemic funding received in 2020/21 and to be used in 2021/22 to help fund general costs.

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; and
- 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 2022/23 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 2022/23 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 future years, including the loss of Negative RSG 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; and
- 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 of service & financial planning will be reported in November.

Revenue Budget-Setting Assumptions 2022/23

The following assumptions will be used during service & financial planning over coming months when preparing the draft Budget estimates for 2022/23:

Council Tax	• To increase by the referendum limit – assumed to be £5 for this report • Plus an increase to reflect forecast growth in the taxbase • 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 will not take place in 2022/23
Retained Business Rates Income	• Reset of Business Rates will not take place in 2022/23
Fees & Charges	• The Council's 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 spending 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 2023/24. • The 2019 valuation confirmed that the Fund's total assets, which at 31 March 2019 were valued at £4.483m, 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 £196m.

- 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 £2.2m 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 2024/25 onwards.
- National consultation is currently in progress regarding moving to a four-year revaluation cycle going forward.
- For 2021/22 this budget reflects the outcome of the 2019 Pension Fund Revaluation and the funding options offered to employers by the Fund.
- As part of budget-setting 2021/22 The approved approach was:
    - To maintain the primary employer contribution rate at 15% of salaries. This has been factored into the 2021/22 base budget.
    - To pay the secondary employer rate as an advance lump sum of £6.204m in April 2020 funded from the earmarked reserve set aside for this purpose plus a contribution from General Fund Reserves at the beginning of 2021/22. This represents a saving of £0.397m compared to payment in three annual instalments from 2021/22 to 2024/25.
    - 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 £0.400m 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 2021/22 onwards). This budget was therefore deleted when the 2021/22 budget was set

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. Significant increases would be subject to approval of budget growth through the service & financial planning process

Forecast Budget Gap

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

Table 18: MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2021/22 £m	Forecast Budget 2022/23 £m	Forecast Budget 2023/24 £m	Forecast Budget 2023/34 £m	Forecast Budget 2025/26 £m	Forecast Budget 2026/27 £m
FORECAST GAP	**-**	**1.863**	**2.367**	**2.855**	**4.014**	**4.514**
Annual Increase in Gap	-	1.863	0.504	0.488	1.159	0.500

Table 18: MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2021/22 £m	Forecast Budget 2022/23 £m	Forecast Budget 2023/24 £m	Forecast Budget 2023/34 £m	Forecast Budget 2025/26 £m	Forecast Budget 2026/27 £m
Gap as % of 2021/22 budget requirement	-	10.7%	13.6%	16.4%	23.1%	25.9%

The key factors that 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 & financial planning process. • Legacy impacts of the COVID-19 pandemic, in particular on service income budgets, will become clearer when the first quarter's budget monitoring position is reported to Executive in September. • While an estimate for the 2022/23 pay award has been included in modelling this is subject to negotiation and has to be considered in the context of the significant financial challenges faced over the medium term. Employee costs comprise 34.6% of gross direct expenditure in the 2021/22 budget
Central Budgets	• Treasury Management costs will rise over the MTFP period as a consequence of the borrowing requirement to fund the approved Capital programme. They also take into account forecast repayments from loans to the council's companies. Over the MTFP period net borrowing costs are forecast to increase from 10% of the net Revenue Budget to 14.5%.
Council Tax	• Council tax setting assumptions are based on a £5 increase and forecast movements in the taxbase. • Legacy impacts the COVID-19 pandemic on recovery performance and council tax support demand have not yet been forecast; they will be considered when the taxbase for 2022/23 is prepared in the autumn.
NNDR	• Removal of Negative RSG Grant and the Business Rates reset are forecast to take place in 2024/25; they have the effect of negating the benefit of all forecast business rates growth over the MTFP period. • Legacy impacts the COVID-19 pandemic on recovery performance have not yet been forecast; they will be considered when the final forecasts for 2022/23 are prepared in the autumn
Use of Reserves	• Funding for the 2021/22 budget includes drawing £0.235m from the General Fund Reserve. If equivalent savings, efficiencies or new sources of income are not identified for 2022/23 this requirement to call on Reserves will continue to increase and further reduce available balances. • The 2021/22 budget also depends on drawing £0.104m from the Government Funding Risks Reserve (Housing Benefit subsidy reduction) and £0.138m from the Commercial Risks Reserve (Redhill hotel rent income and Revenues & Benefits trading income reduction). The ongoing requirement for this funding will have to be assessed.

In summary, as for the majority of councils, this authority is facing a challenging financial future. Over recent years budget efficiencies have been achieved to address the forecast gap, specifically through deletion of central budgets that were not required; these options are no longer available. While Reserves remain buoyant there is an underlying budget gap that must be addressed through the services & financial

planning process; through reducing costs or generation of new sustainable sources of income.

13. Capital Investment Strategy

The latest Capital Investment Strategy is reported to Executive in July 2021 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; and
- To use internal resources alongside external resources where appropriate to support the Capital Programme and minimise any borrowing costs.

Capital Programme 2021/22 to 2025/26

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 2021.

Table 19: CAPITAL PROGRAMME 2021/22 to 2025/26 by SERVICE	2021/22	2022/23	2023/24	2024/25	2025/26	TOTAL £m
	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	
ORGANISATION SERVICES:						
Property Services	1.332	1.658	1.374	1.258	-	5.623
IT Services	1.175	0.375	0.385	0.375	0.060	2.370

Table 19: CAPITAL PROGRAMME 2021/22 to 2025/26 by SERVICE	2021/22	2022/23	2023/24	2024/25	2025/26	
	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	TOTAL £m
Organisational Development	0.260	0.260	0.260	0.260	-	1.040
PEOPLE SERVICES:						
Housing	11.405	11.355	1.355	1.355	0.021	25.491
Wellbeing & Intervention	0.140	0.140	0.140	0.140	0.140	0.700
Community Partnerships	0.030	0.030	0.030	0.030	-	0.120
PLACE SERVICES:						
Neighbourhood Operations	2.397	1.049	1.457	1.030	0.339	6.270
Place Delivery	24.442	15.100	-	-	-	39.542
Economic Prosperity	0.100	0.100	0.100	0.100	-	0.400
CORPORATE:						
Commercial Investment Strategy	-	-	-	-	-	-
TOTAL APPROVED CAPITAL PROGRAMME	41.281	30.067	5.101	4.548	0.560	81.556

In addition previously-approved schemes with an approved budget of £99.5m have been brought forward from previous years, principally due slippage in the original forecast delivery date. These include:

Regeneration	Marketfield Way - £9.661m
	Merstham Recreation Ground - £0.740m
	Preston Regeneration - £0.718m
Rolling Programmes	Beech House, London Road. Reigate - £3.00m
	Priory Park Maintenance - £0.203m
	Car Parks Capital Works - £0.239m
	Earlswood Depot/Park Farm Depot - £0.069m
	Unit 61E, Albert Road North - £0.055m
	Infra-structure walls - £0.045m
	Units 1-5 Redhill Dist Centre Salfords - £0.040m
	Cemeteries & Chapel - £0.040m
Housing Development	Housing Delivery Programme - £10.0m
	Cromwell Road Development - £5.81m
	Unit 1 Pitwood Park Tadworth - £2.28m
	Lee Street Bungalows - £603k
Commercial Investments	£62.991m remains available for investment from the £75m that was allocated in the approved Capital Programmes for 2019/20 and 2020/21.

Capital Programme Funding

Sources of funding for the 2021/22 to 2025/26 Capital Programme are summarised below:

Table 20: CAPITAL PROGRAMME FUNDING 2021/22 to 2025/26	2021/22	2022/23	2023/24	2024/25	2025/26	
	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	Total £m
TOTAL CAPITAL EXPENDITURE 2021/22 - 2025/26	**41.279**	**30.067**	**5.101**	**4.548**	**0.560**	**81.555**
Funded by:						
Capital Reserves	-	-	-	-	-	-
Capital Receipts	4.187	26.778	0	0	-	30.965
Capital Grants & Contributions	2.385	1.187	1.187	1.187	-	5.946
Earmarked Reserves – Housing Delivery Strategy	9.520	-	-	-	-	9.520
Prudential Borrowing	25.187	2.102	3.914	3.361	0.560	35.124
TOTAL CAPITAL FUNDING 2021/22 to 2025/26	**41.279**	**30.067**	**5.101**	**4.548**	**0.560**	**81.555**

Key sources of 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.

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.

Prudential Borrowing

- The primary source of long-term funding for the Capital Programme is now prudential borrowing, mainly from the Public Works Loans Board (PWLB).
- Loans are managed through the approved Treasury Management Strategy and policies.
- Interest on borrowing is paid to the PWLB and charged to the annual revenue budget along with the Minimum Revenue Provision that is necessary to set aside funds for eventual

	repayment of the loan principal. These costs have to be taken into account when setting a balanced Revenue Budget. • There are increasing restrictions on the type of capital expenditure that is eligible for prudential borrowing. Borrowing to fund investment solely for commercial gain is not permitted.
Revenue Budget Contributions	• There is no expectation that significant capital expenditure will be funded from the revenue budget in 2022/23.

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 2021/22 onwards net of interest on forecast balances and company loan repayments. Details are set out in the Treasury Management Strategy for 2021/22 that was approved in April 2021.

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 2021/22.

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; and
- 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.

In July 2021 CIPFA announced that a strengthened Prudential Code will be published by the end of 2021. The revised Code will include clarification and examples of what is and is not classified as prudent borrowing activity.
Other key changes that will be implemented following consultation include:

- The inclusion of proportionality as an objective, so that an authority incorporates an assessment of risk against levels of resources;
- Clarifications to better define commercial activity and investment; and

- The introduction of the Liability Benchmark as a Treasury Management indicator for local government bodies

CIPFA also plan to revise the Treasury Management Code to integrate Environmental, Social and Governance risks into the policy framework and update the guidance on development, retention of knowledge, skills, and training in this area.

15. Medium Term Financial Plan Risks & Sensitivities

The Council's Strategic Risk Register includes 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.*

A summary of the mitigating actions is 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:

Table 21: BUDGET RISKS **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.

Table 21: BUDGET RISKS **Perceived Risk**	**Impact**	**Likelihood**	**Preventative Action**
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.
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

Table 21: BUDGET RISKS Perceived Risk	Impact	Likelihood	Preventative Action
			explained in more detail above and at Annex 8.
Commercial Risks	High	Medium	Treasury management budget forecasts include assumptions regarding the accrued interest on loans to the council's companies. If the companies cannot repay their loans the sums outstanding and accrued interest may have to be written off (if not covered by sale of company assets).

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

Table 22: SENSITIVITY	Change	Estimated Annual Impact £000
Council Tax/Taxbase		(144)
Business Rates Income	+/- 1%	(18)
Staff Costs		235
Non-Pay Costs		120
Fees & Charges		(174)

Budget Uncertainties & Risks
While the approved budget for 2021/22 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 COVID-19 pandemic and the UK's 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); and
- 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; and
- 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.

Revenue Budget Savings and Income Generation:

- 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' will 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; and
- 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; and
- 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 explained this MTFP and at Appendix 8.

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 and supporting guidance.

16. Budget Equalities Impact Assessments

The annual service & financial planning reports include information about the equality 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 2022/23

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 2022/23 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 2021. Work was undertaken as part of 2021/22 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; and
- 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; and
- 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 23: 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.* <u>Areas for Development:</u> • Finance team development now that all permanent vacancies are filled
Section 2: Governance and financial management style	
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control. <u>Areas for Development:</u> • Review and update the Financial Procedure Rules and Scheme of Delegation in the Constitution to ensure they are current and relevant
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. <u>Areas for Development:</u> • Review and update the Financial Procedure Rules and Scheme of Delegation in the Constitution to ensure they are current and relevant
Section 3: Long to medium-term financial management	
F	The authority has carried out a credible and transparent financial resilience assessment.

Table 23: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	
	Areas for Development: • Annual MTFP review and reporting, including financial risks assessment
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members. Areas for Development: • Annual MTFP review and reporting, including financial risks assessment
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. Areas for Development: • Annual MTFP review and reporting, including financial risks assessment
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. Areas for Development: • Development of the Council's business case model and toolkit to ensure it reflects good practice relating to preparation of the financial case
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. Areas for Development:

Table 23: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	
	• Implementation of internal audit recommendations relating to contract management
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. <u>Areas for Development:</u> • Continued development of the closedown plan and supporting processes to improve the quality and timeliness of the annual accounts
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

The main areas for further development during 2021/22 are set out above.

21. CIPFA Resilience Index

As part of the service & 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; and
- 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 Statement of Accounts;
- Asset Management Plan; and
- Key governance documents, eg Annual Governance Statement, Risk Register, etc

The Council's position at March 2021 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-2021/resilience-index-2021.

Table 24: 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	*Higher than Average*	*These scores are not accurate because CIPFA's model is based on an incorrect (significantly reduced) value for Reserves at 31 March 2020. CIPFA have been informed*
Level of Reserves – compared to the annual revenue budget	*Medium*	
Changes in reserves over recent years	*Higher than Average*	
Interest payable compared to recent budget	Lower Risk than Average	Planned growth in the Capital Programme and associated borrowing means that this position will not be maintained.
Gross external debt	Lower Risk than Average	
Fees & Charges - as % of service budgets	Lower Risk than Average	Implementation of the new Fees & Charges Policy and planned review should further 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	Lower Risk than Average	Risk may increase if the budget increases without the ability to levy a proportionate increase in council tax.

Table 24: CIPFA RESILIENCE INDEX INDICATORS	This Council's Relative Risk Compared to Similar Councils	This Council's Prospects over the Medium Term
Funding growth - compared to Government baseline	Medium Risk	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 2022/23.

APPENDICES

1. Revenue Budget 2021/22

2. Medium Term Revenue Budget Forecast 2022/23 to 2026/27

3.1 Capital Programme 2021/22 to 2025/26

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 2022/23

8. COVID-19 Pandemic – Financial Implications

APPENDIX 1

REVENUE BUDGET 2021/22

REVENUE BUDGET 2021/22	Approved Budget 2021/22 £m
ORGANISATION	
Communications / Customer Service	1.052
Finance	1.168
ICT	1.810
Legal & Governance	2.022
Organisational Development & HR	0.785
Corporate Policy, Projects & Performance (inc environmental sustainability)	0.420
Property / Commercial	(1.510)
PLACE	
Economic Prosperity	0.398
Neighbourhood Operations	3.119
Place Delivery	0.326
Planning	0.548
PEOPLE	
Community Development	1.588
Housing	0.950
Revenues, Benefits & Fraud	0.525
Wellbeing & Intervention	0.537
SENIOR MANAGEMENT TEAM	1.166
SERVICE BUDGETS TOTAL	**14.903**
Central Budgets	2.492
NET EXPENDITURE 2020/21	**17.395**
Council Tax	14.365
National Non-Domestic Rates	1.819
Un-ringfenced grants – transferred to Reserves:	
COVID-19 Emergency Funding – Allocation 5	0.638
New Homes Bonus – 2020/21 allocation from Central Government	0.887
Homelessness Prevention grant	0.668
Other Un-ringfenced grants	
Lower Tier Services Grant	0.394

REVENUE BUDGET 2021/22	Approved Budget 2021/22 £m
COVID-19 Tax Income Guarantee (estimate)	0.150
COVID-19 Local Council Tax Support Grant	0.190
Contribution to Earmarked Reserves:	
COVID-19 Emergency Funding – to COVID-19 Reserve	(0.638)
New Homes Bonus – to Government Funding Risks Reserve	(0.887)
Homelessness Prevention Grant	(0.668)
Call on Earmarked Reserves in 2021/22	
Government Funding Risks reserve	0.104
Commercial Risks reserve	0.138
Use of funds from the General Fund Balance to support the 2021/22 revenue Budget	0.235
NET SOURCES OF INCOME 2020/21	**17.395**
Budget Gap	Nil

NOTE: The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2021/22.

APPENDIX 2

MEDIUM TERM REVENUE BUDGET FORECAST 2022/23 to 2026/27

MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2020/21 £m	Cumulative Impact 2022/23 £m	Cumulative Impact 2023/24 £m	Cumulative Impact 2024/25 £m	Cumulative Impact 2025/26 £m	Cumulative Impact 2026/27 £m
2021/22 Budget Requirement	**17.395**					
Service Budgets - Pay		0.800	1.600	2.400	3.200	4.000
Service Budgets – net service growth / savings 2022/23		TBC	TBC	TBC	TBC	TBC
New Sources of Income – Fees & Charges / Commercial		TBC	TBC	TBC	TBC	TBC
Central Budgets - Treasury Management – net borrowing costs		0.540	1.050	1.580	1.970	1.970
Council Tax						
£5 per Band D equivalent plus impact of forecast taxbase		(0.540)	(1.050)	(1.580)	(1.970)	(2.290)
Business Rates		0.109	(0.241)	(0.871)	(0.931)	(1.161)
Negative RSG Grant		-	-	0.740	0.981	1.230
Government Grants						
Lower Tier Services Grant		-	0.394	0.394	0.394	0.394
Tax Income Guarantee		0.104	0.104	0.104	0.104	0.104
LCTS Grant		0.138	0.138	0.138	0.138	0.138
Call on Reserves 2021/22						
One-off call on Earmarked Reserves		0.242	0.242	0.242	0.242	0.242
General Fund Balance Contribution		0.235	0.235	0.235	0.235	0.235
Forecast Gap at July 2021 Compared to 2021/22 Budget *before ongoing COVID-19 Impacts*	**-**	**1.863**	**2.367**	**2.855**	**4.014**	**4.514**
Annual Increase in Gap		1.863	0.504	0.488	1.159	0.500
Gap as % of 2020/21 budget requirement		10.7%	13.6%	16.4%	23.1%	25.9%

Potential Impacts on MTFP Forecasts of the COVID-19 Pandemic

MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2020/21 £m	Cumulative Impact 2022/23 £m	Cumulative Impact 2023/24 £m	Cumulative Impact 2024/25 £m	Cumulative Impact 2025/26 £m	Cumulative Impact 2026/27 £m
Estimated Income Losses						
COVID-19 – estimated 2021/22 income impacts • Community Centres - £0.200m • Harlequin - £0.180m • Parking - £1.200m • Commercial Waste - £0.160m • Property Rents - £0.270m		2.010	TBC			
COVID-19 – estimated 2021/22 expenditure impacts • Homelessness support - £0.100m		0.100				
Government COVID-19 Funding in 2021/22						
COVID-19 emergency funding		(0.638)	TBC			
Sales, Fees & Charges Q1 Claim (est)		(0.750)	TBC			
Additional One-Off Funding Drawdown in 2021/22						
Call on the COVID-19 Reserve *[if no other Government support is received]*		(0.722)	TBC			
Forecast Gap at July 2021 Compared to 2021/22 Budget – *including estimate for ongoing COVID-19 impacts*	**0.000**	**Balanced**	TBC			

Work is continuing on forecasts for income and expenditure impacts beyond 2021/22 and updated forecasts will be provided in future in-year budget monitoring reports as the current year position becomes clearer.

APPENDIX 3

CAPITAL PROGRAMME 2021/22 to 2025/26

CAPITAL PROGRAMME 2021 to 2025 - DETAILS						
	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m	£m
ORGANISATION SERVICES						
PROPERTY SERVICES						
Rolling Property Maintenance Programmes						
Forum House, Brighton Road, Redhill	0.100	0.100	0.150	0.150	-	**0.500**
Unit 61E, Albert Road North	0.012	0.200	0.012	0.012	-	**0.235**
Regent House, Queensway, Redhill	0.050	0.100	0.090	0.090	-	**0.330**
Linden House , 51b High Street, Reigate	0.011	0.029	0.012	0.012	-	**0.063**
Units 1-5 Redhill Distribution Centre. Salfords	0.017	0.058	0.017	0.017	-	**0.109**
Crown House, Gloucester Road, Redhill	0.135	0.075	0.075	0.075	-	**0.360**
Tenanted properties - occupied by third-parties - planned building maintenance	0.100	0.100	0.100	0.100	-	**0.400**
Commercial Investment Properties	0.076	0.076	0.076	0.076	-	**0.304**
Operational Buildings	0.145	0.110	0.095	0.080	-	**0.430**
Priory Park Maintenance	0.010	0.010	0.010	0.030	-	**0.060**
Public Conveniences	0.004	0.004	0.004	0.020	-	**0.032**
Infrastructure (walls, etc.)	0.010	0.060	0.010	0.060	-	**0.140**
Allotments	0.012	0.012	0.012	0.022	-	**0.058**

CAPITAL PROGRAMME 2021 to 2025 - DETAILS						
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Cemeteries & Chapels	0.020	0.020	0.020	0.040	-	**0.100**
Leisure Centres	0.030	0.210	0.190	0.030	-	**0.460**
Pavilions	0.110	0.050	0.050	0.050	-	**0.260**
Car Parks Capital Works	0.195	0.190	0.195	0.170	-	**0.750**
Earlswood Depot/Park Farm Depot	0.020	0.020	0.020	0.020	-	**0.080**
Community & Day Centres	0.085	0.075	0.067	0.065	-	**0.292**
Harlequin Theatre	0.140	0.110	0.120	0.100	-	**0.470**
Building Maintenance – consultancy/capitalised staff costs	0.050	0.050	0.050	0.040	-	**0.190**
Total	**1.332**	**1.658**	**1.374**	**1.258**	-	**5.623**
IT SERVICES						
Rolling Investment Programmes:						
ICT Replacement Programme	0.425	0.325	0.325	0.375	0.060	**1.510**
Disaster Recovery Systems Upgrade	0.200	0.050	-	-	-	**0.250**
Replacement Photocopiers/ Printers	-	-	0.060	-	-	**0.060**
Investment in Technology Projects	0.300	-	-	-	-	**0.300**
Total	**1.175**	**0.375**	**0.385**	**0.375**	**0.060**	**2.370**
ORGANISATIONAL DEVELOPMENT						
Workplace Facilities: Estate/Asset Development	0.250	0.250	0.250	0.250	-	**1.000**
Workplace Facilities: additional IT requirement for increase in workforce.	0.010	0.010	0.010	0.010	-	**0.040**

CAPITAL PROGRAMME 2021 to 2025 - DETAILS						
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Total	**0.260**	**0.260**	**0.260**	**0.260**	**-**	**1.040**
Environmental Strategy Delivery						
Environmental Strategy Delivery	0.250	-	-	-	-	**0.250**
COMMERCIAL SERVICES						
COMMERCIAL INVESTMENT						
Commercial Investments *Investment during this period will be focussed on use of previously-allocated sums brought forward from previous years.*	-	-	-	-	-	**-**
PEOPLE SERVICES						
HOUSING						
Grant-Funded Schemes						
Disabled Facilities Grant	1.134	1.134	1.134	1.134	-	**4.536**
Home Improvement Agency (Part Grant Funded)	0.120	0.120	0.120	0.120	-	**0.480**
Handy Person Scheme (Housing Assistance Programme)	0.050	0.050	0.050	0.050	-	**0.200**
Repossession Prevention Fund	0.030	0.030	0.030	0.030	-	**0.120**
Cromwell Road Redevelopment	-	0.021	0.021	0.021	0.021	**0.084**
Pitwood Park	0.071	-	-	-	-	**0.071**
Housing Delivery Strategy						
Housing Delivery	10.000	10.000	-	-	-	**20.000**

CAPITAL PROGRAMME 2021 to 2025 - DETAILS						
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Total	**11.405**	**11.355**	**1.355**	**1.355**	**0.021**	**25.491**
WELLBEING & INTERVENTION						
Rolling Maintenance Programmes						
Harlequin Facilities Maintenance	0.040	0.040	0.040	0.040	0.040	**0.200**
Harlequin - Service Development	0.100	0.100	0.100	0.100	0.100	**0.500**
Total	**0.140**	**0.140**	**0.140**	**0.140**	**0.140**	**0.700**
COMMUNITY DEVELOPMENT						
Rolling Maintenance Programmes						
CCTV	0.030	0.030	0.030	0.030	-	**0.120**
PLACE SERVICES						
NEIGHBOURHOOD OPERATIONS						
Rolling Maintenance/Investment programmes						
Refuse Vehicle Replacement	1.620	-	-	-	-	**1.620**
Vehicles & Plant	0.294	0.533	1.101	0.674	0.339	**2.941**
Play Areas Improvement	0.230	0.230	0.230	0.230	-	**0.920**
Air Quality Monitoring Equipment	0.040	0.040	0.040	0.040	-	**0.160**
Parks & Countryside – Infrastructure & Fencing	0.045	0.045	0.045	0.045	-	**0.180**
Contaminated Land – Investigation Work	0.030	0.030	0.030	0.030	-	**0.120**
Workshop Refurbishment	-	0.160	-	-	-	**0.160**

CAPITAL PROGRAMME 2021 to 2025 - DETAILS						
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Contribution to Surrey Transit Site	0.127	-	-	-	-	**0.127**
Land Flood Prevention	0.011	0.011	0.011	0.011	-	**0.042**
Total	**2.397**	**1.049**	**1.457**	**1.030**	**0.339**	**6.270**
PLACE SERVICES						
PLACE DELIVERY						
Marketfield Way Redevelopment	23.212	15.100	-	-	-	**38.312**
Horley Public Realm Improvements - Phase 4	0.500	-	-	-	-	**0.500**
Merstham Recreation Ground	0.700	-	-	-	-	**0.700**
Redhill Public Realm Improvements	0.030	-	-	-	-	**0.030**
Total	**24.442**	**15.100**	**-**	**-**	**-**	**39.542**
Economic Prosperity - Vibrant towns & villages	0.100	0.100	0.100	0.100	-	**0.400**
TOTAL APPROVED CAPITAL PROGRAMME	**41.280**	**30.067**	**5.101**	**4.548**	**0.560**	**81.556**

APPENDIX 4.1

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; and
- 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; and
- We aim to balance the Revenue Budget over the period of the MTFP without reliance on the use of reserves.

July 2021

APPENDIX 4.2

REVENUE RESERVE BALANCES AT 31 MARCH 2021

	Balance at 31.3.21 £m	Purpose
General Fund Balance	**£3.000m**	Acts as a buffer against unpredicted budget pressures. The minimum level required is £2.6m

Earmarked Revenue Reserves	Balance at 31.3.21 £m	Purpose
Housing Delivery Strategy Reserve	19.079	Established as part of budget-setting 2020/21 – to support delivery of the Council's Housing Delivery Strategy. Funded from the equivalent of the balance on historic New Homes Bonus grant allocations.
Government Funding Reduction Risks Reserve	2.849	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. Includes £0.848m set aside for Business Rates recovery pressures in 2020/21.
Commercial Risks & Volatility Reserve	5.000	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.
Capital Schemes Feasibility Studies Reserve	2.335	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.
Pension Reserve	2.000	Established to set aside funds in anticipation of the next Pension Fund Revaluation.
Corporate Plan Delivery Fund (CPDF)	0.861	Provides time-limited funding to deliver key priorities, Corporate Plan objectives and invest–to–save initiatives, including investment in new technology.
Homelessness Prevention	0.810	Established to account separately for the funding set aside for homelessness prevention.
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.
New Posts Reserve	0.690	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.

Earmarked Revenue Reserves	Balance at 31.3.21 £m	Purpose
Insurance Reserve	0.500	Provides cover against uninsured losses.
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 Reserve	0.248	Established at the end of 2019/20 to fund Investment in delivery of the Environmental Sustainability Strategy.
Refugee Family Support Reserve	0.318	Established at the end of 2020/21 to carry-forward unused funding for use in future years.
Family Support Programme	0.239	Established at the end of 2020/21 to carry-forward unused funding for use in future years.
Business Engagement Funding Reserve	0.036	Established at the end of 2020/21 to carry-forward unused funding for use in future years.
Brexit Funding Reserve	0.052	Established at the end of 2020/21 to carry-forward unused funding for use in future years.
Total Earmarked Revenue Reserves:	**£36.044m**	

COVID-19 Revenue Reserves	Balance at 31.3.21 £m	Purpose
COVID-19 Impacts - Funding Reserve	2.000	Established at the end of 2020/21 to fund ongoing income losses and expenditure pressures arising from the pandemic.
COVID-19 Specified Government Funding Reserve	0.456	Established at the end of 2020/21 to carry-forward unused COVID-19 funding for use in future years.
COVID-19 Government Business Grants (Discretionary) Reserve	0.238	Established at the end of 2020/21 to carry-forward unused COVID-19 funding for use in future years.
Total COVID-19 Reserves:	**£2.694m**	

Total Reserves	**£41.738m**

Note: balances as reported the Executive in June 2021 (subject to final review as the Statement of Accounts for 2021/22 is finalised)

APPENDIX 5

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; and
- 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; and
- 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 councils 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; and
- 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); and
- Be subject to a scheduled review at least every 3-5 years.

Charging Models

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

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

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

Authority to Set and Vary Charges

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

All charging decisions must be made in accordance with the Council's Constitution (Budget and Policy Framework, Scheme of Delegation and Financial Procedure

Rules) and be able to demonstrate consistency with our strategic priorities, policies and statutory obligations.

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

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

July 2021

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** In the wake of the COVID-19 pandemic and resultant recession, the Council faces a period of unprecedented financial uncertainty. The most significant risks relate to the extent to which the Government will fund the unplanned expenditure that is being incurred to deliver the Council's COVID-19 responsibilities at the same time as experiencing material reductions in income from fees and charges and local taxes. If this substantial financial burden is not mitigated through direct Government support, then these unplanned financial pressures will have an adverse impact on the Council's capacity to deliver against its Corporate Plan ambitions. The delivery of corporate plan objectives will similarly be jeopardised if the Council is unable to secure additional income streams.	PM Portfolio Holder: Cllr Schofield	The Medium-Term Financial Plan (MTFP) revenue budget forecasts and a five-year capital programme during service & financial planning for 2020/21 onwards, sets out the forecast budget challenges over the coming five years. It will form the basis for service & financial planning for 2022/23 onwards. These are being used to confirm the extent of the financial challenges faced and support strategic service & financial planning decisions. We will continue to implement the actions detailed in the Capital Investment Strategy that was approved by Executive in January 2020.	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 updated Medium-Term Financial Plan was reported to the Executive in January 2021. This sets out the forecast budget challenges over the coming five years. It will form the basis for service & financial planning for 2022/23 onwards. The specific outcomes of the Fair Funding Review and Business Rates Reset remain unknown; however, it is expected to result in significantly reduced funding. COVID-19 has resulted in material new financial risks,	**R**	Treat	June 2021	-

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
	The ongoing financial settlement with the Government also remains uncertain. The Council is therefore increasingly reliant on income derived, and to be derived and generated, from investments, fees and charges and commercial activities – the ability to do so, however, may be further restricted by changes in legislation, regulations and codes of practice. Commercial activity and investments are similarly not without risk.		This will help ensure that capital investment decisions support delivery of the Council's strategic and financial objectives. We prepared the Treasury Management Strategy 2020/21 for approval (under COVID-19 delegation powers) in April 2020. This will ensure that treasury investments achieve target returns within approved security and liquidity limits.	both in 2020/21 and 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. At the close of the 2020/21 financial year the overall budget outturn is a net underspend for the council, with reserves remaining healthy. Government funding received to date is likely to address a significant proportion of the one-off cost pressures and lost income, but there remains uncertainty about funding support for lost income from fees and charges and local taxes in 2021/22 as well as about whether income levels will return to pre-COVID levels in the remainder of the year and beyond. In Q4 the Council submitted its a third claim to Central Government for lost income as a result of the COVID-19 pandemic.				

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
180				Despite the impact of COVID-19 on priorities and workloads, the Council adopted Part 1 of its Commercial Strategy in Q3 demonstrating the continued importance of: (i) adopting and implementing strategies that support sustainable income generation and (ii) taking forward income generating projects such as Horley Business Park, and a crematorium. The Council is now in receipt of external advice on how to deliver appropriate commercial structures, roles and responsibilities and the relevant sub-committee is considering how to take this forward.				

APPENDIX 7

SERVICE & FINANCIAL PLANNING TIMETABLE 2022/23

Date	Event	Purpose
June/July 2021	Management Team away day	Consider service position and initial forecasts
	Executive away day	Discuss budget setting priorities and 'direction of travel'
15 July 2021	Overview & Scrutiny	Medium Term Financial Plan Update Capital Strategy Update
22 July 2021	Executive	
September 2021	Management Team away day	Consider draft Budget proposals
November 2021	Executive away day	Agree draft Budget proposals
18 November 2021	Executive	Agree draft Budget
1 December 2021 9 December 2021	Budget Scrutiny Panel Overview and Scrutiny	Review of draft Budget
16 December 2021	Executive	Receive Scrutiny Panel Feedback
28 January 2022	Executive	Final Budget and Council Tax proposals
10 February 2022	Full Council	Approve Budget and Council Tax

APPENDIX 8

COVID-19 PANDEMIC – FINANCIAL IMPLICATIONS

Expenditure Analysis 2020/21
MHCLG COVID-19 Return at 31 March 2021

MHCLG Category	£m	Type(s) of Expenditure
Housing / Rough Sleeping	0.156	Temporary accommodation for rough sleepers & increased B&B placements
Cultural & Related	0.080	Refunds of venue hire & tickets paid in advance; Harlequin-based casual staff costs
Environmental & Regulatory	0.148	Garden waste refunds & associated admin costs; vehicle hire, cleaning & fuel
	0.072	Social distancing signage & related stationery/postage costs
Finance & Corporate	0.071	ICT licences, hardware & support costs related to remote working
	0.561	Temporary staff/support; staff training; other staff-related costs not included in other categories
Shielding	1.755	Food parcels; staff/travel costs (all related to welfare response)
PPE	0.153	PPE for staff & volunteers (masks, gloves, respirators, sanitiser, wipes)
Compliance & Re-opening	0.009	Temporary staff
Elections	0.002	Miscellaneous costs incurred in 2020/21
Other	0.166	Publicity & marketing materials (eg social distancing notices); Communications additional resources
Total	**3.173**	

Sales Fees & Charges Compensation Analysis 2020/21
MHCLG COVID-19 Return at 31 March 2021

MHCLG Category	Gross Losses (a) £m	MHCLG 'Deductible' (b) £m	25% Losses Not Reimbursed (a+b)*25% £m	Final Compensation (d) £m	Type(s) of Income
Off(Street Parking	1.670	(0.176)	(0.373)	0.001	Reduction in carpark use, cancelled season tickets etc
On(Street Parking	0.126	(0.013)	(0.028)	0.085	Reduction in on(street parking, season tickets etc
Recreation & Sport	0.358	(0.038)	(0.080)	0.240	Waived management fee from leisure contractor; lost income from community centre room hire, facilities, etc
Harlequin	0. 314	(0.033)	(0.070)	0.211	Lost income from ticket sales, room hire, concessions, catering etc
Planning	0.216	(0.023)	(0.048)	0.145	Reduced fee income from planning applications
Regulatory Licencing	0.101	(0.011)	(0.023)	0.068	Includes reduced fees for private hire taxi licences
Garden Waste	0.478	(0.050)	(0.107)	0.321	Service suspension resulted in repayment of prepaid fees
Commercial Waste	0.221	(0.023)	(0.049)	0.148	Service suspension resulted in repayment of prepaid fees
Total	**3.484**	**(0.368)**	**(0.779)**	**2.337**	
				67%	% reimbursed

Notes:
Under the terms of the compensation scheme, a 'deductible' (column b) is initially levied against gross losses, with the remaining qualifying losses being reimbursed at 75%. MHCLG argue that this takes account of an ‘acceptable’ level of volatility whilst shielding authorities from the worst losses'. This deduction is the Government’s stated attempt to incentivise authorities to mitigate their losses themselves and to seek out alternative sources of income wherever possible.

The Council has therefore received compensation totalling £2.337m (67% of gross losses); other authorities participating in the scheme are expected to be receiving a similar level of compensation, however the actual % compensation will vary depending on local circumstances. It is also not possible to claim for lost income that was reported in the approved budget. This has impacted some authorities more than others if they habitually under-budgeted for income.

The majority of these losses are recorded against service budgets in the outturn report; the notable exception is the reimbursement of garden waste subscriptions which is reported as a COVID-19 unbudgeted expense.

The above does not include compensation for income losses that MHCLG deemed to be outside the compensation scheme – primarily commercial income losses. These losses have had to be funded in full by the Council. For this authority they are relatively low; the Property team report that 95% of rents were paid by tenants.

Further compensation can be claimed for April to June (only) losses in 2021/22.

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 2021/22. 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 I Horley I Redhill I Reigate

SIGNED OFF BY	Interim Head of Finance
AUTHOR	Pat Main, Interim Head of Finance and Assets
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TO	Overview & Scrutiny Executive
DATE	Thursday, 15 July 2021 Thursday, 22 July 2021
EXECUTIVE MEMBER	Councillor Tony Schofield, Portfolio Holder for Finance & Governance

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT:	**CAPITAL INVESTMENT STRATEGY 2022/23**

RECOMMENDATIONS:

Overview & Scrutiny

(i) To note the report and raise any comments for consideration by Executive.

Executive

(i) That the Capital Investment Strategy be adopted as the framework for the Capital Programme elements of service and financial planning for 2022/23 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 2022/23.

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 2021/22 was approved by Executive in January and Council in July 2021. 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 2022/23.

KEY INFORMATION

5. The purpose of the Strategy at Annex 1 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; and
   - Set out the approach to evaluating and monitoring asset utilisation.

   It is intended to be read in combination with the Treasury Management Strategy 2021/22 that was approved by Council in April 2021.

6. The Strategy covers:

   - How the Council's capital investment plans will support delivery of corporate priorities and key strategies – including the Corporate Plan 2020-2025. Commercial Strategy 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; and

- How capital investment risks are managed.

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

Guidance

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 the 2022/23 Budget.

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 2022/23 Budget proposals. There are no additional direct financial implications that arise from this report.

12. The Chief Finance Officer confirmed in the 2021/22 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 2022/23 will follow established scrutiny and 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 2021/22 & Capital Programme 2021 to 2026, *report to Executive, 28 January 2021*
- Treasury Management Strategy 2021/22, *report to Council, 8 April 2021*
- Medium Term Financial Plan 2022/23 to 2026/27, *report to Executive 27 July 2021*

ANNEX 1

CAPITAL INVESTMENT STRATEGY
2022/23 to 2026/27
JULY 2021

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3. **Strategic Direction**
4. **Capital Expenditure Plans**
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6. **Affordability, Delivery & Risks**
7. **Equalities Impact Assessment**
8. **Scrutiny**
9. **Consultation**

APPENDICES

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2. Medium Term Financial Plan 2022/23 to 2026/27
3. Asset Investment Approach
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5. 5.1 Framework for Investment Decisions
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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**; and

- 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 the Council's long-term strategic context, in terms of its Corporate Plan 2020-2025 objectives and how these translate to priorities

when making capital investment 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

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 2020 as reported in the Council's accounts;
- The Council's investment assets, and other assets which generate a return, and the projected income they generate per annum;
- How the condition of the assets is assessed; and
- How current assets have been funded.

Analysis of Capital Assets
The tables below summarise the Council's asset position in terms of the 'book value' in the latest draft of the Council's 2020/21 accounts.

Table 1: KEY COUNCIL ASSETS BY ACCOUNTING CLASSIFICATION **Description**	**Valuation 2020/21 Accounts £m**
Property Plant & Equipment	126.868
Investment Property	43.373
Assets Under Construction	34.496
Vehicles	6.514

Source: Valuation for 2020/21 Statement of Accounts

The most significant assets (in terms of value) are set out in the table below:

Table 2: SIGNIFICANT ASSETS AT MARCH 2020 **Asset Name**	**Statement of Accounts Classification**	**Asset Use**	**Valuation 2020/21 Accounts £m**
Land & Premises, Marketfield Way, Redhill[1]	Property, Plant & Equipment	Under Construction	27.312
Donyngs Sports Centre	Property, Plant & Equipment	Leisure	19.876
Horley Sports Centre	Property, Plant & Equipment	Leisure	18.869
Units 1-5, Redhill Distribution Centre, Salfords	Investment Property	Commercial: industrial	15.876
Regent House, Queensway, Redhill	Investment Property	Commercial: offices	14.481
Banstead Sports Centre	Property, Plant & Equipment	Leisure	12.955
Town Hall, Reigate, Main Building	Property, Plant & Equipment	Operational	9.952
Warwick Quadrant, Redhill	Property, Plant & Equipment	Commercial : supermarket / library / theatre	7.059
Harlequin Theatre, Redhill	Property, Plant & Equipment	Cultural	6.695
Forum House, Brighton Road, Redhill	Investment Property	Commercial: offices	5.603
Beech House, Reigate	Investment Property	Commercial: offices	5.165
Travelodge, Redhill	Property, Plant & Equipment	Commercial: hotel	4.491
Earlswood Depot	Property, Plant & Equipment	Operational	4.856
Linden House , 51b High Street, Reigate	Property, Plant & Equipment	Commercial: retail / gym	4.765

Table 2: SIGNIFICANT ASSETS AT MARCH 2020 Asset Name	Statement of Accounts Classification	Asset Use	Valuation 2020/21 Accounts £m
Land & Premises, Pitwood Park, Tadworth[1]	Property, Plant & Equipment	Under Construction	3.629
Land & Premises, Cromwell Road, Redhill[1]	Property, Plant & Equipment	Under Construction	3.555
1,3,4,6,14-16 and 20 Reading Arch Road, Redhill	Property, Plant & Equipment	Commercial: industrial	2.992
Priory Park, Reigate	Property, Plant & Equipment	Open Space	2.924
Madeira Walk, Sandpit	Property, Plant & Equipment	Open Space	2.698
Woodhatch Community Centre	Property, Plant & Equipment	Community Buildings	2.394
Horley Day Centre	Property, Plant & Equipment	Community Buildings	2.289
Banstead Day Centre	Property, Plant & Equipment	Community Buildings	1.930
Crown House, Gloucester Road, Redhill	n/a	Commercial: offices	1.860
Bancroft Road Car Park, Reigate	Property, Plant & Equipment	Car Park	1.595
Agricultural Land (Various)	Property, Plant & Equipment	Agricultural	1.576
Gloucester Road Car Park, Redhill	Property, Plant & Equipment	Car Park	1.348
55-63, Victoria Road Horley	Investment Property	Commercial / Other	1.135
Unit 61E, Albert Road North	Property, Plant & Equipment	Commercial: industrial / warehousing	1.057
1-4, Quarrydene Parade & 1-10, Hearthstone, Merstham	Property, Plant & Equipment	Commercial: restaurant / library / retail	1.056
Bell Street Car Park, Reigate	Property, Plant & Equipment	Car Park	1.027
64, Massetts Road, Horley	Property, Plant & Equipment	Residential	0.748

Source: Valuation for 2020/21 Statement of Accounts
Note 1: Historic valuation – redevelopment in progress

Property Assets

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 and environmental quality 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.

Income-Generating Assets

While the Council has a relatively small portfolio of properties that are held for purely investment purposes, it has a wide number of assets that are held for other purposes but which still generate rental income to support the Revenue Budget. Over time the use of these assets may change as new priorities are confirmed and assets are repurposed to help delivery new policies (eg regeneration or place-shaping projects).

Income-generating 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. The most significant of these assets are listed below.

Table 3: COUNCIL ASSETS: GROSS RETURNS 2020/21 Asset Name	**Asset Type**	**Price Paid £m/Year**	**Valuation 2020/21 Accounts £m**	**Rent £m**	**Gross Yield[1]**
Crown House, Redhill[2]	Offices	£2.15m (2017)	1.860	0.177	9.5%
Unit 61E, Albert Road North	Industrial / warehousing	£0.950m (2018)	1.057	0.097	9.2%
1-4 Quarrydene Parade/Hearthstone, Merstham	Retail / residential	£0.017m for larger site including this property (1950)	1.056	0.084	7.9%
Beech House, Reigate	Offices	£6m (2017)	5.165	0.400	7.7%
Linden House , 51b High Street, Reigate	Retail / gym	£4.7m (2014)	4.764	0.323	6.8%
Forum House, Brighton Road, Redhill	Offices	£5.53m (2017)	5.603	0.373	6.7%
Regent House, Queensway, Redhill	Offices	£15.35m (2018)	14.481	0.766	5.3%
Units 1-5 Redhill Distribution Centre, Salfords	Industrial / warehousing	£15m (2018)	15,877	0.833	5.2%
Warwick Quadrant, Redhill	Retail / library / theatre	£2.4m for half-share of freehold (2005)	7.059	0.304	4.3%

Table 3: COUNCIL ASSETS: GROSS RETURNS 2020/21 Asset Name	Asset Type	Price Paid £m/Year	Valuation 2020/21 Accounts £m	Rent £m	Gross Yield[1]
1,3,4,6,14-16 and 20 Reading Arch Road, Redhill	Industrial	£0.045m for larger site including these properties (1972)	2.992	0.111	3.7%
55-63 Victoria Road, Horley	Restaurant / library / retail	Leaseback from Thames Valley Housing Association following sale in 2013 of former Council-owned office building (2015)	1.135	0.035	3.1%
Travelodge, Redhill	Hotel	£5.0m (2017)	4.491	0.123	2.7%

NOTES

1. Gross yields are a straight Income/Valuation calculation based on the 2020/21 annual rent figure and the December 2020 gross asset valuation
2. Asset 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 and 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 2021. 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 for 2021/22 include replacing the boilers at Earlswood depot (£0.050m) and refurbishing the Town Hall Middle Block roof (£0.240m) in 2022/23. Clarendon Road Car Park 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 2019/20 process. Procurement and delivery took place during 2020/21. Further investment is planned through the approved Capital Programme:

	2021/22	2022/23	2023/24	2024/25	2025/26	Total

Table 4: VEHICLES & PLANT Description	£m	£m	£m	£m	£m	£m
Refuse Vehicle Replacement	1.620	-	-	-	-	**1.620**
Other Vehicles & Plant	0.294	0.533	1.101	0.674	0.339	**2.941**

Capital Asset Funding at 31 March 2021

Assets have historically been funded through use of capital receipts, capital grants and drawing on available balances (internal borrowing). At 31 March 2021, the Council had no long-term external borrowing.

The Treasury Management Strategy for 2021/22 was approved in April 2021 and includes authority to borrow up to £161.5m (Authorised Limit) to fund delivery of the approved Capital Programme 2021/22 to 2025/26. Further details are provided below.

3. Strategic Direction

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 2020-2025 is the Council's Corporate Plan. 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 2020-2025 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**; and

- 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
Following the Member task group review of commercial activity in 2018, and the establishment of the Commercial Ventures Executive Sub Committee and a new Commercial directorate in 2019, Part 1 of the Commercial Strategy was developed in consultation with Commercial Ventures Executive Sub Committee members and approved by the Executive in November 2020.

The definitions and principles that it includes, and the categories of activities it sets out, are intended to assist in the understanding of why this Council needs to undertake commercial activity, and how funding allocated in 2020/21 and 2021/22 will be focused. It also includes a Commercial Activity Action Plan, progress on which will be reported annually. The Action Plan will support delivery of new income generation opportunities for inclusion in future MTFP forecasts.

Part 1 sets 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;

It is based on three guiding principles:

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

- **Principle 2:** Any decisions which have a commercial aspect will be based on a robust assessment of the business case using consistent relevant criteria, and appropriate due diligence and risk assessment; and

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

Part 2 of the Strategy is now in development and will provide more detail about the implementation of commercial activity, particularly investment activity. The intention is that Part 2 will be regularly updated to take account of market conditions, project progress and MTFP projections.

Summary

The Capital Investment Strategy is a tool to support delivery against the Council's vision as set out in its Corporate Plan and supporting strategies.

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 2021/22 to 2025/26
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**; and
- 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; and

- 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. The MRP Policy is reviewed each year when the Treasury Management Strategy is updated.

Commercial Assets and Due Diligence
The Council will 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 Head of Paid Service, 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 has delegated authority to approve proposals relating to acquisitions or disposal of land and property and income-generating 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. Production of the report has not been possible for 2020/21 due to competing demands on resources during the COVID-19 pandemic.

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

The 2021/22 to 2025/26 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 2025/26 were approved by Council in February 2021 and are included in detail at Appendix 7. They are summarised in the table below:

Table 5: CAPITAL PROGRAMME 2021/22 to 2025/26 by SERVICE	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	
	Projected £m	**Projected £m**	**Projected £m**	**Projected £m**	**Projected £m**	**TOTAL £m**
ORGANISATION SERVICES:						
Property Services	1.332	1.658	1.374	1.258	-	**5.623**
IT Services	1.175	0.375	0.385	0.375	0.060	**2.370**
Organisational Development	0.260	0.260	0.260	0.260	-	**1.040**
PEOPLE SERVICES:						

Table 5: CAPITAL PROGRAMME 2021/22 to 2025/26 by SERVICE	2021/22	2022/23	2023/24	2024/25	2025/26	
	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	TOTAL £m
Housing	11.405	11.355	1.355	1.355	0.021	**25.491**
Wellbeing & Intervention	0.140	0.140	0.140	0.140	0.140	**0.700**
Community Partnerships	0.030	0.030	0.030	0.030	-	**0.120**
PLACE SERVICES:						
Neighbourhood Operations	2.397	1.049	1.457	1.030	0.339	**6.270**
Place Delivery	24.442	15.100	-	-	-	**39.542**
Economic Prosperity	0.100	0.100	0.100	0.100	-	**0.400**
CORPORATE:						
Commercial Investments *Investment during this period will be focussed on use of previously-allocated sums brought forward from previous years.*	-	-	-	-	-	**-**
TOTAL CAPITAL EXPENDITURE	**41.281**	**30.067**	**5.101**	**4.548**	**0.560**	**81.556**

Table 6: CAPITAL PROGRAMME 2021/22 to 2025/26 by INVESTMENT TYPE	2021/22	2022/23	2023/24	2024/25	2025/26	
	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	TOTAL £m
Regeneration Schemes	24.442	15.100	-	-	-	39.542
Commercial Assets	-	-	-	-	-	-
Housing Delivery	10.271	10.221	0.221	0.221	0.021	20.955
Vehicles & Plant	1.914	0.533	1.101	0.674	0.339	4.561
Disabled Facilities	1.134	1.134	1.134	1.134	-	4.536
Operational Assets	0.465	0.430	0.415	0.390	-	1.700
Community Assets	0.882	0.832	0.784	0.878	0.140	3.516
ICT Assets	0.935	0.385	0.395	0.385	0.060	2.160
Car Parks	0.195	0.190	0.195	0.170	-	0.750
Tenanted Properties	0.290	0.586	0.380	0.380	-	1.637
Economic Prosperity Projects	0.100	0.100	0.100	0.100	-	0.400
Leisure Centres	0.030	0.210	0.190	0.030	-	0.460
Other	0.623	0.346	0.186	0.186	-	1.339
TOTAL CAPITAL EXPENDITURE	**41.280**	**30.067**	**5.101**	**4.548**	**0.560**	**81.556**

The approved Capital Programme includes growth for new initiatives and opprtunities:

Table 7: CAPITAL GROWTH 2021/22	
Service Area	**Additional Capital Growth Proposals**
ORGANISATION	
IT Services	• Investment In equipment replacement
Environmental Strategy Delivery	• Investment in projects that support delivery of the Environmental Strategy
Corporate Resources	• Capital allocation for investment in technology development projects
Organisational Development	• Capital allocation for systems Disaster Recovery measures
PEOPLE SERVICES:	
Wellbeing & Intervention	• Harlequin theatre – increased maintenance requirements due to age of building and provision to upgrade key service areas including Café and Foyer.
Housing	• Existing asset maintenance rolling programme
PLACE SERVICES	
Neighbourhood Services	• Workshop refurbishment • Contribution to new Surrey Transit site

This results in an underlying total borrowing requirement of £35.124m which (after applying internally available funding) translates to an estimated £114.5m in external borrowing by 2023/24. Further details of capital financing and borrowing are set out in section 5.

Table 8: CAPITAL PROGRAMME FUNDING 2021/22 to 2025/26	**2021/22 Projected £M**	**2022/23 Projected £M**	**2023/24 Projected £M**	**2024/25 Projected £M**	**2025/26 Projected £M**	**TOTAL**
TOTAL CAPITAL EXPENDITURE 2021/22 to 2025/26	**41.279**	**30.067**	**5.101**	**4.548**	**0.560**	**81.555**
FUNDED BY:						
Capital Reserves	-	-	-	-	-	-
Capital Receipts	4.187	26.778	-	-	-	30.965
Capital Grants & Contributions	2.385	1.187	1.187	1.187	-	5.946
Earmarked Reserves – Housing Delivery Strategy	9.520	-	-	-	-	9.520
Prudential Borrowing	25.187	2.102	3.914	3.361	0.560	35.124
TOTAL CAPITAL FUNDING 2021/22 to 2025/26	**41.279**	**30.067**	**5.101**	**4.548**	**0.560**	**81.555**

Table 8: CAPITAL PROGRAMME FUNDING 2021/22 to 2025/26	2021/22 Projected £M	2022/23 Projected £M	2023/24 Projected £M	2024/25 Projected £M	2025/26 Projected £M	TOTAL

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 Spending
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 annual review 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; and

- **Section 106 Agreements** (Town and Country Planning Act 1990) and **Community Infrastructure Levy** (CIL) sums. 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.

The table below summarises the capital expenditure plans over the duration of the Treasury Management Strategy 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 9: CAPITAL FINANCING PLANS	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**
Grants/Contributions	1.600	1.187	1.187
Capital Receipts	24.488	26.778	-
Revenue	-	-	-
Reserves	7.000	-	-
External Funding	33.089	27.965	1.187
Net Borrowing Need - General Fund (Core)	8.192	2.101	3.913
Net Borrowing Need - General Fund (Regeneration)	-	-	-
Net financing need for the year	8.192	2.101	3.913

NOTE 1: A review of historic allocations of Section 106 funds to the Capital Programme took place during year-end closedown for 2020/21 to confirm that the funds allocated reconcile to Planning team records. The outcome will be reflected in the Statement of Accounts for 2020/21 and the Mid-Year Treasury Management Report 2021/22.

Table 10: MOVEMENT IN CAPITAL FINANCING REQUIREMENT	**2019/20 Actual £m**	**2020/21 Estimate £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**
Closing CFR	31.105	106.235	113.066	112.934	114.494
Movement in CFR	12.280	75.130	6.831	(0.132)	1.560
Movement in CFR represented by:					
Net financing need for the year (above)	12.447	75.451	8.192	2.101	3.913

Table 10: MOVEMENT IN CAPITAL FINANCING REQUIREMENT	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Less MRP/VRP and other financing movements	(0.167)	(0.321)	(1.361)	(2.233)	(2.353)
Movement in CFR	**12.280**	**75.130**	**6.831**	**(132)**	**1.560**

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 11: EXPECTED CHANGE IN EXTERNAL DEBT	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
External Debt					
Debt at 1 April	12.000	14.000	89.130	95.961	95.829
Expected change in Debt	2.000	75.130	6.831	(0.132)	1.560
Other long-term liabilities (OLTL)	0.181	0.181	0.181	0.181	0.181
Expected change in OLTL	-	-	-	-	-
Actual Gross Debt at 31 March	**14.181**	**89.311**	**96.142**	**96.010**	**97.570**
CFR	31.105	106.235	113.066	112.934	114.494
Under / (over) Borrowing	**16.924**	**16.924**	**16.924**	**16.924**	**16.924**

The above table confirms that the Council is forecast (based on its current Capital Programme) to borrow up to £114.5m by 2023/24. This is within the Operational Limit of £151.5m and the Authorised Borrowing limit of £161.5m 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 12: RATIO OF FINANCING COSTS TO NET REVENUE BUDGET	2019/20 Actual %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %
Gross cost of borrowing as % of net budget requirement	1.8%	1.8%	8.7%	15.5%	16.5%
Net cost of borrowing including investment income as % of net budget requirement	(3.9)%	(3.9)%	1.7%	9.7%	10.6%

The estimates of financing costs include current commitments and the proposals in the 2020/21 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 2022/23.

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 Borrowing
Following on from the Public Works Loan Board (PWLB) consultation which closed in July 2020, HM Treasury concluded their findings and published revised lending terms for the PWLB in November 2020 while at the same time reducing PWLB lending rates to reverse the increase imposed in October 2019.

The key features of the new lending terms are:

- As a condition of accessing the PWLB, authorities are required to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB;
- This includes requiring the Chief Financial Officer to confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This assessment has to be based on their professional interpretation of guidance issued alongside the new lending terms;

- Given the nature of local authority borrowing, it is not possible to reliably link particular loans to specific spending, therefore this restriction applies on a 'whole plan' basis – meaning that the PWLB will not lend to any local authority which plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether that transaction would notionally be financed from a source other than the PWLB;
- When applying for a new loan, the local authority will be required to confirm that the plans they have submitted remain current and that the assurance that they do not intend to buy investment assets primarily for yield is still accurate; and
- Should it transpire that a local authority has deliberately misused the PWLB, HM Treasury has the option to suspend that authority's access to the PWLB, and in the most extreme cases, to require that loans be repaid.

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; and
- 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.

In July 2021 CIPFA announced that a strengthened Prudential Code will be published by the end of 2021. The revised Code will include clarification and examples of what is and is not classified as prudent borrowing activity.

Other key changes that will be implemented following consultation include:

- The inclusion of proportionality as an objective, so that an authority incorporates an assessment of risk against levels of resources;
- Clarifications to better define commercial activity and investment; and
- The introduction of the Liability Benchmark as a Treasury Management indicator for local government bodies

CIPFA also plan to revise the Treasury Management Code to integrate Environmental, Social and Governance risks into the policy framework and update the guidance on development, retention of knowledge, skills, and training in this area.

Governance

The Audit 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 Audit 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 2021/22 – 2025/26.

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 Government guidance the Council's processes highlighted above ensure that the Council's level of debt and aggregate risk remains proportionate.

Return on Investment
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.

Impact of Investment
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 through the Audit 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, 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 2022/23 to 2026/27
3. Asset Investment Approach
4. Accounting Policies
5. 5.1 Framework for Investment Decisions

   5.2 Property Investment Decisions Checklist
6. Annual Report Template
7. Capital Programme 2021/22 to 2025/26
8. Flexible Use of Capital Receipts Strategy
9. Risk Management
10. Asset Condition Assessment

COMMERCIAL GOVERNANCE FRAMEWORK 2019

Background

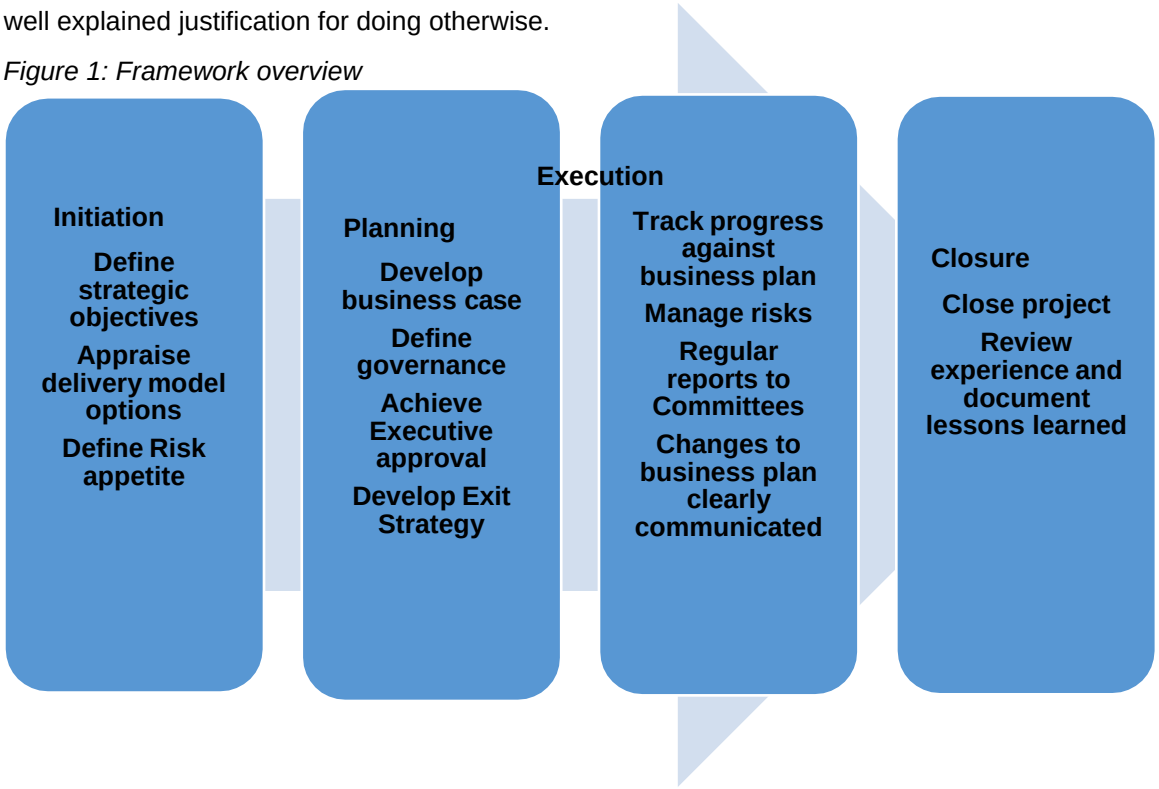
1. This Framework is the distillation of lessons learnt from a review of commercial governance arrangements undertaken by a Member Task Group in 2018-19. The objective of this Framework is to set out a best practice template for the set up and delivery of commercial ventures and companies by the Council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

Requirement	Evidence of compliance (or explanation for non-compliance)
Planning	
a. Does the assessment cover relevant criteria including costs, complexity, risks, return on investment?	
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	

Requirement	Evidence of compliance (or explanation for non-compliance)
Association and/or other documentation allow for full information flow to the Council). vi. Any other governance mechanisms proposed, eg advisory board, stakeholder committee.	
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.

MEDIUM TERM REVENUE BUDGET FORECAST 2022/23 to 2026/27

MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2020/21 £m	Cumulative Impact 2022/23 £m	Cumulative Impact 2023/24 £m	Cumulative Impact 2024/25 £m	Cumulative Impact 2025/26 £m	Cumulative Impact 2026/27 £m
2021/22 Budget Requirement	**17.395**					
Service Budgets - Pay		0.800	1.600	2.400	3.200	4.000
Service Budgets – net service growth / savings 2022/23		TBC	TBC	TBC	TBC	TBC
New sources of income – Fees & Charges / Commercial		TBC	TBC	TBC	TBC	TBC
Central Budgets - Treasury Management – net borrowing costs		0.775	1.945	1.053	1.622	1.622
Council Tax						
£5 per Band D equivalent plus impact of forecast taxbase		(0.540)	(1.050)	(1.580)	(1.970)	(2.290)
Business Rates		0.109	(0.241)	(0.871)	(0.931)	(1.161)
Negative RSG Grant		-	-	0.740	0.981	1.230
Government Grants						
Lower Tier Services Grant		-	0.394	0.394	0.394	0.394
Tax Income Guarantee		0.104	0.104	0.104	0.104	0.104
LCTS Grant		0.138	0.138	0.138	0.138	0.138
Call on Reserves 2021/22						
One-off call on Earmarked Reserves		0.242	0.242	0.242	0.242	0.242
General Fund Balance Contribution		0.235	0.235	0.235	0.235	0.235
Forecast Gap at July 2021 Compared to 2021/22 Budget *before ongoing COVID-19 Impacts*	**-**	**1.863**	**2.367**	**2.855**	**4.014**	**4.514**
Annual Increase in Gap		1.863	0.504	0.488	1.159	0.500
Gap as % of 2020/21 budget requirement		10.7%	13.6%	16.4%	23.1%	25.9%

Potential Impacts on MTFP Forecasts of the COVID-19 Pandemic

MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2020/21 £m	Cumulative Impact 2022/23 £m	Cumulative Impact 2023/24 £m	Cumulative Impact 2024/25 £m	Cumulative Impact 2025/26 £m	Cumulative Impact 2026/27 £m
Estimated Income Losses						
COVID-19 – estimated 2021/22 income impacts • Community Centres - £0.200m • Harlequin - £0.180m • Parking - £1.200m • Commercial Waste - £0.160m • Property Rents - £0.270m		2.010	TBC			
COVID-19 – estimated 2021/22 expenditure impacts • Homelessness support - £0.100m		0.100				
Government COVID-19 Funding in 2021/22						
COVID-19 emergency funding		(0.638)	TBC			
Sales, Fees & Charges Q1 Claim (est)		(0.750)	TBC			
Additional One-Off Funding Drawdown in 2021/22						
Call on the COVID-19 Reserve *[if no other Government support is received]*		(0.722)	TBC			
Forecast Gap at July 2021 Compared to 2021/22 Budget – *including estimate for ongoing COVID-19 impacts*	**0.000**	**Balanced**	TBC			

Work is continuing on forecasts for income and expenditure impacts beyond 2021/22 and updated forecasts will be provided in future in-year budget monitoring reports as the current year position becomes clearer.

ASSET INVESTMENT APPROACH

Introduction
The Council has for several years targeted 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 2020-2025 sets out our priorities for five year periods 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's Commercial Strategy assists in the understanding of why this Council needs to undertake commercial activity, and how funding allocated in 2020/21 and 2021/22 will be focused. It includes a Commercial Activity Action Plan, progress on which will be reported annually. The Action Plan will support delivery of new income generation opportunities for inclusion in future MTFP forecasts.

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 Approach 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 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; and
- Supporting the local economy.

Governance
This approach 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; and

- 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
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; and
- Environmental Sustainability Strategy

Scope
This approach 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; and
- 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 Approach 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 2019/20 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); and
- 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

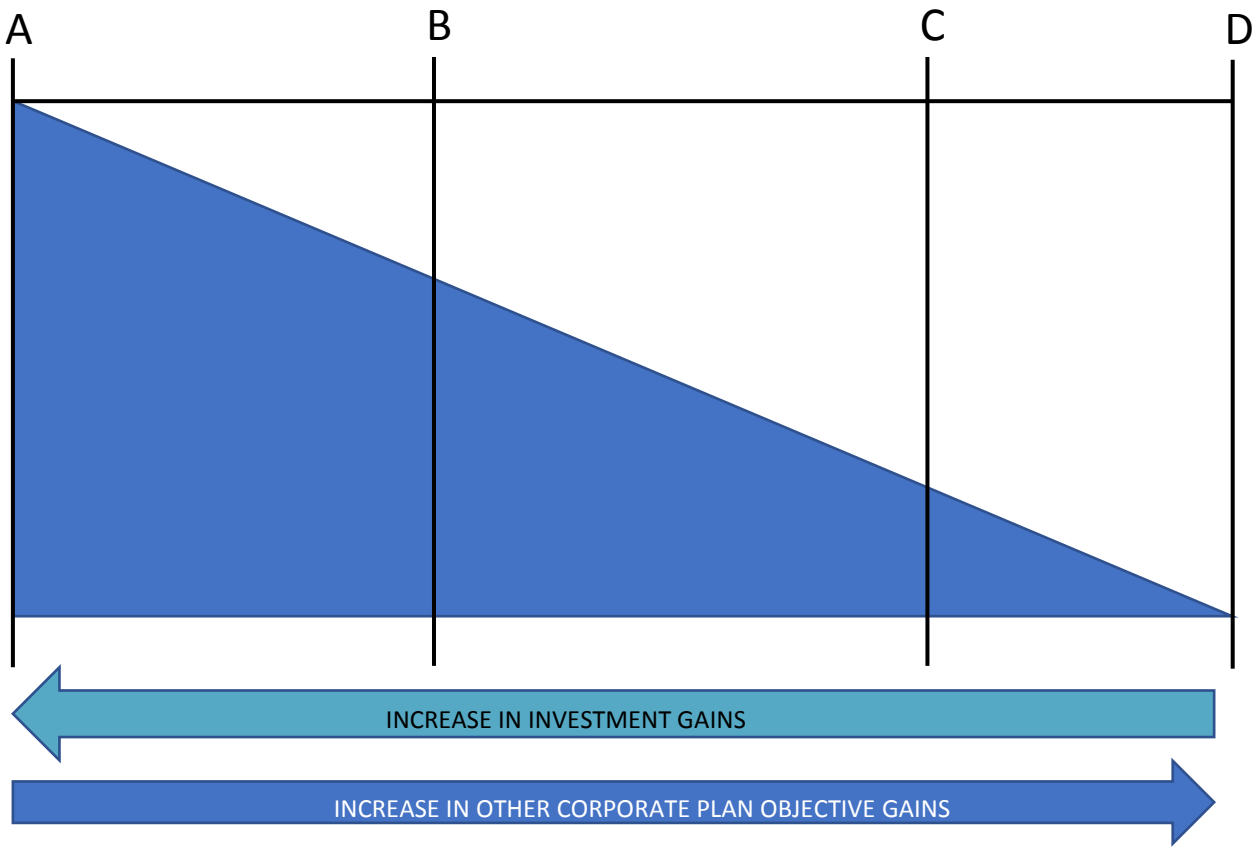
An item of property, plant or equipment is derecognised by disposal or when no future economic benefit or service potential is expected from its use. The carrying amount of the asset in the balance sheet is written off to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement 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

APPENDIX 5.2

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:		

Criteria	Measure		
	• 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 • 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

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*.

CAPITAL PROGRAMME 2021/22 to 2025/26

CAPITAL PROGRAMME 2021 to 2025 - DETAILS						
	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m	£m
ORGANISATION SERVICES						
PROPERTY SERVICES						
Rolling Property Maintenance Programmes						
Forum House, Brighton Road, Redhill	0.100	0.100	0.150	0.150	-	**0.500**
Unit 61E, Albert Road North	0.012	0.200	0.012	0.012	-	**0.235**
Regent House, Queensway, Redhill	0.050	0.100	0.090	0.090	-	**0.330**
Linden House, 51b High Street, Reigate	0.011	0.029	0.012	0.012	-	**0.063**
Units 1-5 Redhill Distribution Centre. Salfords	0.017	0.058	0.017	0.017	-	**0.109**
Crown House, Gloucester Road, Redhill	0.135	0.075	0.075	0.075	-	**0.360**
Tenanted properties - occupied by third parties - planned building maintenance	0.100	0.100	0.100	0.100	-	**0.400**
Commercial Investment Properties	0.076	0.076	0.076	0.076	-	**0.304**
Operational Buildings	0.145	0.110	0.095	0.080	-	**0.430**
Priory Park Maintenance	0.010	0.010	0.010	0.030	-	**0.060**
Public Conveniences	0.004	0.004	0.004	0.020	-	**0.032**
Infrastructure (walls, etc.)	0.010	0.060	0.010	0.060	-	**0.140**

CAPITAL PROGRAMME 2021 to 2025 - DETAILS						
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Allotments	0.012	0.012	0.012	0.022	-	**0.058**
Cemeteries & Chapels	0.020	0.020	0.020	0.040	-	**0.100**
Leisure Centres	0.030	0.210	0.190	0.030	-	**0.460**
Pavilions	0.110	0.050	0.050	0.050	-	**0.260**
Car Parks Capital Works	0.195	0.190	0.195	0.170	-	**0.750**
Earlswood Depot/Park Farm Depot	0.020	0.020	0.020	0.020	-	**0.080**
Community & Day Centres	0.085	0.075	0.067	0.065	-	**0.292**
Harlequin Theatre	0.140	0.110	0.120	0.100	-	**0.470**
Building Maintenance – consultancy/capitalised staff costs	0.050	0.050	0.050	0.040	-	**0.190**
Total	**1.332**	**1.658**	**1.374**	**1.258**	-	**5.623**
IT SERVICES						
Rolling Investment Programmes:						
ICT Replacement Programme	0.425	0.325	0.325	0.375	0.060	**1.510**
Disaster Recovery Systems Upgrade	0.200	0.050	-	-	-	**0.250**
Replacement Photocopiers/ Printers	-	-	0.060	-	-	**0.060**
Investment in Technology Projects	0.300	-	-	-	-	**0.300**
Total	**1.175**	**0.375**	**0.385**	**0.375**	**0.060**	**2.370**
ORGANISATIONAL DEVELOPMENT						
Workplace Facilities: Estate/Asset Development	0.250	0.250	0.250	0.250	-	**1.000**

CAPITAL PROGRAMME 2021 to 2025 - DETAILS						
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Workplace Facilities: additional IT requirement for increase in workforce.	0.010	0.010	0.010	0.010	-	**0.040**
Total	**0.260**	**0.260**	**0.260**	**0.260**	**-**	**1.040**
Environmental Strategy Delivery						
Environmental Strategy Delivery	0.250	-	-	-	-	**0.250**
CORPORATE						
COMMERCIAL INVESTMENT						
Commercial Investments *Investment during this period will be focussed on use of previously-allocated sums brought forward from previous years.*	-	-	-	-	-	**-**
PEOPLE SERVICES						
HOUSING						
Grant-Funded Schemes						
Disabled Facilities Grant	1.134	1.134	1.134	1.134	-	**4.536**
Home Improvement Agency (Part Grant Funded)	0.120	0.120	0.120	0.120	-	**0.480**
Handy Person Scheme (Housing Assistance Programme)	0.050	0.050	0.050	0.050	-	**0.200**
Repossession Prevention Fund	0.030	0.030	0.030	0.030	-	**0.120**
Cromwell Road Redevelopment	-	0.021	0.021	0.021	0.021	**0.084**
Pitwood Park	0.071	-	-	-	-	**0.071**
Housing Delivery Strategy						

CAPITAL PROGRAMME 2021 to 2025 - DETAILS						
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Housing Delivery	10.000	10.000	-	-	-	**20.000**
Total	**11.405**	**11.355**	**1.355**	**1.355**	**0.021**	**25.491**
WELLBEING & INTERVENTION						
Rolling Maintenance Programmes						
Harlequin Facilities Maintenance	0.040	0.040	0.040	0.040	0.040	**0.200**
Harlequin - Service Development	0.100	0.100	0.100	0.100	0.100	**0.500**
Total	**0.140**	**0.140**	**0.140**	**0.140**	**0.140**	**0.700**
COMMUNITY DEVELOPMENT						
Rolling Maintenance Programmes						
CCTV	0.030	0.030	0.030	0.030	-	**0.120**
PLACE SERVICES						
NEIGHBOURHOOD OPERATIONS						
Rolling Maintenance/Investment programmes						
Refuse Vehicle Replacement	1.620	-	-	-	-	**1.620**
Vehicles & Plant	0.294	0.533	1.101	0.674	0.339	**2.941**
Play Areas Improvement	0.230	0.230	0.230	0.230	-	**0.920**
Air Quality Monitoring Equipment	0.040	0.040	0.040	0.040	-	**0.160**
Parks & Countryside – Infrastructure & Fencing	0.045	0.045	0.045	0.045	-	**0.180**
Contaminated Land – Investigation Work	0.030	0.030	0.030	0.030	-	**0.120**

CAPITAL PROGRAMME 2021 to 2025 - DETAILS						
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Workshop Refurbishment	-	0.160	-	-	-	**0.160**
Contribution to Surrey Transit Site	0.127	-	-	-	-	**0.127**
Land Flood Prevention	0.011	0.011	0.011	0.011	-	**0.042**
Total	**2.397**	**1.049**	**1.457**	**1.030**	**0.339**	**6.270**
PLACE SERVICES						
PLACE DELIVERY						
Marketfield Way Redevelopment	23.212	15.100	-	-	-	**38.312**
Horley Public Realm Improvements - Phase 4	0.500	-	-	-	-	**0.500**
Merstham Recreation Ground	0.700	-	-	-	-	**0.700**
Redhill Public Realm Improvements	0.030	-	-	-	-	**0.030**
Total	**24.442**	**15.100**	**-**	**-**	**-**	**39.542**
Economic Prosperity - Vibrant towns & villages	0.100	0.100	0.100	0.100	-	**0.400**
TOTAL APPROVED CAPITAL PROGRAMME	**41.280**	**30.067**	**5.101**	**4.548**	**0.560**	**81.556**

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 2022/23 as part of the 2019/20 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.